



Safeguarding Policyholders: The Role Of The Consumer Protection Act In Indian Insurance Law

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ABSTRACT

One of the most important sectors to provide social and economic stability in a developing country such as India is insurance. It works based on good faith, risk-sharing and covering against unpredictable losses. However, the complicated question of insurance contracts usually puts the policyholder at a disadvantage. The necessity to protect the policyholders against exploitation, unfair trade practices and the lack of service has thus become a legal necessity. The implementation of the Consumer Protection Act, 1986, as a successor to the Consumer Protection Act, 2019, has reinforced the system of protection of policyholders as consumers. This research paper evaluates how the consumer protection legislation has evolved in the insurance sector, and how the 2019 Act has enhanced the consumer protection measures in the form of the Central Consumer Protection Authority, more stringent definitions of unfair trade practices, and lessened grievance redressal processes. The paper also discusses the historic decisions of the courts, which have assumed the shape of the rights of the insurance consumers and the influence of the Insurance Regulatory and Development Authority of India (IRDAI) in the pursuit of accountability. It also ends by outlining enforcement problems, areas of overlap with other legal mechanisms, and the way forward towards building a more policyholder-friendly insurance regime.

Keywords: Policyholders, Consumer Protection Act, Insurance Law, Dispute Redressal, IRDAI, Legal Safeguards, Consumer Rights, Unfair Trade Practices, Deficiency in Service.

1. Introduction

1.1 Background of consumer protection

Insurance is an important part of financial security since it plays a crucial role in reducing expenses and supporting people and companies that have to deal with risks. Nevertheless, asymmetry of information between the insurers and the insureds tends to pose challenges to policyholders who are usually denied claims, delayed payments, and misrepresented policy provisions. Consumer Protection Act (CPA) was enacted to give such policyholders ability to redress it against insurance companies due to lack of service. Insurance, as a service, is under Section 2(42) of the Consumer Protection Act, 2019,¹ which is under the jurisdiction of consumer commissions. The Act offers a redressal mechanism of three tiers; District, State and National Commissions that allow easy access to justice. This model is necessary because insurance contracts are founded on utmost good faith (*uberrima fides*), but in most cases, they end up in conflicts when insurance companies do not follow good practices.

1.2 The Suitability of Consumer Protection in the Contemporary Insurance Industry

The insurance market in the modern age of privatisation and digitalisation has turned not only competitive but also complex. Poor after-sales service, mis-selling, and hidden clauses are threats to policyholders. Consumer Protection Act is therefore a protection mechanism, which guarantees fairness and transparency in insurance dealings. The law entitles policyholders to statutory rights against deficiencies and unfair practices since they have been defined as consumers. With its replacement of the 1986 Act, the 2019 Act is more modern in that it acknowledges online transactions, product liability, and direct accountability of the service providers.

2. History of Consumer Protection in Insurance

2.1 Pre-Consumer Protection Era

There was scanty protection against insurance companies on the part of policyholders prior to the Consumer Protection Act, 1986.² Their complaints were handled mainly through the Indian Contract Act, 1872 and the Insurance Act, 1938. Civil court litigation was very costly, time-consuming, and technical. There was an absence of specialised forums, which resulted in slow justice and undermined trust in the insurance mechanisms.³

¹ *Consumer Protection Act*, 2019, s. 2(42).

² *Insurance Act*, 1938, s. 40.

³ Avtar Singh, *Law of Contract and Specific Relief*, 12th ed. (Eastern Book Company, Lucknow, 2020), p. 203.

2.2 Consumer Protection Act, 1986: The turning point

The CPA, 1986, changed the idea of consumer justice in India. This was the first time the services were covered to include insurance, banking, and finance- hence the policyholders were identified as consumers. The Act provided consumer forums for seeking redressal at a low cost and promptly. Insurance firms are liable for claims denial, time wastage and underpayment. The high-profile cases during this regime include LIC v. Anuradha. The definition of service deficiency was extended by the Supreme Court in Skandia Insurance v. Kokilaben Chandravadan.⁴

2.3 Consumer Protection Act, 2019: The updates on protection

The 1986 Act became obsolete with the increasing technology and the dynamics in the market. It was changed in 2019 to the stronger consumer rights, wider definitions, and an effective Central Consumer Protection Authority (CCPA). It also identifies online sales of e-commerce insurance, which empowers online policyholders. The 2019 Act is a progressive legal framework that complies with international consumer standards.

