INSURANCE EXAM · IC-29

IC-29 General Insurance Claims

Revision book

16	2	189
chapters	master tables	numbered sections

FREE SAMPLE: Chapter 1 of 16

CHAPTER 1

Introduction To General Insurance Claims

1.1 Why claims matter
1.2 Key players
1.3 Claims philosophy
1.4 Four benefits
1.5 Claim process analysis
1.6 Affected areas
1.7 Reinsurance
1.8 Business objectives
1.9 Developing the philosophy
1.10 2017 PPI Regulations (dated)
1.11 Marketing strategy

MUST KNOW

1. Settling claims is the purpose of insurance; survey, investigation, marketing can be outsourced, the duty to pay cannot.
2. **Claim = demand by or for the insured for payment:** lost or damaged items, other expenses or benefits, revenue losses (all three).
3. Moment of opportunity = promise in the policy; moment of truth = the claim.
4. **Claims philosophy:** approved by the Board; promises general, no fixed standards.
5. **4 benefits:** strategic, cost, quality of service, personnel. 4 areas affected: customer loyalty, company image, claim cost and expenses, cash management.
6. **4 factors to develop it:** service, promotion, premium, people incl. distribution.
7. Claims processing time = minimum service period.
8. **Cut-through clause:** reinsurer may pay directly if the insurer fails.
9. **Marketing strategy order:** business objectives, target market, customer needs.

1.1 Why claims matter

- **Two reasons to buy:** replace lost assets/income; relief from legal liability.
- Pay promptly, adequately, empathetically.
- **Marine history:** traders shared ship losses, then Respondentia and Bottomry bonds (cargo), then SG Policy, then Marine Policy Form.

TRAP

Respondentia and Bottomry = marine sector, not finance, aviation or mining.

1.2 Key players

- Insured, claimant, claims staff, surveyor and loss assessor, investigator, TPA, repairer, supplier, salvage dealer, grievance redressal machinery.

1.3 Claims philosophy

- **Distinct approach to key claim issues:** positions insurer outside, sets standards inside.
- **Characteristics:** broad objectives; external and internal benefits.
- **Broad objectives:** prompt and courteous response; polite but firm in negotiation; decide with claimant's legal rights and total handling cost in mind.
- **Two opposite demands:** sympathetic handling of valid claims AND strict legal reading of policy terms.
- **Sample line:** "quality service, fairly and promptly".
- Must keep regulator's guidelines in view.

1.4 Four benefits

Benefit	Key points
Strategic	Positions service; subset of marketing strategy; internal customers = underwriting and accounts departments
Cost	All requirements told in first communication; fewer disputes; stops speculative claims; saves claim, admin, litigation cost; reinsurers need detail
Quality of service	Customers know what to expect; promises general; not performance standards
Personnel	Consistent service; one team purpose; pride and motivation

1.5 Claim process analysis

- **Study each stage:** TAT, code of conduct (insurer and insured), information exchanged.
- Claims processing time = minimum service period; may be cut to a fixed maximum (liquidity, claims-paying ability, minimum regulatory standards).
- Service views from market research and confidential surveys.
- **Internal document:** targets in days; external wording: quick, speedy, reliable, trustworthy.

> **TODAY'S RULE**
>
> **Time limits now:** PPI Operations Regs **2024** (from **1 Apr 2024**) and Master Circular **5 Sep 2024**. Retail general claims: surveyor allotted within **24 hours**; report in **15 days** (**Rs 500** a day to claimant if late); insurer decides within **7 days** of report, or **15 days** after allotment if earlier. Survey compulsory above **Rs 50,000** (motor), **Rs 1 lakh** (other).

1.6 Affected areas

Area	Effect
Customer loyalty	Higher standards kept: lower claim and legal cost, better cash management and image
Company image	Satisfied customers refer new ones
Claim cost and expenses	Fast, fact-based payment cuts cost; delay brings disputes, inflation, exemplary penalty
Cash management	Short term: tight control cuts outflow; long term: more disputes, more outflow

- **Consumer courts:** summary trials, generally favour customer.
- Delay and arbitrary repudiation = deficiency in service.

TODAY'S RULE

Consumer Protection Act **2019** (from **20 Jul 2020**), not **1986**. District up to **Rs 50 lakh**; State **Rs 50 lakh** to **2 crore**; National above **2 crore**.

1.7 Reinsurance

- **Large claims:** reinsurer pays cash at once.
- **Cut-through clause:** reinsurer pays directly if insurer fails.
- **Bad reinsurers:** solvency and credit rating problems.

1.8 Business objectives

- **Premium growth and market share:** need more customers.
- **Post-tax profit and leadership:** cut claim cost.
- **Protecting share in hard market:** goes with the claims philosophy.

1.9 Developing the philosophy

- **Service:** main way to differ from rivals.
- **Promotion:** brand and corporate image; image-makers target the public and stock analysts.
- **Premium:** lower cost, lower premium.
- People incl. distribution: front-line face; firm but fair.

TRAP

Four factors to develop are not the four affected areas.

1.10 2017 PPI Regulations (dated)

- **Regulation 5:** Board approved policy.
- **Rule 5(1):** minimum five points: awareness steps; service parameters with TAT; quick complaint resolution; prevent mis-selling; full information at sale.
- **Rule 5(2):** display service parameters and TAT on the website; keep updated.

TODAY'S RULE

Repealed; now in the **2024** PPI Operations Regs and Master Circular **5 Sep 2024**.

TRAP

5(1) = contents; 5(2) = website display.

1.11 Marketing strategy

- **Marketing:** customer-focused philosophy; need = protection and prompt valid-claim payment.
- **Order:** clear business objectives, target market, customer needs.
- Then position on products, services, claim-paying ability, promotion, distribution, pricing, people.

TRAP

Over-promising by distributors and badly worded policies cause disputes.