

CLAIM SETTLEMENT RATIO AND PROCESS OF SELECTED LIFE INSURANCE COMPANIES

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ABSTRACT

Claim settlement is one of the most important parts of the life insurance services. Person who is holding or planning for the life insurance will always want to have prompt claim settlement. For any insurance company sales of insurance policies is the biggest source of revenue and if claim are not properly settled then it will affect its sales. Life insurance is mainly taken to cover up risk of death/disability in monetary terms and secondary as investment option for better return. Claims are filed at the time of maturity or in case of death/disability. The study focuses on the claim settlement ratio of life insurance services of LIC, HDFC, SBI, Aviva and Bajaj Allianz Life Insurance Company. Numbers of claims are also increasing in selected Life Insurance Company with the increasing numbers of policies therefore it is very much essential to have unambiguous claim settlement process.

Keywords: - Life Insurance, Claim Settlement, Annual reports & Public and Private Insurance Company.

JEL Classification: E21, G18, G20, G22 & H24

INTRODUCTION

In any type of insurance coverage claim settlement plays very important part. Claims settlement is an integral part of the insurance business. Growth in insurance business is depended on the people, the customers and consumers of service. Claims can be maturity claims arise because of survival up to the end of the policy term i.e. to the date of maturity, survival benefits due to survival up to a specified period during the term, death claims arise due to death of the life assured during the term. Policy holders or nominees must first file an insurance claim before any money can be provided. An insurance claim is provided by an insurance company. The insurance company may or may not approve the claim, based on their own assessment of the condition

under which claim is made. Claim settlement process normally involves multiple channels, multiple systems, and multiple processes. 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.

REVIEW OF LITERATURE

Jimin Hong, S. Hun Seog (2018)³ we analyze the effects of life insurance settlement on insurance contract design, the insurer's profit and welfare. Policyholders face not only mortality risks but also heterogeneous liquidity risks which lead the policyholders to surrender or settle the policies. It is assumed that the insurer cannot discriminate policyholders based on liquidity risks, and that no cost is incurred in surrender and settlement. We characterize the conditions for the endogenous existence of a settlement market, and find that the settlement market, if it exists, raises insurance premium. The effects of settlement on profit and welfare depend on the market structure. In the monopolistic insurance market, the settlement market lowers the insurer's profit, and consumer welfare increases whenever demand increases and possibly increases even when demand decreases. This finding is in contrast with most of the existing studies reporting that settlement never has a positive effect on welfare. In the competitive insurance market, welfare always decreases.

OBJECTIVES OF THE STUDY

1. To study the claim settlement process of selected life insurance companies.
2. To analysis the claim settlement ratio for selected life insurance companies.

RESEARCH METHODOLOGY

The present study relies on secondary data. The relevant secondary data are collected from various sources which include the IRDA annual report, Consumers Affairs Annual Booklet, The Insurance Times, and Journal of Insurance Institute of India. I have selected five companies are, LIC of India, HDFC, SBI, Aviva, and Bajaj Allianz Life Insurance Company. The study wills data using for Growth Rate and Descriptive analysis like Mean, Standard Deviation & Co- Variance.

PERIOD OF THE STUDY

The study period for secondary data is ten years starting from the year 2007-08 to 2016-17.

CLAIM SETTLEMENT PROCESS OF LIFE INSURANCE CORPORATION OF INDIA (LIC)

LIC of India has laid emphasis on prompt settlement of death as well as maturity claims. Claims are normally paid however if found any fraudulent then it is referred to claim committee operating in zonal offices and central offices.

³ Jimin Hong, S. H. (2018). Life insurance settlement and the monopolistic insurance market. *Insurance: Mathematics and Economics*, 81, 36-50.

Step 1: Claim Intimation

In the case of any type of claims whether death, maturity, double accidental and disability benefit claim, LIC of India as insurer or insurance providing company must receive intimation regarding arising of the event. Intimation can be done through walking into the branch from where insurance policy has been taken or if possible then the sales agent of LIC of India from whom insurance policy is purchase, will take care of intimation of the event to the concern branch.

