

Private Life Insurers Rejected One Out of Every 5 Claims in FY14

Our Bureau

Mumbai: Private insurers Shriram Life, IndiaFirst Life Insurance and Canara HSBC OBC rejected nearly one in five claims during 2013-14 while state-run Life Insurance Corporation improved its claims settlement ratio to 98.14% during the fiscal, according to the annual report released by Insurance Regulatory and Development Authority. Insurers say they are forced to reject — or repudiate, in industry parlance — a lot of claims due to suppression of relevant facts such as medical history.

“Insurance non-disclosure is the biggest item, which is leading to repudiation. Customers should be willing to share more information proactively,”

said Girish Kulkarni, managing director and chief executive of Star Union Dai-ichi, which settled 92.86% claims during the year.

In 2013-14, insurers repudiated 18,423 claims for ₹624 crore while 8,496 claims for a total of ₹450 crore were pending.

Life insurance companies settled 8.56 lakh claims on individual policies with a total payout of ₹10,860 crore during the fiscal. The settlement ratio of private sector insurers dropped to 88.31% from 88.65% while the percentage of repudiations during the fiscal was 8.03%. Insurers closely investigate claims which are reported early on during the term of a policy. Insurance companies have been dealing with organised frauds in life insurance, as a result of which they have blacklisted certain areas.

Life Insurance Council is working on fraud analysis mechanism to bring down the menace.

The fraud, which began with term plans, has now moved to savings plans like money-back policies.

LIC's settlement ratio improved to 98.14% from 97.73% in the previous year to widen the gap with the ratio of private insurers. Its percentage of repudiations was also lower during the fiscal, at 1.10% from 1.12% in the previous year.

Life Insurance Corporation improved its claims settlement ratio to 98.14% in FY14