



INDIAN JOURNAL OF LEGAL AFFAIRS AND RESEARCH

VOLUME 3 ISSUE 1

Peer-reviewed, open-access, refereed journal

IJLAR

+91 70421 48991
editor@ijlar.com
www.ijlar.com

DISCLAIMER

The views and opinions expressed in the articles published in the Indian Journal of Legal Affairs and Research are those of the respective authors and do not necessarily reflect the official policy or position of the IJLAR, its editorial board, or its affiliated institutions. The IJLAR assumes no responsibility for any errors or omissions in the content of the journal. The information provided in this journal is for general informational purposes only and should not be construed as legal advice. Readers are encouraged to seek professional legal counsel for specific legal issues. The IJLAR and its affiliates shall not be liable for any loss or damage arising from the use of the information contained in this journal.

Introduction

Welcome to the Indian Journal of Legal Affairs and Research (IJLAR), a distinguished platform dedicated to the dissemination of comprehensive legal scholarship and academic research. Our mission is to foster an environment where legal professionals, academics, and students can collaborate and contribute to the evolving discourse in the field of law. We strive to publish high-quality, peer-reviewed articles that provide insightful analysis, innovative perspectives, and practical solutions to contemporary legal challenges. The IJAR is committed to advancing legal knowledge and practice by bridging the gap between theory and practice.

Preface

The Indian Journal of Legal Affairs and Research is a testament to our unwavering commitment to excellence in legal scholarship. This volume presents a curated selection of articles that reflect the diverse and dynamic nature of legal studies today. Our contributors, ranging from esteemed legal scholars to emerging academics, bring forward a rich tapestry of insights that address critical legal issues and offer novel contributions to the field. We are grateful to our editorial board, reviewers, and authors for their dedication and hard work, which have made this publication possible. It is our hope that this journal will serve as a valuable resource for researchers, practitioners, and policymakers, and will inspire further inquiry and debate within the legal community.

Description

The Indian Journal of Legal Affairs and Research is an academic journal that publishes peer-reviewed articles on a wide range of legal topics. Each issue is designed to provide a platform for legal scholars, practitioners, and students to share their research findings, theoretical explorations, and practical insights. Our journal covers various branches of law, including but not limited to constitutional law, international law, criminal law, commercial law, human rights, and environmental law. We are dedicated to ensuring that the articles published in our journal adhere to the highest standards of academic rigor and contribute meaningfully to the understanding and development of legal theories and practices.

**INVESTOR AWARENESS AND GRIEVANCE REDRESSAL IN
MARKET-LINKED INSURANCE PRODUCTS: EVALUATING
POLICYHOLDER PROTECTION UNDER IRDAI'S
INTEGRATED OMBUDSMAN FRAMEWORK**

AUTHROED BY - JYOTIRMAYA PAL

PhD Scholar (KIIT UNIVERSITY)

Abstract

One of the most popular insurance plan of the day to date in India is Market linked plans, particularly the Unit Linked Insurance Plan (ULIPs) which is a combination of investment and insurance plan for the investors. The complicated nature of these products, however, can pose problems on the investors on regards of awareness, transparency and redressal of the grievances. One of the common complaints against insurance policies is the case of the mis-selling, inadequate risk disclosure, and policy terms. For the benefit of consumers, Insurance Regulatory and Development Authority of India (IRDAI) has put in place a multi-layered grievance redressal mechanism on digital platforms and Insurance Ombudsman for better grievance redressal. The objective of this research paper is to identify the state of awareness among the investors towards market linked insurance products and to evaluate the performance of the grievance redressal mechanism in IRDAI's integrated ombudsman mechanism. A review of regulatory programmes and grievance processing systems and institutional arrangements to protect policyholders is conducted. It also identifies the problems that investors face in doing business for justice and suggests policy options to boost transparency as well as investor education and regulatory enforcement. The findings show that IRDAI has laid a clear path towards grievance redressal, but there is a lack of awareness among the investors and timely redressal of complaints.