Step 2: Claim Processing**1) In case of Death Claims:**

The death claim amount is payable in both conditions, when policy's premiums is paid up-to-date and where the death occurs within the days of grace. After receiving information regarding death of the Life Assured the Branch office required following things:

- Claim form A – Claimant's Statement giving details of the deceased and the claimant.
- Certified extract from Death Register
- Documentary proof of age, if age is not admitted
- Evidence of title to the deceased's estate if the policy is not nominated, assigned or issued under M.W.P. Act.
- Original Policy Document

2) In case of Death Claims:

- Amount is payable at the end of the policy period when it is endowment type of policies, At least two months before the due date of payment the Branch which provide services to the policy intimate the policyholder by sending a letter informing the date on which the policy amount is payable. After receiving documents postdated cheque is sent by post so as to reach the policyholder before the due date.

3) In case of Double Accident Benefit Claims:

- Copy of Panchnama/ FIR/Inquest Report & Post Mortem Report for accidental & suicide cases
- If Life Assured was driving the vehicle at the time of accident then copy of Driving License (Applicable if "Accident and Disability Benefit Rider" is opted)
- Claim must be filed within 120 days.

Step 3: Claim Payment

Initially payment of claims are done through account payee cheques, but due to changing time and for securing the claim payment, N.E.F.T (National electronic fund transfer) are majorly use now days. If all the required documents are submitted and there is no need of further investigation then normally claims are paid up in 30 days.

CLAIM SETTLEMENT PROCESS OF HDFC LIFE INSURANCE COMPANY

HDFC Life insurance company has provided different source through which can file their life insurance claim. They provide a hassle-free and exclusively sensitive claim experience. They always do their best to enable faster settlement of claims and claims settlement ratio reflects their assurance.

Step 1: Claim Intimation:

Policy Holder/Nominee intimate claims to the HDFC Life Insurance Company, Intimation can be done through following ways:

- a) **Through Call:** - Policy Holder/Nominee can intimate claims by calling on the available customer care toll free number. Claims registered through this mode are taken care by central claims team.
- b) **Personalized visit:** - Policy Holder/Nominee can intimate claims to nearest branch of HDFC Life insurance company or Corporate Claims Cell. Intimation should be in written form; this will be considered to formal intimation.
- c) **Through e-mail:** - Policy Holder/Nominee can intimate claims by sending e-mail to the dedicated e-mail address for claim settlement process.
- d) **Through website:** - Policy Holder/Nominee can intimate claims by logging details in HDFC Life website. Claims registered through this mode are also taken care by central claims team.

Step 2: Claim Evaluation &Processing:

In claim evaluation &processing, dedicated claim care team analyses each claim in detail. On the basis of all records and proofs in connection with the claim, Claims are examined and settled by the company. Sometime if there are any pending documents then the requirement is raised, company informs the claimant about the required documentation.

Step 3: Claim Payment Decision:

Once all the required documents are submitted to the concern branch or claim cell and documentation is complete then on the basis of that decision regarding the payment of claim is taken as soon as possible. If in any case claims require further verification, the claimant is informed about that. Whatever a decision is taken, claimant is informed with the help of written communication through letter. In case of rejection of claim, information is given to claimant along with specific reasons.

CLAIM SETTLEMENT PROCESS OF SBI LIFE INSURANCE COMPANY

SBI Life is committed to provide the benefits as soon as possible to the nominee and within the prescribed timelines laid down by IRDAI. Following is the Claim Process:

Step 1: Claim Intimation:

- The nominee/claimant needs to intimate the insurance company by filing an online claim form.
- Send form to

SBI Life Insurance Co. Ltd,
8th Level, Seawoods Grand Central,
Tower 2, Sector 40, Plot No.R-1, Seawoods,
Nerul Node, Navi
Mumbai- 400706.

