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Consumer Grievance Redress in Indian Insurance Markets*

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A B S T R A C T

We present results from a first-ever representative survey of five major Indian states to measure consumer grievances in Indian insurance markets. We document the lifecycle of the grievance redress process for life, health, vehicle and agricultural insurance products. Despite high resolution rates by insurance companies, consumers choose not to complain for an array of reasons. Insurance consumers prefer exiting insurance products rather than entering the redress process, suggestive of high transaction costs in redressing insurance grievances.

Keywords: consumer protection, grievance redress and insurance

Ⅰ. Introduction

Consumer protection has become an important pillar of the financial regulatory reform process (Tennyson, 2010). Due to market failures such as information asymmetry, market externalities and differences in bargaining power of consumers and Financial Service Providers (FSPs), there is an acute need for well-designed consumer protection systems (Financial Sector Legislative Reforms Commission, 2013). Information asymmetry in insurance markets stems from a variety of sources. Firstly, insurance contracts have complex contractual language and the nature of claim payments is contingent. Additionally, the service is provided in the future and consumers have a wide variety of products which have varying degrees of prices and product features. When tools for price comparison are not commonly available, consumers find it difficult to determine the price and quality of the insurance product. The consumer has to account for several factors when purchasing an insurance product which includes the price, coverage details, and what constitutes an insured event. While such information asymmetry is common in most markets, there is evidence to suggest that it plays out most visibly in insurance markets because of the cognitive limitations and psychological biases in consumers' risk decisions (Tennyson, 2010).

The consequences of not addressing market failure increase as the size of the market grows. In the wake of the Covid-19 pandemic, the health insurance market in particular received a shot in the arm with premiums growing at 16% year-on-year (LiveMint, 2020a). Similarly, for life insurance, insurance penetration rose from 2.82% in 2019 to 3.2% in 2020 which is close to the global average (The Economic Times, 2022a). However, this influx of policyholders is occurring in a country that lacks financial literacy as only 28% of the

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population is financially literate. As a result, consumers are unable to make decisions, and there is an undue reliance on insurance agents and advisors (Ankitha & Basri, 2019). This has led to rampant mis-selling of poorly designed products which has led to the loss of billions of dollars over the years (Halan, Sane, & Thomas, 2014). In addition to problems with consumer literacy and awareness, the market is growing in a regulatorily weak and fragmented space where consumers are required to approach different agencies depending on the nature of the problem (Task Force on Financial Redress Agency, 2016).

In order to systematically monitor the status of consumer protection in the country, the following sources of information are important: data on industry trends, regulator information, and consumer complaints. While an examination of the Grievance Redressal Mechanism (GRM) processes of *firms* in the industry suggests that there is long way to go in terms better GRM practices studying other jurisdictions reveals that there is much scope for improvement in the *design* of GRMs (Balasubramaniam, Sane, Sarah, & Suresh, 2021). The examination of regulator information on grievance redress, together with complaints data from other sources, suggests that there is a under-reporting of grievances (Balasubramaniam, Sane, & Sharma, 2022) (Balasubramaniam, Sane, Biswas, & Sarah, 2020). It is therefore a systematic enquiry into consumer complaining behaviour that requires much deeper analysis and study. Previous work in this area was for limited geographical regions. This study expands that scope by studying five major states of India and attempts to provide a comprehensive picture of consumer complaining behaviour.

The paper proceeds as follows. Section II presents an overview of the insurance industry in India and the current Grievance Redress Mechanisms. It presents regulator level information on the number of complaints received and resolved. Section III presents information on the sampling and study design. Section IV provides summary statistics of our survey. Section V presents our estimates of the incidence of grievances. Section VI examines the consumer's journey through the grievance redress process. Section VII reports the reasons why consumers don't complain after facing an issue, Section VIII shows the impact of a grievance on the process of usage, and Section IX concludes.

Ⅱ. Insurance Markets in India

A. Insurance Landscape in India

Before 1956, India had a primarily private insurance market and little government intervention. In 1956 and 1972, life insurance and general insurance respectively, were nationalized. As part of the liberalization reforms of 1991, the Committee on Reforms of the Insurance Sector (Malhotra Committee) recommended that the insurance markets be opened up to private participation which was eventually implemented in 2000. At this stage, foreign ownership was restricted to 26% but in 2021, the Finance Ministry notified that 74% foreign investment would be allowed in insurance sector firms (Sinha, 2005) (Hindu Business Line, 2021).

When it comes to regulation, the main regulator is the Insurance Regulatory and Development Authority of India (IRDAI) and it performs the duties of *regulating, promoting and ensuring the orderly growth of the insurance and reinsurance business* which includes a broad spectrum of activities apart from just regulation and supervision. It has been tasked with the growth role because the Act that constituted this body envisioned it to be a catalyst in the development of the insurance industry in a time when there was very low penetration of insurance (Working Group on Insurance, Pensions and Small Savings, 2013). To this end, the IRDAI has announced its vision for Insurance For All by 2047 (Insurance Regulatory and Development Authority of India, 2022b).

