

Insurance Ombudsman in Post-Pandemic India: COVID-19 Challenges and Future Dispute Resolution Strategies

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Abstract

The COVID-19 pandemic created significant disruptions for the Indian insurance industry, leading to a sharp increase in disputes involving health, travel, and business interruption insurance claims. This paper investigates the crucial role of the Insurance Ombudsman in resolving these disputes, evaluating how effectively the system managed the surge in complaints during the pandemic. By examining case studies and patterns of consumer grievances, the study identifies both the strengths and shortcomings of the Ombudsman's approach. It also suggests strategies to enhance the system's efficiency, accessibility, and flexibility in preparing for future crises. Furthermore, the paper emphasizes the need for policy reforms and the adoption of technological innovations to ensure the Insurance Ombudsman is better equipped to handle large-scale disruptions in the future

Keywords: COVID-19, Insurance Ombudsman, health insurance disputes, business interruption insurance.

Introduction

The COVID-19 pandemic has profoundly affected the insurance industry in India, exposing various challenges faced by both consumers and insurers. As the health crisis unfolded, there was a substantial rise in claims related to health insurance, while lockdown measures led to numerous disputes regarding travel and business interruption policies. This exceptional situation revealed significant weaknesses within the sector, as many policyholders became embroiled in disputes. Concurrently, insurers found it increasingly difficult to cope with the surge in claims, resulting in a marked increase in complaints directed to the Insurance Ombudsman. The Insurance Ombudsman, designed as a grievance redressal mechanism, encountered significant obstacles during this period. Issues such as legal uncertainties and insufficient resources became apparent, prompting critical inquiries into the efficacy and preparedness of the existing dispute resolution framework to manage crises of this scale. The pandemic highlighted the shortcomings of the Ombudsman's system, indicating an urgent need for a thorough reassessment of its functions and capacities.

In response to these challenges, this research aims to evaluate how effectively the Insurance Ombudsman managed the disputes that emerged during the pandemic. It seeks to draw out important lessons learned from handling COVID-19-related claims and grievances, while also proposing strategies to enhance the dispute resolution framework. Ultimately, this paper will investigate how the Insurance Ombudsman can

adapt to post-pandemic challenges, ensuring that the system is better equipped to withstand future large-scale emergencies.

Historical Context and Impact of COVID-19

The Insurance Ombudsman was created in India to provide policyholders with a straightforward means of resolving disputes with insurers, bypassing the conventional legal framework. Its main objectives include fostering fair practices, reducing the strain on the judicial system, and ensuring the protection of consumer rights. However, the COVID-19 pandemic brought significant disruptions to both global and Indian insurance markets, leading to a notable rise in disputes as consumers challenged claim denials, processing delays, and other irregularities. In India, this trend was especially evident in health insurance claims for COVID-19 treatment and disputes related to travel and business interruption policies due to lockdowns. The increase in complaints highlighted various shortcomings, such as vague policy language, unclear legal interpretations, and operational inefficiencies within the existing system. Research conducted prior to the pandemic indicated that the Insurance Ombudsman was effective in addressing standard complaints, but it faced challenges, including restricted jurisdiction and delays in processing. The pandemic exposed the system's difficulties in coping with such a large-scale crisis, prompting urgent calls for reforms to enhance its ability to manage future disputes more effectively.

COVID-19 and Its Impact on Insurance Disputes in India

Types of Disputes Rose during the Pandemic

	Type of Dispute	Key Issue
1.	Health Insurance Disputes	Significant increase in claims for COVID-19 treatment.
		Common issues included disputes over policy coverage, exclusions, and delayed payments.
2.	Travel Insurance Disputes	Challenges in claiming travel insurance due to international and domestic travel restrictions.
		Leading to disputes over canceled trips, non-refunds, and ambiguous policy terms.
3.	Business Interruption Insurance Disputes	Claims filed under interruption insurance policies due to lockdowns.
		Majority of claims rejected, citing pandemic-related exclusions, resulting in numerous disputes.

