

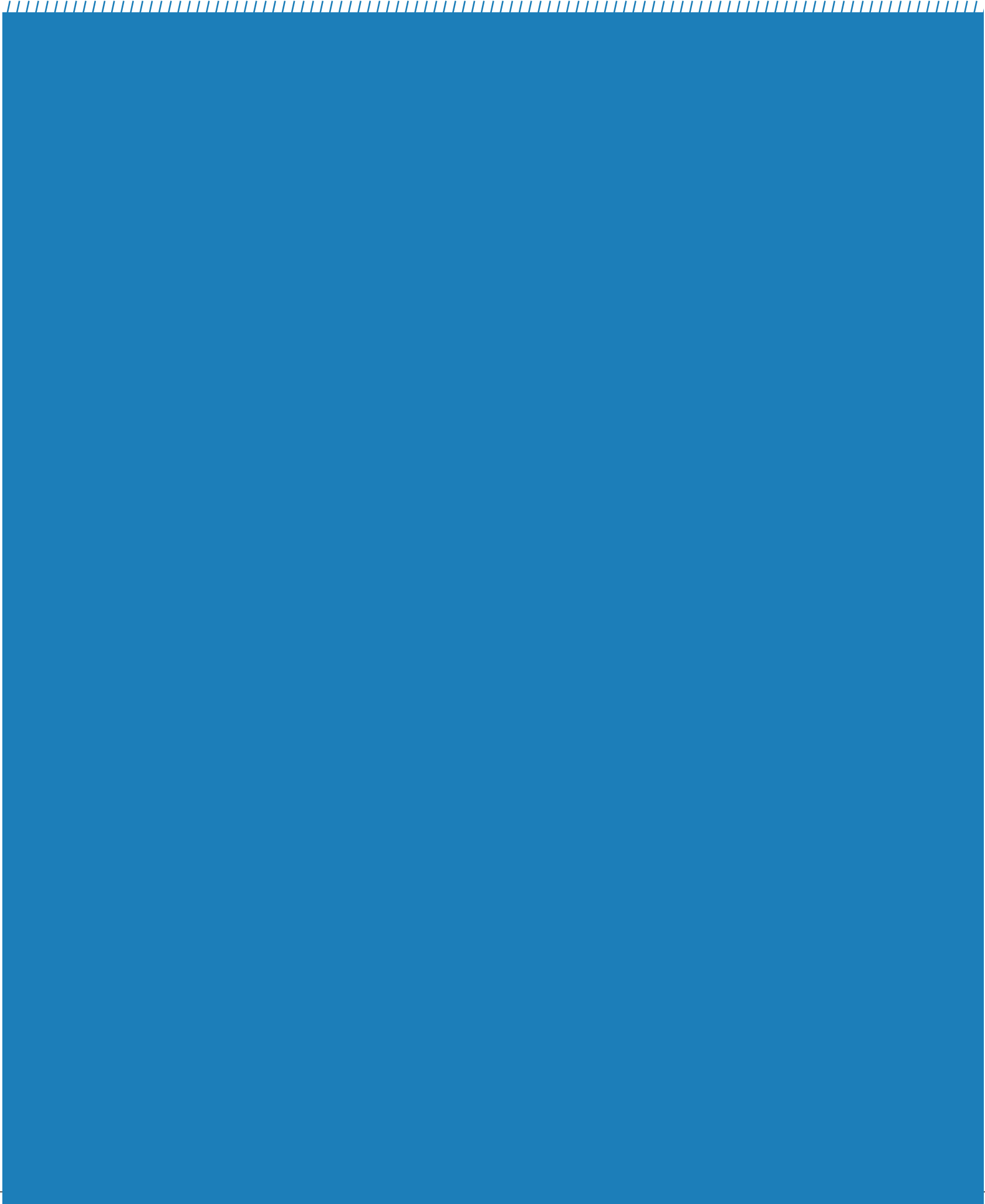


Department of Administrative Reforms and Public Grievances



Insurance

Department of Financial Services
(Insurance Division)



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Introduction



1.1 CONTEXT

The Department of Administrative Reforms and Public Grievances (DARPG) received 11,94,931 (related to central government) grievances in 2016 across 88 Ministries/Departments through Centralized Public Grievance Redress and Monitoring System (CPGRAMS). This department's role is to facilitate the pursuit of excellence in governance through improvements in government structures and processes, initiatives and dissemination of best practices. Moving towards this goal, the department commissioned a grievance analysis study of top 20 Ministries/Departments receiving large number of citizen grievances. The study involved identification of top grievance categories and recommending systemic reforms. The Parliamentary Standing Committee for Personnel, Public Grievances and Law & Justice recommended conducting similar study for next 20 Ministries/Departments.

