

INSURANCE OMBUDSMAN: A COMPREHENSIVE MECHANISM FOR REDRESSAL OF PUBLIC GRIEVANCES IN INSURANCE SECTOR

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ABSTRACT

Grievance is defined as a wrong or immoral suffered, creating grounds for a complaint. In the context of the study, it refers to customer dissatisfaction with a product or service provided by an insurance company. Focus on grievance redressal in insurance services and concentrates on the role of the insurance ombudsman in addressing policyholder grievances in India. It tries to acknowledge the challenges of handling a large volume of insurance transactions and a substantial customer base. Recognizes that the sheer size of the insurance market leads to a growing number of policyholder grievances for every insurance company. The paper relies on secondary data obtained from the IRDA (Insurance Regulatory and Development Authority of India) and draws upon research papers from various journals. It highlights the crucial role of the insurance ombudsman in grievance management, notes a constant increase in the number of complaints received by various ombudsmen across India. In conclusion, the study underscores the importance of effective grievance management in the insurance sector and emphasizes the positive impact of the insurance ombudsman in building confidence and trust among policyholders.

KEYWORDS: Insurance Ombudsman, Public grievances, Insurance,

Insurance is a legally binding contract between two parties: the insured (individual or company purchasing the policy) and the insurer (the company providing the insurance). The essence of the contract involves a financial arrangement where the insured pays a specific amount of money, known as a premium, to the insurer. The purpose of insurance is to provide coverage and financial protection to the insured in the event of unfortunate occurrences or crises. The events covered by insurance can vary and may include sudden demise, accidental injuries, damage to property (such as vehicles or houses), and other specified risks mentioned in the insurance policy. In the event of a covered loss, the insurer is obligated to provide financial compensation to the insured as per the terms and conditions outlined in the insurance policy. Insurance involves the transfer of risk from the insured to the insurer. The insured pays a premium to the insurer in exchange for the latter assuming the financial risk associated with certain events. Insurance can cover a wide range of areas, including life insurance (providing coverage in case of death), health insurance (covering medical expenses), auto insurance (covering damage to vehicles), and home insurance (covering damage to properties). Insurance also promotes risk prevention and mitigation measures. The terms of the insurance contract may include stipulations for risk reduction to minimize the likelihood of covered events.

INSURANCE SECTOR IN INDIA

The expansion of the insurance industry in India over the last decade, particularly in terms of the number of policies

and premium incomes in the life insurance sector, has indeed been remarkable. However, this growth has been accompanied by an increase in consumer complaints and grievances. Despite the proliferation of information technology and its associated services, it seems that the correlation between the growth of the insurance business and the number of customer-related grievances may not be proportional. One might have expected that advancements in technology and increased usage of information technology would lead to more effective handling of customer-related issues. Additionally, the heightened awareness among customers about their rights and responsibilities, along with the efforts of consumer advocacy groups, should theoretically contribute to a reduction in grievances.

Several factors could be contributing to the persistence of customer complaints despite the technological advancements and increased awareness:

- **Complexity of Products:** insurance products can be complex, and customers may not always fully understand the terms and conditions. This complexity can lead to misunderstandings and disputes.
- **Sales Practices:** Unethical sales practices, such as misrepresentation of policy terms or aggressive selling, can result in dissatisfaction among customers.
- **Claims Processing:** Delays or complications in the claims processing system can be a significant source of

customer grievances. Despite technological advancements, issues in this area may persist.

- **Customer Education:** While there has been an increase in general awareness, the level of financial literacy among customers might still be a limiting factor. Adequate education about insurance products and policies is crucial to minimize grievances.

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- **Regulatory Compliance:** Stringent regulations and compliance requirements in the insurance industry may contribute to a perception of red tape and bureaucracy, leading to customer dissatisfaction.

- **Customer Service Quality:** The effectiveness of customer service in addressing grievances is pivotal. Even with technological support, if customer service is not responsive or helpful, it can lead to dissatisfaction.

To address these challenges, the insurance industry should enhance customer education initiatives, ensure ethical sales practices, streamline claims processing, and maintain high standards of customer service. Moreover, regulatory bodies play a crucial role in enforcing fair practices and protecting consumer rights, contributing to a healthier and more balanced growth in the insurance sector.

PUBLIC GRIEVANCES IN INSURANCE SECTOR

The evolution of grievance redressal in the insurance sector reflects a broader trend in customer service and relationship management across various industries. The shift from treating grievances as isolated incidents to viewing them as part of a broader cause and effect analysis signifies a proactive and strategic approach to customer satisfaction.

