



Comparative Study of Claim Settlement Ratio of LIC with other Insurance Companies in India

KEYWORDS

Claim settlement ratio, Policy holder, Claim pending ratio & Claim pending ratio

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ABSTRACT

In this paper authors study of claim settlement ratio of LIC with other insurance company in India for year 2009-10, 10-11 & 11-12. & to know about customer opinions of LIC policy holder related to claim settlement policy with help of small survey in Jalgaon branch. Primary data collected through Interaction with the staff members in corporation & questionnaire filled by LIC customers and secondary data through published reports, newspapers, journals, & websites. The LIC is India number one insurance company who has very low claim pending ratio & very high claim settlement ratio with compare to other insurance companies in India. The maximum customers are satisfied with existing claim settlement policy of LIC

Introduction

An insurance claim is the actual application for benefits provided by an insurance company. The insurance company may or may not approve the claim, based on their own assessment of the circumstances. Individuals who take out home, life, health, or automobile insurance policies must maintain regular payments called premiums to the insurers. When claims are filed, the insured has to observe the settled rules and procedures and the insurer has also to reciprocate in a similar manner by undertaking appropriate steps for speedy disposal of claims.

The claim settlement ratio indicates the number of claims that are paid out per 100 claims made by policyholders. It indicates the extent to which the holder of a policy can expect his nominees to receive the promised sum insured on his/her death.

Claim Settlement in Insurance

Claims settlement is an integral part of the insurance business which is a service industry and its growth is depend upon the services provided to its customers. It is inevitable for the insurance company to protect and guard the interests of the policyholders. Claim Settlement is the payment of proceeds from an insurance policy to the insured under the terms of an insurance contract. An insurance claim is the only way to officially apply for benefits under an insurance policy, but until the insurance company has assessed the situation it will remain only a claim, not a pay-out. Claim Settlement is the yard stick to judge the insurance company's efficiency.

Types of claims

- Death Claims
- Maturity Claims
- Partial Maturity Claims
- Surrender Value Claims
- Policy Loans
- Disability Claims

Procedure of Claim Settlement

a) Issuing the Discharge Form :

LIC of India issues the 'Discharge Form' to the policyholders. At least two months before maturity date, information is sent to the life assured with a blank discharge form for signature & completion by policyholder. Issuing a 'Discharge Form' is a function of claim department. In case of death claim after doing the proper investigation the form is sent.

b) Filling up the Discharge Form :

Policyholders fill up the discharge form with the following information-

- Name of Policyholder
- Address of Policyholder
- Particulars of Bank

c) Stamping the Discharge Form :

After receipt of the discharge form along with the policy documents from the person entitled to the policy money, the claim department stamped the discharge form.

d) Making calculation :

Claim Department does all the calculations required for settlement purpose with the accuracy. All the calculations should be done by computerized system.

e) Preparing a 'Docket' :

All the documents and calculations sheets filed as a 'Docket'.

Docket will include the following documents –

- Original Policy documents on maturity or death case;
- Rough Data sheet of Calculations;
- Documents required as per plans or policies;
- Claim Payment Voucher.

f) Preparing a Cheque :

Claim amount will be paid through NEFT (National Electronic Fund Transfer). It is mandatory to all the policyholders by the government.

g) Endorsing a 'CANCELLED' stamp :

Once the claim has been settled, 'CANCELLED' stamp will be endorsed on a policy docket. It means that the claim has settled & policy documents are returned to the policyholder.

Objectives

1. To compare the Claim Settlement Ratio of LIC with Life Insurance Industry.
2. To make the small survey of policyholders & provide opinion regarding claim settlement.

Scope

1. It is useful to know the customer's opinion about the claim settlement process.
2. It is helpful to improve the claim settlement process and subsequently improve the operational efficiency.

Research Methodology

The study mainly based on primary data & secondary data. Primary data collected through Interaction with the staff members in corporation & questionnaire. And secondary data through published reports, newspapers, journals, web-sites etc

Details about primary data

Sample Size : 20 Individuals
Area : Claim Settlement
Industry : Insurance
Respondents : Policyholder

Limitations

- 1) Due to time limitations, the sample size for the survey is small which may not represent the entire population.
- 2) The sample for the survey is from a particular geographical area.

Data Analysis & interpretation**The claim settlement scenario in insurance industry**

Public sector behemoth Life Insurance Corporation of India (LIC) has continued to outperform its private peers when it

comes to claim settlement. According to the Irda annual report FY 2011-2012 released last week, the claim settlement ratio of LIC for individual death claims stood at 97.42 per cent during FY 2011-12, slightly better than 97.03 per cent during the previous year. Following LIC was the largest private life insurance company ICICI Prudential Life

Insurance with a claim settlement ratio of 96.53 per cent, HDFC Life 96.17 per cent, SBI Life at 95 per cent and Kotak Life Insurance at 92 per cent. In the year ending