1.2 OBJECTIVE

The study carried by Quality Council of India, as per the mandate given by DAR&PG, was conducted from August 2016 to March 2017, covering more than 100 grievance categories across 20 Ministries/Departments. A team of consultants was deployed to understand issues in depth from the officials and collect information from more than 70 domain experts. Moreover, this team of consultants conceived the methodology, process and outcome of the study. It is hoped that this study will bring the necessary third party evaluation into picture for guiding the schemes and providing useful lessons for similar evaluations on a larger scale in future.

1.3 IDENTIFICATION OF 20 MINISTRIES/DEPARTMENTS

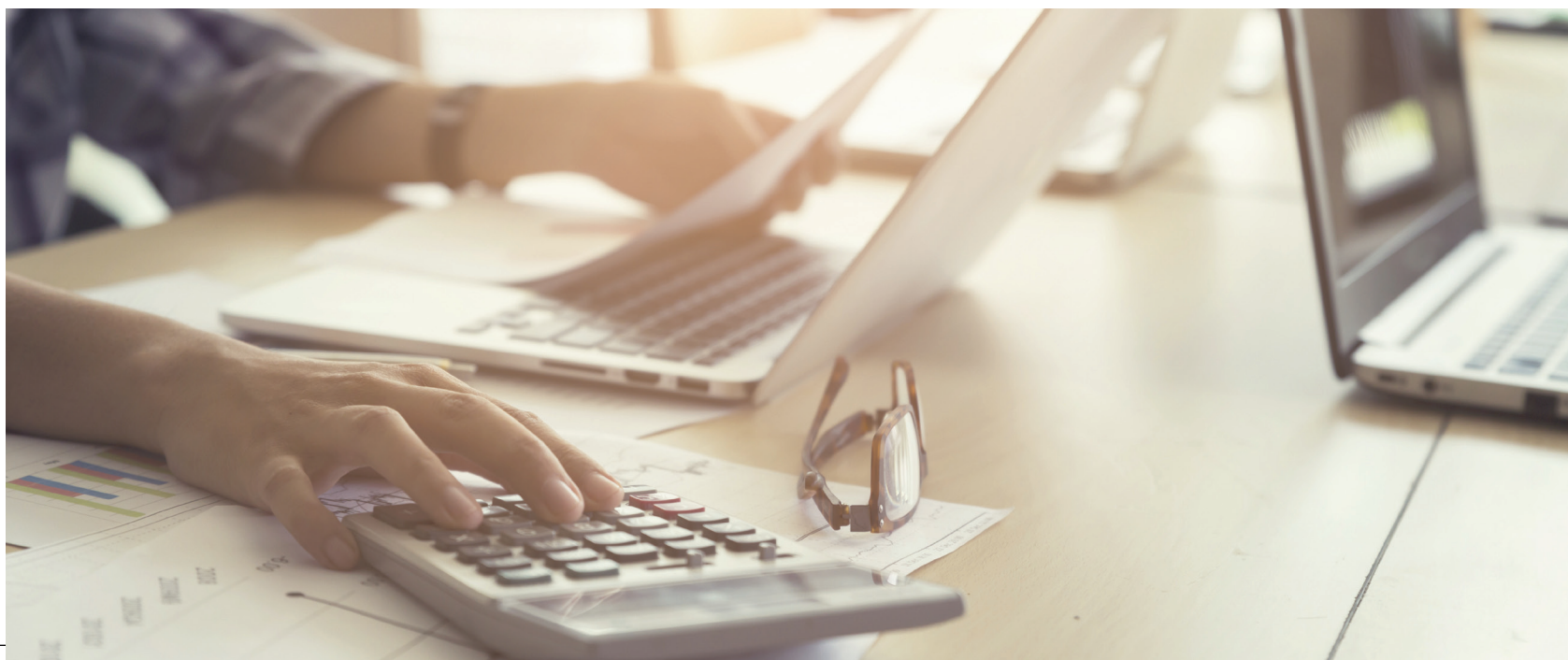
The grievances received on the portal provided the source for data analysis. The top 20 Ministries/Departments were covered in the earlier grievance study. This study identifies next 20 Ministries/Departments, based on the number of grievances received by the particular Ministries/Departments (from 01.04.2012 to 31.03.2016). For the scope of this particular report we will be focusing on the Department of Financial Services (Insurance Division) (S.NO 22).

