

Timely Relief or Systemic Delays: A Legal Appraisal of Claims Settlement Practices in India vs. the U.S.

Dr. Gagan Deep Kour¹ and Roshan Singh Lamba²

¹ National Law University, Jodhpur.

² School of Law, Bennett University, Greater Noida.

Abstract

Insurance provides both individuals and organisations with financial protection against unforeseen dangers, making it an essential safety. Legal frameworks control the procedure and timetable for resolving insurance claims in both India and the US, but these systems' practical implementations vary greatly between the two nations. Even though Indian regulations require that claims be resolved within 30 days, bureaucratic obstacles, a lack of institutional support, and protracted legal challenges frequently cause the process to drag on. This can put policyholders in serious financial straits and defeat the whole point of having insurance. Conversely, the U.S. scheme, which is also endorsed by major organizations and state-based insurance departments, imposes stricter standards on insurers and ensures timeliness in claim settlement dates. Some intermediaries, like law enforcement and health care providers, are well integrated into the process as these entities help to expedite what can be lengthy procedures and minimize the burden on claimants. With an emphasis on the effects of institutional support, technological integration, and regulatory enforcement on the effectiveness of the claims process, this study compares the procedural differences in insurance claim settlements between India and the US. It draws attention to the causes of delays in India and compares them to the more effective U.S. procedures. The study also looks at ways to make the insurance claims process in India more open, effective, and policyholder-friendly by using best practices from the United States. The goal is to provide actionable suggestions that can strengthen the system, cut down on delays, and improve the experience for those who depend on insurance in times of need.

Keywords: Insurance Claim Settlement, Institutional Support, Technological Integration, Policyholder Rights, Insurance Law Reform

INTRODUCTION

Insurance is basically a safety net, which protects you from unforeseen events of life¹. From health, life to motor insurance, the insured depend on prompt and effective claim settlement in order to get relief from the financial stress due accident, disease or property damages. Nonetheless, while there are legal frameworks in place to facilitate timely settlements of claims with claimants, the efficacy of these systems varies greatly from country to country².

While the law is clear on the insurance claims process, India has a long history of delays and inefficiencies in its system. Claim settlement has guidelines that state Insurance Industry has to settle the claims within 30 days³. In practice, though for reasons ranging from bureaucratic bottlenecks and poor infrastructure to staid courts claims are often delayed⁴. This delays the time taken to process claims, which can take months or years when they should

¹ Edwin W. Patterson, *Essentials of Insurance Law* 558 (2d ed. McGraw-Hill Publishing Co. 1957).'

² Martin Eling & Michael Luhn, Efficiency in the International Insurance Industry: A Cross-Country Comparison, 34 J. Banking & Fin. 1497, 1497-1509 (2010).

³ Insurance Regulatory and Development Authority of India (IRDAI), Guidelines on Settlement of Life Insurance Claims, Circular No. IRDAI/LIFE/GDL/MISC/136/08/2019, Aug. 14, 2019.

⁴ National Institute of Open Schooling (NIOS), Insurance Services Module: Legal Framework of Insurance (2019), available at <https://nios.ac.in/media/documents/vocinsservices/m3-f7.pdf>.

be processed as a matter of course, imposing an enormous toll on policyholders. Moreover, despite their existence, the unsettled disputes bring the claimants into protracted court or arbitration processes making settlement even more challenging.

In contrast, the insurance claim system in the United States operates with greater efficiency. A combination of strong institutional support, stringent regulatory oversight, and advanced technology ensures quicker claim resolutions⁵. U.S. state insurance regulators enforce compliance with established timelines, and penalties for delays help maintain accountability among insurers⁶. Furthermore, the involvement of law enforcement, particularly in cases such as motor accidents, reduces the administrative burden on policyholders. Technology also plays a key role, with insurers using automated systems and online platforms to process documentation and approvals more efficiently. These factors result in a system where claims are generally settled within a much shorter time frame, providing a more reliable and efficient experience for policyholders.

This paper attempts to compare the insurance claim process in India and the USA, observing the differences in legislation, processes of obtaining and claiming an insurance amount in a particular territory along with assistance via any institute. This paper will identify possible levers to enhance the efficiency of claims processing in a business by examining the core reasons for delays in India as well as highlighting case studies from real world. The objective is over a few years to come up with some actionable measures based on the best of the practices in US, which could help simplify the insurance trade ledger in India and facilitate much quicker and better claim settlements for policy holders.

