

## Extent of Policyholders' Grievances Redressal By Indian Life Insurers - An Analytical Study

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### **Abstract**

*When handling a customer's complaint, remember: If you can't fix it, don't drop it" - Anonymous. A "Grievance/Complaint" is defined as any communication that expresses dissatisfaction about an action or lack of action, about the standard of service/deficiency of service of an insurance company and/or any intermediary or asks for remedial action. Insurance business the world over has the dubious distinction of facing a large number of customer grievances. Intangibility of the service on offer, lack of clarity on the "give-and-take", and the complexity of the wording in the insurance contracts, are some of the causes contributing to this scenario worldwide. The Indian insurance domain is also subjected to this phenomenon. Mis-selling of insurance products due to lack of objectivity in understanding the product terms continues to be a significant factor in consumer grievances. Visibility about how and where to complain is a key component of an effective system. A grievance management system should be easily accessible to all complainants. An efficient insurer looks at a grievance as an opportunity to serve and win over the confidence of the complainant by a prompt redressal. The apex body Insurance Regulatory and Development Authority (IRDA) adopts a proactive approach by analysing the cause/source of the complaints to identify system deficiencies and procedural slackness. Targeted and comprehensive inspections have been conducted based on the findings to rectify the systemic issues involved. In this context, this paper investigated the extent of grievances redressed by IRDA, public and private life insurers in India during 2005-06 to 2010-11. Sample for this study include 1 public and 23 private life insurers. This study found that there is a significant difference among the companies regarding the number of grievances redressed.*

**Keywords:** Life Fund, Grievance Redressal, Life Insurers, IRDA..

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**JEL Classification:** G22

### **Introduction**

"When handling a customer's complaint, remember: If you can't fix it, don't drop it" - Anonymous. A "Grievance/Complaint" is defined as any communication that expresses dissatisfaction about an action or lack of action, about the standard of service/deficiency of

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service of an insurance company and/or any intermediary or asks for remedial action<sup>1</sup>. Insurance business the world over has the dubious distinction of facing a large number of customer grievances. Intangibility of the service on offer, lack of clarity on the "give-and-take", and the complexity of the wording in the insurance contracts, are some of the causes contributing to this scenario worldwide. The Indian insurance domain is also subjected to this phenomenon. Mis-selling of insurance products, due to lack of objectivity in understanding the product terms continues to be significant factor in consumer grievances. In this current scenario, the apex body, Insurance Regulatory and Development Authority (IRDA) attaches a lot of importance to the protection of the interests of and secure fair treatment to policyholders. One of IRDA's mission statements clearly states the need to establish efficient grievance redressal machinery within the Indian Insurance sector.

### Review of Literature

There have been a few studies in the area of consumer grievances redressal. Few relevant studies are presented in the following section. **Saroja S. (1991)**<sup>2</sup> and **Vinayakam N. (1994)**<sup>3</sup> have identified the need for investors protection in the following areas viz., Proper allocation of shares, bonds, etc., refund of money, receipt of share/debenture certificates. The hard earned money of the investor must be invested in avenues earning promised rate of returns with prompt payment of dividend and liquidity. The investors should also be in receipt of annual reports, bonus shares, rights issue forms about the companies periodically. The authors also highlighted the fact that government/mutual fund companies must neutralise runaway bear and bull situations, present a true and fair view of prospects and management, protection from fraud and fly-by-night operations, to reinforce investors' confidence.

**Balanaga Gurunathan, K, (2007)**<sup>4</sup> analysed the expectations of the investors in the securities market in India. As the securities market operations affect the economic growth of the country, the more efficient, transparent and safe it is the more it promotes to the economic wellbeing. Investors' confidence had been shaken by the various malpractices and unfair trade practices of corporates and intermediaries leading to scandals that have marred the securities market. The investors' confidence can be gained by providing an adequate rate of return and fair operating efficiency through a series of systematic measures taken by the corporates in the securities market. **Gopalakrishnan, S., (2005)**<sup>5</sup> discussed the paradigm shift that took place in the banking sector after the financial sector reforms in 1991. The impact of the technology on the banking services had given rise to new banking services followed by technology related problems faced by the customers. The Banking Ombudsman machinery lays down the procedure to file a complaint along with the Citizens charter providing the minimum time frames for each of these grievances. **Vaidyanathan, R (2007)**<sup>6</sup> examined the circumstances causing consumer grievances which include mis-selling of products with unclear policy terms and conditions, wrong repudiation of claims and failure of timely claims settlement. The solution to these problems lies on the part of the insurer and the insured, both requiring understanding of the policy terms and entering into a need based contract. Also, consumer grievances can be better solved by dealing the errant employees strictly and also to equally penalise the wrongful claimant, a practise prevalent in the advanced markets.