3. Understanding Policyholders as Consumers

3.1. Definition of consumer

A consumer is a person who, according to the CPA, 2019, Section 2(7), purchases goods or avails services on consideration. Insurance services, as defined in Section 2 (42), are quite explicit. Hence, policyholders are identified as consumers who have a right to be safeguarded against the wrong trade practices and inadequacies.

3.2 Deficiency in Service

Deficiency refers to any flaw, lack or incompetence according to the quality or the way or the manner of doing. In the insurance industry, this includes unreasonable refusal of claims, undue delay, lack of transparency or refusal to keep commitments. The judicial precedents have always held the insurers accountable for such acts.

3.3 Unfair Trade Practices

The 2019 Act expands the list of unfair trade practices to encompass false advertisements, misleading offers and mis-selling of financial products. This provision is applicable against insurance intermediaries or agents who deceive the consumer on cover, exclusion, or benefits.

⁴ *Skandia Insurance Co. Ltd. v. Kokilaben Chandravadan*, AIR 1987 SC 1184.

4. The Role of Insurance Regulatory and Development Authority of India (IRDAI)

The IRDAI is the chief regulator of the insurance industry; it was formed as a result of the IRDA Act, 1999.⁵ Its goals are to safeguard the interests of policyholders, level fair behaviour, and regulate the insurers.

The IRDAI (Protection of Policyholders' Interests) Regulations, 2017, also give detailed rules concerning claims settlement, disclosure, and grievance redress. The IRDAI is also implemented at the Integrated Grievance Management System (IGMS) and Insurance Ombudsman mechanism, which are in collaboration with consumer forums. This twin security, which is statutory and regulatory, is a guarantee of all-inclusive coverage to the policyholders. Jurisdiction and Consumer Forums in Insurance Disputes.⁶

5. Consumer Forums and Jurisdiction in Insurance Disputes

5.1 Redressal agency's structure.

The CPA creates a three-tier mechanism:

District Commission: Claims not exceeding 1 crore.

State Sanction: 1 crore to 10 crore claims.

Authority: Claims of above 10 crores.

5.2 Procedure and Reliefs

There is an opportunity to make complaints by policyholders that there is a deficiency or unfair trade practice. The forums may grant refunds, compensation, ameliorative advertisements or punitive damages. CPA, 2019, also grants commissions the authority to deal with false or misleading advertisements by handing out penalties.

6. Courts of Law Judicial Pronouncements

1. **LIC of India v. Anuradha (2004)** - The Supreme Court ruled that even though the claims were repudiated in good faith, the insurers were bound to treat the claims fairly.
2. **Skandia Insurance Co. Ltd. v. Kokilaben Chandravadan (1987)** - Strengthened the doctrine of utmost good faith, with the insurance companies not being allowed to play the technicalities.
3. **New India Assurance Co. Ltd. v. Hilli Multipurpose Cold Storage (2015)** - The Court made it clear that insurers should pay out the claims in time, which means that redress will occur promptly.
4. **LIC v. Consumer Education & Research Centre (1995)** - Proclaimed insurance as a social security provision, and thus a right to life in Article 21.

⁵ Insurance Regulatory and Development Authority Act, 1999, s. 14.

⁶ IRDAI, *Protection of Policyholders' Interests Regulations*, 2017, Notification No. IRDAI/Reg/5/2017.

5. Oriental Insurance v. Munimahesh Patel (2006) -Mentioned that failure to settle claims on time is a deficiency in service.

The overall effect of all these judgments is the strengthening of consumer confidence and the accountability of the insurance industry.

7. Lack of Insurance Services: Overall Problems

1. Rejection of Unjust Claims: Unjust claims are those that are rejected by insurers on grounds of policy exclusion or due to non-disclosure.

2. Slowness of Settlement: Delay in the process of settlement due to lengthy investigation or red tape leads to consumer harassment.

3. Mis-selling of Policies: The agents distort the terms of Policies to gain more commissions.

4. Ambiguous Clauses: The use of technical jargon confuses and narrows the understanding of consumers.

5. Failure to disclose Terms: Not emphasising the exclusions is another illegal trade practice.

These are the consistent problems that demonstrate the role of effective consumer law enforcement.

8. Legal and ethical issues in insurance services

The insurance companies are challenged by issues of transparency, accountability and fair dealing. Unethical practices such as information hiding, false advertisements, or late payment claims destroy consumer confidence. The CPA 2019 presents the principles of transparency, fairness, and accountability, requiring the insurers to provide truthful representations and to process the claims effectively. The courts have restated that, since the insurers are entities in a public service, they should meet the standards of fairness and reasonableness as is uniform with Article 14 of the Constitution.

