

Client Profile Verification : Sole Responsibility of the Insurers

In a recent Risk Management mega event organised in Mumbai by the Association of Insurance Claims Management (AICM) attended by around 220 senior members of the Life, Health and General Insurance industry, Reinsurers made a serious point on impact of non-disclosures in insurance application forms and consequent claim payouts.

In a question asked by the AICM President Ganesh Iyer on impact of non-disclosures in application forms, Srinivasa Rao, MD (Life & Health) of Munich Re India Branch said "Reinsurers exist to pay all authentic / legitimate claims within the agreed treaty terms. Reinsurers reserve the right to repudiate claims on a policy that are not as per the treaty terms." GLN Sarma, CEO of Hannover Re India Branch concurred to this.

Ganesh Iyer stressed on the aspect of application forms having administrative incompleteness like incorrect profile, education qualifications etc. and finally the cause of claim could be different and the insurer may have to honour the claim to the claimant. To this, Srinivasa Rao reiterated that the insurers, under certain circumstances, may not be able to repudiate claims and may have to admit claims of the customers, but clearly highlighted that the reinsurance decision on claims could be based purely on the reinsurance contract.

To this, Mr. GLN Sarma said that the responsibility of conducting due diligence of the customer profile etc. is of the insurer. The reinsurers clearly highlighted the fact that reinsurance contract is a contract with the insurer which defines the parameters of coverage and pricing is purely dependent on these parameters. It is distinct to the insurance contract entered to between the customer and the insurance company.



CEO Panel

So it is important that the insurers do the due diligence and ensure that all the contract parameters are met so that the reinsurers can honour their part of the contract.

Hence, it will be a critical scenario for the insurers, if their reinsurer is unable to admit a high value claim, since it is not in line with the treaty terms, say for example, incorrect profile of the customer, but the insurer ends up paying a huge claim amount to the customer thus creating serious adverse impact to the insurer's reserves.

In the current insurance market practice, where the protection business is increasing with higher risk covers, it is pertinent for the insurer to avoid the situation of a large claim becoming contentious due to incorrect profile, thus having an adverse impact and it will be important for the insurers to ensure the correctness of the customer details as per the terms of the respective reinsurance treaties.

RMAI Annual Conference 2019 One Day Conference on Risk Management at Mumbai

Risk Management Association of India is glad to announce its Inaugural Conference on 24th January 2019 at Hotel Holiday Inn, Mumbai.

Block your date for the event and Join us in our endeavor to promote Risk Management Movement in India.

Risk Management Association of India

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