The dynamic nature of the business environment, coupled with heightened competition and increased customer awareness, has necessitated a shift in the way grievances are handled. Companies are now recognizing the importance of not only addressing individual issues but also understanding the underlying causes to prevent recurrence. Grievance management is no longer viewed as a reactive process but has become an integral part of strategic management. The focus has shifted from providing singular remedies to conducting thorough cause and effect analyses. This approach aims not only at corrective measures but also at implementing preventive steps to enhance overall customer satisfaction by reducing

Public Grievance is portrayed as a continuous and dynamic process that requires constant monitoring around the clock, 24x7. It emphasizes that addressing grievances is an ongoing commitment and not a one-time task. This perpetual attention to customer concerns aligns with the idea that the process is never truly "finished" as long as the business exists. Focus on Customer Satisfaction emphasizes the

importance of aligning the entire organization with the goal of customer satisfaction. This involves not only addressing grievances when they arise but also proactively identifying and meeting customer needs to prevent grievances from occurring in the first place. Grievance management is presented as a comprehensive and holistic approach that spans the entire customer lifecycle, from the first contact to the last minute of policyholder interaction. This approach implies that every touchpoint with the customer is an opportunity to enhance their experience and address any potential grievances.

In summary, the evolving landscape of grievance redressal in the insurance sector reflects a strategic shift towards a proactive, continuous, and holistic approach to customer satisfaction and relationship management. This approach aligns with broader trends in customer-centric business practices across various industries.

INSURANCE OMBUDSMAN IN INDIA

The Insurance Ombudsman in India was established through a Government of India Notification on November 11, 1998. The primary objective was to address and resolve grievances of insured clients quickly and alleviate the issues involved in resolving these grievances. The Insurance Ombudsman plays a crucial role in protecting the interests of policyholders and building their confidence in the insurance system. It serves to generate and maintain trust and confidence among both policyholders and insurers.

Functions

The Insurance Ombudsman has two main functions:

Appeasement: Resolving grievances through negotiation and settlement.

Award Making: Making decisions and issuing awards in cases where disputes cannot be resolved through appeasement.

- **Scope of Grievances:**

The Ombudsman is authorized to receive and consider complaints from any individual who has a grievance against an insurance company. Grievances may include:

- Partial or total repudiation of claims.
- Disagreements regarding premium payments.
- Disputes over the interpretation of policy wording in claims-related matters.
- Delayed claim settlements.
- Non-issuance of insurance documents even after the premium is paid.

- **Limitation of Powers:** The Insurance Ombudsman's powers are limited to insurance policy contracts with a value not exceeding Rs. 20 lakhs.
- **Enforcement:** Insurance companies are obligated to comply with the decisions and awards passed by an Insurance Ombudsman within three months.

In summary, the Insurance Ombudsman in India serves as an important institution for the resolution of insurance-related grievances, aiming to protect the interests of policyholders and foster confidence in the insurance system.

TERRITORIAL JURISDICTION OF OMBUDSMAN

It appears that you are describing the territorial jurisdiction and locations of twelve Insurance Ombudsman offices in India. The Ombudsman system is often established to provide an independent mechanism for addressing complaints and grievances against specific organizations or services. In this case, the Insurance Ombudsman offices are distributed across different parts of the nation, each with its own specified territorial jurisdiction. The locations of these offices are Bhopal, Bhubaneswar, Cochin, Guwahati, Chandigarh, New Delhi, Chennai, Kolkata, Ahmedabad, Lucknow, Mumbai, and Hyderabad.

The territorial jurisdiction of each Ombudsman office defines the geographical area or region within which it has the authority to address and resolve complaints related to insurance matters. It allows individuals within a specific region to seek redress for their grievances without having to navigate a centralized system. The provision for Ombudsman offices to hold a sitting at different places within their jurisdiction is aimed at facilitating the speedy resolution of complaints. This decentralized approach allows the Ombudsman to be more accessible to individuals across the region, making it easier for people to present their concerns and for the Ombudsman to address them efficiently.

MODE OF LODGING COMPLAINT

If you need to lodge a complaint with the insurance Ombudsman, follow these steps:

- **Prepare a Written Complaint:**
 - Clearly articulate the details of your grievance in writing.
 - Include your personal details such as name, address, policy number, and contact information.
 - Provide a chronological account of events leading to the complaint.
 - Attach relevant documents, if any, to support your case.