LEGAL AND REGULATORY FRAMEWORK

The regulatory environments in India and the United States are foundational to the functioning of their respective insurance systems. Both countries have established frameworks to ensure fair treatment of policyholders, although the enforcement and practical application of these regulations vary significantly.

India

The Insurance Regulatory and Development Authority of India (IRDAI), oversees the industry in India, is essential to safeguarding policyholders' interests. The IRDAI (Protection of Policyholders' Interests) Regulations, 2017⁷ mandate that insurance companies resolve claims within 30 days of receiving the applicable paperwork⁸. For claims that need more research, this period may be extended to ninety days⁹. Notwithstanding this regulatory structure, settlement delays are frequent, especially in cases involving substantial sums of money, intricate investigations, or fraud suspicions. In addition, policyholders have an extra legal option under the Consumer Protection Act of 2019 in the event that claims are rejected or delayed. However, these rules are still not strictly enforced, and insurers frequently take advantage of procedural flaws like seeking additional documents which less to overall undue delay

United States

As opposed to the trust-based systems in Scandinavian countries, melancholy of Americans is consequential to regulation being rampant in state-specific contexts running parallel to larger societal consequences dictated by

⁵ IBISWorld, Insurance Claims Processing Software Industry in the US, available at <https://www.ibisworld.com/united-states/market-research-reports/insurance-claims-processing-software-industry/>.

⁶ *Id.*

⁷ Insurance Regulatory and Development Authority of India (IRDAI), Protection of Policyholders' Interests Regulations, 2017, available at <https://policyholder.gov.in/w/-protection-of-policyholders-interests-regulations-2017-1>.

⁸ *Id.*

⁹ *Id.*

federal statutes like ACA or ERISA. The National Association of Insurance Commissioners (NAIC) creates model or template laws and regulations for insurers, which each state then adopts wholesale or modifies for local conditions. There is a time-bound process to settle claims against these laws i.e. within 30 to 45 days at maximum along with penalties for delay in claim settlement¹⁰. State insurance departments are in charge of promoting compliance with these regulations by insurers and ensuring that claims are serviced quickly. In addition, state regulators can take action against insurers who miss deadlines or act in bad faith.

However, the asymmetric enforcement of regulations between India and the U.S. is clearly visible in claim settlements, it now only takes about 30 days to settle a claim in the U.S., while this period is around 200-300 days on average within India. Regulation in India is often weak, as there are not many mechanisms that really enforce or oversee adherence with regulatory deadlines, and therefore the overall systems become heavily delayed, while a strong oversight framework ensures that insurer move according to timelines in US.

CLAIM FILING PROCEDURES

The process of filing insurance claims differs significantly between India and the United States, particularly in how third parties are involved and the administrative burden placed on policyholders.

India

In India, claim management is the sole responsibility of the policyholder, which imposes a considerable administrative burden on them¹¹. Ostensibly, the procedure for claiming motor insurance remains unchanged; You will first need to file an FIR at the police station and provide evidence of the accident as official documents. The claimant has to file a claim form with details, FIR copy, vehicle registration certificate copy, insurance policy copies and photos of the damage¹². Policyholders are usually in contact with Third-Party Administrators (TPAs) for health insurance claims, these TPAs act as a bridge between the insurer and policyholder. Network hospitals of insurer offer a cashless treatment option, but if you avail of the services in other hospitals, you have to pay first and then file a reimbursement claim that involves lots of paperwork and may take several months to process.

This system presents many problems, particularly in rural communities that are underserved with digital services. One notorious example relates to a case in 2018 involving Bajaj Allianz General Insurance¹³, where delays caused by documentation submission, and inadequate assistance provided by TPAs prolonged the process of claim settlement for more than 120 days. Additionally, insurers can request additional paperwork or initiate investigations, further protracting the process of settling a claim. Because of this, policyholders are typically overwhelmed with paperwork and back-and-forth chat required in a matter that takes an already-stressed condition even more tougher.

United States

In contrast, the U.S. has a more streamlined and institutionalized system that reduces the administrative load on the policyholder. For motor insurance, the involvement of law enforcement is crucial. After an accident, the police typically file an official report, which the insurance company uses to process the claim¹⁴. This reduces errors, speeds up the initiation of claims, and provides an added layer of verification that helps prevent delays.

¹⁰ Supra Note 5 at 2.