However, the primary roles of the regulator include prudential and consumer protection related regulation. While there is much written about the rigidity on the solvency and capital requirement aspects of prudential regulation, there is not enough literature from the consumer's perspective on the consumer protection front. Studying this becomes especially important, as insights from such studies can help identify shortfalls in regulation and eventually fill these gaps.

Examining the insurance industry from the consumer lens has already helped identify one of the most serious problems in the industry, which is mis-selling. The case of mis-selling of bundled products such as Unit Linked Insurance Plans (ULIPs) has cost investors billions of rupees (Halan et al., 2014). This was a result of high front loaded commissions, high costs and poor disclosures

(The Leap Blog, 2016). To address this issue, a government-appointed committee recommended that bundled products should not have any front loaded commissions. Additionally it also suggested practicing regulatory arbitrage such that for bundled products, the insurance component is regulated by the insurance regulator and the investment component by the investment regulator (Bose Committee Report, 2015). On the bundled products front, Asset Management Companies (AMCs) have been barred from selling ULIPs and insurance companies have been asked to offer a standard, non-investment linked term insurance plan which is a move in favour of simplifying consumer choices by providing them with a plan that has straightforward disclosure terms and singularity of purpose (LiveMint, 2020b).

In addition to this regulatory approach to consumer protection, another consumer driven solution is to improve financial education in the system. There is evidence to suggest that interventions in improving financial education lead to better insurance purchasing decisions and the absence of such interventions leads to poorer choices. An informed base of consumers, combined with a regulatory environment that puts consumers first has the potential to minimize the extent of issues such as mis-selling (Balakina, Balasubramaniam, Dimri, & Sane, 2021).

Another consumer centric perspective to the insurance industry comes from examining the quality of insurance products from consumer complaints. Measuring product quality by studying the extent of consumer complaints goes beyond the standard metrics of financial inclusion and incorporates the actual usage experience of the consumer. A study of the health insurance industry in India showed that when measured using consumer complaint metrics, the quality of products is substantially inferior to other jurisdictions with similar legal systems. With an understanding of the insurance space in India we now focus to understanding the current consumer protection framework (Malhotra, Patnaik, Roy, & Shah, 2018).

B. Current Grievance Redressal System

In India, the grievance redress system works broadly at two levels. At the first level, when a consumer faces a grievance, they are expected to lodge a complaint with the FSP. In the event that this complaint is not resolved within 15 days or the consumer is unhappy with the resolution, they can escalate the complaint to the regulator IRDAI. This is the second level of the GRM process. This escalation can be done through four channels: (1) Call toll free Number; (2) Send an e-mail to dedicated email address; (3) Use IRDAI's online portal Integrated Grievance Management System (IGMS); (4) Send a letter to IRDAI with the complaint with due documents. Additionally, all these channels have been rationalised under the Bima Bharosa platform which a gateway for registering and tracking grievances online. The new portal is an industrywide grievance repository for the IRDAI to monitor disposal of grievances by insurance companies (IRDAI, 2022a).

The above table indicates that a large chunk of the

Table 1. Reported Statistics of Incidence of Grievances

	Reported during the year	Attended during the year	Pending at the end of the year
Life Insurer			
LIC	109,631	112,454	29
Private	41,415	41,286	153
Life Insurer Total	151,046	153,740	182
General Insurer			
Public Sector	21,192	21,456	378
Private Sector	26,825	26,421	433
General Insurer Total	48,017	47,877	811
Grand Total	199,063	201,617	993

This table documents the number of grievances received by the Insurance Regulatory and Development Authority(IRDAI) at the all-India level. This data is from the IGMS and also includes those complaints received by the Insurance Ombudsman. Source: Annual Reports of the IRDAI, 2021.

escalated complaints are resolved when it comes to life insurance. For general insurance, a significantly larger chunk of complaints remains unresolved. Within general insurance, private sector companies have more unresolved complaints than the public sector. These numbers however, do not paint a true picture of the extent of grievances as they do not capture grievances that didn't turn into complaints. Consumers may not complain to the FSP in the first place, or get dissuaded by their experience at the FSP to not escalate further (Balasubramaniam et al., 2022).

Ⅲ. Study Design

A. Sampling Design

The survey was conducted in 5 major states of India, namely Andhra Pradesh, Bihar, Haryana, Madhya Pradesh and Maharashtra. We covered a total of 21,355 respondents across 27 districts in 5 states. A multi-stage stratified sampling strategy was employed. Census 2011 served as the sampling frame (Office of the Registrar General And Census Commissioner, 2011). All the districts in a state were divided into terciles on the basis of distribution of households availing banking services curated from the RBI data1 across four quarters of 2020-21 (Reserve Bank of India, 2021). Ensuring proportionate distribution in each tercile, two district were picked from each tercile using systematic random sampling.

In the states of Maharashtra, Bihar & Haryana, one district accounted for a substantial proportion of deposits. In this case, one district was sampled from the tercile and then split into two clusters. Thus in Maharashtra, Bihar & Haryana we sampled 5 districts and in Andhra Pradesh and Madhya Pradesh we sampled 6.

