

## **Services Makes the Difference: A Critical Analysis Indian life Insurance Companies**

**Alok Gupta**

*Assistant Professor, Department of Financial Studies, VBS Purvanchal University Jaunpur*

### **ABSTRACT:**

“He, who serves better, surely wins the match”

*Services of life insurance companies are more critical complex challenging other service as compared to other services A life insurance industry, which is part of financial service sector, is quite a bit different from other service industries like hospitality, travel and healthcare. Form a customer's perspective, in life insurance the time gap between incurring cost and deriving benefit is quite long compared to other service industries. For example, anyone walking into a restaurant orders a meal, consumes it and pays for it or someone travelling by air, purchases a ticket and then travels. The time gap between incurring cost (paying for a meal or for a ticket) and experiencing the service (meal or travel) is quite small, say ranging from a few hours to some days. While in life insurance the time gap between incurring cost (paying premiums) and deriving benefit (claims etc.) is either uncertain for death or quite long for maturity. LIC India has outperformed over other life insurance companies. LIC India has good fast track record in death claim settlement. The ratio of complaint received to the total in forced polices is the lowest (this shows lowest ratio of dissatisfied customer) and in the market perspective LIC has top rank among 50 top services as surveyed as “The most trusted Life Insurance Brand” by Economy time survey.*

### **INTRODUCTION:**

Death claim settlement is one of the most important and differentiating features of life insurance industry apart from financial aspect it has also emotional implications also .The insurance companies those who have high rate of complaint settlement(death, benefit etc) gives companies a better competitive edge .In this study i have used “Complaint per Thousand Inforce Policies (CpTIP)” ratio.

$$\text{CpTIP} = \frac{\text{No of complaint received in a financial year}}{\text{No of inforce policies at end of financial year}} \times 100$$

A lower CpTIP score indicates lesser number complaint per thousand policies shows lesser number of dissatisfied customer, This paper has been classified in different sections.

### **OBJECTIVE OF THE STUDY**

1. To evaluate the performance of insurance companies in handling complaint by using CpTIP (complaint per thousand in force policies) ratio.
2. To critically analyze the efficiency of insurance companies in claim settlement claim repudiation and claim pending
3. Co-relation between CpTIP To observe the Co-relation between CpTIP and Number of Policies(NOP) and Co-relation between CpTIP and NEW business

### RESEARCH METHODOLOGY:

Secondary data has been taken into consideration. Secondary data was obtained from various journals, books and IRDA annual report. The period of study from 2011 to 2014

### FINDING AND ANALYSIS

#### *Complaint per Thousand Inforce Policies (CpTIP) of Life Insurance 2011-2012 (Higher CpTip Score indicated Higher Level of dissatisfied customer)*

Insurer (A)	Inforce Policies in '000 as on 31.03.2012 (B)	Complaint reported during the year (C)	CpTIP(D)=C/B
FUTURE GENERLI	508.35	15667	30.82
CANARA HSBC	248.82	5258	21.13
AEGON RELIGARE	181.78	3440	18.92
BHARTI AXA	391.38	7310	18.68
AVIVA	848.49	13520	15.93
RELIANCE	5158.13	50807	9.85
HDFC STANDARD	3833.22	352.18	9.19
TAT AIA	1845.01	16307	8.84
ING VYSA	1348.82	10498	7.74
KOTAK MAHINDRA	1172.81	8850	7.55
DLF PRAMERICA	105.44	621	5.89
BIRLA SUNLIFE	2943.09	11911	4.05
SBI LIFE	4758.32	18490	3.89
ICICI PRUDENTIAL	6068.44	22016	3.63
METLIFE	894.6	2940	3.29
MAX LIFE	3511.35	10362	2.95
INDIAFIRST	256.25	738	2.88
BAJAJ ALLIANZ	8307.03	22390	2.70
IDBI FEDERAL	297.95	502	1.68
EDELWEISS TOKIO	6.3	6	0.95
STAR UNON DIACHI	302.03	284	0.94
SHRIRAM LIFE	350.9	149	0.42
SAHARA	354.22	29	0.08
PRIVATE TOTAL	43692.71	257313	5.8
LIC	291591.32	52300	0.18
TOTAL	335284.03	309613	.92
LIC			

SOURCE IRDA REPORT 2011-2012

#### *Complaint per Thousand Inforce Policies (CpTIP) of Life Insurance -2012-2013 (Higher CpTip Score indicated Higher Level of dissatisfied customer)*