Table 1: List of 20 Grievance Study Ministries

S.No	Ministry/Department	Number of grievances
21	Information and Broadcasting	18,567
22	Financial Services (Insurance Division)	17,840
23	Environment, Forest and Climate Change	17,323
24	Corporate Affairs	17,084
25	Consumer Affairs	16,047
26	Agriculture Cooperation and Farmers Welfare	14,342
27	Electronics & Information Technology	12,729
28	Social Justice and Empowerment	12,637
29	Civil Aviation	12,448
30	Rural Development	11,646
31	Drinking Water and Sanitation	10,723
32	Power	10,392
33	Women and Child Development	9,773
34	Economic Affairs	9,553
35	Commerce	9,509
36	Water Resources, River Development & Ganga Rejuvenation	9,265
37	Food and Public Distribution	8,292
38	Housing and Urban Affairs	7,287
39	Defence Finance	6,604
40	Coal	6,346

1.4 INTRODUCTION TO FINANCIAL SERVICES (INSURANCE DIVISION)

Insurance Division is administratively concerned with the activities of life and non-life segments of the nationalized insurance industry and Insurance Regulatory and Development Authority of India (IRDAI). The Functions of Division are: Policy formulation and administration of various acts of Parliament such as the Insurance Act, 1938, constant review and monitoring of the performance of the National Insurance Companies, framing of rules and regulations in respect of service conditions of employees of Public Sector Insurance Companies & implementation of government sponsored insurance schemes such as Pradhan Mantri Fasal Bima Yojna.



11,94,931 grievances were received on PG portal in 2016 across 88 Ministries/Departments

83% of the grievances were disposed by Ministries/Departments in 2016

Rank 22 of 88 Ministries/Departments (based on the number of grievances received from 2012-16)

5,580 of grievances were received by Department of Financial services (Insurance division)

40% of the grievances were received by Insurance and Regulatory Development Authority of India (IRDAI)

37% of the grievances were related to issues in claiming process

19% of the grievances were due to incorrect interpretation by the policy holder

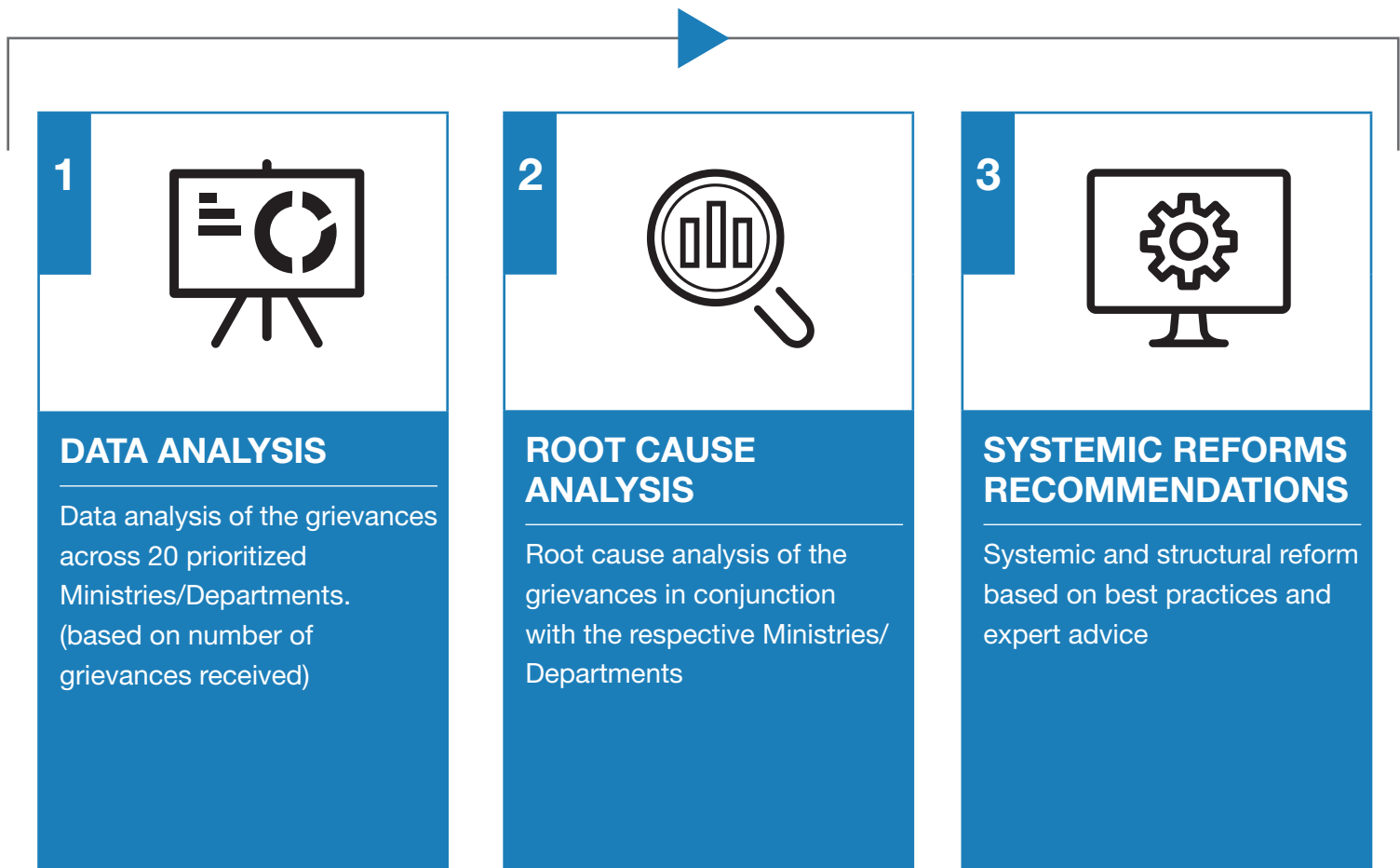
39%* of the grievances will be impacted, as and when suggested reforms are incorporated