¹¹ Insurance Regulatory and Development Authority of India (IRDAI), Know Your Rights and Duties, available at <https://policyholder.gov.in/know-your-rights-and-duties> (last visited Nov. 21, 2024).

¹² Rajesh Tyagi & Ors. v. Jaibir Singh & Ors., Jan. 8, 2021.

¹³ Bajaj Allianz General Insurance Co. Ltd. v. Manisha Lahu Kale & Others, First Appeal No. 2742 of 2015.

¹⁴ Supra Note 11 at 4.

In health insurance, the process is a lot more easier. Healthcare providers typically take care of most of the paperwork themselves and deal with the insurance company directly for the patient¹⁵. A large number of doctors and hospitals are connected to insurers so that pre-authorized claims can be generated, making it much less paperwork for the patient. Moreover, digital tools like mobile apps and online portals also streamline the process as they allow policyholders to submit their claims, monitor them, and communicate with their insurer in real-time. These digital platforms would secure a faster, smoother and transparent process that relieves the stress for policyholders.

This kind of institution involvement with tech reliefs the claim from dragging and mistakes, leading to faster claims settlement. One such case is *Klotz v. Blue Cross Blue Shield of Minnesota (2010)*¹⁶, which demonstrates how well this system works. Here, the patient had their claim processed in less than two weeks after the hospital took care of all required documentation subject to verification by automated processes belonging to the insurer.

DELAYS IN CLAIM SETTLEMENT

Despite IRDAI regulations which mandates 30 days to settle insurance claims, delays continue to be a major problem in the country. These delays are driven by a mix of procedural inefficiencies, burdensome documentation requirements and time-consuming investigations especially in high-value claims or those with fraud concerns.

India

In India, the claim settlement process is very bureaucratic in nature which leads to most of the delays¹⁷. In an instance worth referring to, in the case of *United India Insurance Co. Ltd. v. Rajendra Singh*¹⁸, the court took into account that health insurance claim under a policy was delayed for more than two years because the insurer continued its scrutiny in connection with one of pre-existing disease of a policies holder. These gaps are typical when an insurer asks for more information or when it no longer believes that the person being policed should be insured.

As if this was not enough, delay is aggravated by a heavy pressure on the Insurance Ombudsman and consumer courts. Such forums take years to resolve disputes which causes more frustration for policyholders hoping for swift resolution¹⁹. As an illustration, the consumer court in Chennai is witnessing a backlog of more than 1000 cases pertaining to delays in the settlement of insurance claims that are taking ages to be adjudicated²⁰. The absence of adequate infrastructure and resources to deal with these cases only adds to the lag resulting in policyholders stuck at their waitlist.

United States

On the other hand, the use of technology and better regulatory enforcement make it far less common for U.S. insurance systems to delayed payments for any period of time. A high-profile example of how the efficient U.S. system may work occurred in 2013²¹, when state regulators held State Farm Insurance responsible for meeting

¹⁵ Insurance Regulatory and Development Authority of India (IRDAI), How to Make a Health Insurance Claim, available at <https://policyholder.gov.in/how-to-make-a-claim-health> (last visited Nov. 21, 2024).

¹⁶ *Klotz v. Blue Cross Blue Shield of Minnesota*, 2010 WL 4916601 (D. Minn. 2010).

¹⁷ Supra Note 7 at 3.

¹⁸ *United India Insurance Co. Ltd. v. Rajendra Singh*, (2000) 3 SCC 581 (India).

¹⁹ Press Information Bureau (PIB), Press Release on Insurance Updates, available at <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1897476>.

²⁰ Policyholders Are Increasingly Taking Insurance Companies to Consumer Court; Comprise 27% of Cases in 2022, The Economic Times (Oct. 2, 2023), available at <https://economictimes.indiatimes.com/wealth/insure/policyholders-are-increasingly-taking-insurance-companies-to-consumer-court-comprise-27-of-cases-in-2022/articleshow/104124469.cms?from=mdr>.

²¹ *State Farm Fire & Cas. Co. v. Watts Regulator Co.*, 2015 WL 1456667 (D. Mass. 2015).

settlement deadlines. Here, the policyholders were made whole in 30 days, which is what the law requires. For instance, the California Department of Insurance has predefined processes regarding timely insurer settlement that translate to substantial penalties levied on insurers who violate these deadlines²².

