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CLAIMS SETTLEMENT OF MOTOR INSURANCE IN SELECT INDIAN PUBLIC SECTOR GENERAL INSURANCE COMPANIES

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ABSTRACT

General Insurance business lion share of Indian insurance sector; Indian insurance companies are running healthy business depending on the claim management. Claim management area is very crucial area in General Insurance. However, the success of general insurance business mostly depending on motor insurance segment. But, liberalization of insurance sector, resulted in rapid growth in introducing new technology and new product models.

In the present paper it is covered the Claims rejection, Evaluation the Claims Settlement of New India Assurance and United India Insurance Company Ltd. The study period from 2010-11 to 2014-15. It is concluded reveals that the higher percentage of the claim settlement indicates that the top two companies i.e. New India Assurance Co. Ltd. (88.83%), United India Insurance Company Co. Ltd. (73.96%). It indicates more transparent in the management of the process of claim settlement and they adhere to the provisions of protection of policy holders under Motor Insurance Act 1988.

Key words: Motor Insurance, Claims Paid, Claims fraud, Motor Insurance Act, 1988.

Introduction

Motor vehicle is probably single biggest asset after real estate property and financial instruments. Therefore, it makes sense to insure your vehicle from accidents, collisions, damage from natural calamities, theft, and third party claims. Moreover, third party insurance is mandatory in India and covers claims of damage to other and their assets due to your car. This paper focuses on claims rejection and claims settlement of two selected Public Sector Under taking Companies such as New India Assurance and United India Insurance Ltd.

Claims Protection of Policy Holders, IRDA Regulation, 2002:

On receipt of claim intimation

1. The insurer shall respond immediately and direct the insured on the procedures to be followed
2. Surveyor to be appointed within 72 hours
3. Surveyor shall communicate his findings to the insurer within 30 days of his appoint
4. In special circumstances, due to special and complicated nature of claim, surveyor shall seek extension of time for submission of his report; in no case shall a surveyor take more than six Months from the date of his appointment to furnish his report
5. The insurer to seek additional information, if any required from the surveyor within 15 days of the receipt of original survey report

6. The surveyor shall furnish the additional report within three weeks from the date of receipt of communication from insurer.
7. Offer of settlement or rejection of a claim to be issued by the insurer within 30 days, on receipt of survey report or the additional survey report as the case may be.
8. On acceptance of the offer of settlement by the insured, payment shall be made within seven days. For any delay in payment, interest at a rate which is two percent above the bank rate shall be payable insurer.

It should be noted that Motor Third Party claims are however, governed by the procedures and time-schedules of the Motor Accident Claims Tribunals.¹

Need of the Important Documents for the Claims Procedure

- *Third Party Claim and Own Damage Claim:*
 - a) Proof of insurance. b) Copy of registration book. c) Tax receipt (original) copy of driving license of the person driving the vehicle at the time of accident. d) FIR, e) estimate repair from the repairer where the vehicle is to be repaired. f) Repair bills/invoices and payment receipts after the job is completed, g) Discharge voucher
- **Theft Claim:**
 - a) Original policy document, b) Original registration book, c) All the sets of keys/ service book let/warranty card original purchase invoice. d) FIR, f) Acknowledged copy of letter addressed to RTO intimating theft and informing NON-USE, g) Form 28,29 and 30 signed by the insured and form 35 signed by the financier, h) Subrogation cum special power authority, i) Consent towards agreed claim statement value form yourself and financier, j) NOC from the financier if claims is to be settled

in your favour. k) Indemnity bond & discharge voucher.

3. Objectives of the Paper

The main objective of the paper is:

1. To analyse the reasons for rejection of claims by the Companies.
2. To evaluation the claims settlement of select companies.

4. Source of the Data

This research study is based on secondary data. The secondary data has been collected through annual reports of the UIICL and NIA companies' official directory, Journals and newspapers.

5. Period of the study and limitation

The study mainly focused on claims settlement and rejection of claims for the period of the study five years from 2010-11 to 2014-15.