**Bharadwaj, CL, (2011)**<sup>7</sup> opined that consumer grievances stems from the mismatch between their expectations or their understanding of the product terms at the time of entering into the

insurance contracts and what the policy ultimately delivers. This underlines that the customer is also expected to keep his knowledge abreast about the product invested in terms of its contractual obligations, complexity and the risks associated with it particularly important for unit linked insurance products whose returns are solely dependent on the performance of the securities market.

**K. N. K (2003)**<sup>8</sup> outlined the circumstances and the need for the passing of (Insurance Regulatory Development Authority) IRDA Protection of Policyholders' Interests Regulations, 2002. Customer protection being the most important objective of IRDA and servicing of customers by the insurance companies was not satisfactory, the apex body played the legitimate role of striking a healthy balance between the regulated and the customers of the regulated in the larger interest of the society. The scope of the said regulations extended from the point of sale at which an insurance contract is entered into till the settlement of claims including, proper understanding of the policy terms and conditions, benefits to be received under the policy, efficient grievance redressal, time frames for policy servicing and claims settlement.

**Sri Ram Khanna (2002)**<sup>9</sup> analysed the provisions of IRDA Protection of Policyholders' Interest Regulations, 2002, relating to the grievance redressal mechanism advocated therein. The author felt that the grievance redressal regulations spelt out the manner and the time frame within which the norm has to be complied with but remains toothless in the absence of an in-built mechanism to ensure compliance and in respect of non-compliance on the part of the life insurers. In the context of growing competition, employees of life insurers should have customer service as a key parameter in measuring their productivity. **Yegnapiya Bharat (2011)**<sup>10</sup> analysed the current grievance redressal mechanism adopted by the Indian insurance industry by outlining the features of the Integrated Grievance Management System, (IGMS). The IGMS, being a recent initiative of the IRDA aimed to bring in efficiency and effectiveness to the whole process of policyholders' grievance redressal. The author also felt that an effective grievance handling mechanism is a prerequisite for treating the customers' grievances meticulously and fairly.

**Sandhu, HS and Neetu Bala (2011)**<sup>11</sup> measured customer's perception towards life insurance quality. The study had refined a five-factor structure as proposed by Sureshchandar et al. (2001) to seven-factor construct (consisting of 34 items) representing proficiency, media and presentations, physical and ethical excellence, service delivery process and purpose, security and dynamic operations, credibility and functionality. The study also investigated the relationship between each of the generated service quality dimensions and customers overall evaluation of life insurance service quality. The study revealed that among these seven factors, three viz., proficiency, physical and ethical excellence and functionality have significant impact on the overall service quality of Life Insurance Corporation of India.

### **Need for the Study**

Insurance is a complicated business in which promises are made and fulfilled by the insurer and the insured. When there is an omission or commission not consistent with the expected or defined service levels, there is a deficiency in service giving scope for a complaint. Visibility about how and where to complain is a key component of an effective system. A grievance management system should be easily accessible to all complainants. An efficient insurer looks

at the grievances as an opportunity to serve and win over the confidence of the complainant through a prompt redressal<sup>12</sup>. The establishment of the apex body IRDA in the year 1999 had paved way for the opening up of the Indian insurance sector to private players. In this current scenario of growing customer base, the insurance companies need to protect the interest of and secure fair treatment to policyholders. In this context, it is worthwhile to analyse the grievance redressal mechanism of life insurers in India. Further, there is dearth of studies which deal with the extent of consumer grievance redressal by Indian life insurers. Hence, the present study tries to close this gap by investigating the status of consumer grievance redressal mechanism of the life insurance industry in India.

### **Statement of The Problem**

Indian insurance industry has been developing over the years in terms of the entry of a number of players offering a variety of products with a view to bring the large uninsured population into the insurance fold. As the insurance industry is oriented to the long term, efforts should be made to build deeper relationships with the customer<sup>13</sup>. Long standing relationships are achieved by treating customers fairly, their grievances being redressed in an efficient / faster manner and are provided a qualitative grievances redressal experience across the country. To achieve this end, IRDA has mandated the insurers to establish a grievance redressal management system which goes beyond the redress of particular complaints with establishing procedure for recording complaints and responses along with its details<sup>14</sup>. In addition, IRDA has also established two grievance redressal cells for life and general insurance policyholders. IRDA adopts a proactive approach by analysing the cause / source of the complaints to identify system deficiencies and procedural slackness. Targeted and comprehensive inspections have been conducted based on the findings to rectify the systemic issues involved. In this context, this paper investigated the extent of grievances redressal undertaken by the life insurers in India.