Insurer (A)	Inforce Policies in `000 as on 30.03.2013 (B)	Complaint reported during the year (C)	CpTIP(D)= C/B
AEGON RELIGARE	198.02	7341	37.07
CANARA HSBC	286.32	5281	18.44
BHARI AXA	412.51	7402	17.94
FUTURE GENERALI	506.89	7580	14.95
HDFC STANDARD	4039.59	50947	12.61
BIRLA SUN LIFE	2505.75	30430	12.14
AVIVA	761.25	8948	11.75
KOTAK MAHINDRA	1129.89	8725	7.77
ING LIFE	1218.79	8744	7.17
TATA AIA	1686.25	11672	6.92
DLF PRAMERICA	170.03	1031	6.06
BAJAJ ALLIANZ	7221.79	37092	5.14
RELIANCE	4864.91	21843	4.49
MAX LIFE	3550.45	15899	4.48
SBI LIFE	4605.54	18681	4.06
PNB METLIFE	949.34	3832	4.04
ICICI PRUDENTIAL	5577.18	19759	3.54
INDIAFIRST	341.43	1199	3.51
EDELWEISS	23.42	60	2.56
IDBI FEDERAL	383.29	823	2.15
STAR UNON DIACHI	381.19	432	1.13
SHRIRAM LIFE	403.75	228`	0.56
SAHARA	347.42	29	0.08
PRIVATE TOTAL	41558	267978	6.45
LIC	294554	73034	.25
TOTAL	336112.13	341012	1.01

SOURCE:IRDA ANNUAL REPORT 2012-2013

From the study of above table we observe the following:

The average CpTIP score of the industry has increased from 0.92 2011-2012 to 1.01 in 2012-2013

There is significant difference between Public and Private Sector CpTIP score .

A) For the year 2011-2012 LIC has a CpTIP score of .18 while the private player together have an average CpTIP score of 5.89.

B) For the year 2012-2013 LIC has CpTIP of .25 while the private player together have average score of 6.45

Aegon Religare ,Canara HSBC, Bharti AXA and Future Generali are among the top four insurers in term of highest dissatisfied customer per Thousand Inforce Policies. Similar is case in both year 2011-2012 and 2012-2013.

Average CpTIP score of industry has increased from .92 in 2011-2012 to 1.01 in 2012-2013

**Individual claim settlement, claim reputed and claim pending data 2011-2012**

LIFE INSURER	No. of Claims	Claims Settled	Claims Reputed	Claims Pending
Aegon Religare	274	66.1%	32.5%	1.5%
Aviva	2240	89.6%	9.6%	0.9%
Bajaj Allianz	27212	90.6%	6.3%	3.1%
Bharti Axa	935	87.7%	10.8%	1.5%
Birla Sunlife	10914	90.9%	8.8%	0.3%
Canara HSBC	448	80.6%	15.0%	4.5%
DLF Pramerica	223	24.5%	16.7%	58.8%
Edelweiss Tokio	1	100%	0.0%	0.0%
Future Generali	2007	68.1%	27.2%	4.8%
HDFC Standard	5149	96.2%	3.6%	0.2%
ICICI Prudential	14829	96.5%	3.2%	0.3%
IDBI Federal	627	67.5%	27.6%	5.0%
India First	546	82.2%	17.8%	0.0%
ING Vysya	2826	88.8%	5.2%	5.9%
Kotak Mahindra	2949	92.1%	4.2%	3.7%
Max Life	9031	89.8%	8.6%	1.6%
Metlife	2174	81.4%	9.6%	9.0%
Reliance	20534	84.6%	11.0%	4.4%
Sahara	1044	78.0%	4.7%	17.3%
Sbi Life	11864	95.5%	3.2%	1.3%
Shriram Life	1443	64.9%	14.5%	20.6%
Star Union Dai Chi	477	86.2%	2.3%	11.5%
Tata AIG	5107	83.9%	15.5%	0.6%
Private Total	122864	89.3%	7.8%	2.8%
LIC	731336	97.4%	1.3%	1.3%

Source IRDA Annul report 2011-2012

LIC has the best claim settlement Ratio of more than 97.4%.

DLF Pramerica has the worst payout ratio of 24.5%. But DLF is new in insurance and the claims are just 22, so nothing can be concluded about its claim ratio. ICICI Prudential, HDFC Standard and SBI life have claim settlement ratio of more than 95%.ING Vysya, Reliance,

Tata Aig , Metlife Sahara, Future Generali, Shriram life have more than 1000 claims and still low claim settlement ratio.