9. Case Studies

9.1 LIC Mis-selling Case.

The insurer in LIC v. Smt. Asha Goel (2001) repudiated a claim of asserted suppression of material facts. The Supreme Court ruled that non-disclosure does not justify repudiation unless it is demonstrated that such non-disclosure was intentional. The claimant was ordered to be compensated by the insurer.

9.2 Oriental Insurance and Delay in Settlement.

In Oriental Insurance Co. Ltd. v. J. Shivashankar (2008), the consumer forum awarded damages to the insurer on the grounds of delay of two years in settlement, which was held as a deficiency in the service.

10.3 National Insurance v. Nitin Khandelwal (2008) The Court made it clear that the claims could not be rejected by the insurers on technical grounds when the loss is otherwise covered, which created a consumer-friendly precedent.

10. Literature Review

10.1 History of Consumer Protection in Insurance

The inclusion of services (such as insurance) as a reform in consumer law was identified early in the legal literature, including the Consumer Law, following the Consumer Protection Act, 1986. Researchers such as Avtar Singh and V.K. Agarwal pointed out that the statute democratized access to justice by establishing cheap and affordable consumer forums.⁷ Before 1986, the only recourse available to policyholders was the civil courts under the Insurance Act 1938, which proved to be of little use. The commentaries that followed in the *Indian Law Review* and *ILI Journal* pointed out that the consumer commissions held later held insurers responsible for delays in claims and unfair practices. Mis-selling and Consumer Rights: This Part is written to indicate that the contract and rules governing it include a clause safeguarding against mis-selling and misleading information.⁸

10.2 According to recent articles, including the one by LawBhoomi (2021)

Consumer Protection in Insurance Services, *mis-selling and non-disclosure* are still the most common complaints of policyholders.⁹ Legal commentators such as Dr. S.K. Kapoor (2020) observe that the Consumer Protection Act 2019 extends liability for false advertisement and fraudulent acts and behaviour under Section 21, which has a stronger disincentive to unethical insurance marketing. The new Act is regarded as the mark of the transition to preventive protection rather than reactive.¹⁰

10.3 CPA and IRDAI Interplay

According to studies by Legal Service India (2024) and the Journal of Insurance Law and Practice (2022), the Consumer Protection Act operates in cooperation with the IRDAI rules. As the IRDAI is responsible for macro-level supervision, consumer commissions provide micro-level redress. This dual-track model allows policyholders to select the most effective one, combining regulation compliance with personal justice.¹¹

10.4 Judicial and Academic Upon reflection

Some of the most critical judgments, which enlarged the rights of policyholders, tend to be central to academic debates. In *LIC of India v. Consumer Education and Research Centre* (1995) the supreme Court linked the right to insurance was identified as the right to life under Article 21,¹² and therefore it is a social-security measure by Consumer Education & Research Centre (1995). *Oriental Insurance v. Munimahesh Patel* (2006),¹³ the delay in settlement was defined as a deficiency in service. The interpretation of these

⁷ Avtar Singh, *Law of Contract and Specific Relief*, 12th ed. (Eastern Book Company, Lucknow, 2020), p. 198.

⁸ V.K. Agarwal, *Consumer Protection: Law and Practice*, 8th ed. (Bharat Law House, New Delhi, 2021), p. 64.

⁹ <https://lawbhoomi.com/consumer-protection-in-insurance/>

¹⁰ S.K. Kapoor, *Lectures on Consumer Protection Law*, 5th ed. (Central Law Publications, Allahabad, 2020), p. 73.

¹¹ <https://www.legalserviceindia.com>

¹² *LIC of India v. Consumer Education and Research Centre*, AIR 1995 SC 1811.

¹³ *Oriental Insurance Co. Ltd. v. Munimahesh Patel*, (2006) 7 SCC 655.

rulings by scholars like Kumar and Sharma (2019) is that these are cases of judicial activism that ensure that the consumer law remains sensitive to changing market realities.¹⁴

The author uses a mix of studies, reviews, and articles in comparison and international scholarship to develop the article.

10.5 Comparative and International Scholarship

The author employs a combination of studies, reviews, and articles in comparison and international scholarship to come up with the article. Comparative studies bring insight of how Indian law has been aligned with international best practices. The World Bank Policy Paper (2020) on financial consumer protection names India as one of the developing countries that can be a model in terms of combining general consumer law with specific financial regulation. According to European scholars (e.g., Holzmann and Leibfried, 2019), the hybrid system of India, where IRDAI and consumer commissions were merged, is the only one, and the regulatory oversight is balanced with the judicial responsibility. OECD Insurance and Private Pensions Outlook (2022) also credits CPA 2019 in India as having been a progressive document in acknowledging service liability in financial products, a technique that the European Union has been using in its Consumer Rights Directive (2011/83/EU).

