



INSTITUTE OF ACTUARIAL
& QUANTITATIVE STUDIES

Subject : Life Insurance – PPP

Topic – Claim Settlement

Concept

- *The payment of insurance premium and acceptance of the contract by the insurer creates contractual obligation.*
- *Claim is a right of the insured to receive the amount secured under the policy of insurance contract.*
- *It is the pecuniary interest in the insurance contract.*
- *Claims are to be paid either to the insured or the nominees of the insured by the insurer under the agreement or the terms of the contract of insurance*

Claims Department

- To provide high quality service; strategic role*
- Cost benefit analysis; cost-monitoring role*
- Expectations of the customers are met; service role*
- Responsibility of the claims department; managerial role*

Type of Claims

- Maturity Claims and Survival Benefits*
- Death Claims*
- Accident and Disability Claims*
- Annuity payments*

Type of Claims

- *Death should be due to Accident, i.e. by External, Violent and Visible means. Death must be directly due to the accident and there should be no intervening cause. For example, if a person meets with an accident, admitted to hospital, develops Gangrene due to his Diabetic condition and then dies, it is not taken as death due to accident because there is an intervening cause viz., Diabetes.*
- *Death should take place within a specified period of time after the accident. As per the rules of LIC of India, this period is 120 days.*
- *Proof satisfactory to the insurance company should be submitted. Usually the requirements called for are (a) First Information Report (b) Panchanama or Police Inquest Report (c) Postmortem Report*
- *The policy must be in full force at the time of death. Policyholder should have availed of the Accident Benefit by paying the necessary additional premium.*
- *The life assured should not be under the influence of any intoxicating liquor, drug or narcotic at the time of the accident.*

Claim Management System & Organization Structure

- Information technology*
- Services of outsourcing*
- Using of intermediaries*
- Customer relations management*
- Costs of claims*
- Management of resources*

Role of Information Technology in Claim Settlement

- Information on fingertips for decision making purpose is available.*
- An automated check against fraudulent, exaggerated and repeated claims.*
- IT plays an important role in the present insurance and reinsurance scenario. Its role is expected to be further strengthened in the coming future.*
- This results in better distribution channels to policyholders, effective service to*
 - customers and reduction of operating costs.*
- The IT strategy encompasses the whole of insurance organization. All the information generated in various fields will expedite and increase the quality in claims management.*

Role of Information Technology in Claim Settlement

- Elimination of duplication*
- Reduced paper work*
- Electronically communicated information leads to quicker communication of the origination of risk, the occurrence of loss etc.*
- Electronic fund transfer leading to faster settlement of claims.*
- Reducing administration costs*
 - Claim settlement is faster, but premium collection is still a challenge*
 - System may be expensive, less flexible, difficult to operate*
 - Personal information of policy holders could be hacked*

Role of Central Govt. in Claim Settlement

- The Central Government shall make policy statements relating to payment of claims. It shall fix norms for disposal of claims and fix time period for particular activities.*
- Make laws binding on the insurers and other authorities responsible for settlement of claims.*
- The Central Government has been instrumental in the appointment of Ombudsman claims.*
- The Central Government shall in general or in a particular case direct the insurance companies to improve upon their claims settlement machinery or speed up the process and quality of claims settlement.*
- The Central Government, if it feels that it is necessary to do so can make amendments to the existing laws to facilitate and smoothen the claims settlement process.*
- The Central Government shall depending upon the circumstances and requirements appoint the Claims Tribunal for the purpose of settlement of Claims and specify the jurisdiction for the purpose of their functioning.*

Role of Ombudsman in Claim Settlement

- *'Ombudsman' is a Scandinavian term, which means an 'entrusted person' or 'grievance representative.'*
- *An Ombudsman receives complaints from the aggrieved persons, investigates, recommends action and issues report on the outcome of an investigation.*
- *An Ombudsman helps speed up independent settlement of dispute. It is a machinery which facilitates satisfactory settlement or withdrawal of claims, by way of award or such other means.*
- *The "Ombudsman" can also act as a counselor and mediator, for matters within the terms of reference.*
- *An Ombudsman scheme is presently set up in 17 centers in India.*

Role of Ombudsman in Claim Settlement

Ombudsman awards are binding on insurers

Life Insurer	Number of complaints*	Number of complaints disposed of**	Total Outstanding
LIC	3217	2445	772
HDFC Life	2081	1312	769
Reliance Nippon Life	1357	756	601
Bharti-AXA	1105	599	506
Exide Life	1022	549	473
Total complaints across companies	14795	9475	5320

Role of IRDA in Claim Settlement

Monitoring the claim settlement process with incorporating regulations like:

- A life insurance policy shall state the primary documents which are normally required to be submitted by a claimant in support a claim.*
- A life insurance company, upon receiving a claim, shall process the claim without delay. Any queries or requirement of further documents, to the extent possible, shall be raised all at once and not in a gradual manner.*
- A claim under a life policy shall be paid or be disputed giving all the relevant reasons, within 30 days from the date of receipt of all relevant papers and clarifications required. However, where the circumstances of a claim warrant an investigation in the opinion of the insurance company, it shall initiate and complete such investigation at the earliest.*
- Subject to the provisions of section 47 of the Act, where a claim is ready for payment but the payment cannot be made due to any reasons of a proper identification of the payee, the life insurance company shall hold the amount for the benefit of the payee and such an amount shall earn interest at the rate applicable to a savings bank account with a scheduled bank (effective from 30 days following the submission of all papers and information).*

Role of IRDA in Claim Settlement

Monitoring the claim settlement process with incorporating regulations like:

- Where there is a delay on the part of the insurer in processing a claim for a reason other than the one covered by sub-regulation (4), the life insurance company shall pay interest on the claim amount at 10% p.a. effective from the date of submission of all information and papers.*
- Every insurer shall set up a proper grievance redressal machinery at its Divisional / Regional / Zonal / Head Office/Central Office, headed by a senior executive not having any direct responsibility for underwriting or settlement of claims.*
- Every insurer shall set up a proper grievance redressal machinery at its Divisional / Regional / Zonal / Head Office/Central Office, headed by a senior executive not having any direct responsibility for underwriting or settlement of claims*
- Every insurer shall place before its Board of Directors at least once every quarter, statistics of claims incurred, settled and outstanding.*

Role of Consumer Protection Act in Claim Settlement

- The insured is the only person who will be approaching the consumer protection machinery for the settlements of the claim because of the following grounds;*
- The difference of services,*
- Delay in services, i.e., settlements of claims and payments,*
- Not providing information required as the consumer of product,*
- Not hearing to the consumers and helping them in the claim applications ling, and*
- Taking advantage of innocence and helplessness conditions of the consumer and rejecting the policy payments.*

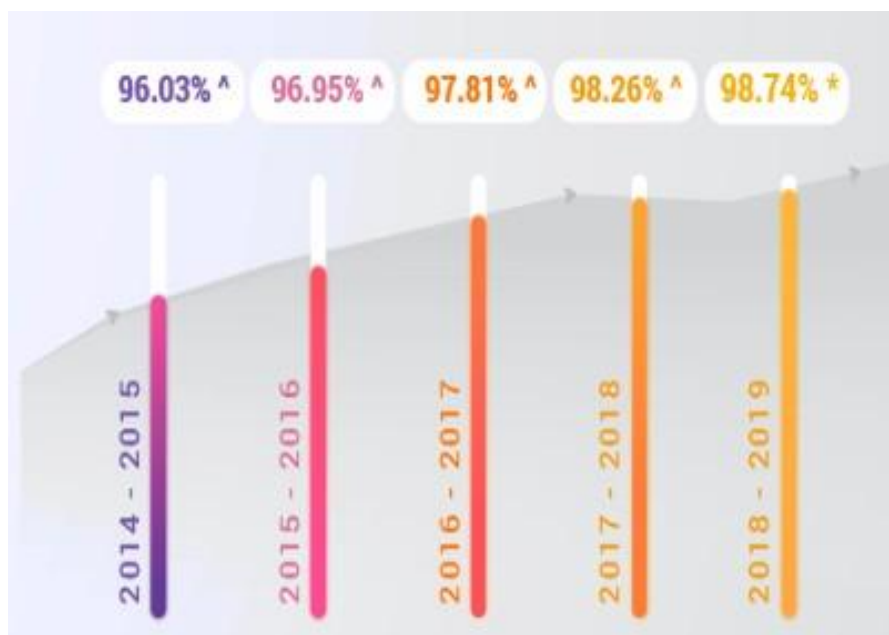
Future Outlook

- *Automatic completion of state required forms*
- *Internal claims management training*
- *Adjuster-to-adjuster claims planning and oversight*
- *Physician-to-physician medical reviews*
- *Organization of all information in one place*
- *Conversation/event documentation*
- *Internal/external claims information communication*
- *Progress tracking*
- *Follow-up for timely return to work, closing or settling claim.*

Industry Knowledge



Financial Year	2018-19*	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Claims Settlement Ratio	98.6%	97.88%	96.68%	96.2%	93.8%	94.10%	96.29%	96.53%	94.61%	90.17%



SBI Life
INSURANCE

With Us, You're Sure

Best-in-class customer practices

95.03%

Individual Death Claims
Settlement Ratio

0.10%

Mis-selling Ratio

Why Claim Settlement Ratio is Not 100%

- Non-Disclosure or Wrong Disclosure of Facts*
- Not Appointing or Updating Nominee Details*
- Avoiding Medical Tests*
- Operation of a condition or exclusion clause*
- Fraud*