**Individual claim settlement data 2012-13**

Sl No.	Company	Total Claims Received (start of the year + claims intimated)	Claims Paid		Claims settled period		
			Nos.	%	Within 30 days	31-90 days	More than 90 days
		No. of Policies			%		
1	LIC	750576	733545	97.73%	1.620881	60040	52624
2	ICICI pru life	14948	14393	96.29%	13736	362	295.00
3	HDFC Life	6253	5988	95.76%	5338	602	48.00
4	SBI Life	13426	12676	94.41%	11217	1379	80.00
5	Max Life	9051	8531	94.25%	7119	1252	160.00
6	Kotak Life	3089	2843	92.04%	2326	398	119.00
7	Star Union	738	662	89.70%	246	231	185
8	Bharti Axa	1046	936	89.48%	654	213	69.00
9	Bajaj Allianz	27282	24192	88.67%	17635	5175	1382.00
10	Canara HSBC	597	528	88.44%	217	187	124.00
11	Aviva	2433	2134	87.71%	1825	283	26.00
12	Reliance Life	21412	18511	86.45%	13221	4731	559.00
13	Sahara Life	955	809	84.71%	270	299	240.00
14	Tata AIA	4884	4125	84.46%	3143	706	276.00
15	ING Life	3312	2780	83.94%	2241	292	247.00
16	MET Life	2405	2017	83.87%	1747	204	66.00
17	Birla sunlife	9871	8149	82.55%	6320	1457	372.00
18	IDBI federal	687	550	80.06%	550	0	0.00
19	India First	916	654	71.40%	635	19	0.00
20	Shriram Life	1941	1369	70.53%	837	434	98.00
21	Future Generali	1602	1079	67.35%	648	316	115.00
22	Aegon Religare	422	282	66.82%	248	34	0.00
23	Edelweiss Tokio	22	10	45.45%	4	6	0.00
24	DLF Pramerica	614	166	27.04%	5	15	146.00

Source IRDA Annual Report 2012-2013'

**Individual claim settlement, claim repudiated and claim pending data 2013-2014**

Sl No.	Company	Total Claims Received (start of the year + claims intimated)		Claims Paid		Claims repudiated	Claims pending
		No. of Policies	Benefit Amnt. In Cr.	Nos.	%	%	%
1	LIC	760344	8905.04	746212	98.14%	1.10%	0.52%
2	ICICI pru life	13398	353.47	12608	94.01%	4.98%	0.92%
3	HDFC Life	7259	254.32	6824	94.01%	4.70%	1.29%
4	SBI Life	14233	288.54	12960	91.06%	5.23%	3.71%
5	Max Life	9478	250.01	8896	93.86%	6.10%	0.04%
6	Kotak Life	2963	88.81	2687	90.69%	7.66%	1.65%
7	Star Union	1022	25.01	949	92.86%	6.26%	0.88%
8	Bharti Axa	1078	33.79	950	88.13%	9.74%	2.13%
9	Bajaj Allianz	23724	440.98	21658	91.29%	6.30%	2.41%
10	Canara HSBC	627	31.17	544	86.76%	10.69%	2.55%
11	Aviva	2033	119.83	1708	84.00%	15.84%	0.15%
12	Reliance Life	21033	298.44	17241	81.97%	10.87%	7.16%
13	Sahara Life	836	7.79	754	90.19%	7.89%	1.91%
14	Tata AIA	4711	114.12	4225	89.68%	7.22%	3.10%
15	Met Life	2510	108.17	2265	90.24%	9.40%	0.32%
16	Birla Sunlife	9197	344.82	8071	87.76%	9.57%	2.67%
17	IDBI Federal	932	39.56	842	90.34%	5.47%	4.18%

18	India First	1258	37.73	920	73.13%	22.97%	3.90%
19	Future Generali	2229	43.09	1669	74.88%	14.76%	10.36%
20	Shriram Life	1427	38.77	966	67.69%	18.99%	13.31%
21	Aegon Religare	400	32.27	324	81.00%	19.00%	-
22	Edelweiss \Tokio	80	10.3	48	60.00%	22.50%	17.50%
23	DLF Pramerica	858	27.85	190	22.14%	23.78%	53.96%
24	Exide Life	3741	64.4	3111	83.16%	10.13%	5.53%
DATA FROM IRDA Annual Report 2013-2014							