March 2012, life insurance companies settled 8.22 lakh claims on individual policies, with a total payout of Rs 8,409 crore. The number of claims repudiated stood at 19,133, amounting to a total of Rs 451 crore. The number of claims pending at the year-end stood at 12,316 with a total amount of Rs 293 crore. Of these, 1,691 claims were pending for more than one year and 10,625 claims were pending for less than and up to one year. Accordingly, the industry's settlement ratio increased slightly to 96.26 per cent in 2011-12 from 95.58 per cent in 2010-11 and the repudiation ratio went up slightly as well 2.24 per cent in 2011-12 from 2.04 per cent in 2010-11," said Irda

Table No. 1 CLAIMS REPORT for Year 2009-10 & 2010-11

	2009-10			2010-11		
	Claims repudiated	Claims settled	Claims pending	Claims repudiated	Claims settled	Claims pending
LIC	1.21	96.53	1.41	1.09	97.50	1.47
ICICI Prudential	3.27	90.17	6.56	2.80	94.40	2.60
HDFC Life	4.67	91.14	4.20	3.97	96.03	0.61
Aviva Life	9.75	87.11	3.14	4.10	87.11*	3.14*
Birla Sun Life	10.62	89.09	5.82	4.99	94.66	0.35
India First Life	7.69	53.85	38.46	9.40	90.58	0.03
Max New York Life	12.31	65.51	7.14	14.85	78.01	7.14
SBI Life	14.75	83.27	1.96	16.74	82.24	1.03
IDBI Federal Life	23.81	49.52	26.67	21.00	65.00	14.0

The above table shows details about claim repudiated, claim settled & claims pending of all insurance companies for year 2009-10 & 2010-11. The LIC is best insurance company among all companies regarding claim settlement ratio.

The outcomes of survey taken of 20 policy holder

The researcher asks eight questions to each policy holder through questioner method. The following are outcome of question to policy holder

- 1) The 85% of the policyholders are satisfied with services of LIC while 15% of the policyholders were not satisfied with its services while Claim Settlement
- 2) The 60% of the policyholders did not face any problem while claim settlement & 40% of the policyholders faced problems in claim settlement.
- 3) The 90% of the policyholder's claim was settled within the 30 days of receipt of the relevant documents as per IRDA's guideline while 10% policyholder's claim was not settled within 30 days.
- 4) The 80% of the policyholders felt that LIC maintained transparency & secrecy while claim settlement while 20% policyholders felt that it had not maintained proper transparency & secrecy.
- 5) The 40% of the policyholder faced documentation problem at the time of maturity & death claim settlement while 60% of the policyholder did not face documentation problem at the time of claim settlement.
- 6) The 90% felt that there was not any unnecessary delay

mad at the time of claim settlement process 10% felt that there was unnecessary delay mad at the time of claim settlement process.

- 7) The 75% policyholders felt that investigation mechanism of LIC was efficient at the time of claim settlement process 25% policyholders felt that investigation mechanism of LIC was not so efficient at the time of claim settlement process.
- 8) The 20% policyholders felt that LIC is very efficient than private sector in claim settlement, 40% policyholders felt that LIC is efficient than private sector & 40% policyholders felt that private sector is efficient than LIC. (Here, Very Efficient = 80 to 100%, Efficient = 50 to 80% & Not much efficient = below 50%)

Findings

- The Policyholders are satisfied with the services of LIC of Claim Settlement.
- Some of the policyholders face problems while Claim Settlement.
- The Claim is settled within 30 days on the receipt of document as per IRDA guideline.
- The LIC has maintained the adequate transparency & secrecy while Claim Settlement.
- There is no unnecessary delay made at the time of Claim Settlement.
- Death Claim Settlement Ratio has shown constant improvement every year due to efficient investigation mechanism.

- The study of Life Insurance Industry shows that LIC is having highest Claim Settlement Ratio i.e., 98% & it has increasing trend continuously due to properly following of IRDAs Guidelines for Claim Settlement. The private insurance companies are behind the LIC.
- The Claim Pending Ratio of LIC is decreasing & it is 1.47%. Other private insurance companies are also having low Claim Settlement Ratio.
- The Claim Repudiation Ratio of LIC is lowest in Life Insurance Industry. It is 1.09%.

Conclusion

The easy & timely settlement of valid claim is an important function of an insurance company & Claim Settlement is the integral part of Claim Management. It is yardstick to judge the insurance company's efficiency. There are different types of claims mainly divided into Death Claim & Maturity Claim. LIC of India after making proper investigation of documentation & cause of death settled the claim on time. Insurance Agents, Surveyors, Claim Assessors & Claim Underwriters play important role in Claim Settlement.

There are cases of frauds in Claim Settlement that may happen but if the policyholder uses proper precautions he can prevent himself from fraud. LIC of India provides better corporate services for settling the customer claim as their total Claim Settlement Ratio is 98% & it has shown constant increasing trend. The IRDA guidelines for claim settlement are properly followed by the LIC which results in lower Claim Pending Ratio i.e., 1.47%. The Claim Repudiation Ratio of LIC is 1.09% which help the LIC of India to maintain better corporate image in Life Insurance sector. All the branches of the LIC of India were automated. If the LIC of India give some documentation relaxation to the policyholders & maintain the policy documents in electronic form like D-mat they can improve the transparency & efficiency of the Claim Settlement System.

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