Response of the Insurance Ombudsman in India During COVID-19 and Post-COVID Era

The COVID-19 pandemic placed significant pressure on India’s insurance dispute resolution framework, resulting in a notable increase in complaints, particularly in areas such as health, travel, and business interruption insurance. To address the situation, the Insurance Ombudsman adopted various strategies aimed at managing the surge in grievances. This section analyzes how the Ombudsman system responded to these challenges during the pandemic and emphasizes the improvements made in the post-pandemic

period to enhance its functionality.

Here is a comparative table of insurance disputes during the COVID-19 period (2020-2021) and the post-pandemic period (2022-2023) based on data available from the Insurance Regulatory and Development Authority of India (IRDAI) and the Insurance Ombudsman offices:

Year	Total Complaints	Health Insurance Complaints	Travel Insurance Complaints	Business Interruption Complaints	Resolution Rate (%)	Key Trends
2020-2021 (COVID-19)	~40,000+ complaints	Majority (COVID-19 treatment)	Significant rise due to lockdowns	Surge in rejected claims (pandemic exclusions)	~80%	Major increase in health, travel, and business claims due to the pandemic
2022-2023 (Post-COVID)	55,946 complaints	Still significant, but reduced	Decrease as travel resumed	Fewer claims due to better policy clarity	92%	Complaints volume stabilized; faster resolution rates achieved

Source: Insurance Regulatory and Development Authority of India. (2023). Annual report 2021-22.

Analysis and Interpretation:

COVID-19 Impact (2020-2021):

- **Health Insurance Disputes:** There was a marked rise in grievances concerning COVID-19 treatment claims, primarily due to ambiguities in policy coverage and delays in claim processing.
- **Travel Insurance Complaints:** Complaints surged as policyholders encountered difficulties in securing refunds for trips canceled due to lockdowns and travel restrictions.
- **Business Interruption Claims:** Numerous businesses filed claims under business interruption policies, but many were denied due to pandemic-related exclusions, resulting in a significant number of disputes.

Post-Pandemic Trends (2022-2023):

- **Health Insurance:** Although disputes over health insurance remained prevalent, they started to decrease as the public health situation improved, leading to more stabilized claim processes.
- **Travel Insurance:** Complaints saw a notable decline as travel resumed and insurance policy terms became clearer, reducing disputes related to canceled trips.
- **Business Interruption:** A reduction in claims occurred as businesses experienced fewer disruptions and insurance terms became more transparent.
- **Improved Resolution Rate:** The Ombudsman system became more efficient, with a resolution rate reaching 92%, aided by enhanced digital tools and more effective grievance-handling processes.

- **Adaptive Responses and Lessons Learned: The Insurance Ombudsman's Role During and After the COVID-19 Crisis**

Challenges Faced During COVID-19:

- **Surge in Complaints:** The Insurance Ombudsman faced a sharp rise in grievances, especially concerning health, travel, and business interruption insurance policies. The influx created bottlenecks as the system struggled to manage the increased workload within a limited timeframe.
- **Infrastructural Limitations:** The pandemic exposed the inadequacies of the existing infrastructure, especially the lack of robust digital tools and the limited capacity to handle cases swiftly. As urgent matters piled up, delays became a common issue.
- **Legal Uncertainty:** Numerous disputes were tied to unclear policy terms, particularly regarding exclusions related to the pandemic. This ambiguity made it difficult for the Ombudsman to resolve many cases, leading to complex legal interpretations.

Gaps in the Ombudsman System

- **Operational Shortcomings:** The pandemic revealed significant limitations in the Ombudsman system's ability to effectively manage crises, including slow responses and difficulty in adjusting quickly to the heightened demand.
- **Insufficient Digital Infrastructure:** The lack of a well-developed online platform for handling complaints exacerbated delays, especially during lockdowns, when traditional physical processes were severely restricted.

