

Claim Settlement Ratio

One crucial parameter in this aspect is the Claim Settlement Ratio (CSR). This reflects the credibility of an organization, its payout capabilities, the overall risk management capability of the insurer, and more.

Thus, as you shop around for a new health insurance policy, one of the first things you need to know is CSR. You need to know how it is calculated, what it means to you as a policyholder, what its disadvantages are, and what are some of the best health insurance companies in India with the highest CSR.

What is Claim Settlement Ratio in the Health Insurance Industry?

The ratio between the number of claims resolved by a particular insurance company against the total number of claims raised for that specific insurance provider (over one financial year) multiplied by 100. This ratio is subject to change and is released by the IRDAI (Insurance Regulatory and Development Authority of India) each financial year.

$$\text{Claim Settlement Ratio} = \frac{\text{Total no. of Claims Approved} \times 100}{\text{Total no. of Claims Received}}$$

So, if 100 claims had been raised for a health insurance company and 96 of them had been resolved, then the CSR for the company for that year would be 96%. So, this ratio indicates the number of claims resolved by the insurer.

Hence, based on this, the CSR of a health insurer holds great importance for both potential policyholders and the insurance industry in general.

Top Claim Settlement Ratio Health Insurance Companies in India

While the claim ratio of health insurance providers, as published by the IRDAI, varies from one financial year to the other, some providers have managed to stick to the top. Subsequently, the health insurance plans offered by them are also premium and in demand across the industry.

Here is a quick look at the top-scoring health insurers across the market -

HEALTH INSURANCE PROVIDERS	CLAIM SETTLEMENT RATIO (CSR)
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HDFC Ergo	97%
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Care	95.2%
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Bajaj Allianz	94.51%
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Niva Bupa | 90.68%

ICICI Lombard | 85.69%

Why is Claim Settlement Ratio important?

The Insurance (IRDAI) releases the Claim Settlement Ratio to offer potential and existential policyholders a comprehensive idea about the claim settlement performance of a health insurer. This would help them choose their ideal health insurance provider and a suitable health insurance plan.

Here is a look at some reasons why Claim Settlement Ratio is considered so important -

1. Reflects the credibility of the health insurance provider

One of the most crucial questions potential policyholders have while choosing their health insurance company is: "Will this insurer settle my claims?"

For policyholders, this is a crucial determiner to ensure the credibility of a health insurance company. With a CSR, individuals can get an idea about the number of claims settled by an insurer over a year, hence pointing out the provider's credibility.

2. Provides insight into an insurer's consistency across the claim settlement process

With CSR as a record, health insurance providers can't be inconsistent in their payouts. They must maintain their claim settlement approach and assurance for all of the claims raised, or this gets reflected in the ratio.

This means that you, as policyholders, have the much-required financial assurance of a payout whether you are seeking a -

1. The Cashless mode in a partner hospital
2. Reimbursement mode in a non-partner hospital
3. Acts as a great metric to compare various health insurers

Say you are looking for a health insurance policy for portability or for purchasing a new one altogether.

The higher the CSR, the better the insurer. (However, please remember that this isn't the only criterion that decides the best health insurance policy provider).

Now, while the aforementioned pointers on the benefits of the Claim Settlement Ratio surely showcase its importance for policyholders, there are certain downsides of the ratio that needs to be considered.

What are the disadvantages of the Claim Settlement Ratio in Health Insurance?

While CSR is an important metric to filter out the suitable insurance companies to buy your policies from, it should not be the only determining factor. The ratio fails to indicate a few important things:

1. The time invested in settling the claim

While CSR shows how many claims have been settled by the insurance provider, it leaves little scope for the policyholder to gauge the time required to pay the raised claim.

Now, it is true that the IRDAI has set a particular span of 30-45 days to resolve the raised claim. However, the faster the claim settlement process is done, the better suited it is as your insurance provider. With this data hidden from sight, potential policyholders are on the back foot.

2. The financial strength of an insurance company

Claim Settlement Ratio reflects the frequency of claim settlement from the health insurance provider's point of view. However, it does not indicate the financial stability of the insurance provider that will enable the company to continue with its services, maintain its CSR, and stay as one of the industry's most credible health insurance providers.

3. Amount of claims settled against each claim

Unfortunately enough, the Claim Settlement Ratio of a health insurance provider does not showcase what percentage of the claim amount was resolved by the provider.

For example, say a claim was raised for INR 5 lakhs. However, the health insurer paid off only INR 3 lakhs due to some exclusions or exemptions. While the CSR would show this case as a claim settled, it wouldn't reflect that the insurer made a copayment.

This blind sighting makes the ratio not the sole factor determining your choice of a health insurance company. Rather, when choosing your health insurance provider, factor in -

- CSR (Claim Settlement Ratio),
- ICR (Incurred Claim Ratio),
- Extensive product portfolio
- Impressive track record
- Proactive customer dealing
- A long list of network hospitals

Incurred Claim Ratio

Health insurance policies have become financial and medical necessities. Much of this popularity can be attributed to growing medical inflation, which has become a great concern considering the rising cost of healthcare services. Now, while this popularity has brought several new health insurer players into the industry, it has also led to great confusion among potential policyholders. The marketing gimmicks of a more-than-perfect Claim Settlement Ratio (CSR) or hassle-free claim settlement process are major hurdles when choosing a health insurance provider.

Health insurance providers should set the tone for a long-term financial commitment to secure your savings during health scares. However, this would only be possible if the health insurer in question is credible enough to have assured long-term sustainability and can handle claim settlement in the long run.

This is where Incurred Claim Ratio (ICR) in health insurance comes into play.

What is Incurred Claim Ratio (ICR) in Health Insurance?

