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ON-TARGET INSURANCE

If you die, will your spouse get the claim?

Choosing the right life insurance policy is just half the battle won. The other half is to ensure it will come through

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If the proof of the pudding is in the eating, then, for life insurance, the proof lies in making a death claim. Obviously, you don't want to wait till that unfortunate moment and leave your survivors to figure out how efficient the insurance policy is: you need to get a fair idea on that front beforehand. There is a good chance your agent may not be of much help and a quick search on the Internet may not yield convincing results.

There is, however, data available in the public domain that helps you understand how insurers have fared in claims payment—both for their group policies and individual or retail policies. Every year, the Insurance Regulatory and Development Authority (Irda) collects data on death claims of all insurers and publishes it in its annual report.

Mint Money brings to you the latest report card and takes you through the numbers.

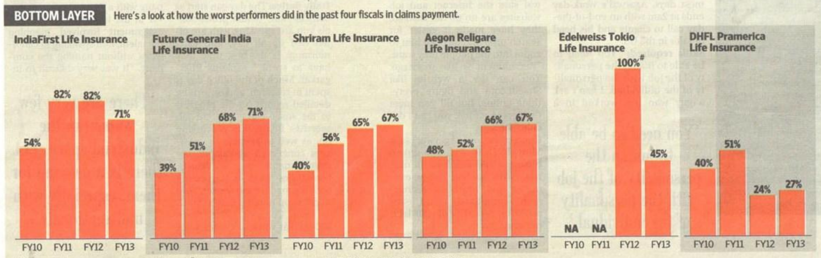
A CLAIM OF SURETY

The number of claims accepted or rejected indicates the company's efficiency (figures for FY13).

	Launch year	Total no. of claims	No. of claims paid	% of claims settled	No. of claims rejected	% of claims rejected	No. of other claims	% of other claims*
Life Insurance Corp. of India	1956	750,576	733,545	98%	8,440	1%	8,591	1%
ICICI Prudential Life Insurance	2000	14,948	14,393	96%	543	4%	12	0%
HDFC Standard Life Insurance	2000	6,253	5,988	96%	164	3%	101	2%
SBI Life Insurance	2001	13,426	12,676	94%	496	4%	254	2%
Max Life Insurance	2000	9,051	8,531	94%	512	6%	8	0%
Kotal Mahindra Old Mutual Life Insurance	2001	3,089	2,843	92%	186	6%	60	2%
Star Union Dai-ichi Life Insurance	2009	738	662	90%	20	3%	56	8%
Bharti AXA Life Insurance	2006	1,046	936	89%	101	10%	9	1%
Bajaj Allianz Life Insurance	2001	27,282	24,192	89%	1,979	7%	1,111	4%
Canara HSBC Oriental Bank of Commerce Life Ins.	2008	597	528	88%	58	10%	11	2%
Aviva Life Insurance India	2002	2,433	2,134	88%	291	12%	8	0%
Reliance Life Insurance	2002	21,412	18,511	86%	1,545	7%	1,356	6%
Sahara India Life Insurance	2004	955	809	85%	64	7%	82	9%
Tata AIA Life Insurance	2001	4,884	4,125	84%	592	12%	167	3%
ING Vysya Life Insurance	2001	3,312	2,780	84%	333	10%	199	6%
Met Life India Insurance	2001	2,405	2,017	84%	317	13%	71	3%
PNB Birla Sun Life Insurance	2001	9,871	8,149	83%	1,278	13%	444	4%
IDBI Federal Life Insurance	2007	687	550	80%	111	16%	26	4%
IndiaFirst Life Insurance	2009	916	654	71%	241	26%	21	2%
Future Generali India Life Insurance	2007	1,941	1,369	71%	502	26%	70	4%
Shriram Life Insurance	2005	1,602	1,079	67%	442	28%	81	5%
Aegon Religare Life Insurance	2008	422	282	67%	140	33%	0	0%
Edelweiss Tokio Life Insurance	2011	22	10	45%	9	41%	3	14%
DHFL Pramerica Life Insurance**	2008	614	166	27%	121	20%	327	53%

*Other claims are claims that are either pending or were written back **DHFL Pramerica Life Insurance was earlier called DLF Pramerica Life Insurance

BOTTOM LAYER Here's a look at how the worst performers did in the past four fiscals in claims payment.



NA: Not applicable as the company was not launched. #Edelweiss Tokio Life Insurance was launched in July 2011. It received only one claim in FY12
Figures are based on the number of claims and not on the value of the claims. They have been rounded off

Source: Irda annual reports

PARAS JAIN/MINT

Looking at claims paid

There are three important sets of data that you need to see: the number of claims booked, the number of claims paid, and the number of claims rejected. Naturally, a company that has paid a high percentage of claims is good news for the policyholder.