Key Words: (Insurance, Investor, Ombudsman, Management, Policyholders)

Introduction

The insurance industry in India has seen tremendous development in the last 20 years and even more so since the insurance sector was opened up to liberalization and insurance regulatory and development authority of India (IRDAI) regulations. Market-linked insurance products (insurance products linked to the market), like the Unit Linked Insurance Plans (ULIPs) have been a hot topic in the insurance market. Such products are a blend of life insurance and investment features based on the performance of the financial markets. The differences between MLIPs and traditional life insurance policies are the market risks that the policyholder is exposed to, as the returns are based on the performance of the investment funds. These products may yield higher returns, but they are also more complex and riskier. This complexity can cause information imbalance between the policyholder and the insurer, and lead to mis-selling, confusion about the features of the policy and disagreements over claims or policy conditions. Hence, awareness of investors plays a significant role in making sure that policyholder purchases market linked insurance products. But there is a huge lack of knowledge among investors concerning the product structures, charges, risk factors and grievance redressal mechanisms. As a result, many claims are often filed for grievances concerning misrepresentation of policy, late claim payments, or unfair practices.¹ To resolve these issues, IRDAI has laid out a sound regulatory framework to ensure the protection of the policyholders' interests. The regulator has created avenues for handling disputes in the insurance sector in a cost-effective way, including an internal grievances redressal system in insurance companies, a centralized grievance management system and the Insurance Ombudsman scheme. The key development the regulator has been working on is the Integrated Grievance Management System (IGMS) that will offer a single online platform for policyholders to submit and monitor complaints. The system enables IRDAI to keep a check on industry complaints and adherence to the regulatory requirements.² This research paper aims to examine the Investor's awareness of the insurance schemes which are market linked and also look into the effectiveness of grievance redressal system provided by IRDAI in its integrated ombudsman system. This paper also examines the policyholder problems encountered in accessing policyholder redressal mechanism and recommends policy steps to improve insurance consumer protection.

¹ Susan Beth Farmer, *The Life Insurance Industry and Consumer Protection: A Review of Regulatory Challenges*, 45 J. Risk C Ins. 321, 325–28 (1978).

² Ins. Regul. C Dev. Auth. of India, *IRDAI Annual Report 2023–24* (2024).

2. Concept of Market-Linked Insurance Products

Market-linked insurance products are insurance policies whose investment portion is pegged to financial markets like equity, debt or hybrid funds. The most prevailing type of market linked product is Unit Linked Insurance Plan (ULIP) in India. ULIPs are a vehicle that will help in doing two financial things – life insurance protection and investment growth. Money premium paid by the policyholder is split into a portion for life insurance and another portion invested in market-linked funds. These funds are volatile and the value of the policy is dependent on it.

As ULIPs may yield higher returns than life insurance policies, they also involve a higher risk of loss because of exposure to the fluctuations of the financial markets.³ Taking this risk into account, the regulator has issued guidance that insurance companies must clearly communicate the risks of these products. It must be clearly disclosed where unit-linked insurance products are promoted as pure investment products and insurance companies must declare the risk factors.

Key elements of market-based insurance products are:

There is a dual benefit of the insurance and investment. Underlying Fund Performance Market-Linked returns. Ability to select equity, debt or balanced funds.

Declaration of Net Asset Value (NAV) with transparency. Option for changing fund within the policy term.

Notwithstanding these advantages, it is difficult to see that MLIPs would not be confusing for investors. The policyholders are not fully aware of the charges of the product like premium allocation charges, fund management charges, mortality charges, surrender charges etc. This lack of understanding may lead to dissatisfaction and disputes.

3. Investor Awareness in Market-Linked Insurance Products

Investor awareness is the degree to which investors are knowledgeable and understand of financial products, their associated risks and their rights as a consumer. For market-linked insurance products investor consciousness is very important to ensure that policyholders make informed investments. But, there are a number of reasons why investors are not very aware of insurance:

3.1. The complexity of insurance products. The complexity of insurance products. Market-linked insurance products tend to be complicated, and most investors won't be able to interpret

³ Council for Ins. Ombudsmen, *Annual Report of the Insurance Ombudsman 2023–24* (2024).

them easily. The insurance and investment components of the combination involve the policyholder in considering a variety of factors, including risk tolerance, market conditions, and long-term financial objectives.⁴

3.2 Mis-selling Practices Mis-selling is when insurance agents or intermediaries give misinformation on product features, returns or risks. The agents in some cases offer ULIPs as guaranteed investment products instead of market linked products, leading investors to have false expectations.

