

# General Insurers' Claim Ratios Improve

## But gap between group, individual schemes remains wide

Insurers	Government Sponsored Schemes including RSBY		Group Insurance Schemes excluding Govt Sponsored Schemes		Individual Family Floater		Individual Other than Family Floater		TOTAL	
	Incurred claims ratio (Net)	Incurred claims ratio (Net)	Incurred claims ratio (Net)	Incurred claims ratio (Net)	Incurred claims ratio (Net)	Incurred claims ratio (Net)	Incurred claims ratio (Net)	Incurred claims ratio (Net)	Incurred claims ratio (Net)	Incurred claims ratio (Net)
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
PRIVATE	115%	109%	92%	85%	65%	70%	64%	56%	84.10%	80%
PUBLIC	124%	116%	138%	116%	87%	87%	101%	89%	122.40%	108%
STANDALONE HEALTH INSURERS	55%	98%	76%	85%	56%	56%	51%	53%	58.20%	62%
<b>GRAND TOTAL</b>	<b>122%</b>	<b>115%</b>	<b>125%</b>	<b>107%</b>	<b>73%</b>	<b>70%</b>	<b>79%</b>	<b>73%</b>	<b>105.60%</b>	<b>94%</b>

Source: IRDAI's Handbook on Indian Insurance Statistics 2017-18

### Preeti Kulkarni & Shilpy Sinha

**Mumbai:** General insurers improved their record at claims management in government-sponsored and corporate group health segments in 2017-18, but the wide gap between incurred claims ratios — claims against premium earned — of individual and group segments persists.

Thanks to better pricing and lower competition, general and standalone health insurers recorded an overall incurred claim ratio of 94% in 2017-18, compared with 105.6% in 2016-17, as per the sector regulator's handbook, Indian Insurance Statistics 2017-18.

Government and group businesses reported ratios of 115% and 107%, respectively, while those of family floater and individual segments were far lower at 70% and 73%. A year earlier, incurred claims ratios were 122% and 125% for government and group segments, and 73% and 79% for family floater and individual segments. Public sector companies' retail health ratios are higher than those of private companies.

"There is increase in pricing discipline from insurers which is leading to improvement in loss ratios," said Shreeraj Deshpande, principal officer at Fu-

ture Generali General Insurance. Incurred claim ratio represents claims paid out of net premiums earned during the year. A high claims ratio of over 100%, which the industry has been grappling with in the group segment for years, indicates that companies are paying out more claims than the premiums they are collecting.

"Insurers consider group insurance as a low-margin whole-



**SHREERAJ DESHPANDE**  
Future Generali Gen Insurance

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sale business that is driven for turnover growth targets, and the free financial float in the form of annual advance premium received from large clients than conventional underwriting profits," said Mahavir Chopra, director of life, health and strategic initiatives at Coverfox.com, an online insurance broker. This is why corporate group covers come with lower premiums, fewer exclusions

and shorter waiting periods, unlike retail health. On the other hand, retail health business has consistently been a profitable proposition for the companies. From a policyholder's point of view, a very high incurred claim ratio (ICR) may point to an upcoming hike in insurance premiums, especially for senior citizens. Within group insurance, private insurers have fared better than



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Insurers consider group insurance as a low-margin wholesale business driven for turnover growth targets

public sector ones. "They have been able to get control over ICR, by selecting the right risks, and hardening premiums on group health insurance," said Chopra. In the case of public sector companies, ICR remains high for individual segments, too.

"In my view, this is largely due to increasing proportion of ageing population in their portfolio. This is the primary reason;

most PSUs have increased their premiums lately and there is a likely increase of premium for select companies in the coming fiscal year too," he said. On the other hand, private and standalone health insurers are reaping benefits of sharper underwriting and risk selection, and a relatively younger portfolio.

From policyholders' perspective, a very low claims ratio may not be desirable. However, this ratio is different from the claim settlement rate. "So, if an insurer has 50% incurred claim ratio, it does not mean that claims are being rejected but could also be that the premium or acquisition costs are high. However, the incurred claim ratio is an important indicator in any case — if I were a customer I would want to buy insurances that have incurred claim ratios in the 70-100% band," said an industry-watcher who did not wish to be named.

"On individual and family floater products, at an overall level, the ratios are fine — between 70 and 75%. However, at the individual company level, there are insurers with low ICRs and one has to understand the reasons carefully, for example premiums or acquisition costs may be high," said Kapil Mehta, cofounder of Securenow.in, a group insurance broker.