The integration of technology also plays a critical role in reducing delays. Automated systems and independent adjusters are used to streamline the settlement process, enabling insurers to quickly detect fraud, verify documents, and resolve claims more efficiently than traditional manual methods. Health insurance claims, in particular, benefit from pre-authorization systems, where insurers approve claims before treatment even takes place, speeding up the overall process and reducing the waiting time for policyholders.

ROLE OF INSTITUTIONAL SUPPORT IN CLAIMS PROCESSING

A main institutional difference between the U.S. and India is the extent to which institutions are able to support claimants, even if they do not have any legal backing in doing so. In the United States, institutions such as law enforcement agencies, healthcare providers and regulatory bodies play a key role in ensuring efficiency in the claims process.

India

In India, the policyholder is fully responsible for handling the insurance claim process. In rural areas, where there are no digital facilities, supportive institutions abound. Needless to say, this absence of facilitation makes greater chances of mistakes and delays in the settlement of claims. The claims process can often be riddled with paperwork, investigations and procedural matters that takes months or more to overcome. These delays are also aggravated by the absence of a unified claims administration system.

United States

The cases become more efficient to resolve—notably, the role of institutions in the United States is key (especially with law enforcement and healthcare, both have major roles here). In the case of motor insurance claims, a police report goes a long way as this document enables an insurer to not make the claimant gather evidence against those willful avoiders. Likewise, health insurance providers are typically also directly involved in the claims process of health benefits which simplifies the claims submission and approval. The U.S. has its own strong regulatory system in place, with state insurance departments overseeing insurers to ensure they process claims within set time frames and facing penalties when they take too long.

TECHNOLOGICAL INTEGRATION

Technology has started playing an even bigger role in simplifying the insurance claim processing both in India and U.S. The pace and scale of adoption varies between the two countries, though.

India

However, the penetration of digital tools for insurance is marginal in India and is exceedingly slow in rural areas. Still, a number of insurers are stuck to their manual paper methods which increases the delay and inefficiency in claims²³. Although some insurers indeed have mobile applications through which one can file a claim, the digital

²² California Department of Insurance, About the Department, available at <https://www.ca.gov/departments/175/#:~:text=The%20California%20Department%20of%20Insurance,insurance%20market%20in%20the%20world.>

²³ Digital Transformation in Indian Insurance Industry, available at https://www.researchgate.net/publication/350828534_Digital_Transformation_In_Indian_Insurance_Industry.

ecosystem in India is still at a nascent stage and not all policyholders will get their hands on it. The delay due to non-digital solution has been brought in light in the matter of *Bajaj Allianz v. Jaskaran Kaur*²⁴ where pleadings/documents submitted by the complainant were sent for manual processing and took more than 2 weeks.

United States

By contrast, the U.S. insurance sector has leaped head first into technology, with insurers serving mobile apps and online portals for claim submissions. By using automatic systems through artificial intelligence (AI) and machine learning for fraud detection, verification of documents and faster claim processing A digital playbook protects claims from being stuck in limbo, plus policyholders can follow the pace of their claims in near real-time²⁵. One example of how technology has improved efficiency in the U.S. is Progressive Insurance's use of artificial intelligence to automate claims for small accidents.

PATH FORWARD

The difference in performance of the Indian system when compared with the American one also brings to light need for improvement areas where adequate measures, if taken, can help ensure that claims are settled faster and more transparently and efficiently. Although the insurance sector in India has greatly matured and developed, there are still some structural inefficiencies and procedural barriers that exist within the sector. To fulfil the middle ground in both the systems, India should adopt from U.S. system while dealing with its own challenges which need to be dealt else way. Here are some recommendations on how to pave the way for enhancing insurance claims in India:

New Directions in the Insurance Regulatory Framework For India: Part III — The Need for Better Regulation and Enforcement. One of the major reasons behind delayed insurance claim settlements in India is weak enforcement of existing regulations. Despite the fact that IRDAI has prescribed timelines within which claims must be settled, insurers use loopholes in regulatory enforcement to defer settlements. To overcome this, India should enhance the mechanisms of monitoring and enforcement under the insurance regulatory framework. Audits by IRDAI may increase; the regulator could also impose harsh penalties for non-compliance, and introduce systems where interventions are possible at an early stage if it is seen that a company is delaying changes, they added. At the same time, stronger enforcement of consumer protection regulations will also help to protect policyholders' interests by ensuring claims are settled quickly and with full transparency.