DATA FROM IRDA Annual Report 2013-2014

**Correlation between CpTIP and NOP/ Premium for 2011-2012**

Correlation between CpTIP and NOP			-0.21	
Correlation between CpTIP and Premium			-0.22	
Insurer	NOP(X1)	NB Prem. Crs.	Insurer	CpTIP(y)
Aegon Religare	79393	207.16	Aegon Religare	18.92
Aviva	180014	527.71	Aviva	15.93
Bajaj Alianz	1052336	1805.81	Bajaj Alianz	2.70
Bharti Axa	98384	196.92	Bharti Axa	18.68
Birla Sunlife	847278	1249.57	Birla Sunlife	4.05
Canara HSBC	71633	468.7	Canara HSBC	21.13
DLF Pramerica	69925	102.8	DLF Pramerica	5.89
Edelweiss Tokio	6588	9.23	Edelweiss Tokio	0.95
Future Generali	167761	300.71	Future Generali	30.82
HDFC Standard	814726	2903.31	HDFC Standard	9.19
ICICI Prudential	1028826	3049.33	ICICI Prudential	3.63
IDBI Federal	84714	292.05	IDBI Federal	1.68
India First	114881	385.25	India First	2.88
ING Vysya	233800	636.21	ING Vysya	7.78
Kotak Mahindra	207525	810.57	Kotak Mahindra	7.55
Max Life	571485	1707.64	Max Life	2.95
LIC	35724749	42738.36	LIC	0.18



Metlife	202755	805.35	Metlife	3.29
Reliance	1093624	1405.69	Reliance	9.85
Sahara	70887	71.14	Sahara	0.08
Sbi Life	81550	3343.3	Sbi Life	3.89
Shriram Life	130250	308.7	Shriram Life	0.42
<b>Star Union Dai Chi</b>	<b>150932</b>	<b>720.88</b>	<b>Star Union Dai Chi</b>	<b>0.94</b>
Tata AIG	276425	725.85	Tata AIG	8.84
Total	44160341	64772.24	Total	0.92

Source :IRDA annual report

### **Correlation between CpTIP and NOP/ Premium for 2012-2013**

Correlation between CpTIP and NOP			-0.20	
Correlation between CpTIP and Premium			-0.21	
Insurer	NOP(X1)	NB Prem. Crs.	Insurer	CpTIP(y)
Aegon Religare	64303	129.71	Aegon Religare	37.07
Aviva	140073	430.31	Aviva	11.75
Bajaj Alianz	730554	1522.7	Bajaj Alianz	5.14
Bharti Axa	99622	215.23	Bharti Axa	17.94
Birla Sunlife	558602	1048.41	Birla Sunlife	12.14
Canara HSBC	73343	355.13	Canara HSBC	18.44
DLF Pramerica	102384	137.62	DLF Pramerica	6.06
Edelweiss Tokio	22955	36.09	Edelweiss Tokio	2.56
Future Generali	113182	175.9	Future Generali	14.95
HDFC Standard	1025739	3294.26	HDFC Standard	12.61
ICICI Prudential	959958	3420.87	ICICI Prudential	3.54
IDBI Federal	121950	314.71	IDBI Federal	2.15
India First	123846	293.88	India First	3.51
ING Vysya	204602	637.38	ING Vysya	7.17
Kotak Mahindra	169479	688.51	Kotak Mahindra	7.17
Max Life	504250	1716.28	Max Life	4.48
LIC	36755451	41933.77	LIC	0.25
Metlife	211856	7.2.48	Metlife	4.04
Reliance	762532	1117.24	Reliance	4.49
Sahara	64848	61.42	Sahara	0.08
Sbi Life	888670	2800.92	Sbi Life	4.06
Shriram Life	153215	289.63	Shriram Life	0.56



Star Union Dai Chi	152527	554.53	Star Union Dai Chi	1.13
Tata AIG	150683	333.88	Tata AIG	6.92
Total	44154624	62240.86	Total	1.01

Source :IRDA annual report

We find that the number of policies in new business and CpTIP are negatively co related the co-relation coefficients for 2011-2012 and 2013-2014 are -0.21 and -.020 respectively and in term of New business it is -0.21 and -.22 respectively.