The village was the Primary Sampling Unit (PSU) for rural areas and the Census Enumeration Blocks (CEBs) were the PSU for the urban areas. The number of PSUs to be selected from each district was decided on the basis of number of districts sampled from the state. If 6 districts were sampled, 10 PSUs were selected per district and if 5 districts were sampled 20 PSUs were selected. PSUs were allocated between rural and urban areas proportionately with respect to population.

For selecting PSUs in rural areas, the villages were stratified into 3 groups, based on distance to District Headquarters/Urban Centres. After this, the population proportion of each stratum as a percentage of the district's rural population was calculated and the number of villages to be selected from each stratum was decided based on this proportion. Thus, the villages were selected from each stratum using circular systematic random sampling approach.

For selecting PSUs in urban areas, first, the ULBs were stratified using select variables. A complete list of ULBs with critical details for each district was drawn from Census 2011. The ULBs were stratified into 3 groups, based on population proportion of ULB as a percent of the district's urban population. This proportion was calculated for individual ULBs, and then they were allocated to a stratum ensuring that all three strata have roughly equal population (33%). In cases where a single ULB accounted for a very high population proportion, the division was either non-proportionate or the ULBs were divided into only two strata. The required CEB information was obtained from the Office of the Registrar General and Census Commissioner, New Delhi. Each CEB comprised of about 150-200 households.

After this, population proportion of each stratum as a percentage of the district's urban population was calculated. The number of ULBs to be selected from each stratum was decided based on this proportion using circular systematic random sampling approach. Once the ULBs were sampled, the decided number of CEBs were randomly selected. We selected 70 households from every PSU by circular systematic random sampling approach. First, the field team selected a unit r (random start) at random from all the N units of the population, then every kth unit was selected in a circular manner, using a right-hand-start method, until the desired sample size n was obtained. Here k was taken as an integer nearest to N/n.

B. Survey Instrument

The survey instrument consisted of seven modules. The modules focused on capturing information about demographics, participation in financial markets, asset and liability profile of household. The core module focused on the respondent's usage of financial products, their experience with grievances, actions taken, reasons for taking or not taking actions and experience of resolution. Additionally, we capture information on the respondent's risk and time preferences and cognitive abilities.

The interview begins with capturing a detailed profile of the respondent's household where we collect information on the basic demographic profile of the household, ownership of physical and financial assets, and their liability portfolio. In the module on the grievance redress, we begin by asking whether respondent has used a financial product. If they have used it, we go on to ask if they have faced any issue or grievance with respect to the product. We then ask them about when they faced the issue, the nature of the issue, whether they registered a complaint, the status of any such complaint and the impact of the grievance on their usage of the product. The next modules focus on understanding respondents' preferences with respect to risk taking and patience. We also capture certain personality related traits along with the dynamics of financial decision making in the household. A detailed description of the questionnaire is given in Table A2 of the Appendix.

Pilots were conducted in each state and the instrument was revised while incorporating the experience of the pilots. The survey was conducted using Computer Assisted Personal Interviews (CAPI) and this was available in the regional languages in which the survey was conducted. These were Hindi, Marathi and Telugu. Surveyors were trained extensively, with multiple rounds of training and mock interview sessions being conducted separately in each state. The surveyors were made familiar with the research agenda, the details of the instrument and any other nuances required to administer the questionnaire. On an average, an interview took between 30 and 40 minutes.

Ⅳ. Data

Table 2 describes the data from our survey. When we look at the age of the sample, we see that respondents are largely within the age of 31-50 years. The large majority of households have 3-5 members and report having an annual household income of between INR 1 and 3 lakhs. Almost 40% of the respondents have finished education up to 10th standard. Respondents' occupation is heteroge-

Table 2. Descriptive Statistics

Variable	Observations	Percent
Age		
18-30	5,386	25.22
31-40	6,972	32.65
41-50	5,067	23.73
51-65	3,350	15.69
65+	580	2.72
No of family members		
1-2	4,058	19.00
3-5	13,698	64.14
6 or more	3,599	16.85
Education level		
Illiterate	5,539	25.94
Less than 5th grade	1,446	6.77
Up to 10th grade	8,210	38.45
12th grade pass	2,964	13.88
College or more	3,196	14.97
Annual family income		
Less than Rs.1 lakh	9,514	44.55
Rs.1 lakh - Rs. 3 lakh	8,574	40.15
Rs.3 lakh - Rs.6 lakh	2,411	11.29
Rs.6 lakh - Rs.10 lakh	285	1.33
Above Rs.10 lakh	35	0.16
Did not answer	536	2.51
Occupation		
Cultivation/Agriculture	2,962	13.87
Own business	3,732	17.48
Salaried employee	4,184	19.59
Wage Labour	5,431	25.43
Not working	5,046	23.63
Financial products		
Banking	17,521	82.05
Payments	8,951	41.92
Securities	620	2.90
Pensions	622	2.91
Insurance products		
Any insurance product	4,596	23.21
Life	3,154	14.76
Health	1,510	7.07
Crop	617	2.88
Vehicle	1,894	8.86

This table provides a summary of the sample. It provides the distribution of age, household size, education level, occupation and family income. It also presents participation rates of different financial markets.

neous where 17% of respondents have their own business, 25% are engaged in wage labour and about 20% are salaried employee.