* The percentage has been computed after multiplying a) Percentage of grievances under shortlisted divisions with, b) Percentage of addressable grievance categories

Deep Dive Grievance Analysis



The three point approach for grievance analysis study includes data analysis, root cause analysis, and systemic reforms recommendations for the service issues.



2.1 DATA ANALYSIS

2.1.1 IDENTIFICATION OF TOP DIVISIONS

The shortlisted divisions were the ones receiving maximum grievances (from 1.4.2015 to 31.3.2016). The first step was to break the grievances down in terms of the Divisions it was being forwarded to. These Divisions were defined as per the officer- in-charge who it is forwarded to within the Ministry/Department, as defined by the respective Ministry/Department.

The highest grievances were received by Insurance Regulatory & Development Authority of India, which accounted for 40% of grievances received, followed by Life Insurance Corporation of India which accounted for 30% of the grievances

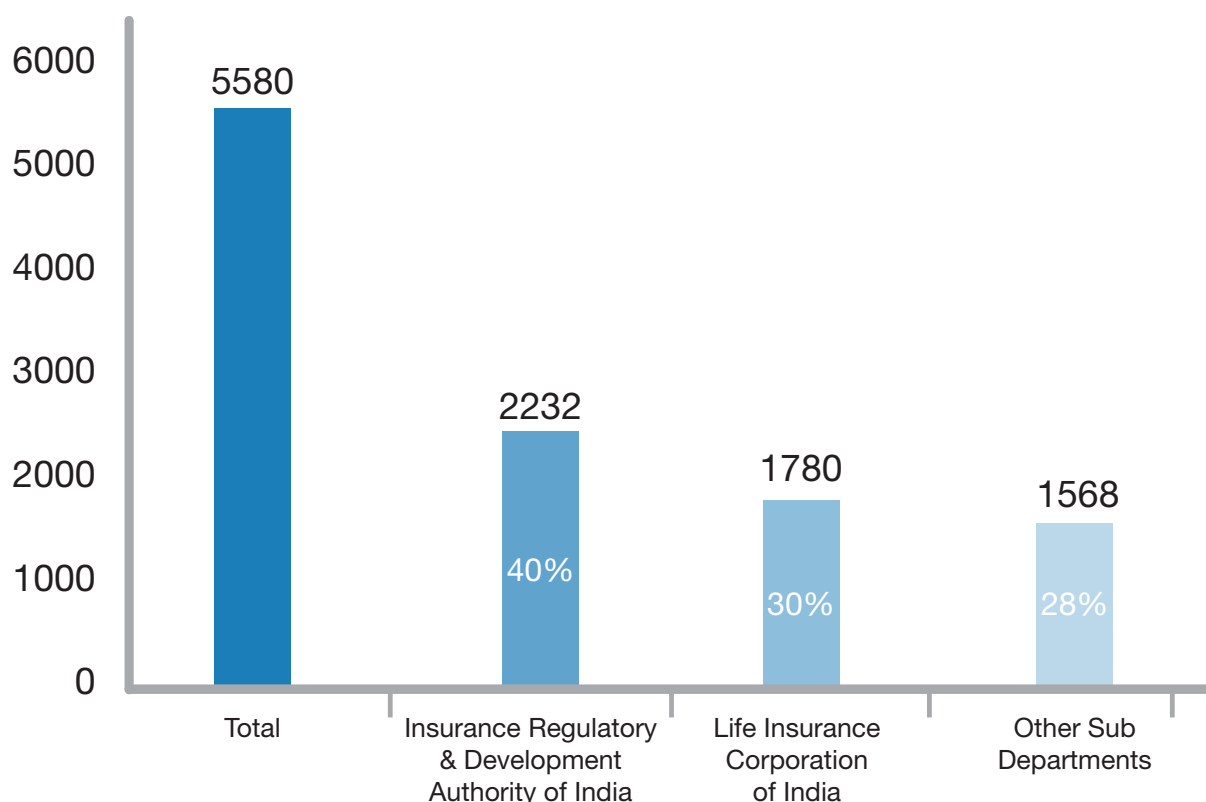


Chart 1: Categorized grievances received by divisions from 1.4.2015 to 31.3.2016

2.1.2 IDENTIFICATION OF FOCUS SERVICE

Grievance data in each division was deep dived and 10% of sample was analyzed

Table 2: Sample size selected for the study

<p>DEPARTMENT OF FINANCIAL SERVICES (INSURANCE DIVISION)</p>	<p>5580</p> <p>NUMBER OF GRIEVANCES</p>	<p>550</p> <p>TOTAL SAMPLE GRIEVANCES ANALYSED</p>
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The next step was grievance-by- grievance analysis for a sample of the grievances received by the top 3 Divisions, namely Insurance & Regulatory Development Authority of India (IRDAI), Life Insurance Corporation of India (LIC), and Agriculture Insurance Company of India Limited. The following table indicates the sample size considered for Department of Financial Services (Insurance Division).

AN EXAMPLE OF A GRIEVANCE ANALYZED IS AS FOLLOWS




“My husband K. K Maita retd from Indian bank and is under UIIC mediclaim TPA Medicare. He is suffering from cancer diag . Specialist and oncologist treated IV chemo 7 injections. At present admitted to AMRI. Insurance does not cover till 2 years from Nov 2014. Please consider the situation and relax the rules regarding insurance so that he can continue treatment.”

ACTION BY DEPARTMENT OF FINANCIAL SERVICES (INSURANCE DIVISION)

We wish to inform you that an amount of Rs. 58312/- and Rs. 44952/- is paid towards settlement of claim through NEFT vide no. 163XXXXXXXXXXXX dt. DD/MM/2016 and 163XXXXXXXXXXXX dt. DD/MM/YYYY respectively. We treat the grievance as attended.