Reasons for Rejection of Claims:

Rejection of motor insurance claims is also pretty common and is usually based on genuine reasons. Most of the rejections take place either due to the policy holder's ignorance or negligence. In such a scenario, it will help to know policy covers and the reasons for it getting rejected².

Some of the major reasons on the basis of which insurance may be rejected.

1. Under taking the repairs before informing your insurer about the accident.
2. Not informing the insurer within the limited timeframe
3. Not transferring your name in your insurance policy copy after purchasing a used car
4. Driving under the influence of alcohol or drugs
5. Driving without valid license
6. Using private car for commercial purpose
7. Failure to prevent theft
8. Consequential loss

9. Not informing your insurer about CNG/ LPG kit installation
10. Damages from mechanical or electrical breakdown

useful for is useful for catching charges that are going unpaid.

Claim Aging

The claim aging report lets you see balances due based on how old the balance is. The aging report breaks the balances down by age brackets of 0-29 day, 30-59 days, 60-89days, etc. This report is

The claim aging report has two different views: client balances and insurance balances. In addition, the client balances due can be viewed as either all charges (both balances that are still open to insurance and balances that are closed, or due by the client) or it can just view the balances that are closed (due by the client)³.

Table-1
Motor Insurance Ageing of Claims NIA from 2010-11 to 2014-15(Rs. in Lakhs)

No of claims paid	2010-11	2011-12	2012-13	2013-14	2014-15
1month	-	-	-	-	125801
1-3months	44523	100228	138576	163106	76259
3-6months	28681	19029	22846	18361	21388
6-1year	17795	8259	13672	12116	12769
>1year	13213	12356	20956	23398	23946
Total Number of Claims Paid	1,04,212	1,39,872	1,96,020	2,16,981	2,60,163
Total Amount Claims Paid	50,237	70,703	67,587	87,148	1,13,638

Source: NIA public disclosures

The above table 1 shows that the motor insurance ageing of claims of New India Assurance company, The number of claims paid from 2010 to 2015 has increased gradually from 1,04,212 lakhs to 2,60,163. The total amount of claims paid from

the years 2010 to 2015 has also increased from Rs. 50,237 in lakh to Rs. 1, 13,638 in lakh. It is observed that the NIA take time to settle the claims are more in 2011 – 14.

Table-2
Motor Insurance Ageing of Claims UIICL from 2010-11 to 2014-15 (Rs. in Lakhs)

No of Claims Paid	2010-11	2011-12	2012-13	2013-14	2014-15
1month	26850	30192	33129	33016	37746
1-3months	64291	22571	24872	23498	47644
3-6months	8793	35340	7780	16039	18476
6-1year	13882	17352	4666	10848	14319
>1year	155405	30467	40156	42001	25544
Total Number of Claims Paid	24,605	1,36,322	1,10,603	1,25,402	1,43,729
Total Amount Claims Paid	87,056	61,775	62,240	74,866	55,090

Source: UII public disclosures

The above table 2 observed that the motor insurance ageing of claims of UIICL company, the Number of claims paid from 2010 to 2015 is increased gradually from 24,605 lakhs to 1, 43,729. The total amount claims paid from the years 2010

to 2015 is decreased from Rs. 87,056 to Rs. 55,090. It is observed that the UIICL claims are more in the year 2010-11 and 2014-15.

Insurance Claim:

An insurance claim is a formal request to an insurance company asking for a payment based on the terms of the insurance policy. Insurance claims are reviewed by the company for their

validity and then paid out to the insured or requesting party (on behalf of the insured) once approved.

Table-3
NIAMotor Insurance Gross and Net Claims From 2010-11 to 2014-15 (Rs.Lakhs)

Years	Gross Premium	Gross Claims	Percentage of Claims (%)	Net Premium	Net Claims	Percentage of Claims (%)
2010-11	284291	241715	85.02	198569	150101	75.59
2011-12	373239	299438	80.22	344291	273211	79.35
2012-13	46180400	4178500	9.04	50939596	35484270	69.65
2013-14	55481099	26958961	48.59	40996165	24239188	59.12
2014-15	6476850	54891417	84.75	60037993	49697049	82.77

Source: NIA public disclosures

Table 3 shows the motor insurance claims of New India Assurance company from 2010 to 2015 it shows the percentage claims from 2010-11 to 2014-15 indicates 85.02% in 2010-11 and 84.75% in 2014-15. It is also observed that the percentage of net claims during reference period. It indicates 75.59% in 2010-11 and 82.77% in 2014-15. However, very less net claim percentage is noticed in 2013-14 (i.e. 59.12%).