According to the latest report, seven of a total of 24 life insurers paid at least 90% claims in FY13. "The claims paid ratio should be over 90%; 95% is the best practice. Anything under 80% is worrying, particularly if this ratio is calculated using number of policies," says Kapil Mehta, managing director, SecureNow Insurance Broker Pvt. Ltd.

In comparison, nine insurers paid at least 90% claims in FY12 versus seven in FY13. Three insurers from the FY12 list didn't meet the 90% mark in FY13, while one new entrant crossed the mark. Aviva Life Insurance Co. India Ltd saw a minor drop in FY13, while Birla Sun Life Insurance Co. Ltd (BSLI) saw a major one—it paid only 83% claims, whereas it averaged 91% in the previous five years. "Over the past 12-18 months, we have seen fraudulent early claims in certain geographies. To deter this, BSLI has introduced controls along the value chain, including revised underwriting norms," says Mayank Bathwal, deputy chief executive officer, BSLI.

Edelweiss Tokio Life Insurance Co. Ltd also slipped into the pile of insurers that have a claims paid ratio of less than 80% (the ratio is the number of claims paid divided by the total number of claims received), primarily because it's a new company. "Our claims are not more than two years old. For a new company, a higher percentage of claims will be early claims that typically warrant more diligence. You would expect this ratio to improve significantly once more claims come from older policies," says Deepak Mittal, chief executive officer, Edelweiss Tokio Life Insurance.

Star Union Dai-ichi Life Insurance Co. Ltd was the new entrant in the top side of the list—it went from 86% claims paid in FY12 to 90% in FY13.

Poor performers

In FY13, six insurers figured at the bottom of the list. Four have consistently underperformed—Future Generali India Life Insurance Co. Ltd, Shriram Life Insurance Co. Ltd, Aegon Religare Life Insurance Co. Ltd, and DHFL Pramerica Life Insurance Co. Ltd.

Edelweiss Tokio Life Insurance featured here for the first time. IndiaFirst Life Insurance had paid at least 80% claims in the previous two years. But in FY13, it settled only 71% of the claims. "The Irda report includes claims that were rejected due to death on a lapsed policy. Excluding lapse cases, our claims payment ratio is 81%. We paid 99% of ordinary claims and 75% of early claims. Companies that have more new business in the past two years are likely to have more rejections due to non-disclosures. As a practice, after two years, a claim rejection can't be made on the basis of non-disclosures. For us, medical non-disclosure was the major reason for repudiation," says P. Nandagopal, managing director and chief executive officer, IndiaFirst Life Insurance.

Repudiation happens more in products that have a higher element of insurance. "Products such as unit-linked insurance plans, which would normally pay the fund value on death, don't require stringent investigation. But protection products will need to be investigated in detail if death is within two years of issuance. So, if any non-disclosure is proved, chances of repudiation are higher," says Balaram Sarma, chief-operations, Future Generali India Life Insurance.

For the remaining four insurers, too, early claims and fraud led to a poor claims paid ratio. "About 53% of our claims are still outstanding because a large chunk of our sales is rural and the documentation submitted by family members of the deceased are usually incomplete or delayed. Also, we are relatively new (launched in 2008) and 96% of our claims are early death claims," says Vishal Chopra, executive vice-president and head-operations, DHFL Pramerica Life Insurance.

Shriram Life is present in smaller cities and, hence, has a liberal underwriting policy. But that's true for others as well. "Globally, for some product categories, insurance covers within a certain sum assured and for relatively young people do not mandate medical check-ups. Insurance contracts are made in good faith and assign importance to the policyholder's declaration at the time of application, particularly in non-medical insurance," says Bathwal.

What should you do?

It's true that younger companies may report a higher claims rejection ratio. But the reason behind claim rejection germinates from underwriting practices. "In India, underwriting still happens at the time of receiving a claim and not at the time of issuing a policy. Globally, insurers are moving towards underwriting at the time of issuing a policy. But in India, the policy issuance process is so long that insurers prefer relaxed underwriting. If insurers can underwrite the policy in the beginning—do the medical tests and verify documents and double-check facts with welcome calls—the incidence of fraud or non-disclosure would come down drastically," says Mehta.

By now you must have realized that you can't just look at an insurer's performance over a single year. You should look at performance over a period of time. If you see no improvement, be wary of that insurer. The second thing, and this is more important, is to make sure you fill the proposal form with absolute honesty.

Additionally, we would also recommend products that insist on a medical check-up. In fact, some of the new online term plans insist on medical examinations regardless of the size of the cover or the age of the applicant. And since you would be filling out the forms yourself, chances of errors come down.