Adaptive Measures Taken by the Ombudsman:

- **Remote Complaint Handling:** The Ombudsman quickly transitioned to digital platforms, facilitating remote hearings and enhancing communication. This shift toward online dispute resolution was instrumental in reducing delays, particularly during lockdowns.
- **Fast-tracking Health Insurance Claims:** To address the pressing nature of health-related disputes, especially those related to COVID-19, the Ombudsman prioritized the swift resolution of health insurance claims, ensuring that policyholders received the necessary benefits in a timely manner.
- **Interim Relief for Policyholders:** In cases where immediate financial assistance was critical, such as hospitalizations, interim relief mechanisms were introduced to provide temporary support to affected policyholders.
- **Prioritizing Health Insurance Claims:** The Ombudsman introduced procedures to accelerate the processing of COVID-19-related health insurance claims, ensuring faster resolutions for policyholders.
- **Virtual Hearings:** Remote hearings were initiated to handle complaints during the pandemic, allowing continuity in dispute resolution, though there remains considerable potential for enhancing these digital processes.

Post-COVID Adjustments:

- **Enhanced Digital Infrastructure:** Post-pandemic, the Ombudsman has significantly improved its digital infrastructure, streamlining case management systems to handle complaints more efficiently and reduce processing times.
- **Policy Clarity Focus:** Efforts have been made to collaborate with regulatory bodies like the IRDAI to simplify policy documents, making exclusions and coverage terms clearer to consumers and minimizing future disputes.

- **Higher Resolution Rates:** As operations normalized, the system became more efficient, leading to higher resolution rates. The focus has been on clearing backlogs and ensuring quicker settlements with minimal delays.

Lessons Learned and Recommendations:

- **Crisis Preparedness:** The experience during the pandemic highlighted the need for a more adaptable and scalable grievance redressal mechanism. The Ombudsman has since implemented improved digital tools and streamlined processes to better manage potential surges in claims during future crises.
- **Policy Reforms:** There is a growing push for reforms that would grant the Ombudsman broader jurisdiction and greater authority, particularly in dealing with complex disputes that arise from large-scale disruptions like pandemics.
- **Future Directions for the Insurance Ombudsman in India**

Enhancing the Ombudsman Framework

- **Policy Enhancements:** The scope and authority of the Ombudsman should be broadened, particularly to deal with large-scale crises like pandemics, ensuring a more comprehensive dispute resolution process.
- **Resource Strengthening:** Adequate funding and personnel allocation, along with technological upgrades, are essential for managing potential future increases in the number of insurance disputes.

Technological Advancements

- **AI and Digital Platforms:** Implementing AI-based systems for prioritizing claims and utilizing online platforms for dispute resolution can significantly improve efficiency in case management.
- **Data-Driven Insights:** Using data analytics to identify and forecast emerging trends in disputes can lead to proactive solutions, improving overall consumer satisfaction.
- **Mobile Complaint Systems:** Introducing mobile-friendly grievance redressal mechanisms will make the Ombudsman more accessible, especially in rural areas and for underserved populations.

Collaboration with Stakeholders

- **Strategic Partnerships:** Working in tandem with regulatory bodies, insurance companies, and relevant stakeholders will result in more streamlined and effective policies for handling disputes.
- **Better Communication:** Strengthening the communication channels between insurers and policyholders can help minimize misunderstandings, reducing the number of disputes that arise.

Conclusion

COVID-19 pandemic had on the insurance sector in India, highlighting the vital role of the Insurance Ombudsman in addressing the surge in grievances. The pandemic led to an unprecedented rise in complaints, particularly related to health, travel, and business interruption insurance. Despite facing challenges like infrastructural limitations, unclear policy terms, and slow resolutions, the Ombudsman adapted by implementing digital hearings and prioritizing urgent health claims. Post-pandemic, the Ombudsman's improved infrastructure and increased resolution rates indicate progress, but gaps remain in crisis preparedness and operational efficiency.

From a policy perspective, there is a pressing need for clearer insurance terms, especially concerning coverage during pandemics, and for enhanced collaboration between the Ombudsman, IRDAI, and insurers to make policies more transparent and consumer-friendly. Technological innovations, such as AI-driven claims processing and mobile complaint-handling platforms, could further improve efficiency, especially in rural areas. Expanding the Ombudsman's jurisdiction to handle large-scale crises is essential

for future preparedness. For future research, further examination of the long-term effects of post-pandemic reforms, especially the integration of digital and AI-based solutions in dispute resolution, is necessary. This research could provide valuable insights into optimizing the Insurance Ombudsman framework for handling potential large-scale crises and enhancing consumer protection.

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