### **SUGGESTIONS:**

- Insurer should not make such promises that cannot be fulfilled
- Equipping the agent with certain servicing functions that can lead to
- better services e.g. allowing the agents to collect premium and issue receipts at their end only.
- Agents must be trained in all advising and documentation related to services e.g. changing of nominee ,or help nominee to lodge a complaint
- Communicating regarding to customer regarding process and procedure that he is being taken care and avoiding misunderstanding.
- Using internet based digital technology and empowering the customers who technically savvy which eliminates the hindrance of time and place.
- Quick response to complaint helps in building trust.
- Good underwriting process to reduce claim reputadiation that avoids bad publicity and litigation process.
- Using customer contact programme for building relation to enhance customer loyalty

### **CONCLUSION:**

In Life insurance the emphasis is improving on sales but after sales are completely ignored such claim regarding death claim settlement ,maturity claim.In this study fact is pointed that LIC is far ahead in all aspect of providing services this not only help it maintaining its market leadership but also its profitability. LIC still have 84.43%. market share in NOP .service is not the matter of glam and glitz and it is not a one year exercise it is a culture not achieved through advertisement but through practice

### **REFERENCES**

- i. Albizzati, M.-O., Geman, H., 1994. Interest rate risk management and valuation of the surrender option in life insurance policies. Journal of Risk and Insurance 61(4), 616–637.
- ii. American Academy of Actuaries, 2005. Recommended approach for setting regulatory risk-based capital requirements for variable annuities and similar products, Report.

- iii. American Academy of Actuaries, Boston, MA. Anderson, L., Stafford, S., 2009. Individual decision-making experiments with risk and intertemporal choice.
- iv. Journal of Risk and Uncertainty 38(1), 51–72. Andreatta, G., Corradin, S., 2003. Fair value of life liabilities with embedded options: An application to a portfolio of Italian insurance policies. Working Paper. Astin Colloquium Berlin.
- v. Anzilli, L., De Cesare, L., 2007. Valuation of the surrender option in unit-linked life insurance policies in a non rational behavior framework. Working Paper. Quaderni DSEMS, Dipartimento di Scienze Economiche, Matematiche e Statistiche, Universita' di Foggia.
- vi. Bacinello, A. R., 2003a. Fair valuation of a guaranteed life insurance participating contract embedding a surrender option. Journal of Risk and Insurance 70(3), 461–487.
- vii. Bacinello, A. R., 2003b. Pricing guaranteed life insurance participating policies with annual premiums and surrender option. North American Actuarial Journal 7(3), 1–17.
- viii. Bacinello, A. R., 2005. Endogenous model of surrender conditions in equity-linked life insurance. Insurance
- ix. Kling, A., Ruß, J., Ruez, F., 2011. The impact of policyholder behavior on pricing, hedging, and hedge efficiency of withdrawal benefit guarantees in variable annuities. Working Paper. AFIR Colloquium Madrid.
- x. Kochanski, M., 2010. Solvenzkapital für FLV unter Berücksichtigung von dynamischem Storno. Zeitschrift für die gesamte Versicherungswissenschaft 99(5), 689–710.
- xi. Kolkiewicz, A. W., Tan, K. S., 2006. Unit-linked life insurance contracts with lapse rates dependent on economic factors. Annals of Actuarial Science 1(1), 49–78.
- xii. Kraft, H., Steffensen, M., 2008. The policyholder's static and dynamic decision making of life insurance and pension payments. Blätter der DGVFM 29(2), 211–244.
- xiii. Kuo, W., Tsai, C., Chen, W.-K., 2003. An empirical study on the lapse rate: The cointegration approach. Journal of Risk and Insurance 70(3), 489–508.
- xiv. Le Courtois, O., Nakagawa, H., 2011. On surrender and default risks. Mathematical Finance, forthcoming.
- xv. Ledlie, M. C., Corry, D. P., Finkelstein, G. S., Ritchie, A. J., Su, K., Wilson, D. C. E., 2008. Variable annuities. British Actuarial Journal 14(2), 327–430.
- xvi. Li, J., Szimayer, A., 2010. The effect of policyholders' rationality on unit-linked life insurance contracts with surrender guarantees.
- xvii. Working Paper. LIMRA 2005. U.S. individual life persistency update. Report. LIMRA International.
- xviii. Loisel, S., Milhaud, X., 2011. From deterministic to stochastic surrender risk models: Impact of correlation crises on economic capital. European Journal of Operational Research 214(2), 348–357.

- 
- xix. Pinquet, J., M. Guillén, M. Ayuso, 2011, Commitment and Lapse Behavior in Long-Term Insurance: A Case Study, Journal
  - xx. IRDA annual reports from 2011-2012,2012-2013,2013-2014 available at IRDA website
  - xxi. Public disclosure links of various life insurers at IRDA website