10.6 Critical Perspectives and Gaps Found

Although a lot of the literature favours the legal system in India, critical literature highlights the gaps that still persist. As Joshi (2023, Symbiosis Law Journal) says, consumer forums tend to have delays, enforcement problems and duplicate jurisdiction with insurance ombudsman offices. This duplication also leads to confusion and a lack of incentive in seeking redress by the policyholders. The second criticism made by Kohli and Mehta (2022) claims that, despite the CPA 2019 being progressive, it does not have any specialised insurance benches or technical skills in commissions. The authors suggest the use of hybrid tribunals with legal and actuarial professionals.¹⁵ The literature then indicates that there is a structural requirement that synergy exists between the consumer forums, ombudsmen, and IRDAI grievance systems to bring about a consistent and timely relief.¹⁶

10.7 Summary of the Literature

The literature reviewed tends to highlight four major themes:

1. Recognition and Empowerment: This has changed all the customers of insurance services into empowered consumers because the CPA also offers insurance services.

¹⁴ Kumar, A. & Sharma, V., "Judicial Approach to Consumer Protection in Insurance Law," (2019) *ILI Law Journal*, Vol. 62, p. 201.

¹⁵ Mehta, N. & Kohli, R., "Reforming Consumer Dispute Resolution in Insurance Matters," (2022) *Indian Journal of Law and Policy*, Vol. 8, p. 121.

¹⁶ Kapoor, S.K., *supra* note 6, p. 88.

2. Expansion and Modernisation: The Act of 2019 has updated definitions and brought online mechanisms as well as acknowledged product liability in the service sectors. Judicial and

3. Regulatory Co-ordination: The interface of courts, consumer forums, with IRDAI is essential in a bid to offer comprehensive protection to the policyholders.

4. Implementation Voids: The progressive statutory framework has not been fully realised yet because awareness, enforcement, and institutional coordination are major challenges.

In this way, the academic literature on consumer protection in insurance constantly advocates the thesis that the Consumer Protection Act, 2019, is an indispensable development of consumer protection policy towards protecting policyholders, whose potential can only be achieved with the systematic change of the system and raising the level of awareness.

11. Methodology

In the current research, the adopted legal research approach is a doctrinal approach to research, which concerns mainly the study, interpretation, and organisation of the existing law, statutes, judicial decisions, and the works of scholars. Because the study of interest in the research is the protection of policyholders by the Consumer Protection Act under Indian insurance law,¹⁷ a doctrinal approach would be best, since it allows understanding the entire picture of how current legislation and legal rulings promote the protection of consumers in insurance services. The study does not entail field surveys or empirical research; it includes a critical analysis of primary legal resources and secondary legal resources to determine the development of consumer protection mechanisms and their applicability on the policyholders and problems of the mechanisms.¹⁸

It is a qualitative, descriptive and analytical study. It seeks to research into how the Consumer Protection Act 2019 has changed the law on the consumer of insurance and its interaction with other related laws, including the Insurance Act, 1938, the Insurance Regulatory and Development Authority of India (IRDAI) Act, 1999. The research is narrowed down to the Indian legal system, whilst a few references are made to the international practices in order to give the research a comparative aspect. The key research questions are to determine the historical background of consumer protection in insurance, the provisions of the Consumer Protection Act in relation to insurance services, the role of the IRDAI to regulate and protect the interests of policyholders, judicial decisions that have enhanced consumer rights, and lastly propose some reforms to curb the gaps and challenges.¹⁹

The study is based on both primary and secondary resources. Among primary sources, there are legislative documents, such as the Consumer Protection Act, 1986 and 2019, the Insurance Act, 1938, and the IRDAI

¹⁷ V.K. Agarwal, *Consumer Protection: Law and Practice*, 8th ed. (Bharat Law House, New Delhi, 2021), p. 28.

¹⁸ Avtar Singh, *Law of Contract and Specific Relief*, 12th ed. (Eastern Book Company, Lucknow, 2020), p. 203.

¹⁹ Dr. S.K. Kapoor, *Lectures on Consumer Protection Law*, 5th ed. (Central Law Publications, Allahabad, 2020), p. 64.