For the Department of Financial Services (Insurance Division), the top most concern for the Ministry were issues in claiming insurance, incorrect interpretation by the policy holder and issues in agriculture welfare schemes which accounted for 37%,19% and 13% of grievances, respectively.

Table 3: Focus service for root cause analysis

S.No	Grievance Causing Issues	Impact*	Details
1	 Issues in Claiming Process	37%	<ul style="list-style-type: none"> • Non-receipt of Claim amounts despite satisfaction of the eligibility requirements • Mismatch in amount claimed by the policy holder and received by him/her
2	 Incorrect Interpretation by Policy Holder	19%	<ul style="list-style-type: none"> • Wrong Expectation of the Policy Holder regarding his/her eligibility for the claim amount • Rejected demands for refund of paid-up premium in case of surrender of policy
3	 Issues in Agriculture Welfare Schemes	13%	<ul style="list-style-type: none"> • Non payment of insurance claims under Pradhan Mantri Fasal Bima Yojna • Payment of bribes to get settlement amount made by middle men

*Grievance Sample Analyzed : 550

2.2 ROOT CAUSE ANALYSIS (RCA)

With regards to grievance category – Issues in Agriculture Welfare Schemes, the issue was deprioritized for reform recommendation exercise, as the broad concerned policy reforms fall outside the purview of the concerned department.

The study team spent time with each implementation body within that division to understand core processes, accountability and performance tracking. Domain experts were also consulted to understand root cause for each grievance category.

The questions revolved around policy, process and people problems that were leading to lack of quality implementation

Table 4: Root Cause Analysis of grievances related to Department of Financial Services (Insurance Division)

Issue	Sub-Issue	Root Cause
Issues in Claiming Process	Non-receipt of Claim amounts despite satisfaction of the eligibility requirements	<ul style="list-style-type: none"> • Non-submission or delayed submission of requisite documents at the Insurer’s Branch
	Mismatch in amount claimed (often indicated by the agent at the time of selling) by the policy holder and received by him/her	<ul style="list-style-type: none"> • Lack of awareness among the policy holders • Agent or other intermediaries not giving full and correct information • Non-disclosures by the insured, especially in case of Health Insurance
Incorrect Interpretation by Policy Holder	Wrong Expectation to the Policy Holder regarding his/her eligibility for the claim amount Rejected demands for refund of paid-up premium in case of surrender of policy	<ul style="list-style-type: none"> • Policy holders not reading the term document • Policy holders misconstruing the terms & conditions of the term document