In terms of participation in financial markets, 82% reported having used banking products. Banking products constitute banking deposits and bank credit. 41% of the sample has used a payment system. This means that the respondent has used either an ATM/Debit card, Immediate Mobile Payment Service (IMPS), National Electronic Funds Transfer (NEFT), Real-Time Gross Settlement (RTGS) system or any Unified Payment Interface (UPI) wallets, or all of the above. 23% of the sample reports having some kind of insurance, about 3% has pension and securities products. Within the insurance category, 14.76% people have life insurance, 7% have health insurance, 2.8% has crop insurance and 8.86% has vehicle insurance. The details of the state-wise distribution of the sample are available in the Appendix.

In addition to overall sample characteristics, we also show the usage of the four insurance products in our sample, by age, gender, income, education, occupation and location. Table 3 provides an overview of the same.

Table 3. Usage Patterns of Insurance Products

Variable	Life Insurance	Health Insurance	Crop Insurance	Vehicle Insurance
Gender				
Male	1732 (54.9%)	804 (53.2%)	384 (62.2%)	1181 (62.4%)
Female	1423 (45.1%)	706 (46.8%)	233 (37.8%)	713 (37.6%)
Age				
21-30	696 (22.1%)	338 (22.4%)	115 (18.8%)	507 (26.8%)
31-40	1263 (40.0%)	608 (40.3%)	191 (31.0%)	670 (35.4%)
41-50	786 (24.9%)	355 (23.5%)	168 (27.2%)	436 (23.0%)
51-65	369 (11.7%)	174 (11.5%)	125 (20.3%)	247 (13.0%)
65+	40 (1.3%)	35 (2.3%)	17 (2.8%)	34 (1.8%)
Education				
Illiterate	379 (11.7%)	121 (8.0%)	87 (14.1%)	161 (8.5%)
Less than 5th grade	119 (3.8%)	42 (2.8%)	40 (6.5%)	83 (4.4%)
Up to 10th grade	1028 (32.6%)	409 (27.1%)	270 (43.8%)	627 (33.1%)
12th grade pass	589 (18.7%)	291 (19.3%)	115 (18.6%)	391 (20.6%)
College or more	1048 (33.2%)	647 (42.8%)	105 (17.0%)	632 (33.4%)
Occupation				
Cultivation/Agriculture	306 (9.7%)	171 (11.3%)	279 (45.2%)	285 (15.0%)
Not working	618 (19.6%)	295 (19.5%)	118 (19.1%)	370 (19.5%)
Own business	802 (25.4%)	363 (24.0%)	88 (14.3%)	505 (26.7%)
Salaried employee	1123 (35.6%)	599 (39.7%)	96 (15.6%)	576 (30.4%)
Wage Labour	305 (9.7%)	82 (5.4%)	36 (5.8%)	158 (8.3%)
Family income				
Less than Rs.1 lakh	625 (19.8%)	258 (17.1%)	236 (38.2%)	385 (20.3%)
Rs.1 lakh - Rs. 3 lakh	1365 (43.3%)	617 (40.9%)	237 (38.4%)	924 (48.8%)
Rs.3 lakh - Rs.6 lakh	990 (31.4%)	511 (33.8%)	113 (18.3%)	478 (25.2%)
Rs.6 lakh - Rs.10 lakh	137 (4.3%)	67 (4.4%)	15 (2.4%)	66 (3.5%)
Above Rs.10 lakh	9 (0.3%)	12 (0.8%)	2 (0.3%)	11 (0.6%)
Did not answer	28 (0.9%)	45 (3.0%)	14 (2.3%)	30 (1.6%)
Location				
Rural	895 (28.4%)	368 (24.4%)	465 (75.4%)	693 (36.6%)
Urban	2259 (71.6%)	1142 (75.6%)	152 (24.6%)	1201 (63.4%)

We find that men use all the four products more than women. Respondents in the age group of 31-40 years form the biggest share of users for all four products. When we look at the educational background of the users, we see that for life, health and vehicle insurance most users are undergraduates. Crop insurance users, however only educated up to 10th standard (matriculation). Over 50% of life, vehicle and health insurance users are salaried or have their own business. In the case of crop insurance, it follows that close to half the users are engaged in cultivation and allied agriculture activities. Users are concentrated in the INR 1 lakh to 3 lakh category for all the products.

Ⅴ. Incidence of Grievances

Table 4 shows the incidence of grievance in our sample. We find that life insurance has the highest *number* of grievances and crop insurance has the highest *%* of grievances as a proportion of total users. Specifically, 26% of crop insurance users faced a grievance followed by 10% of life and health insurance users.