It could be observed that net claims are always less than the gross claims but surprisingly the net claims are more than the gross claims in 2013-14. It indicates the general insurance business is completely depending on external environmental factors.

Table-4
UIICL Motor Insurance, Gross and Net Claims From 2010-11 to 2014-15 (Rs.Lakhs)

Years	Gross Premium	Gross Claims	Percentage of Claims (%)	Net Premium	Net Claims	Percentage of Claims (%)
2010-11	212467	167283	78.73	188930	191646	101.43
2011-12	295709	194707	65.84	275846	179693	65.14
2012-13	339066	190342	56.13	307743	225121	73.15
2013-14	371014	247476	66.70	345987	221491	64.01
2014-15	416916	282769	67.82	390460	252524	64.67

Source: UII public disclosures

Table 4 shows, the UIICL motor insurance gross and net claims from 2010-11 to 2014-15. It is observed from table that the gross claims has declined from 78.73% in 2010-11 to 67.82% in 2014-15 and there was drastic reduction in claims in 2012-13 (i.e. 56.13%) the percentage of net claims is 101.43% in 2010-11 and it also gradually declined to 64.67% in 2014-15. It is significant to note that this company (UIICL) never approved the net claims are more than the gross claims and

the claims ratios indicates that this company is more effectively controlling claims than that of New India Assurance Company Ltd.

Grievance Redressal:

Insurance is a contract in which an individual or entity receives financial protection or reimbursement (indemnity) against losses from an insurance company. Thus, an insurer settles claims against policies issued by him. The efficiency of

the claims management and settlement process has a direct impact on a company's ability to retain customers and to minimize grievances.

Grievance Redressal Cell of IRDA:

The interest of policyholder is on top of the agenda of Insurance Regulatory and Development Authority. IRDA has established its own grievance cell at its headquarter for discontented insurance customers.

These days IRDA is investing in to execute Integrated Grievance Management System (IGMS) through automation of the Grievance Cell for on-line registration of complaints. IGMS will act as a gateway for policyholders to register their

complaints with the insurance companies first and if required these complaints can then be escalated directly to the IRDA Grievance Cell. With IGMS, can also route complaint. A complaint registered through IGMS will flow simultaneously to the insurers system as well as to IRDA repository.

A recent introduction by IRDA for the facilitation of policyholder is IRDA Grievance Call Centre (IGCC). IGCC acts as an additional and easily accessible channel for policy holders to lodge their grievances and also seek their status over phone/ email. If need arises then investigations and inquiries are carried out by IRDA. The details of grievances disposal of NIA & UIICL from 2010-11 to 2014-15 is presented in Table 5 & 6.

Table-5
Grievances Disposal of NIA from 2010-11 to 2014-15

Year	Fully Accepted	Partial Accepted	Rejected	Total	Grievances Pending	Percentage of Grievances Rejected
2010-11	-	-	-	-	-	-
2011-12	1588	150	525	2,263	301	23.19
2012-13	3746	1004	1178	5,928	197	19.87
2013-14	2271	670	845	3,786	126	22.31
2014-15	349	60	433	842	101	51.42
Total	7,954	1,884	2,981	12,819	725	23.25

Source: NIA public disclosures

It is observed from Table 5 that the grievances clearness of New India Assurance company from the years 2010-2015. The total number of grievances fully accepted are 7954, partial accepted are 1884, rejected are 2,981 and the

pending grievances are 725. And the change in percentage of grievances rejected is 23.25. The grievances pendings are on an average 23.25 during the reference period.