Both the issues are mapped to LIC & IRDA divisions

Chart 2: Department of Financial Services (Insurance Division)

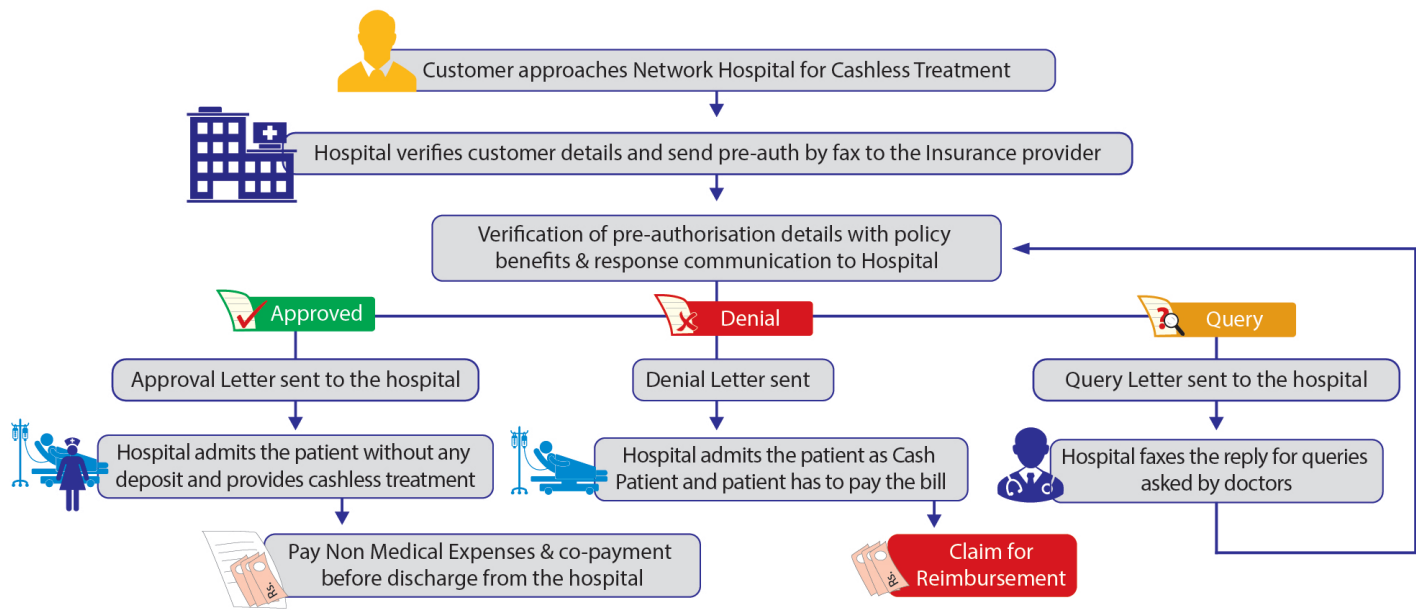
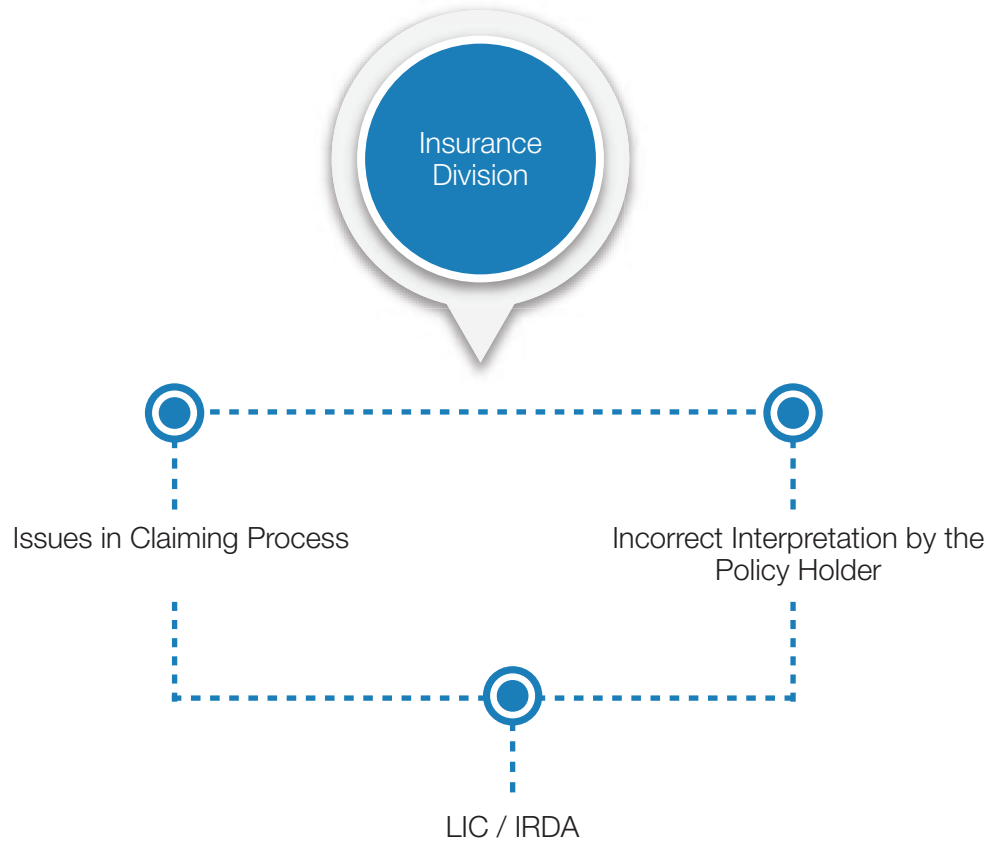