Table 5 shows the incidence of grievances by state and insurance product. The (N) column represents the number of grievances for a given product in a state. The (%) column shows the proportion of users in that state who reported having a grievance. When we look at how these are spread across the states, we find that Maharashtra accounts for about 41% of all life insurance grievances. This is followed closely by Andhra Pradesh which accounts for 30%.

Additionally, the table shows us that about 23.86% of life insurance users in Andhra Pradesh have faced a grievance and 11.31% of users in Maharashtra reported that they faced an issue regarding life insurance. For health insurance, the maximum number of grievances is reported in Maharashtra, but the largest proportion of grievances is in Andhra Pradesh. For crop insurance as well, Maharashtra and Andhra Pradesh report high number and proportion of grievances. In the case of vehicle insurance, Andhra Pradesh accounts for a very large proportion of the grievances as 20% of vehicle insurance users in the state have experienced a grievance.

Table 4. Incidence of Grievances

	Life Insurance	Health Insurance	Crop Insurance	Vehicle Insurance
Usage				
N	3154	1510	617	1894
%	14	7	2	8
Grievances				
N	345	164	162	161
%	10	10	26	8

This table presents the incidence rates of grievances i.e. total grievances as a percentage of the total users of the product. N represents number of users of the product. % represents total grievances divided by number of users of the product.

Table 5. Incidence of Grievances by State

State	Life Insurance		Health Insurance		Crop Insurance		Vehicle Insurance	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Andhra Pradesh	105	23.86	88	29.53	66	33.00	86	20.14
Bihar	44	8.07	1	1.82	10	18.18	0	0.00
Haryana	6	2.13	2	1.21	5	10.20	3	1.20
Madhya Pradesh	47	7.54	10	3.55	21	14.00	33	5.06
Maharashtra	143	11.31	63	8.87	60	36.81	39	9.58

This table presents the state wise incidence rates of grievances i.e. total grievances in the state as a percentage of the total users of the product. N represents number of users of the product. % represents total grievances divided by number of users of the product.

Table 6. The Nature of Grievances

Type of Insurance	Claim related	Fraud by agent	Misselling	Process related	Did not answer	Total
Life	65 (19%)	63 (18%)	47 (14%)	134 (39%)	36 (10%)	345
Health	72 (44%)	15 (9%)	25 (15%)	21 (13%)	31 (19%)	164
Crop	67 (41%)	9 (5%)	16 (10%)	41 (25%)	29 (18%)	162
Vehicle	67 (42%)	5 (3%)	45 (28%)	29 (18%)	15 (9%)	161

While the above table gives us an idea of the extent of grievances, Table 6 allows us to understand what kind of grievance it is. We categorize the nature of grievances four segments. They are as follows:

1. Mis-selling: Mis-selling in the insurance industry is a well-documented phenomenon and primarily stems from the conflict of interest that exists in distribution of retail financial products (Halan et al., 2014). Mis-selling can be of various kinds sometimes customers don't understand the policy well and the agent is unable to explain the nuances, given the overly complicated structure of insurance-cum-savings plans and sometimes the agents deliberately mislead the customers into buying the wrong plan (LiveMint, 2019).
2. Fraud by agent: Agents may issue fraudulent policies or commit any deceiving action deliberately with the intention of making financial gains for themselves.
3. Process related: This category includes issues such as not getting refunds and dues on time after policy closure, installment related issues, processing delays and not receiving appropriate documents.
4. Claim related: This category includes any difficulty or delays in getting claims, rejection of claims or incomplete disbursement of claims.

We find that process related issues are the most common for life insurance users. This is followed by claim related issues and fraud. The prominence of process related issues goes to show that there are gaps in the systems that FSPs use which leads to consumers facing procedural delays and lack of transparency. A change in the internal working processes of FSPs will help ameliorate this issue. Mis-selling and fraud are more serious issues as they exhibit glaring issues with the behaviour of the staff at FSPs. These require changes at the regulatory level. For all other insurance products, claim related issues seem to be most common followed by mis-selling.

It is important to remember that grievances reflect the consumer's perception of the situation. The asymmetry of information in the market for insurance products makes it harder to identify what kind of information exchange has happened between the FSP and consumer and the extent of transparency in any given transaction. For example, the consumer may think that high charges were deducted, and report a transaction related issue. However, it might be that in reality the FSP may have misled the consumer to believing that no charges would be deducted (Balasubramaniam et al., 2022).

Ⅵ. From Grievance to Complaints

What matters most in case of grievance redress is the conversion of a grievance into a complaint, and then the resolution of the same. In the following section we study the pattern of users who faced grievances to see how many complained and how many obtained resolution. We also examine at what stage they got the resolution (if any). Before we present these results, it is important to note the definition of complaint, resolution and escalation rates. Complaint rate signifies the proportion of respondents with a grievance who complain to the FSP. Resolution rate (at FSP stage) signifies the proportion of respondents whose complaints were resolved by the FSP. At the escalated stage, it signifies the proportion of people who reported that their complaint was resolved by a higher authority. Escalation rate is the proportion of people who escalated their complaint to a higher authority after it remained unresolved after the first complaint.

