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INSURANCE INSIGHT

IRDAI issues Master Circular on Health Insurance

Successive reductions in insurance claim sans reasoning



ANIMESH SINHA & PARTNERS
ADVOCATES & SOLICITORS

IRDAI issues Master Circular on Health Insurance

The Insurance Regulatory and Development Authority of India (IRDAI) has issued Master Circular on 29, May, 2024 to consolidate and replace its previous 13 circulars. The new Master Circular focuses on making insurance products more accessible and consumer-centric. As per this Master Circular, the policy holder will not have to submit any documents in case of claim settlement, rather, the insurance companies and TPAs (third-party administrators) would collect the required documents from the hospitals.

The Master Circular stressed that no policy and claim of health insurance shall be contestable on any grounds of non-disclosure and/ or misrepresentation except for established fraud, after the completion of the moratorium period, i.e. 60 months of continuous coverage.

The Master Circular further provides for constitution of a Claims Review Committee and that no claim could be repudiated without the approval of the claims review committee. This Master Circular aims to simplify the claim process for the policy holder and make health insurance more accessible for the customers.

Successive reductions in insurance claim sans reasoning

The Hon'ble NCDRC in the case of M/S. Okaya Fujikawa Power Pvt. Ltd. Vs. National Insurance Company Ltd (Consumer Case No. 791 of 2015) dealt with the unfair trade practices and deficiency in service on part of the Insurance company when successive reductions have been made in insurance claim without any reasoning.

The complainant had incurred huge losses due to unfortunate fire in its building. Subsequently, the surveyor assessed the amount of Rs. 8,95,93,585 after carrying out deductions which was consented to by the complaint. The insurance company thereafter obtained some report from IIT Roorkee and NITTR regarding damage to building and proposal for repairs and an addendum report was again prepared by surveyor reducing the amount, which was accepted by the complainant. However, Addendum report-2 was prepared without the knowledge of the complainant which further reduced the amount and the complainant accepted the said amount in the hope that the claim would finally stand disposed off and settled. The question before the Hon'ble NCDRC was whether the Insurance Company could compel the claimant to accept a lower claim as originally assessed by the surveyor without intimating the Complainant as to the reasons for such reduction. The Hon'ble NCDRC critically examined the fact that there is no evidence indicating complainant's acceptance of amount under protest. However, it stated that the fact of the survey report being delayed and revised from time to time does not seem to be in conformity with the timeline indicated in the IRDA Regulations 2002, which provides for settlement of claims within one month, but not later than six months. The court emphasized the strict compliance of both surveyors and insurance companies with the IRDA guidelines and held that successive bargaining with no options to the insured is an unfair trade practice.



D106 SF Defence Colony
New Delhi - 110024



asp@sinhapartners.com
www.sinhapartners.com



+91 11 41 046 911
+91 11 40 536 008