### **Objectives of The Study**

The objectives of the study are

1. To study the IRDA grievance redressal norms available for Indian life insurers and the grievance redressal mechanism implemented by the IRDA.
2. To examine the extent of grievances redressal undertaken by the life insurers and the IRDA grievance cell.

### **Hypotheses**

This study tests the following hypotheses:

H01: There is no significant company-wise difference in the grievances resolved by Life insurers.

H02: There is no significant year-wise difference in the grievances resolved by Life insurers.

### **Research Methodology**

This is an empirical study. The data used in the study are secondary in nature. These data have been obtained from the Annual reports and Public Disclosures of life insurers available on the IRDA web site. The extent of grievance redressal undertaken by the life insurers and

the IRDA Grievance Cell is analysed. The period of study ranges from 2005-06 to 2010-11. For all the six years, this study has selected all the public and private life insurers operating in India (Table-1). In respect of grievances resolved by the life insurers, the trend percentages have been calculated. One way ANOVA test was used to find out whether there exists any significant [company-wise and year-wise] difference in the grievance resolved by life insurers. The duration of the grievances outstanding at the end of the year in respect of life insurers have been analysed by calculating their percentages. The abbreviations used for name of the companies are given in Appendix.

**Table-1 Sample Size**

<i>Year</i>	<i>No. of companies</i>
2005-06	15
2006-07	16
2007-08	18
2008-09	22
2009-10	23
2010-11	23

Source: IRDA Annual reports 2005-06 to 2010-11

### **Consumer Grievance Redressal Mechanism of the Indian Life Insurance Industry**

The consumer grievances redressal mechanism of the Indian life insurance industry operates at two levels,

- i. At the life insurance company level - a policyholder lodging a grievance/ compliant with the life insurance company.
- ii. At the IRDA level - When a policyholder, not satisfied with the grievance redressal offered by the life insurance company, escalates the complaint to the IRDA Grievance Cell.

### **IRDA Protection of Policyholders' Interests Regulations, 2002 - Grievance Redressal Procedure**

Every insurer shall have in place proper procedures and effective mechanism to address complaints and grievances of policyholders efficiently and with speed and the same along with the information in respect of Insurance Ombudsman shall be communicated to the policyholder along with the policy document and as may be found necessary.

### **Guidelines for Grievance Redressal by Insurance Companies (2010)1**

Further to Regulation 5 of IRDA Regulations for Protection of Policyholders Interests, 2002 and in terms of the Authority's powers and functions as enunciated in Section 14 of IRDA Act, 1999, the IRDA hereby issues the following guidelines pertaining to minimum time-frames and uniform definitions and classifications with respect to grievance redressal by insurance companies. These guidelines are applicable for disposal of "grievances/complaints" as defined herein. All insurers shall ensure that the guidelines of the Authority are followed strictly.

1. "Grievance/Complaint": There shall be a uniform definition of "Grievance or Complaint" and Grievances shall be clearly distinguished from Inquiries and Requests, which do not fall within the scope of these guidelines.
2. Grievance Redressal Policy: Every insurer shall have a Board approved Grievance Redressal Policy which shall be filed with IRDA.
3. Grievance Officer/s: Every insurer shall have a designated Grievance Officer of a senior management level. Senior Management would mean either the CEO or the Compliance Officer of the company. Every office other than the Head/Corporate/Principal officer of an insurer shall also have an officer nominated as the Grievance Officer for that office.
4. Grievance Redressal System/Procedure: Every insurer shall have a system and a procedure for receiving, registering and disposing of grievances in each of its offices. This and all other relevant details along with details of Turnaround Times (TATs) shall be clearly laid down in the policy. While insurers may lay down their own TATs, they shall ensure that the following minimum time-frames are adopted:
  - (a) An insurer shall send a written acknowledgement to a complainant within 3 working days of the receipt of the grievance.
  - (b) The acknowledgement shall contain the name and designation of the officer who will deal with the grievance.
  - (c) It shall also contain the details of the insurer's grievance redressal procedure and the time taken for resolution of disputes.
  - (d) Where the insurer resolves the complaint within 3 days, it may communicate the resolution along with the acknowledgement.
  - (e) Where the grievance is not resolved within 3 working days, an insurer shall resolve the grievance within 2 weeks of its receipt and send a final letter of resolution. (g)Where, within 2 weeks, the company sends the complainant a written response which offers redress or rejects the complaint and gives reasons for doing so,
    - (i) the insurer shall inform the complainant about how he/she may pursue the complaint, if dissatisfied.
    - (ii) the insurer shall inform that it will regard the complaint as closed if it does not receive a reply within 8 weeks from the date of receipt of response by the insured/policyholder.

