

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:269  
ANSWERED ON:07.08.2015  
Settlement of Claim by Insurance Companies  
Singh Shri Lallu

**Will the Minister of FINANCE be pleased to state:**

- (a) whether there exist a difference between the claims amount and the amount settled and payment given to a customer by insurance companies;
- (b) if so, the reasons therefore along with the amount of claims preferred and the payment given/settled by the insurance companies during the last three years and the current year, company-wise;
- (c) the number of policies and the amount withheld/blocked by the insurance companies finding fault with the policy holders during the said period, company-wise; and
- (d) the corrective steps taken/being taken by the Government in this regard?

**Answer**

(a) to (d): A Statement is laid on the Table of the House.  
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STATEMENT REFERRED TO IN REPLY TO PART (a) to (d) OF LOK SABHA STARRED QUESTION NO. \*269 FOR 7th AUGUST, 2015 REGARDING "SETTLEMENT OF CLAIM BY INSURANCE COMPANIES" TABLED BY SHRI LALLU SINGH, M.P.

(a): In Life Insurances sector such instances have not come to the notice of the Insurance Regulatory and Development Authority of India (IRDAI) in case of Claims. The claims are either paid or repudiated in case of life insurance. Those awaiting decision are considered outstanding claims.

In Non-Life Insurance whenever a claim is intimated / registered in a company, it is done on a provisional estimate basis, based on the information provided by the insured. This estimation is revised when the final assessment is received. The final assessment of the claim is subject to actual expenditure as well as other terms and conditions such as Sum Insured, depreciation, excess, average clause, etc. applicable under the policy. Most of the general insurance policies are indemnity policies.

(b): Life insurance contracts are assurance contracts where the amount payable on claim is defined and assured. Here the benefit is either paid or repudiated and the difference in amount claimed and amount paid is usually not observed. The life insurance claims data (Individual & Group) containing claims reported, settled, repudiated, outstanding for years 2012-13, 2013-14 and 2014-15 is given in Annexures 1-6.

However, in case of Non-Life Insurance and Health Insurance contracts are indemnity based. In Non-life insurance claims, the loss or damage to the property or expenditure incurred towards treatment in health insurance is claimed. In case of non-life insurance the loss is assessed by surveyor and the amount of claim settled may not always be equal to the amount claimed and differences are not uncommon. Similarly, in case of health insurance due to policy terms, conditions and exclusions the amount claimed and the amount settled may not be equal. In case there is a dispute with regard to claim amount settled or a grievance, the claimants have recourse to Insurance Ombudsman appointed in 17 important cities and other redressal forums such as Integrated Grievance Management System of IRDAI, consumer courts and regular courts. For major industrial claims there is an option of arbitration as well. The consolidated data in terms of claims intimated, settled and repudiated for last three years for Health Insurance is enclosed in Annexure -7, 8 and for Non-Life Insurance in Annexures 9-10.

(c): Life Insurance : Under the existing regulatory framework governing the settlement of claims in insurance policies, no insurance company shall withhold or block the claims unless there are express orders from the Court. Once a claim is reported, the insurance companies shall either settle the claim or repudiate the claim (denial of the claim) in accordance with the terms and conditions of the policy contract and in accordance with provisions of Regulation 8 of IRDA(Protection of Policyholders Interests) Regulations.

Health Insurance : Under the existing regulatory framework governing the settlement of health insurance policies , no insurance company shall withhold or block the claims. Once a claim is reported, the Insurance Companies shall either settle the claim or repudiate the claim (denial of the claim) in accordance with the terms and conditions of the policy contracts.

(d): IRDA (Protection of Policyholder's Interest) Regulations, 2002 have been notified by the Authority in order to protect the interests of the policyholders. Regulations 8 and 9 of IRDA (Protection of Policyholders Interests) Regulations 2002 mandate claims procedure in case of Life and Non-life Policies. Regulation (8) (d) of IRDA (Health Insurance) Regulations 2013 govern the settlement of health insurance claims.

In addition to the above, IRDAI does both offsite monitoring and periodical onsite inspection and initiates regulatory action wherever it

deems necessary. IRDAI also monitors the claims payment position of the insurance companies by collecting the claims payment data quarterly. Further, IRDAI has formed an Integrated Grievance Management System (IGMS) for real time monitoring of the policy related (including claims) grievances from consumers. Under IGMS, IRDAI plays a facilitative role in resolution of policyholder grievances.

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