- **Identify the Jurisdiction-** Determine the jurisdiction under which the office of the insurance providing company falls. This information is crucial for addressing the complaint to the correct Ombudsman.

- **Address the Complaint to the Insurance Ombudsman:**

- Clearly mention in your written complaint that it is addressed to the Insurance Ombudsman.

- Include the complete address of the Insurance Ombudsman for the relevant jurisdiction.

- **Submission of Complaint:**

- Submit the written complaint along with any supporting documents to the office of the Insurance Ombudsman.

- Ensure that the submission includes all necessary details and is comprehensive.

- **Legal Heirs Filing Grievance:**

- If the aggrieved person is unable to file the complaint personally, legal heirs can file the grievance on their behalf.

- The legal heirs should provide proof of their relationship to the aggrieved person along with the necessary documentation supporting the complaint.

- **Follow-Up:**

- After submitting the complaint, follow up with the Insurance Ombudsman's office to check the status of your grievance.

- Be prepared to provide any additional information or documentation if requested by the Ombudsman.

- **Cooperate with the Ombudsman's Office:**

- Respond promptly to any communication or inquiry from the Ombudsman's office.

- Cooperate fully during the investigation process.

- **Patience:**

- Understand that the resolution process may take some time. Be patient and await the decision of the Ombudsman.

It's important to note that the procedures may vary slightly based on the specific regulations and guidelines of the jurisdiction in question. Always refer to the official guidelines provided by the relevant insurance regulatory authority for accurate and up-to-date information.

BEFORE LODGING GRIEVANCES

The complainant should have already filed a complaint with the insurance-providing company. The

insurance-providing company should have either rejected the complaint or the complainant has not received any reply within one month after the insurance company received the complaint. The complainant is not satisfied with the reply received from the insurance-providing company. The complaint must be filed within one year from the date of receiving a reply from the insurance-providing company. There should be no pending complaint on the same subject before any court, consumer forum, or arbitrator. These conditions are common in many grievance procedures, ensuring that individuals have taken reasonable steps to resolve issues with the insurance company before seeking external intervention. It also sets a time limit for filing grievances and avoids duplication of proceedings in multiple forums. If all these conditions are met, the complainant can proceed with lodging a grievance.

The Ombudsman is required to pass an award within three months from the receipt of a complaint. The awards issued by the Ombudsman are considered judgments that bind insurance companies. If the policyholder or aggrieved person is not satisfied with the Ombudsman's award, they have the option to file a complaint in other forums such as Consumer Forums and Courts to seek redressal for their grievances. Insurance companies are obligated under policy-holder protection regulations to update policyholders with the necessary policy documents. This includes information about the insurance Ombudsman's jurisdiction, ensuring that policyholders are aware of where to address their grievances for resolution.

It's worth noting that the Ombudsman serves as an alternative dispute resolution mechanism, providing a quicker and less formal option for policyholders to address their concerns. If dissatisfied, policyholders can then pursue further legal avenues through Consumer Forums and Courts for resolution.

CONCLUSION

The Insurance Ombudsman serves as an independent body that facilitates the resolution of disputes between insurance providers and policyholders. Their role is to ensure that complainants or aggrieved individuals are given a fair opportunity to present their grievances. This system is crucial in maintaining transparency, fairness, and trust in the insurance industry.

To improve the effectiveness of the grievances management system, it's essential to focus on a few key areas:

- **Accessibility and Awareness:** Ensure that policyholders are aware of the existence and role of the Insurance Ombudsman. Clear communication about the grievance redressal process and how individuals can access these services is crucial.
- **Efficiency and Timeliness:** Work towards streamlining the complaint resolution process to ensure quick and efficient handling of grievances. Timely resolution builds confidence among policyholders and reinforces trust in the system.
- **Transparency:** Maintain transparency in the process by keeping policyholders informed about the status of their complaints and the steps being taken for resolution. Transparency helps in building trust and credibility.
- **Continuous Improvement:** Regularly evaluate the grievances management system and the functioning of the Insurance Ombudsman to identify areas for improvement. This could include addressing common issues, enhancing communication channels, and refining the dispute resolution process.
- **Education and Training:** Provide education and training to both policyholders and insurance providers on the importance of the grievance redressal system. This can help prevent disputes and ensure a better understanding of the insurance policies.

By focusing on these aspects, the insurance industry can further strengthen the role of the Insurance Ombudsman, contributing to a more reliable and trustworthy environment for policyholders.

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