Any failure on the part of insurers to follow the above-mentioned procedures and time frames would attract penalties by the Insurance Regulatory and Development Authority. It may be noted that it is necessary for each and every office of the insurer to adopt a system of grievance registration and disposal.

5. Turnaround Times: There are two types of turnaround times involved.
  - (i) The service level turnaround times, which are mapped to each classification of complaint (which is itself based on the service aspect involved).
  - (ii) The turnaround time involved for the grievance redressal.

As to (i), the TATs are as mapped to the classification and prescribed by the Authority to insurers. These TATs reflect the time-frames as already laid down in the IRDA Regulations for Protection of Policyholders Interests and more, as, wherever considered necessary (for certain service aspects not getting specifically reflected in the Regulations), specific TATs are indicated in the classification and mapping provided by the Authority.

As regards (ii) above, the minimum TATs required to be followed shall be as prescribed in guideline 4 (a) to (g) as prescribed above.

6. Closure of grievance: A complaint shall be considered as disposed of and closed when
  - (a) the company has acceded to the request of the complainant fully.
  - (b) where the complainant has indicated in writing, acceptance of the response of the insurer.
  - (c) where the complainant has not responded to the insurer within 8 weeks of the company's written response.
  - (d) where the Grievance Redressal Officer has certified that the company has discharged its contractual, statutory and regulatory obligations and therefore closes the complaint.
7. Categorisation of complaints:
  - a) Categorisation of complaints as prescribed by the Authority from time to time shall be adopted by insurers and incorporated in their systems.
  - b) The present classification prescribed by the Authority is placed at Annexure A. All insurers shall provide for these classification categories in their respective systems.
8. Minimum software requirements: It is necessary for insurers to have automated systems that will enable online registration, tracking of status of grievances by complainants and periodical reports as prescribed by IRDA. The system should also be one which can integrate seamlessly with the Authority's system in the manner prescribed by the Authority. The Authority shall define these requirements from time to time and insurers shall ensure that they provide for such software/system modifications as may be required. The objective is to create the required industry level database and systems that would enable speedy and effective redressal of complaints.
9. Calls relating to grievances: Insurers shall also have in place a system to receive and deal with all kinds of calls including voice/e-mail, relating to grievances, from prospects and policyholders. The system should enable and facilitate the required interfacing with IRDA's system of handling calls/e-mails.
10. Publicizing Grievance Redressal Procedure: Every insurer shall publicize its grievance redressal procedure and ensure that it is specifically made available on its website.
11. Policyholder Protection Committee: Every insurer shall ensure that the Policyholder Protection Committee, as stipulated in the guidelines for Corporate Governance issued by the Authority, is in place and is receiving and analysing the required reports from the management and is carrying out all other requisite monitoring activities.

#### **Grievance Redressal Mechanism at the IRDA Level**

A Grievance Redressal Cell was set up by the IRDA in 2003 to facilitate the resolution of

policyholders' complaints. During the year 2006-07, IRDA had set up two Grievance Redressal Cells separately for life and general insurance complaints along with a separate channel to deal with complaints of senior citizens in respect of health insurance policies. In the year 2008-09, IRDA had initiated the process of development of Integrated Grievance Management System (IGMS) in order to improve the current grievance redressal procedure in the insurance sector. The apex body had also introduced the IRDA Grievance Call Centre (IGCC) with the toll free number 155255 or grievances mailed to [complaints@irda.gov.in](mailto:complaints@irda.gov.in) as an additional channel for policyholders to lodge their grievances and also seek their status over phone/e-mail during the year 2009-10. The Call Centre educates policyholders about the Insurance Ombudsman who provides a channel for fair disposal of complaints falling within the laid down jurisdiction and will interface with IGMS once it becomes fully functional. During the year 2011, the IGMS has been implemented to facilitate online registration of complaints and help them track its status with the following features,

