

Penalty imposed on NIA

28 July 2011

Please find below for your reference the IRDA's order against New India Assurance (NIA) dated 27th July 2011 which imposes a penalty of Rs.100,000 for reasons of inadvertent delay in redressal of a policyholder's grievance and delay in responding to the IRDA's communication:

Order of the Insurance Regulatory & Development Authority against New India Assurance Co.

- 1. Regulation 10 of IRDA (Protection of Policyholders' Interests) Regulations 2002 requires an insurer carrying on life and general business to respond within 10 days of the receipt of any communication from its policyholders in various service related issues.*
- 2. Regulation 5 of IRDA (Protection of Policyholders' Interests) Regulations 2002 requires every insurer to have in place proper procedures and effective mechanism to address complaints and grievances of policyholders efficiently and with speed.*
- 3. The Authority received a complaint from Shri Hemendra Mehta against The New India Assurance Company Ltd in the matter of non-refund of Mediclaim premium for the period the insured was staying abroad in spite of the insurer's email communication of 24.11.2009 that refund can be considered for the period of stay outside India during the policy period. In view thereof the Authority vide letters/E-mail dated 20.10.2009, 18.3.2010 and 5.4.2010 sought information relating to non-payment of refund. The insurer failed to effectively resolve the complaint.*
- 4. New India Assurance Co Ltd also failed to respond to the specific letter dt.18.3.2010 of the Authority calling for explanations for the delay in the matter of resolution of the complaint.*
- 5. Having regard to the facts of the case, IRDA issued a notice dated 11.5.2010 upon New India Assurance Co Ltd calling upon it to show cause as to why appropriate action in terms of the provisions of the Insurance Act, 1938 and the IRDA Act, 1999 should not be initiated against them.*
- 6. In response thereto, New India Assurance Co Ltd vide letter ref.GC:HO:2010, dated 2nd June, 2010, conceded that they had, inadvertently, not mentioned the requirement of an OMP Policy from their company, in their communication dt.24.11.2009 to the insured complainant, Shri Hemendra Mehta. The insurer has also stated that they have taken a 'generous view' on the matter and*

effected the refund on 26.5.2010 as a 'special case without precedence'. New India Assurance Co Ltd has also requested the Authority to condone the delay in replying to the Authority's communication.

7. Upon consideration of the facts of the case and the submissions made on behalf of New India Assurance Co Ltd, it is observed that the insurer has not complied with Regulations 10 & 5 of IRDA (Protection of Policyholders' Interests) Regulations 2002. The Insurer has taken more than 7 months to redress the complaint of Shri Hemendra Mehta and more than 2 months to respond to letter dt.18.3.2010 of the Authority's Grievance Cell.
8. Having regard to the facts of the case and the view of the Authority on the gravity of the violations, on a judicious exercise of the powers and the discretion vested in the Authority under Section 14 of the Insurance Regulatory and Development Authority Act, 1999 read with Section 102 of the Insurance Act, 1938, a penalty of Rs. 1,00,000 (Rupees One lac only) is imposed on The New India Assurance Co Ltd.
9. The penalty amount shall be paid within a period of 15 days from the date of receipt of this order through a cross demand draft drawn in favour of Insurance Regulatory and Development Authority and payable at Hyderabad which may sent to Executive Director, Consumer Affairs Department at the Insurance Regulatory and Development Authority, 3rd Floor, Parisrama Bhavan, Basheerbagh, Hyderabad 500 004.

For further information on this topic please contact Tuli & Co

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