Table 7 shows the experiences consumers of insurance had with the grievance redress process. It presents the statistics of the life-cycle of a grievance : from owning the product to initiation of grievance till the resolution by the higher authority.

In the case of life insurance, we see that 42% of those

Table 7. The Process of Grievance Redress

Products	Own the product	Had a grievance	Complained to FSP	Resolved by FSP	Escalated to higher authority	Resolved by higher authority
Life	3154	345	145	103	11	6
Health	1510	164	90	68	4	3
Crop	617	162	51	28	6	4
Vehicle	1894	161	82	45	9	5

This table presents the statistics of the life-cycle of a grievance : from owning the product to initiation of grievance till the resolution by the higher authority

who faced a grievance complained to the FSP. Of these, 71% received resolution at the FSP level and 28% did not. Of those who did not receive resolution, 26% users escalated the complaint to a higher authority and 71% did not. Of those who escalated, 54% got a resolution from the higher authority. Complaint rates (to FSPs) range between 31% (crop insurance) and 54% (health insurance) and FSP resolution rates range between 54% (vehicle and crop insurance) and 75% (health insurance). The escalation rates vary between 18% (health insurance) and 26% (life and health insurance). Resolution rate at the stage when complaint reaches a higher authority lies between 54% (life insurance) and 75% (health insurance).

We see there is some variation in the complaint rates of the selected insurance products. One of the reasons for this variation could be because of the differences in the characteristics of the users who use these products. Table 4 suggests that users of crop insurance users are poor, less educated and older. There is evidence to suggest that people who are young, have a high level of education, belong to an upper socioeconomic group, have a high income, and are more socially involved, are more likely to complain, as they tend to be more capable of doing so, have greater self-assurance, and have a stronger motivation to complain when they are not satisfied (Suomi & Järvinen, 2005). These characteristics may play a role in the complaint rates observed for crop insurance.

Ⅶ. Understanding Complaining Behaviour

After having looked at complaints and resolution, we now examine complaining behaviour. Figure 1 presents the main reasons why people do not complain when faced

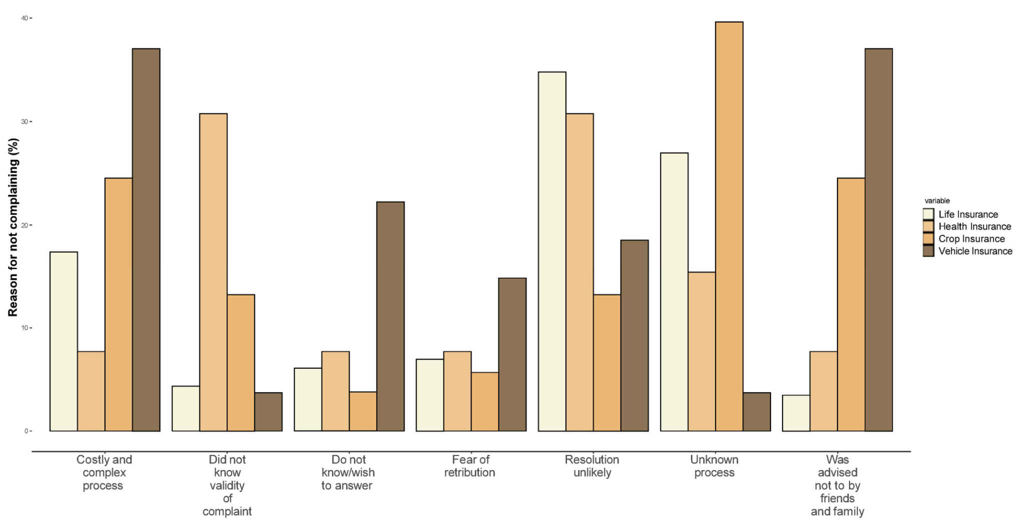

Figure 1. Reasons for not complaining
This figure presents the main reasons why people do not complain when faced with a grievance.

with a grievance. When we look at life insurance, we see that consumers do not complain because they do not believe they will receive any resolution. The other reason seems to be that consumers don't know the GRM procedure. From some qualitative responses, we observe that respondents don't complain because they think the grievance redress process requires money and they cannot afford it. This ties in to both the earlier reasons if consumers knew that the grievance redress process is free, they may have complained and been more hopeful about the possibility of resolution.

In case of health insurance too, not knowing whether their complaint was valid and not knowing the process were the two main reasons why consumers did not complain upon facing a grievance. In case of crop insurance, unlikely resolution, advice from friends and family to not complain and the costly and complex nature of the processes came in the way of people complaining. For vehicle insurance, the main causes were the high cost and complexity of the process and advice from friends and family to not complain. This goes to show that the perception of FSPs and their GRM systems is poor and there is an urgent need to build trust. The lack of trust in the ability of the system to resolve the consumer's issues is the driving force that stops people from complaining.

From these results, it is evident that there is a lack of advertisement about available redress mechanisms which compounds the trust issue as it is possible that FSP have good GRM processes but have simply not engaged in disseminating this information to the public (Balasubramaniam et al., 2021). The characteristics of the users may also explain why certain reasons dominate others in our results. For example, almost 44% of crop insurance users are only educated up to 10th standard (less than high school), which may play a role in why most crop insurance users who do not complain, do so because they are not aware of the process.