1. Where a complaint filed with the insurers is not fully attended by them within 15 days of lodging it, the policyholder may escalate the complaint to IRDA by registering with the IGMS.
2. IGMS is a comprehensive solution providing centralised and online access to the policyholders and complete access and control to IRDA for monitoring market conduct issues of which policyholder grievances are the main indicators.
3. A complaint registered through IGMS will flow simultaneously to the insurer's system as well as the IRDA repository.
4. IGMS will have the ability to classify different types of complaints based on pre-defined rules.
5. The system will be able to assign, store and track unique complaint IDs and also enable intimation to various stakeholders as required, within the workflow.
6. The system will enable defining of Target Turnaround Times (TATs) and measure the actual TATs on all complaints. The system will set up alerts for pending tasks nearing the laid down Turnaround Time and will automatically trigger activities at the appropriate time through rule based workflows.
7. Updation of status by the insurers would automatically be mirrored in the IRDA system and will be able to generate reports on all criteria like ageing, status, nature of complaint and any other parameter that is defined.
8. IGMS registers complaints can be routed through the newly launched website [www.igms.irda.gov.in](http://www.igms.irda.gov.in).

### **Results and Discussion**

The following section presents the results and discussion:

Table 2 shows the percentage of policyholders' grievances resolved by the Life insurers and by the IRDA Grievances Cell during the years 2005-06 to 2010-11. There were 1 public life insurance company, LIC, throughout the study period and 14 companies for 2005-06, 15 insurance companies for 2006-07, 17 companies for the year 2007-08, 21 companies for the



year 2008-09 and 22 private life insurers for the year 2009-10 & 2010-11. In respect of the public life insurer LIC, around 80% -90% of grievances have been resolved by the company during the study period. The IRDA Grievance cell has resolved less than 50% grievances received against the company during the years 2005-06 to 2007-08. In the following years, the cell has resolved around 80% of complaints. During the year 2005-06, 100% of grievances were resolved by Birla Sun Life and Reliance Life insurers. In the year 2006-07, Bharti Axa Life Insurance Company has resolved 100% of grievances and the IRDA Grievance cell has resolved 100% of grievances received against Sahara and Shriram Life insurers. Reliance Life Insurance Company alone had resolved 100% of grievances in the 2007-08. IRDA Grievance cell has resolved 100% of grievances received against Bharti Axa and Shriram Life insurers, while, Bajaj, IDBI, Metlife, Reliance and Sahara Life insurers have resolved 100% of its grievances in 2008-09. The IRDA Grievance cell has resolved 100% of grievances in respect of Aegon, Canara, Max New York, Shriram and Star Union Daichi Life insurers. Aegon, Metlife and Star Union Daichi Life insurers have resolved 100% grievances during the year 2009-10. On the whole, most of the Life insurers have resolved a greater percentage of grievances than the IRDA Grievance cell.

**Table - 2 Grievances Resolved (%) by Indian Life Insurers and the IRDA Grievance Cell During the Study Period**

Name	2010-11		2009-10		2008-09		2007-08		2006-07		2005-06	
	Ins Com	IRDA	Ins Com	IRDA	Ins Com	IRDA	Ins Com	IRDA	Ins Com	IRDA	Ins Com	IRDA
<b>Public</b>												
LIC	100	98	88	81	98	84	86	19	78	44	98	25
<b>Private</b>												
Aegon	100	93	100	100	91	0	-	-	-	-	-	-
Aviva	92	100	98	86	98	94	99	88	96	77	0	29
Bajaj	99	100	99	92	100	87	99	82	96	86	93	44
Bharti	95	98	95	55	93	100	85	0	100	0	-	-
BSLI	87	93	94	87	95	93	99	81	99	93	100	25
Canara	96	92	91	100	95	0	-	-	-	-	-	-
DLF	96	77	98	0	82	0	-	-	-	-	-	-
Future	96	85	97	92	65	60	0	0	-	-	-	-
HDFC	90	99	95	81	98	63	96	47	95	97	79	50
ICICI	91	100	95	86	95	94	96	92	98	85	95	48
IDBI	82	100	92	67	100	0	0	0	-	-	-	-
IndiaFirst	96	0	97	0	-	-	-	-	-	-	-	-
ING	98	97	93	80	96	49	89	79	87	75	94	27
Kotak	89	94	97	82	94	91	88	70	92	74	50	19
MNYL	94	100	92	100	99	72	99	64	98	68	97	26

Name	2010-11		2009-10		2008-09		2007-08		2006-07		2005-06	
	Ins Com	IRDA	Ins Com	IRDA	Ins Com	IRDA	Ins Com	IRDA	Ins Com	IRDA	Ins Com	IRDA
Met Life	99	98	100	94	100	88	98	44	91	50	98	44
Reliance	99	97	98	93	100	77	100	80	96	40	100	50
Sahara	68	92	62	67	100	50	0	50	0	100	0	0
SBI Life	98	95	99	95	98	76	99	87	97	66	NA	30
Shriram	94	75	94	100	90	100	79	0	91	100	0	0
Star	99	100	100	100	0	0	-	-	-	-	-	-
Tata AIG	100	95	99	87	96	82	93	68	96	75	97	50