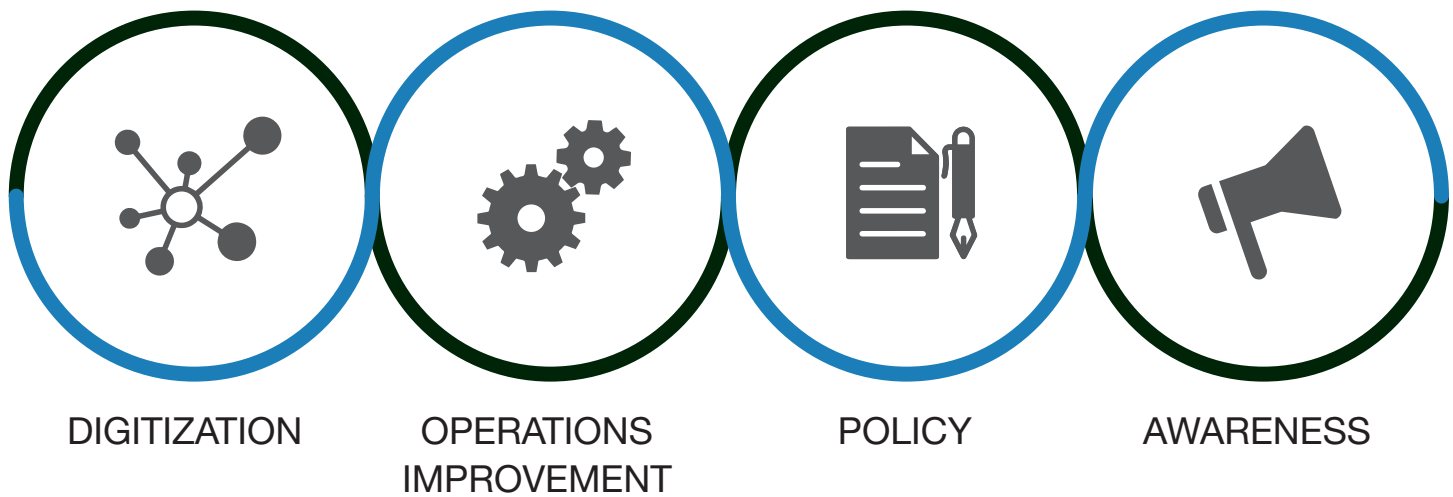
Chart 3 : Claim Process for Health Insurance
Issue Points are highlighted in red

2.3 SYSTEMIC REFORMS RECOMMENDATIONS

Based on the key root cause for improper delivery of service, corresponding recommendations were identified and designed. These recommendations were arrived after discussing with the Ministry/Department representative.

For each issue, the problem was broken into multiple parts to ensure that each aspect of the problem is addressed independently, while ensuring maximum impact. Systemic and structural reform recommendations were made for the identified focus areas across the following areas

AREAS ACROSS WHICH SYSTEMIC REFORMS ARE SUGGESTED



Systemic Reforms



Insurance Industry affects a large number of population, especially with the prevalent thrust on financial inclusion. It is important that we ensure that the insurers act in the best interests of the insured.

The team has made eight recommendations for improving process and monitoring standards and how should it be conducted, based on industry best practices. These solutions have been finalized post interactions with experts from that particular field or experts who have implemented similar solutions.

