

CLAIMS SETTLEMENT OPERATIONS: VIEWS AND OPINIONS

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ABSTRACT

The insurance is a contract between two parties which defines the terms and conditions also, so language used in the contract has an important role. Similarly few experts have given their opinion regarding problem faced during the settlement procedure and suggest a good redressal machinery for this purpose. Views and opinions taken from primary sources regarding level of satisfaction among customers for services rendered by both public and private sector company shows that private sector including Bajaj Allianz has shown more satisfaction level in comparison to LIC although with a marginal percentage. The satisfaction level includes consumption of time, level of harassment, number of enquires made and documents required.

KEY WORDS: Bajaj Allianz, LIC, Insurance, Claims Settlement.

INTRODUCTION

The insurance industry was not touched even after the Malhotra Committee, 1994, submitted its report, in which it recommended substantial changes in the insurance sector. It recommended liberalization and introduction of competition from domestic as well as foreign entities under certain conditions. On the basis of this, the entry of the private sector at one stage appeared imminent but unfortunately, there was considerable resistance to any such efforts, and the Government seemed to have succumbed to it. The only action taken in this respect was the setting up of an Insurance Regulatory Authority (IRA) which was announced in the Budget of 1995-96, but was actually formed only in 1996. It had not yet been made an autonomous, independent body of experts, and was yet to be invested with adequate powers. Even the Bill to this effect introduced in the Parliament had to be

withdrawn under political pressure. A package of the measures was yet to be announced. The 1997-98 Budget announced the Government's intention of allowing private sector entry in Health Insurance and Pension Funds. The 1998-99 Budget, declared that the sector will be opened up for private sector entry. Initially, it was mentioned that only Indian companies would be allowed. It was subsequently clarified that even foreign companies would be allowed to invest to the extent of 26 percent of equity and there could be a further participation to the extent of 14 percent from NRIs. This kicked up a storm and even within the Government, there seemed to be serious differences of opinion. That stalled the introduction of the IRA Bill in the Parliament, which finally was done in December 1998 and was referred to the select committee of the Parliament.

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The now Government introduced it again, in modified form on 2nd December, 1999. The Lok Sabha passed the Bill to set up an Insurance Regulatory and Development Authority. It was passed by the Rajya Sabha on 7th December, 1999.

INSURANCE LAWS (AMENDMENT) BILL 2008

The Government presented the Insurance Laws (Amendment) Bill 2008 in the Rajya Sabha on 22nd December 2008. The Bill intended to correct the Insurance Act 1938, the General Insurance Business (Nationalization) Act 1972, and the Insurance Regulatory and Development Authority Act 1999. The Standing Committee of Finance has presented its report to Parliament on thirteenth December, 2011.

AMENDMENTS TO THE LIC ACT 1956

The LIC (Amendment) Bill, 2011 was passed by parliament on 12th December, 2011 by the Lok Sabha and on 14th December, 2011 by the Rajya Sabha. The Amendments will enable the LIC to raise its equity capital from Rs. 5 crore to Rs 100 crore and create a reserve fund to be used for its business expansion and meeting its corporate social responsibility (Economic Survey 11-12).

OVERVIEWS OF THE CONCEPT

From time to time, researcher in India have devoted a lot of effort to study the satisfaction level of policyholders during their claims settlement period as well as their individual feeling of claim Settlement procedures and performance of insurance companies. Some of the studies that have been reviewed for the purpose are discussed below.

OVERVIEW OF THE LITERATURE

Birds, J., & Hird, N. J. (1996) states that good faith is the most crucial element in any of the

insurance contract. As a matter of fact hence, bad faith can be understood to be bases which leads the denial of insurance contract. A number of judgment as being stated by the researcher proof this statement. Dorfman, (1982) while describing insurance state it be a contract between insurer and insured. He further states that for settlement of claims, it is the language that plays significant role. The tenet of 'contra proferentum' is connected in insurance contract toward the end, when outward proof is depleted. Das & Debnath (2012) in their research found the number of cases repudiated to be very small even though repudiation is very important to safe guard the interest of honest policyholders. Bodla and Garg (2003) in their work on insurance strategies recognized the issues of insurance organizations in settling the passing cases. Palande and Shah (2003) gave the general issues identifying with early case settlement by LIC of India. Verma and Wani (2015) felt that complaint redressal system need to be reinforced to shield the enthusiasm of inquirers against the provisions of insurance contract. Parmar (2008) state that under the section 64 of protection Act, 1938, IRDA has been given the ability to coordinate installment of cases. Be that as it may, the IRDA's capacity to settle has exceptionally restricted degree. She felt, there is a need to set up an undeniable complaint redressal at the inside just as the states to investigate the issues.

LEVEL OF SATISFACTION

To find out the satisfaction level of customers whether they are satisfied with the service given to them by their respective insurance companies regarding claims settlement, a survey is conducted on respondents who are customers of LIC and of private sector insurer including Bajaj Allianz. Out of 221 respondents 38. 91% of them demonstrated their fulfillment level as generally excellent, while 48. 87% reacted as 'great', 9. 05% said normal yet just 3. 17% said poor. This demonstrates the general population are content

with the administrations of LIC. For private division, 39.29% of the respondents said that the administrations of private insurance agencies are awesome, while 51.79% of the respondents said

'great', 7.14% respondents said 6 'normal' and 1.78% said 'poor'. This demonstrates the fulfillment level of private part insurance agencies are minimal superior to that of LIC.