Note: Values compiled and computed from Public Disclosures of Life insurers and IRDA Annual Reports of years 2005-06 to 2010-11. NA-Not Available; "-"-Not in Existence

Tables 3 & 3a show the classifications of the complaints received by the IRDA Grievance cell against the Life insurers in percentage. In the year 2006-07, 37% grievances received by the IRDA Grievance cell against LICI were claims related and 36% grievances against private life insurers were related to policy servicing. During the year 2007-08, 18% of grievances were received in respect of non-receipt of policy bond and adjustment of premium. Wrong plan and term allotted by the life insurers contributed to the highest percentage of grievances (around 18%) during the years 2008-09 and 2009-10.

**Table - 3 Classifications of the Complaints (%) received by the IRDA Grievance Cell Against the Life Insurers for the Year 2006-07**

S.No	Nature of complaints	Public	Private
1	Premium related	17	21
2	Policy Servicing	27	36
3	Claims related	37	10
4	Agents related	3	4
5	Mis-selling	2	5
6	Others	14	24

Note: Compiled from IRDA Annual Report of the Year 2006-07.

**Table- 3a Classifications of the Complaints Received (%) by the  
IRDA Grievance Cell Against the Life Insurers**

S.No	Nature of complaints	2010-11	2009-10	2008-09	2007-08
<b>I. Sales Related</b>					
1	Wrong plan and term allotted	23.83	16.1	17.45	11
2	Mis-sale	-	7.6	-	-
<b>II. New Business Related</b>					
3	Free-look Refund	5.26	4.1	-	-
4	Cancellation of policy	8.80	12.0	13.99	6
5	Error in policy schedule	0.97	1.6	-	-
6	Non-refund of proposal deposit	1.09	2.6	3.85	6
7	Non-receipt of policy bond	8.48	8.9	11.54	18
8	Relating to unit linked charges	-	12.2	-	-
9	NAV related	1.05	0.6	-	-
<b>III. Policy servicing related</b>					
10	Policy Servicing	-	-	-	3
11	Issue of duplicate policy	1.12	0.2	0.17	-
12	Adjustment of premium	1.72	5.3	11.09	18
13	Alterations in policy	2.20	3.8	4.12	-
14	Revival of lapsed policies	2.67	2.7	3.01	2
15	Nomination/ Assignment of policies	1.20	0.2	0.50	-
16	Transfer of policy records	0.59	0.5	0.50	-
IV.	Claim servicing related				
17	Non-receipt of statement of account/bonus	0.59	0.9	-	-
18	Non-payment of surrender value	21.71	2.0	4.07	6
19	Non-settlement of maturity payment	-	2.7	2.84	3
20	Correct surrender value not paid	2.12	4.3	2.29	-
21	Non-payment of claim	-	5.2	6.80	8
22	Repudiation of claim	0.75	1.4	2.17	2
23	Non-payment of annuities	-	1.6	1.78	1
24	Survival benefit not paid	-	0.4	-	-
25	Claim amount not correct	-	0.2	-	-
26	Partial withdrawal related	0.47	0.2	-	-
27	Penal interest not paid	1.11	0.4	-	-
28	Health Insurance related	0.42	1.2	-	-
V.	Agent/intermediaries related				
29	Agent Related	-	-	2.95	8
VI.	Others				
30	Others	13.86	1.2	10.87	8

Note: Compiled from IRDA Annual Reports of years 2007-08 to 2010-11.

**Table - 4 Duration of Grievances Outstanding (%) at the End of the Year of the Indian Life Insurers During the Study Period**

