

## **Irdai directive fuels concern among insurers**

04-Nov-2015

### **Insurance regulator says no claims could be rejected after three years**

The apprehensions about the Section 45 of the Insurance Act are far from over. The Insurance Regulatory and Development Authority of India (Irdai) has told life insurers that no claims could be rejected after three years, even if it included material suppression of facts.

The section says no claim could be repudiated after three years of the policy being in force. Life insurers had sought a clarification from the regulator on whether premium would be refunded for a policy that has run for more than three years and acquired paid-up value results in claim within three years from the date of last revival and it is found that there was suppression of material facts at the time of issuance of policy.

However, Irdai says since the time of three years has already elapsed from the date of inception/issuance of the policy, there is no scope of calling the policy in question as per amended Section 45.

According to the Section 45 of the Insurance Act, 1938, no life insurance policy can be called into question on grounds of mis-statement or wrong disclosure after two years of the policy coming into force. The earlier Act had said no life insurance policy could be called into question after two years of it being issued, except in case of a fraud.

Life insurers had sent a representation through the Life Insurance Council to the Rajya Sabha committee. However, this provision was retained in the final Act that was passed. The contention was that due to this, fraudsters would be at an advantage since they could produce fake documents and get claims passed in some cases.

“It will be an additional effort for insurers to look into fraudulent claims in the initial stage itself since it will be difficult to reject claims after two years. However, cartels, which operate as organised gangs, might use it to their advantage,” said the chief executive of a mid-size life insurance firm.

Industry officials say that there are several organised persons who take fake insurance either on the names of people who do not exist or on dead persons. They operate with fake names in several parts of the country.

Source : Business Standard