Act, 1999, as well as subordinate legislations, such as IRDAI (Protection of Policyholders Interests) Regulations, 2017. The judgments of the Supreme Court of India, National Consumer Disputes Redressal Commission and the National Consumer Disputes Redressal Commission (NCDRC) and other State Commissions have been thoroughly considered to unravel the interpretation and application of the consumer protection laws on insurance-related disputes. Publications, reports and circulars of the IRDAI and the Ministry of Consumer Affairs have also been reviewed to get a picture of the regulatory and policy framework. In the case of secondary sources, the primary ones will be a collection of basic legal textbooks, journal articles, and research publications in the popular legal academic sources like the Indian Law Institute Journal, NLSIU Law Review, Symbiosis Law Journal, and other legal databases such as SCC Online, Manupatra, and LawBhoomi. This literature can assist in offering different academic perspectives and critical knowledge on the application of consumer protection laws within the insurance sector.²⁰

The thematic and comparative analysis of statutory provisions and case law is carried out in the current study. The issue of service deficiency, unfair practice in trade, the jurisdiction of consumer forums, and coordination with IRDAI have all been approached with great vision on the progress achieved under the 2019 Act as opposed to the 1986 framework. In this approach, case-law analysis has a major part. Such historic cases as LIC v. Anuradha (2004), Oriental Insurance Co. Ltd. v. Munimahesh Patel (2006) and, LIC v. Consumer Education and Research Centre (1995) is one of those studies which have been researched extensively to show how judicial interpretation has been changing to empower the rights of policyholders. The rationale of these cases does not just give legal precedents, but it also gives normative principles on how the activities of insurers should be carried out fairly and transparently.

There has also been a comparative and contextual approach to place the Indian consumer protection framework in a global framework. The research briefly mentions the global regulations like the Consumer Rights Directive (2011/83/EU) of the European Union and OECD Guidelines on Financial Consumer Protection (2019). In so doing, the study will gauge whether Indian law is in line with the international best practice in ensuring that insurance consumers are well protected. Such a comparison also helps to determine areas of possible change and convergence.

The study is conducted in terms of interpretative principles of legal reasoning and statutory construction. It critically analyses the fulfilment of the legislative purpose of the Consumer Protection Act, 2019, into practice, and the role of judicial interpretation in overcoming the gap between the policy on the one hand and its practical meaning on the other. It also looks at the interrelationship between consumer commissions and the insurance ombudsman system, and looks at how the two have overlapping jurisdiction and coordinate their procedures. The study evaluates the integrity, the ease of understanding and the equity of the consumer protection system in India on the insurance services through this interpretive lens.

²⁰ <https://consumeraffairs.nic.in>

13. Findings and Analysis

Perception of Policyholders as Consumers

The Consumer Protection Act, 2019, is categorical in including insurance services as the definition of the term service, and thus, the policyholders are to be treated as consumers.²¹ This appreciation has seen policyholders being transformed into more empowered persons with rights over insurers, which can be enforced. The 2019 Act updates the previous structure of 1986 as it deals with emerging new problems, including e-insurance, online sales, and digital fraud.²²

Extended Definition of Deficiency in Service

Courts and commissions have construed deficiency in service widely to cover delay in settlement, unfair repudiation and failure to provide the terms of the policies. *Oriental Insurance Co. Ltd. v. Munimahesh Patel (2006)*²³ and *LIC v. Anuradha*,²⁴ it is determined that there is a deficiency in the form of delay or technical denial of claims. The CPA 2019 supports this principle and offers statutory remedies and increased compensation limits to the victimised consumers.

Mis-selling of Policies and Unfair Trade Practices

The definition of unfair trade practices in the 2019 Act is expanded to include false advertising, failure to disclose key terms, and misleading sales practices by agents.²⁵ Among the most prevalent complaints by policyholders is mis-selling. It is now possible to investigate and punish the insurers and intermediaries who use deceptive practices, which reinforces preventive guards, which is the Central Consumer Protection Authority (CCPA).²⁶

Judicial Activism Enhancing Consumer Rights

The judiciary has been proactive in the growth of consumer rights in cases of insurance disputes. In *LIC of India v. Consumer Education and Research Centre*,²⁷ the Supreme Court decided that the right to life under Article 21 covers the right to social security and insurance cover (Consumer Education and Research Centre, 1995). Courts have always been liberal in interpreting the consumer law to favour policyholders in an effort to bring fairness and responsibility in the practice of the insurers. Cases like *National Insurance Co. Ltd. v. Nitin Khandelwal* and *New India Assurance Co. Ltd. v. Hilli Multipurpose Cold Storage* reinforced insurer accountability and fairness in service delivery.

²¹ V.K. Agarwal, *Consumer Protection: Law and Practice*, 8th ed. (Bharat Law House, New Delhi, 2021), p. 34.