- Intimate SBI Life on their Toll-Free number - 1800-22-9090
- You can also email at claims@sbilife.co.in

Step 2: Claim Assessment:

On receiving all the necessary documents, SBI Life will assess claim documents and the information provided by the proposal in the form.

Step 3: Claim Approval Process

On the approval of Claim Acceptance the nominee will receive a sum assured. For further process at any time of claim process you can also reach out to info@sbilife.co.in

Claim Documents: List of Mandatory Documents:

1. Duly filled Claim Form
2. Original Policy Document
3. Original/Government officer Attested Death Certificate issued by the local authority
4. Claimant's address proof
5. Claimant's ID Proof
6. Claimant's Bank Pass Book/Bank Statement/Cancelled Cheque

In addition to the standard documents there are other documents required under different case:

- Hospital / Other treatment records
- Photo Identification & address proof of the claimant
- Post-mortem & chemical viscera report (if performed)
- Physician's Statement
- Police Report/F.I.R in case of unnatural death

CLAIM SETTLEMENT PROCESS OF AVIVA LIFE INSURANCE COMPANY

Step 1: Fill up the claim form

Visit the official website of Aviva Life Insurance Company or click here to access the form as per your claim type and insurance plan. There are a range of claims offered by Aviva against riders, hospital cash benefit, death, and gratuity and group term insurance. Complete the form with accurate details of client id, policy holder name, policy number, etc.

Step 2: Keep relevant documents handy

Arrange for the necessary documents and submit them in original or get photocopies attested by a Gazetted officer, Tahsildar, Magistrate or Police Sub-inspector.

Step 3: Claim rider benefit for hospitalization or surgery

In case you had applied for a hospitalization or surgery-related rider, submit all medical reports and bills issued by the physician who is legally qualified to issue such a report.

Step 4: Register your claim**Online Claim Settlement Process:**

The online claim settlement for natural or accidental death can be initiated by visiting Aviva Life Insurance Company's official website or by simply clicking here. Enter details like Policy Number and Date of Birth and click on the 'Submit' button to proceed with the claim settlement process. For Aviva Health Plus policyholders, you can avail the cashless facility in case of hospitalization and surgical claims, according to the terms and conditions of your policy document.

Offline Claim Settlement Process:

Customers and claimants can initiate the offline claim settlement process through any of the following approaches:

- Call Coverfox at 1800-209-9970 and obtain all required details about the plans offered.
- Go through the list of branch offices and visit the nearest one with the necessary documents and claim form, and ask for assistance.
- Contact Aviva Life Insurance Company's Customer Service Helpline at 1800-103-7766
- Write to them at: Claims Department Aviva Life Insurance Company India Ltd. Aviva Tower, Sector 43, Opposite DLF Golf Course, Gurgaon - 122 003.

Step 5: Claim reimbursement

Aviva Life Insurance Company verifies the submitted documents and asks for further documents, if necessary. Once all documents have been duly examined, the funds are released in favor of the nominee through NEFT (National Electronic Fund Transfer) to the nominee. Aviva ensures complete transparency in the claim settlement procedure to control any possibility of frauds.

CLAIM SETTLEMENT PROCESS OF BAJAJ ALLIANZ LIFE INSURANCE COMPANY

Step 1: Claim Registration

Claim/Nominee walks into any BALIC branches or BALIC HO with:

- Intimation Letter
- Death Certificate
- KYC of nominee
- Bank details of the nominee
- Original policy bond
- Claim is registered under acknowledgement and the claimant will be provided with a set of other claims documents required for processing the claim.

Step 2: Claim Scrutiny and Decision

- Requirements will be communicated and a dedicated team follows up, assists the claimants. Once all the documents from the claimants are received and after necessary assessments, all the genuine claims will be settled for payments.
- Claim decision will be informed to claimant by SMS and a detailed letter will be sent to the claimant's address.

Step 3: Claim Review

- In case the claimant not satisfied with the decision, he/she may write to claims review committee for review of their claim. Claims review committee at BALIC is headed by a retired Civil Judge, aimed at unbiased review of each such claim, a unique customer oriented initiative by BALIC.