Table 1 Satisfaction Level of customers (in Percentage)

	LIC	Other Private Banks including Bajaj Allianz
Very good	38.91	39.29
Good	48.87	51.79
Average	9.05	7.14
Poor	3.17	1.70

Source: Survey report

The respondents were asked to share experience of workstyle of the insurance companies to whom they submitted their claim proposals. The main questions asked by the respondents were which type of claim proposal was, when it was submitted, when it was settled, how much time involved in settling the claim, what difficulties they faced during the settlement process taking place in insurance company, the level of harassment, number of enquiry made by the insurance company to complete the settlement process their level of satisfaction, whether they will recommend other persons also for the insurance company in future, whether timely information was given by the insurance company regarding requirement of papers etc. It was noticed that there was unwanted delays in maturity claims and death claims settlement in LIC in comparison to Bajaj Allianz. The delay tarnish the image of LIC to a great extent.

REASONS FOR DELAY IN CLAIMS SETTLEMENTS

There are two types of claims i. e. Death claims and maturity claims which is analyzed for getting the reasons for delay in claims settlements.

DEATH CLAIMS

The LIC has set the following operational goals for settlement of death claims–

- (i) As regards death claims other than early claims all such claims should be set within a

maximum period of three months from the date of reporting of the claims.

- (ii) In the case of early claims, i. e. claims arising on account of death of the policyholder within two years from the date of risk or date of revival, where investigation is considered necessary, the decision should be taken within a maximum period of six months.
- (iii) In respect of claims which remain outstanding for one reason or the other, beyond period specified, all efforts must be made to see that claims do not remain outstanding for more than one year unless legal issues are involved.

Causes of delay in Payment of death claims have been analysed under claims in the course of being processed at the operating office, claims pending for requirements from the claimants, claimants not traceable and incomplete claims investigation. There are several reasons under claims pending for requirements from the claimants e. g. age-proof is not received, proof of title is received very late, Indemnity Bond-Policy Lost documents. There is need of strength nine of the follow up services by LIC to serve it policy holders. In case of early death claims, the pending investigation has caused inordinate delay. There are claims of reducing the time lag between requisition of claims and payments of claims. The officials entrusted to investigate the early deaths are required to submit their reports as early as possible.

MATURITY CLAIMS

Maturity claims under policies which have been kept in full force till the date of maturity should be settled on the maturity date itself or at least within one month of the date of maturity. There are 5 main causes of delay in settlements of maturity claims—causes in course of being processed at the operating office, claims pending for requirements from the claimants, policy holders not traceable, claims pending for other requirements and claims under payment.

REPUDIATION OF CLAIMS

It is observed that some policy holders obtain policies fraudulently by suppressing material facts. In such cases, it becomes essential to repudiate the claims for the interests of all the policyholders and the LIC. Thus it necessitates to have a separate body to consider the case of repudiation to avoid the harassment of genuine policyholders and to protect the LIC from fraudulent policyholders. A Claims Review committee has been appointed in this respect to settle the disputed claims.

SURRENDER VALUES

Under ordinary life insurance policies, level premiums are received from policyholders, which accumulated with a certain rate of interest, called reserve. When the insured wishes to surrender his policy or fails to pay his premium, reserve is no longer accumulated and the insured, generally, is given a surrender value. The surrender value will not be equal to the accumulated reserve because certain expenses or losses are involved in payment of surrender values. Surrender value can be defined as the amount of premium paid which is returned to the policyholder at the time of surrendering the policy. Normally no surrender value is paid if the policy lapses within two years of its issue because a huge expenditure is involved during the inception of the policy. In the early days of life assurance, it

was not customary to allow any surrender value and therefore, the policyholders who continued to pay premiums stood to benefit at the cost of those who stopped paying premiums. Later on with the passage of time, insurance companies began to make payment of surrender value to policyholders being a portion of reserves built in respect of the policy. The LIC has guaranteed certain minimum surrender values to its policyholders. This has been done in pursuance of section 113 of the Insurance Act, 1938. According to the provision of the Insurance Act a policy of life insurance under which premiums have been paid for at least three consecutive years will be eligible for surrender value to which will be added the cash value of bonus, if any that has vested in.

CONCLUSION

Study of claims settlement operations on the basis of views and opinions collected from secondary and primary sources suggests that after the establishment of IRDA several initiatives on health insurance have been taken for the spread of health insurance in the society. The establishment of National Health Insurance working group in 2003 is an example. The initiative has resulted in a positive way and the premium of the health insurance products has grown from Rs 675 crores in 2001-2002 to Rs 11480 crore in 2010-2011. Besides the government has also introduced the Insurance Laws [Amendment] Bill in 2008 for further transparency. Overview of the insurance concept based on certain experts' opinions suggest that claims settlement is based on good faith. It was noticed that there were unwanted delays in claims settlement in LIC in comparison to Bajaj Allianz. The survey also indicates the various reasons for delay in claim settlement among which few are of such nature on which there is no control of the company. For example in case of accidental deaths the succession report, police verification, original bond policy lost etc. In few cases of

maturity claims the causes such as unnecessary time taken by the claimants in furnishing the facts, policy holders not traceable and other reasons have delayed the settlement procedures.

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