²² <https://lawbhoomi.com/consumer-protection-in-insurance-services/>

²³ *Oriental Insurance Co. Ltd. v. Munimahesh Patel*, (2006) 7 SCC 655.

²⁴ *LIC of India v. Anuradha*, (2004) 10 SCC 131.

²⁵ S.K. Kapoor, *Lectures on Consumer Protection Law*, 5th ed. (Central Law Publications, Allahabad, 2020), p. 73.

²⁶ <https://www.legalserviceindia.com>

²⁷ *LIC of India v. Consumer Education and Research Centre*, AIR 1995 SC 1811.

Connection between CPA and IRDAI Framework

The presence of the Consumer Protection Act in combination with the IRDAI regulation is a two-tier protection, that is, systemic regulation is carried out by IRDAI, and personal redress is carried out by CPA. The Insurance Ombudsman and Integrated Grievance Management System (IGMS) are some of the mechanisms that work in tandem with consumer forums. Nonetheless, the overlaps in jurisdiction can occasionally be confusing and can lead to procedural slackness, which makes it important to have clear.²⁸

Digital Accessibility and Technology

Consumer complaints are now easier and more transparent to file because of the introduction of the *e-Daakhil* portal.²⁹ Ease of access, particularly to rural policyholders, has been enhanced due to online filling of complaints and virtual hearings. Even with this, the awareness of such mechanisms is low, and this constrains their full potential.³⁰

Improved Deterrent Mechanisms CPA 2019

The CPA Act 2019 gives commissions and CCPA the authority to provide severe penalties for false advertisements and unfair practices.³¹ The liability of products is also transmitted to the insurers, agents and providers of the service. This transformation of being reactive in complaints and being proactive in enforcing the policy breeds a culture of compliance by the insurers.³²

Reform of Procedures and Increased Jurisdiction

CPA 2019 raised the thresholds of pecuniary jurisdiction, which enables expensive insurance claims to be settled by consumer commissions instead of civil courts.³³ The mediation provisions have been introduced, which promote a quick and less adversarial resolution of the insurance disputes. These changes save money, time and overloading of the courts.³⁴

Financial Literacy Deficit and Awareness

Research indicates that most policyholders do not understand their rights. Only about 30% of policyholders are aware of consumer forum remedies under the CPA or how to make complaints.³⁵ The ignorance gives insurers a chance to carry on with some of their unjust activities. IRDAI, consumer

²⁸ Mehta, R. & Kohli, N., "Consumer Justice in the Insurance Sector: Reconciling CPA and IRDAI Mechanisms," (2022) *Symbiosis Law Journal*, Vol. 15, p. 142.

²⁹ <https://consumeraffairs.nic.in>

³⁰ Centre for Consumer Studies (IIPA), *Annual Report on Consumer Protection in India*, 2021, p. 62.

³¹ Section 21, *Consumer Protection Act*, 2019.

³² R. Sharma, "Preventive Consumer Protection: The New Era under CPA 2019," (2020) *Indian Law Review*, Vol. 10, p. 87.

³³ Section 34, *Consumer Protection Act*, 2019.

³⁴ K. Jain, "Mediation and Consumer Justice: A Progressive Approach," (2021) *NALSAR Law Review*, Vol. 11, p. 56.

³⁵ Centre for Consumer Studies (IIPA), *Consumer Protection and Insurance Awareness Survey*, 2021, p. 23.

organisations and the Ministry of Consumer Affairs need to put more effort into carrying out educational campaigns.³⁶

Accountability of Insurers, Ethical and Legal

This is because the CPA 2019 strengthens the ethical doctrine of uberrima fides (utmost good faith) in insurance contracts. This is not only legally, but also morally, obligatory to the insurers to be transparent and fair. Consumer-law enforcement has now included ethical compliance, disclosure honesty, and fairness in claims processing.³⁷

The role of Judicial Precedents shaping Policyholder Rights

Accountability has been made stronger by landmark decisions like *New India Assurance Co. Ltd. v. Hilli Multipurpose Cold Storage* (2015) and *National Insurance Co. Ltd. v. Nitin Khandelwal* (2008). These two court cases underline that insurers should not refuse to pay claims because of technical reasons when the actual loss is proven. The judicial precedents have therefore balanced the statutory statements and consumer-friendly interpretations.