3.3. Financial Literacy is an absence of financial knowledge. Financial education is still at a low level across many parts of India, especially in rural areas. Many policyholders depend on agents/ intermediaries for guidance and this raises the risk of misinformation.

3.4. Inadequate Disclosure While there are regulations mandating that insurers reveal the risks and cost of insurance, these disclosures are typically in a technical jargon that can be hard for an average investor to comprehend.

3.5. Very poor knowledge of grievance procedures Most of the policyholders are not aware of the formal grievance redressal mechanism available for them such as the IRDAI complaint portal and the Insurance Ombudsman.⁵ It is therefore critical to raise investor awareness to minimize disputes and encourage responsible investment practices in the insurance industry.

4. Regulatory Framework for Policyholder Protection

IRDAI is playing a pivotal role in regulating the insurance industry in India and safeguarding the interests of the insurance policyholders. On the regulatory front, the regulator has taken several steps to enhance transparency, accountability and grievance redressal within the insurance sector. A key regulatory instrument is the IRDAI (Protection of Policyholders' Interests) Regulations which outline a grievance as a 'glyphaticus' complaint document that contains a written statement of dissatisfaction with the services of an insurer or intermediary.⁶ They mandate that insurance companies put in place efficient internal procedures for redressing the grievance and fix a time limit for the resolution of grievance.⁷ The rules state insurers must settle their policyholders'

⁴ Ins. Regul. C Dev. Auth. of India, *IRDAI (Protection of Policyholders' Interests) Regulations* (2023).

⁵ Michael Likosky, Secretary Chu's Bank, HUFFINGTON POST (July 1, 2009),

⁶ *Claims and Mis-selling Account for Most Insurance Complaints in FY25*, Outlook Money (Feb. 5, 2026).

⁷ *Rising Insurance Grievances Push IRDAI to Propose Internal Insurance Ombudsmen*, Econ. Times (2025).

complaints within 14 days of receipt. According to the regulations, there is also a requirement for transparency in providing disclosures, and fair marketing, as well as adequate documentation of policy terms.

5. Integrated Grievance Redressal Mechanism

In order to enhance policyholder protection, IRDAI has put in place a multi-level grievance redressal mechanism, which includes:

5.1. In-house Complaints Redressal Mechanism.

The initial step in grievance redress is internal to the insurance company. All insurers must have a Grievance Redressal Officer (GRO) to receive grievance from policyholders. Before filing a complaint, policy holders should seek the input of the insurance company and include supporting documents. The insurance company will investigate the claim and offer a response within the stipulated time.

5.2. An e-Grievance Management System (IGMS).

IRDAI's Integrated Grievance Management System is a dedicated online system designed to streamline the registration and tracking of grievances.⁸ The platform enables policyholders to file complaints online and monitor them in real-time.

The system has several applications such as:

- Centralized access of the complainant to the policyholders' complaints
Establishing a national database of grievances. Providing power of supervision to IRDAI in relation to market conduct problems.
- Putting the accountability and transparency into grievance resolution
The IGMS also assigns a unique complaint identification number and tracks complaint turn-around time for complaint resolution.

5.3. IRDAI's Grievance Call Centre.

The IRDAI has also set up a grievance call centre that enables the policyholders to raise their complaints via toll-free numbers and emails. This service will offer an easy-to-use service point for policyholders to register complaints and follow up on their status.⁹

⁸ Asha Singh, *Mis-Selling of Insurance Products and Consumer Rights in India*, 17 J. Consumer Pol'y 143, 148–52 (2022).

⁹ IRDAI Pushes Customer Focus and Grievance Standards with Insurers, *Ins. Bus. Asia* (2025).