Name	2010-11		2009-10		2008-09		2007-08		2006-07		2005-06	
	<i>Ins Com</i>	<i>IRDA</i>	<i>Ins Com</i>	<i>IRDA</i>	<i>Ins Com</i>	<i>IRDA</i>	<i>Ins Com</i>	<i>IRDA</i>	<i>Ins Com</i>	<i>IRDA</i>	<i>Ins Com</i>	<i>IRDA</i>
	< 15 days	> 15 days	< 15 days	> 15 days	< 15 days	> 15 days	< 15 days	> 15 days	< 15 days	> 15 days	< 15 days	> 15 days
<b>Public</b>												
LIC	57	43	4	96	21	79	8	92	8	92	9	91
<b>Private</b>												
Aegon	95	5	100	0	87	13	-	-	-	-	-	-
Aviva	53	47	66	34	74	26	55	45	10	90	0	0
Bajaj	69	33	87	13	48	52	53	47	70	30	0	0
Bharti	64	36	86	14	96	4	60	40	0	0	-	-
BSLI	63	37	30	70	4	96	4	96	11	89	0	0
Canara	100	0	83	17	71	29	-	-	-	-	-	-
DLF	100	0	35	65	100	0	-	-	-	-	-	-
Future	50	50	91	9	15	85	0	0	-	-	-	-
HDFC	59	41	47	53	96	4	60	40	65	35	37	63
ICICI	55	45	95	5	85	15	83	17	56	44	55	45
IDBI	0	75	0	100	0	0	0	0	-	-	-	-
IndiaFirst	92	8	NA	0	-	-	-	-	-	-	-	-
ING	51	49	63	37	79	21	28	72	54	46	34	66
Kotak	49	51	70	30	66	34	17	83	0	100	100	0
MNYL	78	22	87	13	89	11	98	2	100	0	0	0
Met Life	60	40	20	80	38	62	73	27	69	31	65	35
Reliance	97	3	64	36	0	0	0	0	0	0	-	-
Sahara	78	22	0	100	0	0	0	0	0	0	0	0
SBI Life	25	75	51	49	53	47	25	75	53	47	0	0
Shriram	57	43	38	63	0	100	0	100	100	0	0	0
Star	100	0	0	0	0	0	-	-	-	-	-	-
Tata AIG	84	16	56	44	42	58	58	42	51	49	100	0

Note: Values compiled and computed from Public Disclosures of Life insurers and IRDA Annual Reports of years 2005-06 to 2010-11.

NA-Not Available; "-"-Not in Existence



Table 5 shows the percentage of grievances outstanding with the IRDA Grievance cell at the end of the year. In the case of the public insurer LIC, policyholders' grievance redressal through the IRDA Grievance cell has actually improved during the study period, with a fall in the percentage of grievances outstanding at the end of the year in the latter years. In respect of private life insurers, there is a fall in the percentage of grievances outstanding at the end of the year in the latter years in comparison with the initial years. In the case of Bharti Axa Life Insurance Company alone, the percentage of grievances outstanding at the end of the year has increased to 45% for the year 2009-10 from 0% in the rest of the years.

H01: There is no significant company-wise difference in the grievances resolved by Life Insurers.

**Table - 6 Analysis of Variance (Company-Wise)**

<i>Grievances Resolved</i>	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Between Companies	5694.390	22	258.836	1.817	.034
Within Companies	8973.750	86	142.440		
Total	14668.140	108			

Note: Results computed using SPSS 17.0

Table 6 gives the results of ANOVA for company-wise. As the p-value is less than 0.05 in respect of the grievances resolved by Life insurers, the Null Hypothesis, H01 is rejected. Hence, there is a significant company-wise difference in the grievances resolved by Life insurers.

H02: There is no significant year-wise difference in the grievances resolved by Life insurers.

**Table - 7 Analysis of Variance (Year-Wise)**

<i>Grievances Resolved</i>	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Between Groups	288.476	5	72.119	.406	.804
Within Groups	14379.663	103	177.527		
Total	14668.140	108			

Note: Results computed using SPSS 17.0

Table 7 gives the results of ANOVA for year-wise. As the p-value is more than 0.05 in respect of the grievances resolved by Life insurers, the Null Hypothesis, H02 is accepted. Hence, there is no significant year-wise difference in the grievances resolved by Life insurers.

**Table 8 Personal Hearing Given by IRDA In the Year 2011 Based on Policyholders' Complaints in Respect of Life Insurers**

<i>S.No</i>	<i>Name of the Company</i>	<i>Nature of Complaint</i>	<i>Warning / Penalty awarded</i>
1.	LICI	Delay in settlement of claims	Warning
2.	Future Generali	Non-receipt of policy bond Delay in free look refund	Warning
3.	HDFC	Non-receipt of claim	Penalty
4.	MetLife	Manipulation and falsification of application	-

Note: Compiled from Warnings and Penalties available in [www.irda.gov.in](http://www.irda.gov.in)

