



बीमा विनियामक और विकास प्राधिकरण
**INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY**

Ref: IRDA/Life/Ord/Misc/228/10/2011

**Personal hearing in the matter of M/s HDFC Standard Life Insurance Company
Limited**

Wednesday, August 29th, 2011 at 04.00 PM

**The Insurance Regulatory & Development Authority, 3rd Floor,
Parishram Bhavanam, BasheerBagh, Hyderabad**

In Chair: Sri J Hari Narayan, Chairman, IRDA

A personal hearing was given to M/s HDFC Standard Life Insurance Company (*hereafter referred as Life Insurer*) on August 29th, 2011 with regard to the show cause notice issued based on the complaint lodged by Ms. Kunti Devi and subsequent investigation carried out by IRDA.

Sri Amitabh Chaudhary, CEO and his team were present. On behalf of IRDA, Sri G. Prabhakara, Member (Life), Sri V Jayanth Kumar, Joint Director (Life), Sri D V S Ramesh, Deputy Director (Life) and Sri T V Rao, Deputy Director (C A D) were present.

The findings on the explanations offered by the Life Insurer to the issues raised in the Show Cause Notice dated 31st May, 2011 are as follows.

Issue:

A complaint lodged by Ms Kunti Devi, was received by IRDA on 14th April, 2009 regarding non receipt of death claims. The complaint was forwarded to the Life Insurer on 28/07/2009. The Life Insurer vide its letter dated February 05, 2010 informed the repudiation of the death claim due to non disclosure of 'material facts' which was material to disclose. From the submissions of the life insurer it is noticed that the claim was repudiated after a gap of around 12 months from the date of receipt of claim intimation. It is also noticed that the life insurer has resorted to a claim investigation before deciding on the repudiation of the claim under reference.

An investigation carried out by IRDA on 18th June, 2010 revealed that the time line adhered by the life insurer to decide on the death claim is on a higher side. It was also noticed during the course of investigation that more than 6 months was elapsed in respect of a few more individual death claim cases without deciding the admissibility of the death claims and in respect of a group insurance policy one claim is outstanding for more than one year.

The Life Insurer submitted that it has a philosophy of paying all claims unless and until there is a non disclosure of material fact or a fraud against the Life Insurer and has been insisting on conclusive evidence of non disclosure. The Life Insurer also adds that the insistence on conclusive evidence of non disclosure or fraud, at times, resulting in delays in deciding the claims. It also attributes the delay in deciding claims to the non cooperation of the claimants, hospitals or other public authorities to provide the requisite information or the evidence. The Life Insurer submits that wherever the delays are taken place it is paying the penal interest for compensating policy holders as specified in the regulations.

On the request of the Life Insurer, the Authority granted a personal hearing on 29th August, 2011.

The Life Insurer during the course of personal hearing submitted that it has taken several initiatives to reduce the Turnaround time (TAT) for individual claims which inter alia includes availability of claim forms in 11 regional languages, Toll Free numbers for claim intimations and personal follow up by branch officials etc. The Life Insurer informs that the TAT for settlement of death claims was 34 days in 2009-10 and 26 days in 2010-11 and 86.35% of the Investigated cases were decided within the TAT during 2010-11.

In order to protect the interests of the policyholders and also to check the prevalence of fraudulent claims, the IRDA has mandated claim procedure in respect of a life insurance policy. As per provisions of Regulation (8) of IRDA (Protection of Policyholders' Interests) Regulations, 2002 where warranted an insurance company shall initiate and complete such investigation at the earliest in any case not later than 6 months from the date of lodging the claim. The claim shall also 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.

On examining the documents and submissions of the Life Insurer it is observed that the Insurer did not have in place effective procedures to comply with the above regulation.

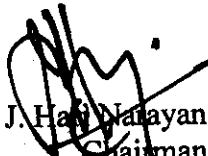
Decision:

Wherever delays have taken place in taking decisions on the settlement of death claims, it is considered that the Insurer has failed to adhere to the within referred regulations. The violation of the referred regulations invites a penalty under Section 102(B) of the Insurance Act 1938 and the Authority is empowered to impose a penalty not exceeding Rs.5 lakh for each such violation and punishable with fine. Considering the nature of the violation, the Authority has come to the conclusion that it is just and proper to impose a penalty of Rs.5 lakh. Accordingly, a penalty of Rs 5 lakhs is imposed on the HDFC Standard Life Insurance Co Ltd.

The penalty amount of Rs 5,00,000 (Rupees Five Lakhs only) shall be paid within a period of 15 days from the date of receipt of this order through a crossed demand draft drawn in favour of Insurance Regulatory and Development Authority and payable at Hyderabad which may be sent to Shri Kunnel Prem, C S O (Life) at the Insurance Regulatory and Development Authority, 3rd Floor, Parisrama Bhavan, BasheerBagh, Hyderabad 500 004.

The Life Insurer is also directed to put in place effective claim settlement procedures and take all such measures that deem fit for both pro-active and timely settlement of all types of claims. The procedures and measures shall fully comply with the regulations referred above. The Life Insurer shall confirm the action taken towards this direction within 15 days from the date of receipt of this order.

Dated 04th October, 2011
Hyderabad


J. Hari Narayan
Chairman