Number of Insurance Grievances in India (FY 2023–2025)

Year	Complaints Registered on IRDAI Platforms	Complaints to Insurance Ombudsman	Complaints Resolved
2023–24	215,569	52,575	210,000+
2024–25	247,630	53,230	237,470
2025 (approx.)	257,000	54,000	99% resolution rate

Source: IRDAI Annual Report and Ombudsman data.

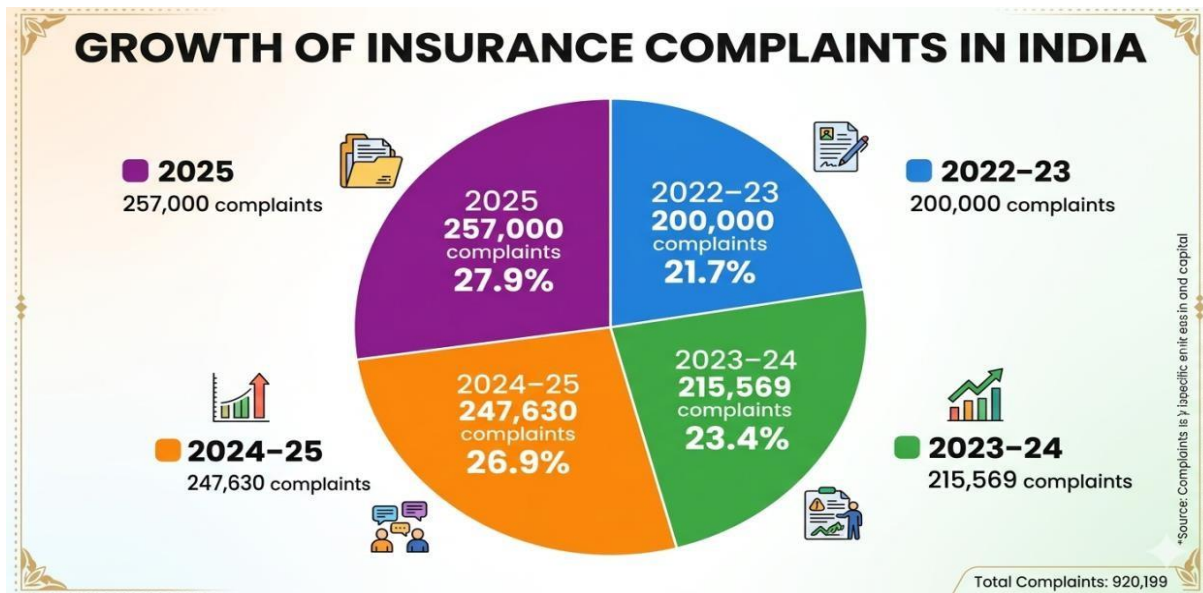


Chart -1 (Source The economics time)

6. Insurance Ombudsman Scheme

The Insurance Ombudsman Scheme was introduced by the Government of India to provide a cost-effective and speedy dispute resolution mechanism for policyholders.¹⁰ The ombudsman acts as an independent authority that investigates complaints against insurance companies and facilitates settlement through mediation or adjudication.

The scheme allows policyholders to approach the ombudsman if:

- The complaint has already been submitted to the insurance company
- The insurer has rejected the complaint or failed to respond within 30 days

¹⁰ Insurance Sector Issues and Consumer Complaints in India, India Today (2025).

- The policyholder is dissatisfied with the insurer's response

The ombudsman provides a simpler alternative to court proceedings, enabling policyholders to resolve disputes without incurring significant legal costs.¹¹ There are currently multiple ombudsman offices located across different regions of India to ensure accessibility for policyholders.