Table-6
NIA Grievance Disposal Duration Wise Pending Status from 2010-11 to 2014-15

Years /days	Complaints Made By Customers					Complaints Made By Intermediaries					Total
	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15	
7-15days	986	272	172	50	24	-	-	-	-	-	1504
15-30days	3574	29	25	76	77	-	-	-	-	-	3781
Total	4560	301	197	126	101						5285

Source: NIA public disclosures

The above table 6 shows that the New India Assurance company duration wise pending status grievance disposal from years 2010 to 2015. it shows that the duration has taken 7-15 days in 2010-11, the highest number of complaints made by customers are 986 and the minimum complaints made by customers are 24 in 2014-15, out of 1504, there is no complaints made by intermediaries. And in the years 2010-15 the complaints made by

customers and they have to wait for 15-30 days are 3574, is highest in the year 2010-11 and the minimum complaints made by customers is 25 in 2012-13 and the total complaints made by customers are 3781. And there is no complaints made by intermediaries. It is concluded that the complaints made by customers are decreasing when it comparing with the years from 2010 to 2015.

Table-7
UII Grievances Disposal from 2010-11 to 2014-15

Year	Fully Accepted	Partial Accepted	Rejected	Total	Grievances Pending	Percentage of Grievances Rejected
2010-11	1107	319	1578	3004	599	
2011-12	969	751	986	2706	336	36.43
2012-13	1666	143	799	2608	260	30.61
2013-14	1200	167	494	1861	109	26.54
2014-15	1261	188	568	2017	55	28.16
Total	6,203	1,568	4,425	12,196	1,359	36.28

Source: UII public disclosures

Table 7 shows that the grievances clearness of UIIL company from the years 2010-2015. The total number of grievances fully accepted are 6203 , partial accepted are 1568, rejected are 4425 and the pending grievances are 1359. The total

percentage grievances are rejected is 26.54 percentages and 36.43 percentages. (Maximom) The grievances pendings are increased from 2010 to 2015.

Table-8
UII Grievance Disposal Duration Wise Pending Status from 2010-11to2014-15

Years /days	Complaints Made By Customers					Complaints Made By Intermediaries					Total
	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15	
7-15days	411	-	5	4	-	0	0	10	6	5	441
15-30days	188	336	16	5	-	-	-	30	17	3	595
Total	599	336	21	09	-	-	-	40	23	8	1036

Source: UII public disclosures

Table 8 is shows that the National Insurance Assurance company grievance disposal duration wise pending status from years 2010 to 2015. It shows that the duration has taken 7-15 days in the years 2010-11 the highest complaints made by customers are 411 and the minimum complaints made by customers are 4, and there is no claims in the years 2011 and 2014. However the total

complaints made by the customers and intermediaries are 441. And complaints made by intermediaries in the year 2012-13 it is high that is intermediaries are 10 and low in the year 2014-15 is 5. And in the years 2010-15 the complaints made by customers 15-30 days are highest in the year 2012-13 is 336 and the minimum complaints made by customers is 5 in the years 2013-14 and

the total complaints made by customers are 545. And complaints made by intermediaries complaints made high in the year 2013-12 is 30, lowest claims is in the year is 3 and the total claims are 595. It is conclude that the complaints made by customers are decreased when it comparing with years in 2010 and 2015.

Conclusion:

Insurance is a contract in which an individual or entity receives financial protection or reimbursement (indemnity) against loss from an insurance company. Thus, an insurer settles claims against policies issued by him. The efficiency of the claims management and settlement process has a direct impact on a company's ability to retain customer and to minimize grievances. It highlight the evelution of clais settlement of NIA and UIICL. It is found that UIICL has never approved the net claims more than gross claims and sharp dealing claims ratios indicate the effeciency and effective control on claims than that of their counter parts.

It is concluded that the in the comparative analysis that higher percentage of the claim settlement

indicates in the top two companies i.e. New India Assurance Co. Ltd. (88.83%), United India Insurance Company Co. Ltd. (73.96%).It also indicates these insurance companies are more transparent in the management of the process of claim settlement and they adhere to the provisions of protection of policy holders Motor Insurance Act 1988.

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