CPA 2019 Makes a good Policyholder Safeguard

The Act has transformed insurance to be more of a contractual agreement, to a consumer-welfare governed relationship. The policyholders can now benefit from the statutory remedies, easier procedures for making complaints, and proactive coverage against unethical practices. Nevertheless, effective implementation and better regulatory synergy are needed to make the Act fully effective.³⁸

Significant Study Findings

CPA 2019 is forward-thinking and accommodating, covering online transactions and deceptive advertisements. The IRDAI and CPA dual protection provides maximum coverage however, there is a need to ensure that there is clarity in jurisdiction. The realisation of the real potential of the Act lies in institutional efficiency, awareness and ethical conduct. The existing system should also be aimed at the same to provide education, availability, and justice to policyholders on time.³⁹

14. Recommendations and Suggestions

The recommendations discussed below are grounded in the research results in the domain of this paper and the experiences provided in academic literature, judicial decisions, and reports of the institutions.⁴⁰

Firstly, consumer awareness and legal literacy within the insurance industry should be increased. The success of any legal safeguard will be determined by the level of enlightenment of the beneficiaries on their rights and remedies. The extensive outreach campaigns, workshops and public campaigns by the

³⁶ IRDAI, *Annual Report*, 2022–23, p. 118.

³⁷ Kohli, R., "Ethics and Fair Dealing in Insurance: A Legal Perspective," (2021) *Indian Journal of Law and Policy*, Vol. 8, p. 77.

³⁹ <https://www.legalserviceindia.com>

⁴⁰ Avatar Singh, *Law of Contract and Specific Relief*, 12th ed. (Eastern Book Company, Lucknow, 2020), p. 245.

IRDAI in partnership with the Ministry of Consumer Affairs and educational institutions would help raise awareness among consumers about their rights under the CPA 2019 and the IRDAI rules and regulations in addition to the online grievance redressal systems like e-Daakhil portal⁴¹. The awareness programs through social media, vernacular press, and insurance agents can go a long way in ensuring more consumers access justice.⁴²

Second, there is a need to enhance the level of coordination among the Consumer Commissions, the IRDAI and the Insurance Ombudsman to prevent overlapping jurisdictions.⁴³ Currently, policyholders are confused about which forum to move in pursuit of redressal of grievances, which usually leads to duplicity in the proceedings or delays in the proceedings. A centralised system of registering complaints by incorporating all three redressal systems can streamline the procedure of consumers. This can be done by having a common online platform that is overseen by the IRDAI and the National Consumer Disputes Redressal Commission (NCDRC).⁴⁴

Third, it is vital to have capacity building and specialisation of consumer forums. Most consumer commission members are not technically skilled in insurance and financial products,⁴⁵ thus, adjudications should be of a higher quality and more efficient through special training programs on insurance, regulatory frameworks, and claims settlement procedures, as indicated by Kohli and Mehta.⁴⁶

Fourth, it is highly argued that there should be increased regulatory control on insurance advertisements and intermediaries. Mis-selling of policies by giving false promises is still a big problem. The Central Consumer Protection Authority (CCPA) in association with the Advertising Standards Council of India (ASCI) and the IRDAI should collaborate to control fraudulent sales practices by monitoring and penalizing insurance advertisements in time and providing corrective instructions to the violators.⁴⁷ Mandatory disclosure norms of insurance middlemen and uncompromising licensing procedures can help to control the fraudulent sales practices.

Fifth, there should be a priority on digital accessibility and infrastructural development to make the redressal of grievances more inclusive. Despite the increase in accessibility with the introduction of *e-Daakhil*, a large portion of the countryside is unreachable due to poor internet connectivity or digital illiteracy.⁴⁸ Consumer service kiosks should be set up at the district level by the government, where trained facilitators can help complainants make cases online, thereby making the benefits of CPA 2019 available to all corners of society, particularly marginalised policyholders.⁴⁹

⁴¹ Centre for Consumer Studies (IIPA), *Consumer Protection and Insurance Awareness Report*, 2021, p. 32.

⁴² <https://consumeraffairs.nic.in>

⁴³ Mehta, N. & Kohli, R., "Coordination Challenges between Consumer Forums and Insurance Ombudsman," (2022) *Symbiosis Law Journal*, Vol. 15, p. 141.

⁴⁴ IRDAI, *Annual Report*, 2022–23, p. 128.

⁴⁵ Joshi, A., "Procedural Bottlenecks in Consumer Dispute Forums," (2023) *Indian Law Review*, Vol. 10, p. 201.

⁴⁶ Mehta, N. & Kohli, R., *supra* note 4, p. 144.

⁴⁷ <https://www.oecd.org>.

⁴⁸ Centre for Consumer Studies (IIPA), *Annual Report on Consumer Awareness*, 2022, p. 47.

⁴⁹ Agarwal, V.K., *Consumer Protection: Law and Practice*, 8th ed. (Bharat Law House, New Delhi, 2021), p. 116.