Table 8 shows the list of life insurers in respect of whom personal hearing was given by IRDA during the year 2011 based on the complaints filed by the policyholders. In the case of LICI, on a complaint received by the IRDA relating to partial settlement of death claims from a policyholder, IRDA had accorded a public hearing. On further inspection of the company's records, it was found that there was delay in settlement of death and maturity claims on the part of the life insurance company. The authority advised the company to expeditiously complete the claim investigations and to establish an effective system to settle claims promptly. On the basis of repeated complaints filed by the policyholders through the IGMS against Future Generali Life Insurance Company, IRDA had called for a public hearing. Since more than 90% of complaints had pertained to non-receipt of policy bond and delay in free look refund, the authority had warned the company to strictly adhere to the provisions relating to completion of proposals and free look cancellation. HDFC Life Insurance Company was awarded a penalty of Rs 5 lakhs for delay on the decision of claims settlement. IRDA had observed there was no case of complaint/allegation against Met Life Insurance Company pertaining to a complaint for manipulation and falsification of complainant's application. The authority was also satisfied that there was no case of non-compliance by the said company and had in place an effective regulatory architecture.

### Findings

1. LICI had resolved around 80% -90 % of grievances during the study period.
2. Most of the Life insurers have resolved a greater percentage of grievances than the IRDA Grievance cell.
3. In the year 2006-07, 37% grievances received by the IRDA Grievance cell against LICI were claims related and 36% grievances against private life insurers were related to policy servicing.
4. During the year 2007-08, 18% of grievances were received by the IRDA Grievance cell in respect of non-receipt of policy bond and adjustment of premium.
5. Wrong plan and term allotted by the life insurers contributed to the highest percentage of grievances (around 18%) during the years 2008-09 and 2009-10.
6. In the case of the public insurer LICI, more than 80% of the complaints were outstanding for more than 15 days.

7. Among the private insurers, Birla Sun Life Insurance Company had more than 70% of the complaints outstanding for more than 15 days during the study period.
8. Star Union Daichi Life insurance company had no complaints outstanding at the end of the year throughout the study period.
9. Aegon, Bharti Axa, Canara, ICICI, Max New York and Reliance Life insurers had more than 50% of the complaints outstanding at the end of the year for less than 15 days.
10. In the case of LIC, policyholders' grievance redressal through the IRDA Grievance cell has actually improved over the years during the study period.
11. In respect of private life insurers, there is a fall in the percentage of grievances outstanding at the end of the year in the latter years in comparison with the initial years.
12. In the case of Bharti Axa Life Insurance Company, the percentage of grievances outstanding at the end of the year has increased to 45% for the year 2009-10 from 0% in the rest of the years.
13. There is a significant company-wise difference in the grievances resolved by Life insurers.
14. There is no significant year-wise difference in the grievances resolved by Life insurers.
15. HDFC Life Insurance Company was awarded a penalty of Rs 5 lakhs for delay on the decision of claims settlement.

### Conclusion

Protection and servicing of policyholders' interests in a timely manner is one of the key functions of the life insurers. A life insurance company is best judged not by the increase in the first year premium figures. Introducing life insurance products catering to the policyholders' needs, alleviating their doubts, fears and misconceptions about the products, providing the best after sales service in the form of timely claims settlement and putting in place effective grievance redressal machinery capable of resolving the policyholders' grievances in a timely manner are some of the best indicators for judging a life insurance company. The grievance redressal machinery of the Indian Life Insurance industry has been chiselled and shaped by the apex body IRDA from time to time, to be more professional and efficient than ever before.

### End Notes

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#### APPENDIX

##### List of Life Insurers in India

<i>Abbreviation</i>	<i>Name of Life Insurer</i>
LICI	Life Insurance Corporation of India
HDFC	HDFC Life Insurance Company
MNYL	Max New York Life Insurance Company
ICICI	ICICI Prudential Life Insurance Company
BSLI	Birla Sun Life Insurance Company
TATA	TATA AIG Life Insurance Company
KOTAK	Kotak Mahindra Life Insurance Company
SBI	SBI Life Insurance Company
BAJAJ	Bajaj Allianz Life Insurance Company
METLIFE	Met Life Insurance Company
RELIANCE	Reliance Life Insurance Company
ING	ING Vysya Life Insurance Company
AVIVA	Aviva Life Insurance Company
SAHARA	Sahara Life Insurance Company
SHRIRAM	Sriram Life Insurance Company
BHARTI	BhartiAxa Life Insurance Company
IDBI	IDBI Fortis Life Insurance Company
FUTURE	Future Generali Life Insurance Company
CANARA	Canara HSBC OBC Life Insurance Company
STAR	Star Union Dai-Chi Life Insurance Company
DLF	DLF Pramerica Life Insurance Company
RELIGARE	AegonReligare Life Insurance Company
INDIA	India First Life Insurance Company