For insurance products, as established before, information is an extremely significant parameter in decision making. When scant information is available while purchasing, and little to no information is available in the process of grievance redress, the problem of information asymmetry is exacerbated.

Ⅷ. Impact of Grievance on Usage

Regardless of whether consumer received resolution for their grievance, there is bound to be an impact on the usage of the product. In this section, we examine what the nature of this impact is.

Table 8 presents the impact of facing a grievance on the usage of the product. In the case of life insurance, a significant number of those who faced a grievance reported that they either reduced usage or stopped using the product entirely as a result of the grievance. This is another clear indication that GRM processes need to be improved to avoid any such efflux of consumers. A small proportion also changed their service provider. In case of health insurance, there is an equal proportion of people who reduced or stopped using the product and those who changed the service provider. For crop insurance and vehicle insurance, most people who faced a grievance changed their provider.

Another important addition to this analysis is to see whether impact on usage varies according to complaining and resolution patterns. In Table 9, we present impact of grievance basis whether the respondent complained, whether this complaint was resolved along with impact in case the respondent did not complain at all. In the scenario where the user did not complain, we see that for life, health and vehicle insurance, cumulatively most people who did not complain either reduced or stopped

Table 8. Impact of Grievance on Product Usage

Type of Insurance	Changed provider	Increased use	Kept using but warned others	No change in use	Reduced or stopped use	Did not answer
Life Insurance	50(16%)	8(2%)	37(12%)	93(31%)	99(33%)	10(3%)
Health Insurance	41(32%)	2(1%)	11(8%)	24(19%)	42(33%)	6(4%)
Crop Insurance	41(31%)	-	3(2%)	49(37%)	28(21%)	8(6%)
Vehicle Insurance	55(40%)	3(2%)	12(8%)	27(19%)	36(26%)	3(2%)

Table 9. Variation in Impact of Grievance by Complaint Status

	Changed provider	Do not know/ wish to answer	Increased use	Kept using, but warned friends and family	No change in use	Reduced or stopped using	Total
Did not complain							
Life Insurance	17	7	5	9	63	51	152
Health Insurance	10	3	1		6	16	36
Crop Insurance	13	2		2	44	17	78
Vehicle Insurance	14	2	3	5	19	11	54
Complained and resolved							
Life Insurance	25	1	3	26	26	28	109
Health Insurance	22	1	1	11	18	18	71
Crop Insurance	22	3	0	0	0	7	32
Vehicle Insurance	15	0	0	2	1	6	24
Complained and not resolved							
Life Insurance	6	1	0	2	4	18	31
Health Insurance	0	1	0	0	0	1	2
Crop Insurance	4	1	0	1	5	4	15
Vehicle Insurance	12	1	0	1	3	11	28

using the product or exhibited switching behaviour. It was only in the case of crop insurance where most people made no change. In the scenario where the user complained and the complaint was resolved, we see that across products users exhibit switching or reducing/exiting behaviour. Interestingly, for life and health insurance we see some respondents warning those in their social network about their experiences. In the case where the user complained, but this complaint was not resolved, we see that most people across products exhibit switching and exiting behaviour.

We see that the impact is largely negative, irrespective of the complaint status. What is interesting is that a significant number of people whose complaints are resolved also reduced/stopped using the product. While we already know that the overall impact is negative, this table suggests that the grievance redress system may have something to do with why the impact is negative. Additionally, some differences in products, such as low switching behaviour for non-complaining crop insurance users may be down to "consumer sophistication" which includes characteristics such as a consumer's knowledge of the alternatives in the marketplace, their awareness of consumer-protection rights, concern for quality and satisfaction and awareness of complaint mechanisms (Tronvoll, 2007). We know from the information in Figure 1 that crop insurance users are not aware of complaint mechanisms. We know they are not highly educated and thus may not be aware of their rights or about any alternate products available in market. In this circumstance, it is likely that the switching costs are too high for them. However, for all the other products and all other complaining statuses, we see that reducing/exiting or switching is the dominant response.

Ⅸ. Conclusion

India is witnessing a massive influx of insurance buyers. The quantum of this influx is significant as life insurance premiums are expected to cross the $100 billion mark by 2022 (The Economic Times, 2022b). There is a need for change to serve this large mass of consumers, both in terms of improving firms' own grievance redress processes and pushing regulatory reform to create more awareness about the GRM process.

We find that while FSPs have fairly high resolution rates, there are information constraints and trust deficits that are causing people to not complain when faced with a grievance. The adverse impact of these is visible as large sections of those who faced grievances reduced or stopped using the product as a result of the grievance.

Results from our survey also suggest that there is significantly higher incidence of grievance than what the official numbers reflect and that the nature of these grievances is serious. Therefore, in order to promote meaningful financial participation, a robust GRM system is of the utmost importance.