Digital Transformation and Technological Integration Technological advancement has revolutionized the insurance claims process in countries like the United States, with many insurers adopting digital tools to automate claim filing, document verification, and settlement tracking. India needs to accelerate its digital transformation to address the inefficiencies in claims processing. Insurers in India should invest in AI-driven solutions to streamline the claims verification process, automate routine tasks, and provide real-time updates to policyholders about their claims status. Furthermore, the introduction of user-friendly mobile apps and online portals can empower policyholders to track their claims, submit required documents, and receive instant notifications, reducing delays caused by manual paperwork.

Role of institutions in the claims process In the US system, due to the involvement of institutions such as law enforcement agencies and healthcare providers, it prevents any delay in processing claims. In the case of motor insurance claims, the traffic police usually files accident reports which is an important document to initiate the claim process. Indeed, in India, that burden of filing and managing claims is wholly upon the policyholder to collate a variety of documents from different institutions and enter drawn-out processes. India can develop a stronger supportive institutional environment, in which law enforcement and medical providers partner more

²⁴ Bajaj Allianz General Insurance Co. Ltd. v. Jaskaran Kaur, (2020) SCC SC 237 (India).

²⁵ KPMG, AI in Insurance: A Catalyst for Change, available at <https://kpmg.com/xx/en/our-insights/ai-and-technology/ai-in-insurance-a-catalyst-for-change.html>.

actively with insurers. Partnering in this way would expedite the documentation process, decrease errors, and allow you to file claims more quickly. For example, accident reports should be filed electronically by law enforcement agencies with insurers, cutting the time for first notice of loss in half.

Untapped Potential: Improve Public Awareness and Policyholder Education Furthermore, policyholders are generally not aware of their rights or the claims process. Most policy holders, especially in rural areas even now are unaware of features and timelines regarding claim settlements or what they can do in case of a delay along with the process for lodging complaints etc. For this, there is a need for massive public awareness through regulatory bodies such as IRDAI to sensitise policyholders about their rights and the claims process. These campaigns may involve the use of media, mobile applications, and outreach programs within communities to enhance awareness. Further insurers need to actively educate their consumers around the terms and conditions of a policy, the claims process as well as dispute resolution procedures that the policy covers.

Improving Dispute Settlement Mechanisms At present, in India, most policyholders have to approach a consumer court or the Insurance Ombudsman whenever there is a delay or rejection of any claim. Nonetheless, the overload with cases brought to these forums results in lengthy litigation. India however must look upon strategies which are more effective as alternative dispute resolution (ADR) mechanisms like mediation and arbitration in order to consumer disputes related to insurance needs be resolved at a lower cost and within the risk period. Reducing the Case Backlog Court processes like these can help lower case numbers in courts, and get policyholders faster outcomes. Finally, specialised insurance dispute resolution forums should be established to provide quicker access where claims can be resolved efficiently without delay.

Collaboration with Healthcare Providers and Third-Party Administrators Health insurance claims in India often get delayed due to cumbersome documentation processes, apart from multiple intermediaries like third-party administrators (TPAs) pocketing their fees. Although the introduction of cashless claims at network hospitals has eased a part of this burden, reimbursement claims still pose a concern. To do so, insurers must work closely with healthcare providers and TPAs and simplify the verification and settlement process of health insurance claims. Insurers, for example, can create direct electronic communication portals with hospitals through which medical reports and bills are submitted in real-time as opposed to sending a pile of paperwork followed by complaints of patients not being reimbursed.

Reinforcing Infrastructure in the Rural Side With the lack of decent infrastructure, India is estimated to be one of the lowest users of insurance service due to easy access only for a handful. Insurers must enhance their digital footprint in rural areas, while also making it easier for customers to access the claims process. This might include opening call centers, enabling filing claims by mobile and local agents. The government could also work on urbanization of digital literacy and further evolution in the rural sector where policyholders can submit claims & track status online.

CONCLUSION

The insurance systems in India and the United States highlight the critical role of regulatory frameworks, institutional support, and technological integration in determining the efficiency of claims processing. While India has made strides in regulating insurance claims, it still faces significant challenges with procedural inefficiencies, limited institutional support, and slow digital adoption, which lead to frequent delays. On the other hand, the U.S. benefits from a more streamlined system, bolstered by strong regulatory enforcement, technological integration, and institutional involvement. India can improve its claims processing system by adopting best practices from the U.S., including stronger regulatory oversight, faster digital transformation, and greater institutional support. By addressing these challenges, India can create a more efficient and transparent insurance system that better serves its policyholders.