Table 5: Systemic Reforms for Insurance Division

S. No	Reform Category	Systemic Reforms	Ease of implementation
1	Digitization	A digital portal for redeeming insurance claims which can be merged with the eInsurance Account (eIA) initiative* of the government	Medium
2	Digitization	An Introduction of a necessary quiz based routine to be taken by the policy holder and conducted by the policy provider	High
3	Digitization	Have weather stations in every block, use drones to assess damage and low-earth orbit satellites, to geo-tag plots to identify affected farmers under crop-insurance scheme.	Medium
4	Digitization	A repository of negative list of individuals /agents/channel partners & company employees who have indulged in malpractices at an Industry level	Medium
5	Operations Improvement	Pre-Insurance Verification Calling: Insurance Provider calls the customer after the agent interaction to touch upon key points	Medium
6	Operations Improvement	Essential reminder by the insurer to the insured before a lapse	High
7	Operations Improvement	Introduction of a standard template for policy term documents, in vernacular language	High
8	Operations Improvement	Tweaking the insurance agent commission structure to provide incentive for policy holder's service, in the later years	Low

Majority of the proposed reforms can be undertaken by the Department of Financial Services (Insurance Division) in association with Insurance Regulatory & Development Authority of India (IRDAI)

* An e-insurance account allows the customer to hold all her insurance policies electronically under a single e-insurance account, just as she holds her stock certificates and mutual fund units online in dematerialized form. With it, there's no risk of losing the physical insurance policies.

Case Studies On Reforms



4.1 INSURER ENSURING HOLDER'S KNOWLEDGE*

Good Samaritan Insurance (Name changed) has initiated the Pre Issuance Verification Call (PIVC) measure prior to policy issuance. During the call, the policy features are explained to the Customer and it is emphasized that no other incentives/ inducements/ benefits are offered. Thus, Customers have an opportunity to confirm that the product they are opting for is according to their purchase expectations and valid consent is obtained prior to policy issuance. The insurer witnessed an over 50% reduction Year – on – Year (YoY) in the number of grievances received after the employment of PIVC

4.2 LIMITING TELEMARKETING

It was noted that a disproportionate number of complaints were being generated on policies sourced by 'Broker' channel, telephonically. The ageing of complaints was observed to be between 3 months to 9 months as the customers were being promised of bonus/incentives at those times. **Senior age customers were being targeted by randomly calling landline numbers.** This was particularly seen in some broker entities and it was suspected that they had subcontracted these calling activities. The insurer reduced/discontinued relations with broking entities where incidences of sales related complaints were found to be high. A huge reduction in complaints was witnessed as a result of this action.

IMPACT:

Significant reduction in complaints related to mis-selling

Improvement in Persistency ratios[#]

Parameter	FY 2016	9 m FY 2016	9 m FY 2017
Sales Complaints	9210	7503	2962
Persistency	65%	63%	71%

* While the concerned best practice is being undertaken by an existing insurer, the name of the same has been changed in the light of relevant concerns

[#]Persistency ratio = No. of Clients Paying the Premium / Net Active Clients * 100

Conclusion



This Grievance Analysis Study analyzed 550 grievances of Department of Financial Services (Insurance Division), spanning across claim issues, faulty interpretations and agriculture welfare schemes. Following key systemic reforms have been recommended, implementation of these will make an impact in reducing grievances.

RECOMMENDATIONS

This report evaluates the grievances of Insurance Division and recommends the following priority systemic reforms:

- 01 Introduce a necessary quiz based routine to be taken by the policy holder regarding the key points of the policy document, to the policy selling process, in association with IRDAI.
- 02 Maintenance of a digital portal for redeeming insurance claims (from all the providers) which can be merged with the eInsurance Account (eIA) initiative of the government
- 03 Pre-Insurance Verification Calling: Insurance Provider calls the customer after the agent interaction to touch upon key points

LIST OF EXPERTS CONSULTED

Table 6: List of experts

Department of Financial Services (Insurance Division)	Outside Ministry	Quality Council of India
• Anil Kumar Khachi - Additional Secretary (Financial Services)	• Ashok Suvarna – COO at Birla Sun Life Insurance Co. Ltd.	• Adil Zainulbhai - Chairman
• Dr. N. Srinivasa Rao , Economic Adviser	• Yusuf Pachmariwala - Senior Vice President & Head - Operations at Tata AIA Life Insurance	• Dr. Ravi P. Singh - Secretary General
• Gulab Singh - Deputy Secretary		
• T.S Naik , GM, Consumer Affairs Dept. IRDAI, Hyderabad		



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