CLAIM SETTLEMENT RATIO FOR SELECTED LIFE INSURANCE COMPANIES

Table- 1
Claim Settlement Ratio for Life Insurance Corporation of India (LIC)

Years	Life Insurance Corporation of India (LIC)					
	Total Claim(Start of the Year + Claim intimated)		Claim paid		Claim repudiate	Claims pending
	No. of policies	Benefit amount in Cr.	Nos.	%	%	%
2007-08	549761	4182.23	531653	96.71%	1.13%	2.10%
2008-09	591097	4444.17	564389	95.48%	1.33%	2.21%
2009-10	677374	5049.43	653909	96.54%	1.21%	1.41%
2010-11	739502	6427.41	717529	97.03%	1.00%	1.46%
2011-12	731336	6873.53	712501	97.42%	1.30%	1.21%
2012-13	750576	7550.87	733545	97.73%	1.12%	1.04%
2013-14	760334	8905.04	746212	98.14%	1.10%	0.52%
2014-15	755901	9480.49	742243	98.19%	1.15%	0.48%
2015-16	761983	10137.09	749249	98.33%	0.98%	0.51%
2016-17	769386	11058.6	756399	98.31%	0.97%	0.42%
Mean	708725	7410.886	690762.9			
SD	77962.96	2434.279	81046.86			
Co- Variance (%)	11.00045	32.84734	11.73295			

Source: IRDA Annual Report

It is observed from the above table number of policies in mean value is 708725 and the SD value is 77962.96 then the CV is 11.00045 and benefit amount mean value is 7410.886 and the SD value is 2434.279 and then the CV is 32.84734.

Table- 1.1
Growth Rate of Benefit amount in Life Insurance Corporation of India (LIC)

Years	Total Claim(Start of the Year + Claim intimated)		Growth rate of benefit amount in %
	No. of policies	Benefit amount in Cr	
2007-08	549761	4182.23	-
2008-09	591097	4444.17	6.26
2009-10	677374	5049.43	13.62
2010-11	739502	6427.41	27.28
2011-12	731336	6873.53	6.94
2012-13	750576	7550.87	9.85
2013-14	760334	8905.04	17.94
2014-15	755901	9480.49	6.46
2015-16	761983	10137.09	6.93
2016-17	769386	11058.6	9.09

The growth rate is highest in 2010-11 with 27.28 and the lowest rate is 6.26 in 2008-09.

Table- 2
Claim Settlement Ratio for HDFC Life Insurance Company

Years	HDFC Life Insurance Company					
	Total Claim(Start of the Year + Claim intimated)		Claim paid		Claim repudiate	Claims pending
	No. of policies	Benefit amount in Cr.	Nos.	%	%	%
2007-08	2062	33.86	1665	80.75%	4.22	15.03%
2008-09	2898	49.24	2549	87.96%	4.80%	7.25%
2009-10	3837	79.75	3497	91.14%	4.67%	4.20%
2010-11	4579	88.32	4369	95.41%	3.97%	0.61%
2011-12	5149	107.23	4952	96.17%	3.63%	0.19%
2012-13	6253	163.92	5988	95.76%	2.62%	1.62%
2013-14	7259	254.32	6824	94.01%	4.70%	1.29%
2014-15	12189	402.03	11031	90.50%	7.24%	2.26%
2015-16	12430	432.51	11811	95.02%	4.34%	0.64%
2016-17	12724	443.34	12421	97.62%	1.92%	0.46%
Mean	6938	205.452	6510.7			
SD	4086.07	164.6263	3931.412			
Co-Variance (%)	58.89406	80.12884	60.38386			

Source: IRDA Annual Report

It is observed from the above table number of policies in mean value is 6938 and the SD value is 4086.07 then the CV is 58.89406 and benefit amount mean value is 205.452 and the SD value is 164.6263 and then the CV is 80.12884.

