DE JURE NEXUS LAW JOURNAL

Author:

Marc Johanan Olegrey Pereira

Rizvi Law College, Mumbai

3rd Year, BLS LL.B.

CONSUMER PROTECTION IN LIFE INSURANCE INDUSTRY AND ITS CHALLENGES

Introduction

In India, consumer protection is one of the most important techniques to control big corporations from exploiting the common man in the fields of pricing and providing premier quality of goods to the consumer by setting certain standards that have to be adhered to under any and all circumstances. Such standards are set to all corporations and the life insurance industry are no exceptions for this. All consumer protection laws flow from the fundamental rights enshrined in Article 14 till Article 19 of the Indian Constitution. Also, Article 46 of the Indian Constitution provides that the state must shall endeavor to protect the economic interest of the weaker section of its population and also protect them from social injustice and all forms of exploitation. Here social injustice could tie into being interpreted as consumer exploitation. Therefore, in this article a special focus shall be aimed at consumer protection I life insurance and its challenges.

Consumer Protection in Insurance Industry.

The Supreme Court of India has already termed any person who avails of insurance services are to be brought under the gamut of the definition of a consumer under the Consumer Protection Act. In the case of Canara Bank vs United Indian Insurance Corporation and Ors[1]. In the above case, it was held that the beneficiaries of insurance policies also come under the ambit of consumer. In this case, some farmers stored their produce in a cold store facility and to protect against the loss

[1] Canara Bank vs United Indian Insurance Corporation and Ors CIVIL APPEAL NO. 1042 OF 2020 (@SPECIAL LEAVE PETITION (CIVIL) NO. 20393 OF 2018)

of any product, the farmers took an insurance premium out on the produce. The famers further entered into a tripartite agreement between the bank and insurance company as the goods were hypothecated (pledged to the bank as collateral against loan) to the bank. Later, a fire took place at the cold store and many products were lost. The fire was determined to be a short circuit and the farmers came claiming their insurance money. However, the insurance company refused to pay out saying that they do not fall under the ambit of consumers. The State Commission, National Commission and Supreme Court all were of the opinion that since the farmers had availed of an insurance premium and paid the insurance amount for the said premium then they would be beneficiaries of insurance premium and thus will be termed as consumers.

Therefore, from the above case it is clear to be understood that beneficiaries of insurance policies are to be termed as consumers. In the regard of insurance, this judgement is of paramount importance as it assures the public that there those who are beneficiaries of insurance policies will be safely within the ambit of the definition of a consumer under the Consumer Protection Act.

Consumer Protection in Life Insurance Industry.

IRDAI

The scope of consumer protection in Indi's Life Insurance Industry seems to be apparent with various redressal forums available to the beneficiary of these policies. The Insurance Regulatory and Development Authority (IRDAI) works tirelessly to ensure that beneficiaries of these policies who have issues are to be taken care of. This agency governs the life insurance industry in India and also formulates various schemes to solve the disputes and further issues of beneficiaries of life insurance policies. In India, when any beneficiary has a complaint the first step is to approach the relevant life insurance company and file a complaint before the GRO of that company. If there is no response to the complaint within 15 days of filing of complaint then the complainant may approach the Integrated Grievance Management System (IGMS). If the dispute is still not resolved then they may approach the IRDAI. The IGMS or Integrated Grievance Management System is a system that is maintained and managed by the IRDAI to monitor the complains coming in by policyholders. This tracking of complaints and the resolution progress is done in real time. All insurance companies have integrated their complaint systems to the IGMS so that the IRDAI can track the progress of the complaint.

INSURANCE OMBUDSMAN SCHEME

The Insurance Ombudsman Scheme was invented by the Government of India to provide a cost effective and trouble-free redressal of grievances of the consumer. Policy holders have to simply file a complaint in writing with the necessary documents attached to the ombudsman in the jurisdiction of the policy holder. The territorial jurisdiction of the ombudsman is always announced by the Executive Councils of Insurers and the maximum award which can be given is capped at 30 lakh Rupees.

The grounds for complaints to the Ombudsman is as follows-

a) Delay in settlement of claims, beyond the time specified in the regulations, framed under the IRDAI Act, 1999.

b) Any partial or total repudiation of claims by the Life insurer, General insurer or the Health Insurer.

c) Any dispute about premium paid or payable in terms of insurance policy.

d) Misrepresentation of policy terms and conditions at any time in the policy document or policy contract.

e) Legal construction of insurance policies in so far as the dispute relates to claim.

f) Policy servicing related grievances against insurers and their agents and intermediaries.

g) Issuance of life insurance policy, general insurance policy including health insurance policy which is not in conformity with the proposal form submitted by the proposer.

h) Non issuance of insurance policy after receipt of premium in life insurance and general insurance including health insurance.

i) Any other matter resulting from the violation of provisions of the Insurance Act, 1938 or the regulations, circulars, guidelines or instructions issued by the IRDAI from time to time or the terms and conditions of the policy contract, in so far as they relate to issues mentioned at clauses (a) to (f).

Challenges to Consumer Protection in case of Life Insurance.

The biggest challenge seen in consumer protection in the life insurance industry is the lack of flexibility of companies to pay out the insurance money to their beneficiaries. It is indeed a sad situation to see that the corporations that once promised payment of insurance money to the beneficiaries either on maturity or on death and now they try to wiggle out of the responsibility of paying. A common road that these companies like to take is that the beneficiary has not provided the correct documents in the form of misstatements and concealment of facts while taking the policy. It even gets to an extent where the misstatements and concealment of facts could be made a ground for repudiation even though same were not made a ground at the time of initial policy. This was contended in the case of Life Insurance Corporation of India v Gowramm[2] and the National Commission in this same case dismissed the contentions by referring to a case from the Supreme Court in Mithoolal Nayak v Life Insurance Corporation of India[3] where it was held that section 45 was clear that the period of two years was to be reckoned from the date on which the policy was originally effected. The Commission observed that the decision of Supreme Court had to be preferred and followed. Thus, the National Commission showed the way of victory to the aggrieved party and thus it was understood that LIC was only doing this to wiggle out of its duties of paying the beneficiary their deserved amount.

[2] Life Insurance Corporation of India v Gowramm [III (2009) CPJ 25 (NC)]
[3] Mithoolal Nayak v Life Insurance Corporation of India [AIR 1962 SC 814]

The Consumer Protection Act also plays its part in making it difficult for aggrieved policy holders to obtain compensation from the redressal process that are available. Compensation is only available to those aggrieved policy holders who can prove that there is deficiency in the service rendered to him and he has suffered any loss or injury due to the negligence of the insurers. In simple words, the consumer is only entitled to compensation under the Act only if he establishes that he has hired a service from the insurance company, the service thus provided is deficient and thus compensation shall be provided accordingly.

In the case of life insurance industries there is always a difficulty that the company will not pay out the policy due to some issue or the other. This intimidates the policy holders and this even discourages them from taking policies. The Courts should take a strict handle on this issue and start pulling up all life insurance companies that cause a problem when the time for paying out come.