

Be honest, don't hide facts while taking cover 10-Oct-2011 Source : Indian Express

You often come across high pitch, 'emotional' advertisements of various life insurance companies talking about how you can sleep peacefully after buying life cover from them.

While it does make lot of sense in insuring one's life to take care of the financial requirements of your family, in the case of your unfortunate death, it is equally important to make sure that the claim is not rejected by the insurance company, that too for hiding facts.

Recently, HDFC Life Insurance was fined Rs 5 lakh by insurance regulator IRDA for delaying settlement of claims. The action was taken on complaint by a customer on "non-receipt of death claims." Following investigations, IRDA noted, " the time line adhered by the life insurer to decide on the death claim is on a higher side. more than 6 months elapsed in respect of a few more individual death claim cases without deciding the admissibility of the death claims." In this case, the insured died within 4 months of buying the life insurance policy.

According to the insurer, the investigations revealed that the insured was on kidney dialysis even before buying the policy but kept it hidden at the proposal stage which amounts to hiding "material facts" - the basis of an insurance contract. "HDFC Life has a philosophy of paying all claims (on time) unless and until there is a non-disclosure of material fact or a fraud against the company (claimant). We have a practice of investigating such claims, which involve additional information," said, Amitabh Chaudhary, CEO, HDFC Life Insurance.

Unique contract

Life insurance is a unique contract. The insurer and insured get into a contract based on good faith that what insured has declared is true and a promise that the insurer would pay the claim in the future. However, there are some conditions inherent in this contract. The one critical for ensuring a claim (due to the death of the insured) is honoured by the insurer, is the information provided by the insured at the proposal stage.

"Wrong information or truth withheld by consumers may make the contract void - making the consumer lose the benefits of that policy," says Harsh Roongta, CEO, Apnapaisa.

This puts the onus, largely, on the insured to ensure a hassle free on-time claim settlement.

"There are instances where even a cancer patient has bought an insurance policy, hiding it from the insurer. This amounts to fraud. Hiding facts like smoking and drinking habits while filling up the proposal form is not uncommon," adds Roongta.

While filling up the form, make sure to disclose all medical facts, correct occupation, and income. "Correct date of birth along with valid age proof is necessary. for incorrect date of birth may lead to loss of full or partial claim benefits," says Rajit Mehta, ED and COO, Max New York Life Insurance.

One must never be in a wrong notion that the insurer would not know about a fraud or an information which is kept hidden. "The insurance companies have quite robust system of investigating claims. Professional third party investigators are hired to dig out the truth. Not only will you lose all the premiums paid, you would risk the financial security of the dependents that you leave behind after you are gone," says Deepak Youhannan, CEO, Myinsuranceclub.

Claim process

According to Life Insurance Council, the following process is critical to make sure that a claim is honoured by a company and settled in minimum time possible.

* **Claim intimation/ notification:** The claimant must submit the written intimation as soon as possible to enable the insurance company to initiate the claim processing. The claim intimation should consist of basic information such as policy number, name of the insured, date of death, cause of death, place of death, name of the claimant.

The claimant can also get a claim intimation/notification form from the nearest local branch office of the insurance company or their insurance advisor/agent.

* **Documents required:** The claimant will be required to provide a claimant's statement, original policy document, death certificate, police FIR and post mortem exam report (for accidental death), certificate and records from the treating doctor/hospital (for death due to illness) and advance discharge form for claim processing. Based on the sum at risk, cause of death and policy duration, insurance companies may also request some additional documents.

* **Submission of required documents:** A life insurer will not be able to take a decision until all the requirements are complete. Once all relevant documents, records and forms have been submitted, the life insurer can take a decision about the claim.

* **Settlement of claim:** As per the regulation 8 of the IRDA (policy holder's interest) Regulations, 2002, the insurer is required to settle a claim within 30 days of receipt of all documents including clarification sought by the insurer. However, the insurance company can set a practice of settling the claim even earlier. If the claim requires further investigation, the insurer has to complete its procedures within six months from receiving the written intimation.

Claim repudiation ratio

The claim repudiation ratio or CRR provides the percentage of claims rejected by an insurer. Before buying life insurance, it may be prudent to check the CRR of the insurer as that gives an insight into the insurer's probability to reject a claim. However, there are other facts that must be looked at before taking a final call on which insurer one must choose. "CRR is definitely not a foolproof method to choose your insurer. CRR considers all the claims, it can't tell which cases were legitimate and which were not. Other things like company history, product details, and quote should be considered before buying life insurance policy," suggests Yashish Dahiya, CEO, Policy Bazaar.

With the increasing competition, stricter regulatory environment, increasing awareness among the customers and online consumer activism, insurance companies are fast realising the fact that poor services and delaying/denying claim without enough evidence can put them in a tight spot. Customers who feel cheated by the insurance companies can file a complaint to the Insurance Ombudsman or/and file a case in a consumer forum. However, honesty would be the best policy for a customer to make sure that the claim is not rejected when it is actually needed.