



Simplifying the claims process

The insurance industry in India, despite high incurred claims ratios year after year, does not seem to have gained the trust of consumers. *Asia Insurance Review* spoke with **Insurance Brokers Association of India's Mr Sumit Bohra** about how things can be simplified to bridge the trust deficit.

By Anoop Khanna



Claims perhaps present the single best opportunity for an insurer to foster loyalty by engaging with customer on a personal level and satisfying the coverage promise.

Net incurred claims of general and health insurers have been high year after year, between 80% and 90%, and the trust deficit still exists amongst insurance customers despite this (see table 1).

Insurance Brokers Association of India (IBAI) president Sumit Bohra said, "Lack of trust in the insurance industry is perhaps the single biggest factor behind the low penetration of insurance in India and this is unlikely to change until there is a definite shift in priorities of insurers and a transformation in our claims settlement process."

The processes need a relook

Mr Bohra said, "The main reasons for this are the age-old policies, practices and procedures which need to be challenged and re-examined with changing times.

"Take the case of a theft, where one needs a first-information-report in a specific format and then the closure report, a process which can then go on months or years," he said.

Processes and systems should facilitate resolution of a claim within a time frame while safeguarding the interests of the customer as well as of the insurer. It should help the client to get back on their feet but instead the insured gets caught in the bureaucratic rigmarole.

It is true that the insurer needs to ascertain the genuineness of the claim and also the intent and efforts made by the insured to recoup the loss and ensure that there is no breach of warranty. If all these conditions are fulfilled, the insurers should not hesitate to pay the claims.

Mr Bohra said, "Unfortunately, this does not happen and very often the client and insurer find themselves on competitive turf.

"The client, in a bid to negotiate a sweet deal, appoints multiple brokers and creates unviable competition and the insurer finds an opportunity to

reciprocate in the same coin at the time of claim settlement. Eventually, both lose," he said.

Early settlement should be top target

The industry always works to achieve sales targets, to increase the numbers, to achieve growth, accomplish targets and a lot more. However, it is rare to see any targets for the early settlement of claims.

Claims are the best test for a broker. Right and useful advisories on risk management and proper guidance to the clients based on the brokers' experience should be an important factor for the client to depend on a specific broker.

Mr Bohra said it is important to limit paperwork and the amount of information being sought from the claimant. Questioning by surveyors and insurers is good to an extent but only to cover the essentials. Moreover, it is important that at least the market value is paid as soon as the cause of loss is established with the reinstatement value being paid

Table 1: Incurred claims ratio of all segments of general and health insurers

Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Incurred claims ratio (%)	81.98	81.70	85.06	90.91	85.26	89.0	85.90

Source: IRDAI Handbook on Indian insurance statistics 2019-20.

once the property is put back to its original condition.

Insurers are in a much better position to handle and argue against any wrongdoing and so should allow the customer to appoint a surveyor who can help make a correct assessment of the loss and get the claim processed.

Claimant should have a say

Mr Bohra said, “The Policy Holders Protection Act of 2017 allows the insured to appoint a surveyor of choice, however insurers almost never accept the surveyor appointed by the insured which reflects a prejudice on their part.”

There is also an emerging trend of insurers appointing private forensic agencies that are not regulated by the Insurance Regulatory and Development Authority of India (IRDAI). They complicate the claim settlement with their contradictory reporting.

Speaking about this practice of appointing forensic investigators as routine, Mr Bohra said forensic investigation should be carried out in the rarest of cases where there is enough evidence of any wrongdoing, malefic intent, or the cause of loss is not identifiable.

He said, “Multiple reports by different agencies in a single case just create confusion for the claims team and it leads to more claims being repudiated, seeking legal

intervention.”

As per the new amendment in 2020, all rejected claims with a premium value below INR10m (\$135,600) have to be contested at the district-level commission, with the next appellate authority being the state commission followed by national commission and then the final appellate authority being the Supreme Court.

Recent amendments need changes

Mr Bohra said, “The new arrangement doesn’t serve the consumer’s interest. Previously, the criteria was ‘amount of dispute’ above INR10m which allowed any disputed claim to be contested at National Consumer Disputes Redressal Commission with the next appellate authority being the Supreme Court.

“The additional layers of appeal have made things difficult for the consumers and lead to delaying the entire process. Justice delayed is justice denied.”

Mr Bohra said, “Recently, the limit of jurisdiction for the insurance ombudsman has been raised to INR3m which should be further raised to INR10m for individual customers. For commercial claims, there can be a separate appellate authority for insurance claims disputes which should be the first appellate authority and decisions

of the same should be binding on the insurers whereas an aggrieved customer should be allowed to appeal in higher courts in case he is not happy with the verdict.”

Small business should be industry focus

Mr Bohra said, “If we want to see a spurt in insurance penetration and growth in the sector, we have to focus on micro, small and medium enterprises and these enterprises would be looking at early claims settlement whenever the need arises. We should not feel comfortable with the published turnaround time reports which are packaged for optics.”

IRDAI recently introduced three standard insurance covers *Griha Suraksha*, *Sookshama Udyog* and *Laghu Udyog* to cater to individuals and micro, small and medium enterprises and small and medium enterprises and ensure bare minimum coverage and avoid misguidance.

Mr Bohra said, “It is a welcome first move by the regulator. IRDAI should now also permit some add-ons which are essential for making these comprehensive covers. The next step should be further simplification with a time-bound mechanism and minimal paperwork.”

There is an urgent need for reforms as far as claims are concerned if we are truly to make insurance an inclusive and essential risk-management tool for every Indian. ■

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