



भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

Title:Protection of Policyholders~ interests

Reference No.:

Date:10/12/2002

To

CEOs of all Insurers

Attention of the insurers is drawn to the Insurance Regulatory and Development Authority (Protection of Policyholders~ interests) Regulations, 2002, published in the Gazette of India on 26th April, 2002.

The regulations which run to 11 clauses bring into practice certain rights to the policyholders and prospects. Amongst these are the period of look in for a life cover, the establishment of a grievance redressal procedure and the concept of payment of interest on delayed settlement of claims. Regarding the latter, attention is drawn to clause 8 (3) applicable to a life insurance policy which states that a claim under a life policy shall be paid or be disputed giving all the relevant reasons within 30 days from the date of receipt of all relevant papers and clarification required. Sub-clause (5) states that where a delay is occasioned on the part of the insurer in processing a claim, it shall pay interest at the rate of 2% above bank rate prevalent at the beginning of the year on the claim amount.

Clause 9 deals with a similar concept under a general insurance policy. Sub-clauses (3) and (5) are relevant. Under sub-clause (6), where the payment of the amount is delayed beyond 7 days of acceptance of the offer, the insurer shall be liable to pay interest at 2% above the bank rate prevalent.

Members of the Authority while interacting with the members of the public at various meetings which they had attended in the recent past, have been informed that the insurers more particularly the public sector insurance companies have not implemented these provisions. Apparently it is gathered that the officers of the insurance companies at the operating level expect some notification to be issued either by their Head Office or by the IRDA bringing into effect the provisions of the regulations. It is clarified

that both under the IRDA Act, 1999 and even under the regulations published on 26th April, 2002, the situation is clear that the regulations come into effect on the date of their notification viz. 26th April, 2002. No separate communication need be expected on this. It is now the duty and obligation of the insurance companies to implement the provisions of the regulations.

Already the Authority has been receiving numerous complaints from the policyholders pointing out the enormous delay in paying claims which have apparently been accepted and on which no rejection letters have been issued by the insurers. The Authority would like to make it clear that in such circumstances the policyholder is not only entitled to the amount of the claim lodged but also interest for delayed settlement.

The insurers are hereby directed to implement the regulations without any further reference being made to them by the Authority. The Chief Executives of insurance companies shall acknowledge receipt of this circular to Executive

Director (Admn.) of this office.

(N.Rangachary)
Chairman