

REMEDIES FOR REJECTION OF INSURANCE CLAIMS

Shrivatsav N

Insurance Policies whether it is life insurance, health insurance or motor vehicle insurance, they have become an important part of our lives and we spend a major part of our earnings on securing Insurance with the expectation to attain financial security. An insurance claim is a formal request to an insurance company for coverage or compensation for a covered loss or policy event. The insurance company checks the claim and, once approved, makes payment to the insured or an approved interested party on behalf of the insured.

Insurance claim can be made by policyholder, their legal heirs, and any person who is authorized by any court of law. It must be understood that the third party who is claiming for compensation can only be awarded through the policyholder not directly.

Rejection of Insurance Claim can be very hard and most of the time the Insured is left clueless and is unaware about the steps that can be taken by him and what remedies are available in Law against rejection of genuine claims.

Lack of Information in the Proposal Form is one of the most common causes why insurance claim is rejected. The declarations in the proposal are the basis on which Insurers assess the risk and calculate the premium required to be paid. Hence, to avoid claim rejection, an truthful proposal form is of great importance.

The principle of good faith reposes on the parties to disclose all material facts which a party to the contract is aware of. It is an active concealment of a material fact that is violation of the rule, therefore the rejection of insurance claims. In the case of *Benrasi Debi vs New India Assurance*¹, the Court held that the test generally applied by the Court is whether it is a fact which increases the risk or whether the insurer would have rejected to give a policy on those terms if the fact had been disclosed.

¹ AIR 1959 Pat 540

Disclosure of pre-existing disease is one of the grounds of which the Insurer can repudiate the claim. The Judiciary has extensively dealt with the question as to what constitutes “pre-existing disease”. In the case of *New India Assurance Co. Ltd. vs Shiv Kumar Rupramka*², the State Consumer Dispute Redressal Forum enumerated that Disease means a serious derangement of health or chronic deep-seated disease frequently one that is ultimately fatal for which an insured must have been hospitalized or operated upon in the near proximity of obtaining the mediclaim policy. In the case of *Tarlok Chand Khanna vs United India Insurance Co. Ltd.*³, the National Consumer Dispute Redressal Forum stated that the burden to prove a pre-existing disease is on the Insurance Company.

Delay in Filing Insurance Claim is another major reason for rejection of insurance claim. In a recent case *Om Prakash v. Reliance General Insurance*⁴ of October, 2017, the Supreme Court, however, has held that if insurance claim is genuine then the same cannot be rejected on the grounds of delay. The Supreme Court in the case opined that that the owner has to intimate the insurer immediately after the theft of the vehicle. However, this condition should not bar settlement of genuine claims particularly when the delay in intimation or submission of documents is due to unavoidable circumstances.

It has seen from most of the cases that instead of taking due diligence or utmost care, rejection of claim still happen. In such cases there are various remedies that are available under the law.

Approach Insurer’s Redressal of Grievance Mechanism– The Insurance Companies have their grievance redressal mechanism. Hence, on rejection of claim, the claimant shall approach the redressal machinery of the Insurance Company. For instance, LIC has Review Committees in its Zonal Offices and Central Office which can be approached by the claimant in case of repudiation of insurance contract.

Approach the IRDA- Grievance Redressal Cell in the Consumer Affairs Department of the IRDA looks into complaints/grievances from policyholders. Before approaching the IRDA Cell,

² (2010) ACC 43

³ (2012) CPJ 84

⁴ (2017) 9 SCC 724

the complaints against insurers are required to be first registered with the Complaints/Grievance Redressal Cell of the concerned insurer. If any response from the insurer is not received within a reasonable period of time or are dissatisfied with the response of the company, the complainant can approach the Grievance Redressal Cell.

You can address the IRDA by Calling Toll-Free range 155255 or 1800 4254 723 or sending e-mail to complaints at [irda.gov.in](mailto:complaints@irda.gov.in) or Registering your criticism through Integrated Grievance Management System (IGMS) or Sending a letter or fax (040-6678 9768) to IRDA together with your criticism.

Approach the Insurance Ombudsman- Insurance Ombudsman Scheme was created under the Redress of Public Grievances Rules, 1998 with the object to resolve all complaints relating to settlement of claim on the part of insurance companies in cost effective, efficient and impartial manner. Under this Scheme any person who has a grievance against an insurer can himself or through his legal heirs make a complaint in writing to the Ombudsman within whose jurisdiction the branch or office of the insurer complaint against is located. Whenever the policyholder wants to approach Insurance Ombudsman, he/she may approach without any layer too. You must approach the Insurance investigator beneath whose jurisdiction the branch or workplace of the underwriter falls. The address of Ombudsman Centers can be found at “www.policyholder.gov.in/Addresses_of_Ombudsmen.aspx”. An Insurance Ombudsman can award compensation upto Rs. 30 lakh.

Remedy under the Consumer Protection Act, 1986– This is the ultimate recourse. Once increase to IRDA or approaching Insurance investigator (in choose cases) doesn't work, you'll invariably take the fight to client forum or civil courts. After exhausting all the aforesaid remedies, the complainant can approach the relevant Consumer Court. It would be relevant to mention here that the complainant can plead before the Consumer Court in person and the services of an Advocate is not required.