



Class: MSc Sem 1

Subject : Insurance

Chapter: Unit 4 Chapter 1

Chapter Name: Claim settlement

Today's Agenda

1. What is a claim?
 1. Types of claim
2. Claim settlement process
 1. Claim management system and organization structure
 2. Role of Information technology
 3. Role of central government
 4. Role of ombudsman
 5. Role of IRDA
 6. Role of customer protection act

1 What is a claim?



- Claim is a right of the insured to receive the amount secured under the policy of insurance contract.
- It is the pecuniary interest in the insurance contract.
- Claims are to be paid either to the insured or the nominees of the insured by the insurer under the agreement or the terms of the contract of insurance

1.1 Types of claim

- Maturity Claims and Survival Benefits
- Death Claims
- Accident and Disability Claims
- Annuity payments

1.1 Types of claim

1. Maturity claims :

The claim for which a policyholder/life insured can apply for after surviving the complete policy term is called maturity claim.

2. Death claim:

A death claim is a request to grant the life insurance benefits due under the policy to the designated beneficiaries after the death of the insured.

3. Accident of disability claim:

This type of claim enables the policyholders to safeguard themselves in case of an accident, injury, or permanent or temporary disablement., the insurer provides coverage to the policyholder resulting in medical expense, provision for disablement vehicle, or any other equipment for medical support.

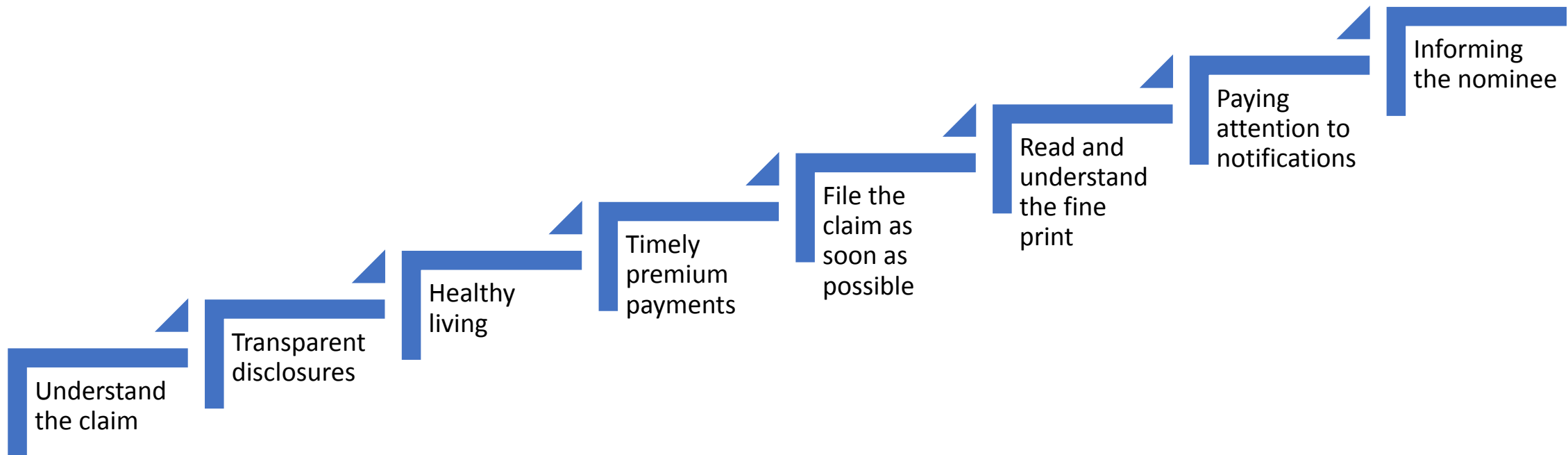
4. Annuity payments:

An annuity is a contract between you and an insurance company that requires the insurer to make payments to you, either immediately or in the future.

1.1 Types of claim

- ❑ Death should be due to Accident, i.e. by External, Violent and Visible means. Death must be directly due to the accident and there should be no intervening cause. For example, if a person meets with an accident, admitted to hospital, develops Gangrene due to his Diabetic condition and then dies, it is not taken as death due to accident because there is an intervening cause viz., Diabetes.
- ❑ Death should take place within a specified period of time after the accident. As per the rules of LIC of India, this period is 120 days.
- ❑ Proof satisfactory to the insurance company should be submitted. Usually the requirements called for are (a) First Information Report (b) Panchanama or Police Inquest Report (c) Postmortem Report
- ❑ The policy must be in full force at the time of death. Policyholder should have availed of the Accident Benefit by paying the necessary additional premium.
- ❑ The life assured should not be under the influence of any intoxicating liquor, drug or narcotic at the time of the accident.