Table- 2.1
Growth Rate of Benefit amount in HDFC Life Insurance Company

Years	Total Claim(Start of the Year + Claim intimated)		Growth rate of benefit amount in %
	No. of policies	Benefit amount in Cr	
2007-08	2062	33.86	-
2008-09	2898	49.24	45.42
2009-10	3837	79.75	61.96
2010-11	4579	88.32	10.75
2011-12	5149	107.23	21.41
2012-13	6253	163.92	52.87
2013-14	7259	254.32	55.15
2014-15	12189	402.03	58.08
2015-16	12430	432.51	7.58
2016-17	12724	443.34	2.50

The growth rate is highest in 2009-10 with 61.96 and the lowest rate is 2.50 in 2016-17.

Table- 3
Claim Settlement Ratio for SBI Life Insurance Company

Years	SBI Life Insurance Company					
	Total Claim(Start of the Year + Claim intimated)		Claim paid		Claim repudiate	Claims pending
	No. of policies	Benefit amount in Cr.	Nos.	%	%	%
2007-08	2311	33.75	1883	81.48%	7.10%	11.38%
2008-09	4260	61.57	3262	76.57%	15.09%	8.33%
2009-10	7232	103.35	6022	83.27%	14.75%	1.96%
2010-11	10031	149.53	8249	82.24%	16.73%	1.03%
2011-12	11864	185.03	11328	95.48%	3.19%	1.33%
2012-13	13426	235.66	12676	94.41%	3.69%	1.89%
2013-14	14233	288.54	12960	91.06%	5.23%	3.71%
2014-15	14876	364.77	13303	89.43%	7.41%	3.16%
2015-16	16102	469.10	15037	93.39%	4.76%	1.85%
2016-17	17610	560.15	17027	96.69%	2.56%	0.75%
Mean	11194.5	245.145	10174.7			
SD	5137.173	175.4096	5090.489			
Co-Variance (%)	45.89015	71.55341	50.03085			

Source: IRDA Annual Report

It is observed from the above table number of policies in mean value is 11194.5 and the SD value is 5137.173 then the CV is 45.89015 and benefit amount mean value is 245.145 and the SD value is 175.4096 and then the CV is 71.55341.

Table- 3.1
Growth Rate of Benefit amount in SBI Life Insurance Company

Years	Total Claim(Start of the Year + Claim intimated)		Growth rate of benefit amount in %
	No. of policies	Benefit amount in Cr	
2007-08	2311	33.75	-
2008-09	4260	61.57	82.43
2009-10	7232	103.35	67.86
2010-11	10031	149.53	44.68
2011-12	11864	185.03	23.74
2012-13	13426	235.66	27.36
2013-14	14233	288.54	22.44
2014-15	14876	364.77	26.42
2015-16	16102	469.10	28.60
2016-17	17610	560.15	19.41

The growth rate is highest in 2008-09 with **82.43** and the lowest rate is 19.41 in 2016-17.

Table- 4
Claim Settlement Ratio for Aviva Life Insurance Company

Years	Aviva Life Insurance Company					
	Total Claim(Start of the Year + Claim intimated)		Claim paid		Claim repudiate	Claims pending
	No. of policies	Benefit amount in Cr.	Nos.	%	%	%
2007-08	947	15.86	654	69.06%	12.78%	18.16%
2008-09	1438	30.93	1032	71.77%	19.33%	8.90%
2009-10	1877	31.71	1635	87.11%	9.75%	3.14%
2010-11	2265	46.19	1906	84.15%	12.23%	3.62%
2011-12	2240	71.41	2006	89.55%	9.55%	0.89%
2012-13	2433	116.35	2134	87.71%	11.96%	0.33%
2013-14	2033	119.83	1708	84.01%	15.84%	0.15%
2014-15	1683	149.30	1398	83.07%	16.40%	0.53%
2015-16	1531	140.60	1255	81.97%	17.37%	0.65%
2016-17	1245	104.19	1128	90.60%	8.84%	0.56%
Mean	1769.2	82.637	1485.6			
SD	484.6503	49.40631	474.4349			
Co-Variance (%)	27.39375	59.78715	31.93557			

Source: IRDA Annual Report

It is observed from the above table number of policies in mean value is 1769.2 and the SD value is 484.6503 then the CV is 27.39375 and benefit amount mean value is 82.637 and the SD value is 49.40631 and then the CV is 59.78715.