Complaints per 1 Lakh Policyholders (Selected Insurers)

Insurance Company	Total Complaints	Policyholders	Complaints
Star Health Insurance	13,308	20,951	63
CARE Health Insurance	3,718	22,147	16
Niva Bupa	2,511	13,984	17
National Insurance	2,196	38,948	5
New India Assurance	1,602	85,882	1

Source: Council of Insurance Ombudsman Report 2023-24

7. Integrated Ombudsman Framework

An integrated ombudsman system is a developing regulatory regime, designed to make grievance redress more efficient. Within the framework of this, the grievance redressal is conducted at various review stages, which puts in place effective and timely intervention for grievances.¹² New laws have been put forward to create in-house insurance ombudsmen in insurance firms to resolve complaints, before they are passed on to external bodies. These 'ombudsmen' would be independent bodies that could investigate complaints for a claim that does not exceed a certain sum of money. The aim of this reform is to decrease the number of complaints in backlog and increase the speed of grievance resolution.¹³ The regulator is introducing an extra layer of oversight within insurance companies to help increase accountability and transparency in the grievance redressal process.¹⁴

¹¹ *Insurance Ombudsman Reports on Complaints per Lakh Policyholders*, Econ. Times (2025).

¹² *Policyholder Grievance Statistics and Claim Dispute Trends in India*, Ins. Samadhan (2024).

¹³ Harshita Kaur C Pardeep Singh, *Investor Awareness and Protection in the Indian Insurance Sector*, 31 J. Fin. Reg. C Compliance 215 (2023).

¹⁴ Poonam Sharma C Vivek Gupta, *Digital Grievance Redressal Systems in the Indian Financial Sector*, 18 Int'l J. Pub. Admin. Digital Age 91, 96–101 (2021).

8. Evaluation of Policyholder Protection

IRDAI's grievance redressal mechanism has made insurance policyholders' protection better. But there are a number of conditions for it to function effectively.

8.1 Strengths of the Framework

Online grievance portal: Policyholders can raise complaints easily.

Transparency: Data gathered in a centralised manner allows regulators to keep an eye on complaints' trends.

It is an alternative to lengthy court proceedings and is cost effective for dispute resolution. IRDAI has regulatory power to take action if Insurance Companies do not respond appropriately to complaints.

8.2 Limitations and Challenges

Although these advances have been made, there are still some issues:

1. Low investor awareness: A large number of policyholders are not aware of grievance redressal mechanisms.
2. Time delays in dispute resolution: In some cases, it can take several months to resolve.
3. Complex procedures: Even for most investors, the grievance process can be a bit daunting.
4. Resource constraints: An increase in complaints could put pressure on the workload of offices of ombudsman.

According to reports, the number of complaints lodged against insurance companies in India has gone up substantially over the past few years, both because of the expanding insurance industry and the growing expectations of insurance consumers.

9. Policy Recommendations

To improve investor protection and strengthen the grievance redressal system, the following policy measures are recommended:

9.1 Strengthening Investor Education

Government agencies and financial institutions should conduct nationwide awareness campaigns to educate investors about insurance products, risk factors, and grievance redressal mechanisms.

9.2 Simplifying Product Disclosure

Insurance companies should present product information in simple and easily understandable

language, including clear explanations of charges, risks, and investment returns.

9.3 Enhancing Digital Platforms

The grievance management system should be continuously upgraded to improve user experience and reduce delays in complaint resolution.

9.4 Strengthening Regulatory Enforcement

IRDAI should impose stricter penalties for mis-selling and non-compliance with regulatory guidelines.

9.5 Expanding Ombudsman Infrastructure

Increasing the number of ombudsman offices and personnel would help reduce case backlogs and improve access to dispute resolution.

Conclusion and Suggestions

Market linked insurance products form a significant part of insurance market offering a chance to investors to avail insurance coverage along with investment growth. But investor awareness, transparency and redressal for investor grievances are sometimes challenging because of complexity of the products. IRDAI has made a significant effort to improve protection of policyholders with policy reforms, grievance management systems, and the Insurance Ombudsman. These mechanisms have enhanced the accountability of the insurance industry and enabled policyholders to have easy access to dispute resolution procedures. However, the success of such measures relies on the awareness of investors and the efficiency of grievance redressal institutions. There is still a need to further improve financial literacy, streamline and improve product disclosure, and improve regulatory enforcement. The solutions to these problems can help insurers create a more trustworthy and transparent industry, ensuring long-term growth in market-linked insurance products.