2 Claim settlement process



<https://www.forbes.com/advisor/in/insurance/claim-settlement-process/>

2.1 Claim Management System & Organization Structure

- Information technology
- Services of outsourcing
- Using of intermediaries
- Customer relations management
- Costs of claims
- Management of resources

2.2 Role of Information Technology

- Information on fingertips for decision making purpose is available.
- An automated check against fraudulent, exaggerated and repeated claims.
- IT plays an important role in the present insurance and reinsurance scenario. Its role is expected to be further strengthened in the coming future.
- This results in better distribution channels to policyholders, effective service to customers and reduction of operating costs.
- Elimination of duplication
- Reduced paper work

2.2 Role of Information Technology

- Electronically communicated information leads to quicker communication of the origination of risk, the occurrence of loss etc.
- Electronic fund transfer leading to faster settlement of claims.
- Reducing administration costs
- Drawbacks:
 - Claim settlement is faster, but premium collection is still a challenge
 - System may be expensive, less flexible, difficult to operate
 - Personal information of policy holders could be hacked

2.3 Role of Central government

- The Central Government shall make policy statements relating to payment of claims. It shall fix norms for disposal of claims and fix time period for particular activities.
- Make laws binding on the insurers and other authorities responsible for settlement of claims.
- The Central Government has been instrumental in the appointment of Ombudsman claims.
- The Central Government shall in general or in a particular case direct the insurance companies to improve upon their claims settlement machinery or speed up the process and quality of claims settlement.
- The Central Government, if it feels that it is necessary to do so can make amendments to the existing laws to facilitate and smoothen the claims settlement process.
- The Central Government shall depending upon the circumstances and requirements appoint the Claims Tribunal for the purpose of settlement of Claims and specify the jurisdiction for the purpose of their functioning.

2.4 Role of Ombudsman

- 'Ombudsman' is a Scandinavian term, which means an 'entrusted person' or 'grievance representative.'
- An Ombudsman receives complaints from the aggrieved persons, investigates, recommends action and issues report on the outcome of an investigation.
- An Ombudsman helps speed up independent settlement of dispute. It is a machinery which facilitates satisfactory settlement or withdrawal of claims, by way of award or such other means.
- The "Ombudsman" can also act as a counselor and mediator, for matters within the terms of reference.
- An Ombudsman scheme is presently set up in 17 centers in India.

2.5 Role of IRDA

Monitoring the claim settlement process with incorporating regulations like:

- A life insurance policy shall state the primary documents which are normally required to be submitted by a claimant.
- A life insurance company, upon receiving a claim, shall process the claim without delay. Any queries or requirement of further documents, to the extent possible, shall be raised all at once and not in a gradual manner.
- 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 clarifications required. However, where the circumstances of a claim warrant an investigation in the opinion of the insurance company, it shall initiate and complete such investigation at the earliest.
- Subject to the provisions of section 47 of the Act, where a claim is ready for payment but the payment cannot be made due to any reasons of a proper identification of the payee, the life insurance company shall hold the amount for the benefit of the payee and such an amount shall earn interest at the rate applicable to a savings bank account with a scheduled bank (effective from 30 days following the submission of all papers and information).

2.5 Role of IRDA

Monitoring the claim settlement process with incorporating regulations like:

- Where there is a delay on the part of the insurer in processing a claim for a reason other than the one covered by sub-regulation (4), the life insurance company shall pay interest on the claim amount at 10% p.a. effective from the date of submission of all information and papers.
- Every insurer shall set up a proper grievance redressal machinery at its Divisional / Regional / Zonal / Head Office/Central Office, headed by a senior executive not having any direct responsibility for underwriting or settlement of claims.
- Every insurer shall place before its Board of Directors at least once every quarter: statistics of claims incurred, settled and outstanding.

2.6 Role of Consumer Protection Act

- The insured is the only person who will be approaching the consumer protection machinery for the settlements of the claim on the following grounds;
 - The difference of services,
 - Delay in services, i.e., settlements of claims and payments,
 - Not providing information required as the consumer of product,
 - Not hearing to the consumers and helping them in the claim applications,
 - Taking advantage of innocence and helplessness conditions of the consumer and rejecting the policy payments.