Table- 4.1
Growth Rate of Benefit amount in Aviva Life Insurance Company

Years	Total Claim(Start of the Year + Claim intimated)		Growth rate of benefit amount in %
	No. of policies	Benefit amount in Cr	
2007-08	947	15.86	-
2008-09	1438	30.93	95.02
2009-10	1877	31.71	2.52
2010-11	2265	46.19	45.66
2011-12	2240	71.41	54.60
2012-13	2433	116.35	62.93
2013-14	2033	119.83	2.99
2014-15	1683	149.30	24.59
2015-16	1531	140.60	-5.83
2016-17	1245	104.19	-25.89

The growth rate is highest in 2008-09 with 95.02 and in the year 2015-16 & 2016-17 shows the negative growth rate with -5.83 & -25.8.

Table- 5
Claim Settlement Ratio for Bajaj Allianz Life Insurance Company

Years	Bajaj Allianz Life Insurance Company					
	Total Claim(Start of the Year + Claim intimated)		Claim paid		Claim repudiate	Claims pending
	No. of policies	Benefit amount in Cr.	Nos.	%	%	%
2007-08	6529	108.92	5065	77.58%	10.55%	11.87%
2008-09	12011	212.50	10484	87.29%	8.35%	(4.365
2009-10	23040	353.11	20316	88.18%	5.20%	6.63%
2010-11	27038	396.00	23980	88.69%	7.08%	4.23%
2011-12	27212	423.60	24658	90.61%	6.28%	3.11%
2012-13	27282	443.54	24192	88.67%	7.25%	4.07%
2013-14	23724	440.98	21658	91.29%	6.30%	2.41%
2014-15	20661	429.54	18978	91.85%	5.13%	3.02%
2015-16	17967	440.67	16404	91.30%	6.34%	2.35%
2016-17	16239	425.66	14887	91.67%	5.74%	0.39%
Mean	20170.3	367.452	18062.2			
SD	7003.18	114.9018	6447.526			
Co-Variance (%)	34.72026	31.26988	35.69624			

Source: IRDA Annual Report

It is observed from the above table number of policies in mean value is 20170.3 and the SD value is 7003.18 then the CV is 34.72026 and benefit amount mean value is 367.452 and the SD value is 114.9018 and then the CV is 31.26988.

Table- 5.1
Growth Rate of Benefit amount in Aviva Life Insurance Company

Years	Total Claim(Start of the Year + Claim intimated)		Growth rate of benefit amount in %
	No. of policies	Benefit amount in Cr	
2007-08	6529	108.92	-
2008-09	12011	212.50	95.09
2009-10	23040	353.11	66.17
2010-11	27038	396.00	12.15
2011-12	27212	423.60	6.97
2012-13	27282	443.54	4.71
2013-14	23724	440.98	-0.57
2014-15	20661	429.54	-2.59
2015-16	17967	440.67	2.59
2016-17	16239	425.66	-3.41

The growth rate is highest in 2008-09 with 95.09 and in the year 2013-14, 2014-15 & 2016-17 shows the negative growth rate with -0.57, -2.59 & -3.41.

CONCLUSION

Claim settlement process need to be as per requirement of the customers, so that at the time of need, no customer should be suffered due complexity of the claim settlement process. Faster claim settlement process reduces the cost of processing any claim whereas multiple stages in the process should be avoided since it increases the cost of claim settlement. For increasing the speed, policyholders should be provided proper information on regular bases. LIC of India is the oldest life insurance provider in India; adaptability is one of the major strength of this organization.

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