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Appendix

Table A1. Descriptive statistics-by state

Variable	Andhra Pradesh (N=4316)	Bihar (N=4222)	Haryana (N=4241)	Madhya Pradesh (N=4246)	Maharashtra (N=4330)
Age					
21-30	773 (17.9%)	1048 (24.8%)	1141 (26.9%)	1203 (28.3%)	1221 (28.2%)
31-40	1342 (31.1%)	1294 (30.6%)	1251 (29.5%)	1359 (32.0%)	1726 (39.9%)
41-50	1267 (29.4%)	929 (22.0%)	918 (21.6%)	1045 (24.6%)	908 (21.0%)
51-65	771 (17.9%)	805 (19.1%)	760 (17.9%)	573 (13.5%)	441 (10.2%)
65+	163 (3.8%)	146 (3.5%)	171 (4.0%)	66 (1.6%)	34 (0.8%)
No of family members					
1-2	1860 (43.1%)	320 (7.6%)	413 (9.7%)	510 (12.0%)	955 (22.1%)
3-5	2399 (55.6%)	2180 (51.6%)	2696 (63.6%)	3367 (79.3%)	3056 (70.6%)
6 or more	57 (1.3%)	1722 (40.8%)	1132 (26.7%)	369 (8.7%)	319 (7.4%)
Education level					
Illiterate	611 (14.2%)	294 (7.0%)	568 (13.4%)	525 (12.4%)	966 (22.3%)
Less than 5th grade	1252 (29.0%)	2016 (47.7%)	1137 (26.8%)	953 (22.4%)	181 (4.2%)
Up to 10th grade	407 (9.4%)	322 (7.6%)	195 (4.6%)	289 (6.8%)	233 (5.4%)
12th grade pass	480 (11.1%)	262 (6.2%)	484 (11.4%)	557 (13.1%)	1413 (32.6%)
College or more	1566 (36.3%)	1328 (31.5%)	1857 (43.8%)	1922 (45.3%)	1537 (35.5%)
Annual family income					
Less than Rs.1 lakh	1876 (43.5%)	2575 (61.0%)	1722 (40.6%)	2305 (54.3%)	1036 (23.9%)
Rs.1 lakh - Rs.3 lakh	1629 (37.7%)	1492 (35.3%)	2097 (49.4%)	1600 (37.7%)	1756 (40.6%)
Rs.3 lakh - Rs.6 lakh	383 (8.9%)	125 (3.0%)	330 (7.8%)	302 (7.1%)	1271 (29.4%)
Rs.6 lakh - Rs.10 lakh	40 (0.9%)	11 (0.3%)	35 (0.8%)	35 (0.8%)	164 (3.8%)
Above Rs.10 lakh	12 (0.3%)	6 (0.1%)	5 (0.1%)	2 (0.0%)	10 (0.2%)
Did not answer	376 (8.7%)	13 (0.3%)	52 (1.2%)	2 (0.0%)	93 (2.1%)
Occupation					
Cultivation/Agricultur	798 (18.5%)	1052 (24.9%)	272 (6.4%)	534 (12.6%)	306 (7.1%)
Not working	367 (8.5%)	938 (22.2%)	1731 (40.8%)	1085 (25.6%)	925 (21.4%)
Own business	710 (16.5%)	593 (14.0%)	667 (15.7%)	778 (18.3%)	984 (22.7%)
Salaried employee	1093 (25.3%)	262 (6.2%)	760 (17.9%)	458 (10.8%)	1611 (37.2%)
Wage Labour	1348 (31.2%)	1377 (32.6%)	811 (19.1%)	1391 (32.8%)	504 (11.6%)
Financial products					
Banking	2900 (67.2%)	3875 (91.8%)	3409 (80.4%)	3794 (89.4%)	3543 (1.8%)
Payments	2070 (48.0%)	776 (18.4%)	1539 (36.3%)	1768 (41.6%)	2798 (64.6%)
Insurance	871 (20.2%)	695 (16.5%)	547 (12.9%)	1127 (26.5%)	1716 (39.6%)
Securities	184 (4.3%)	13 (0.3%)	8 (0.2%)	52 (1.2%)	363 (8.4%)
Pensions	305 (7.1%)	72 (1.7%)	71 (1.7%)	77 (1.8%)	97 (2.2%)

This table presents the summary statistics of our survey by state.

Table A2. Description of Survey Instrument

No.	Module	Description
1	Profile of Respondent	Identification details of the respondent
2	Demographics	Household roster, family income, religion, caste, household debt, investments
3	Grievance Redress with Financial Products	
3.1	Access to financial products	Usage of five financial products: banking, insurance, securities, pensions, and payments
3.2	Incidence of grievances	Extent and nature of grievances, first response to grievances
3.3	Experience with GRM	Resolution of complaints, impact of using GRM
4	Risk and Time Preferences	General & domain specific risk measurement, general self assessment, patience elicitation
5	Individual Characteristics and Perceptions	Cognitive ability, personality traits etc
6	Decision Making	Profile of household financial decision making
7	Women's Ownership and Usage of Financial Products	Understanding women's participation in the asset ownership and usage