Sixth, adjudication of insurance disputes using time limitations should be put into force. Consumer commissions have a tendency to go backlogged and delays are contrary to the aim of quick redressal.⁵⁰ The IRDAI and consumer commissions may also liaise on a joint monitoring system of case timeframes and hold responsibility to consecutive adjournments in order to achieve speedy justice.⁵¹

Seventh, alternative dispute resolution (ADR) and mediation should be promoted in settling disputes in insurance. Mediation as an alternative to formal adjudication should be provided by the CPA 2019,⁵² and this can greatly cut down the pendency since a culture of cooperative dispute resolution should be encouraged through the inclusion of insurance experts in the mediation centers.

Eighth, the CPA and IRDAI regulations should be reviewed and amended periodically to remain abreast with the technology and market trends.⁵³ The digital insurance, micro-insurance, and insurtech concepts are becoming fast-evolving trends in the insurance sector. The law must be adaptable enough to accommodate such changes. The legislature and IRDAI ought to seek the advice of consumer bodies, industry players and scholarly experts periodically in order to see the arising problems and incorporate them in the subsequent reforms.⁵⁴

Lastly, Insurance businesses need to reinforce ethical and responsible corporate behaviour through internal grievance procedures and compliance checks.⁵⁵ In addition to being a contractual doctrine, the theory of uberrima fides, or greatest good faith, should serve as a guiding ethical standard for insurer behaviour.⁵⁶ It's Strict sanctions for unethical behaviour, open disclosure of claim-settlement ratios, and routine IRDAI inspections can all help to build customer confidence and guarantee responsibility.

15. Conclusion

The research concludes that the Consumer Protection Act, 2019, has done much to strengthen the existing legal assistance to the Indian insurance policyholders. The fact that insurance has been explicitly defined as a part of the service according to the Act indicates that the policyholders have been acknowledged as consumers who deserve efficient, fair and transparent service delivery, which can be achieved through the creation of the Central Consumer Protection Authority (CCPA), policy liability and provision of redressal of consumers digitally through *e-Daakhil*, a more technologically progressive approach to consumer justice.

The study points out that the Consumer Protection Act, 2019 functions in conjunction with the Insurance Act, 1938 and the IRDAI Act, 1999 to establish a dual system of consumer protection- one that aims at

⁵⁰ Sharma, R., "Timely Adjudication of Consumer Disputes: A Critical Appraisal," (2021) *Indian Journal of Law and Policy*, Vol. 8, p. 101.

⁵¹ *Consumer Protection Act*, 2019, s. 38(9).

⁵² Jain, K., "Mediation and Consumer Justice in Financial Services," (2021) *NALSAR Law Review*, Vol. 11, p. 61.

⁵³ OECD, *Trends in Digital Insurance Regulation*, (2021), p. 15.

⁵⁴ Basu, D.D., *Administrative Law*, 10th ed. (LexisNexis, Gurgaon, 2021), p. 183.

⁵⁵ Avtar Singh, *Law of Contract and Specific Relief*, supra note 1, p. 248.

⁵⁶ <https://lawbhoomi.com>.

regulatory policies through the Insurance Regulatory and Development Authority of India (IRDAI), and the other seeks to provide redress of individuals in the hands of the consumer forums. However, it is noted that the effectiveness of such a dual system of consumer protection rests on the improvement of the regulatory principles and jurisdictional clarity between the consumer commissions and the Insurance.

Jurisdictional interpretation has also enhanced the rights of the policyholders. In *LIC of India v. Consumer Education and Research Centre and Oriental Insurance Co. Ltd. v. Munimahesh Patel*, the Supreme Court made it clear that insurers need to act in good faith and cannot reject claims form technical reasons. These decisions highlight the idea that the protection of consumers in the area of insurance is not just contractual, but also constitutional in nature, and is associated with the right to life and social security.

Although there has been considerable legal development, there are still some challenges. Consumer forums have a backlog and delay, and a considerable number of policyholders are unable to claim their rights and remedies under the CPA 2019. Greater awareness programs and introducing insurance experts into commissions are key to help to overcome these gaps. Digital grievance systems and mediation should also be encouraged to resolve and be more accessible within a shorter time.

Finally, the Consumer Protection Act, 2019 is an embodiment of a change in modality between responsive grievance management and responsive consumer empowerment. It also complies with international best practices as it ensures transparency, accountability and ethical behavior in the insurance business. But the actual achievement of this framework lies in its enforcement, constant awareness and ethics upholding of the business by insurers. How successful this framework depends on how seriously it is enforced, how consciously and how ethical the insurers are in their insurance business.