Incurred Claim Ratio (ICR) in health insurance is one of the crucial metrics in analysing the provider's trustworthiness/credibility. It is calculated by drawing a ratio between the total amount of claims settled by an insurer across a year and the total amount collected via premiums by the provider in the year, and multiplying it by 100.

How to Calculate a Health Insurance Provider's Incurred Claim Ratio (ICR)?

To understand how to calculate the Incurred Claim Ratio of a health insurance provider, let's take an example.

Say an insurer collected 100 crores in premiums across a year. For this same year, the brand settled claims of 75 crores. In that case, its ICR is given by -

$$(75/100) * 100 = 75\%$$

What is the importance of Incurred Claim Ratio (ICR) for Health Insurers?

Each metric used to analyse a health insurance provider's credibility holds a different significance. In the case of ICR, the importance is as follows -

1. **Future financial sustainability of the brand** - An insurer's ICR sheds light on its claim settlement intent. If the insurer is able to balance its business profitability and claim settlement requirement, then it speaks volumes about its strong financial foothold. Thus, you are looking at a brand with future sustainability that can be the perfect insurer for your long-term financial commitment.

2. **Claim Settlement Potential of an Insurer** - A brand with an ideal ICR indicates that it's balancing its responsibilities towards building a sizeable business profit without overlooking the claim settlement requirements. Hence, the brand is financially strong enough to settle its claims in the future, too. This means fewer chances of partial settlement or rejections of claims in the future. This is a great sign for its existing and potential policyholders.

How to Choose the Best Health Insurance Based on the Incurred Claim Ratio (ICR)?

Considering that you are now well-versed with what is Incurred Claim Ratio (ICR) in Health Insurance, its significance, and how to calculate it, let's explore the various ranges of ICR and what it indicates about a health insurer -

1. CASE 1: If the ICR is below 50

This is indicative that the insurer is a tad bit more focused on accumulating its business profits. Thus, you can expect your claim settlements to fall in between the cracks, i.e. partial settlements or rejection of valid claims.

Recommendation: Steer clear of such insurers.

2. CASE 2: If the ICR is between 50 and 70 (or slightly higher, in the 80s)

This is the perfect range of ICR. It shows that the insurer optimally balances its business profits and client requirements of claim settlements. This suggests that the insurer holds great financial sustainability for the future. Even if the numbers are in the 80s, that's good to go, considering that, in this case, the insurer is prioritising its client requirements a bit more than its focus on profits, which is feasible considering it has the financial bandwidth to afford this prioritisation.

Recommendation: This is an excellent insurer to go ahead.

3. CASE 3: IF the ICR is above 100

The insurer, in this case, is paying more in claim settlements than it is earning in premiums. While this might seem appealing, you can be sure this is a temporary fix. With such expenses, chances are high that the insurer may soon face a financial crunch, leading to instability in its future sustainability.

Recommendation: Avoid such insurers.

What is the Incurred Claim Ratio (ICR) of the Best Health Insurers for 2024?

The Incurred Claim Ratio of a health insurer plays a crucial role when choosing a provider. This is well reflected if you take a look at the Incurred Claim Ratio of the top-notch health insurance providers in the country -

Best Health Insurers | 2020 – 2021 | 2021 – 2022 | 2022 – 2023 | Average (2020 - 2023)

HDFC Ergo | 79.3 | 97.47 | 79.04 | 85.27

ICICI Lombard | 78 | 91.67 | 77.33 | 82.33

Bajaj Allianz | 77.31 | 90.64 | 74.27 | 80.74

Tata AIG | 67.27 | 86.53 | 78.33 | 77.38

Care | 55.15 | 65.07 | 53.82 | 58.01

Niva Bupa | 56.09 | 62.12 | 54.05 | 57.42

Industry Average | 78.27 | 91.79 | 78.81 | 82.96

(Please Note 1: The above ranking of the best health insurance providers is based on the Incurred Claim Ratio from 2020 to 2023.

Please Note 2: We have drawn the average of the last 3 years better to understand the insurers' consistency and ICR performance. We then drew an average of the 3 years and tallied them against the industry average.

Please Note 3: If you are looking for the Incurred Claim Ratio (ICR) in Health Insurance for 2024, you must look at the number from the last financial year, i.e., 2022 - 2023. However, since a year's data cannot suffice due to the chances of inconsistencies across data, we have taken the data of the last 3 years.)

What is the Difference Between Incurred Claim Ratio (ICR) and Claim Settlement Ratio (CSR)?

When determining the credibility of a healthy insurance provider, you need to factor in quite a few metrics, namely, the Claim Settlement Ratio (CSR), the Incurred Claim Ratio, complaint volume, the number of network hospitals, and the average annual business.

Among these, two of the most common and confusing (owing to the phonetic similarity) are Claim Settlement Ratio (CSR) and Incurred Claim Ratio. So, let's take a quick look at the difference between Incurred Claim Ratio and Claim Settlement Ratio -

Parameters | Incurred Claim Ratio (ICR) | Claim Settlement Ratio (CSR)

Calculation | $ICR = (\text{Total amount of claims settled in a year by an insurer} / \text{Total amount of premium collected by the provider over the year}) * 100$ | $CSR = (\text{Total number of claims settled by an insurer across a year} / \text{Total number of claims raised to the insurer across the year}) * 100$

Example | An insurer collects 100 crores in premiums in 2023 and settles 75 crores in claims in 2023. $ICR = (75/100)*100 = 75\%$ | An insurer receives 100 claims across 2023. The provider settled 95 of the claims in 2023. $CSR = (95/100) * 100 = 95\%$

Ideal Range | 50 to 70 (numbers in the 80s, too, is good to go) | 90 to 100

Best Health Insurers | HDFC ERGO, Aditya Birla, Bajaj Allianz, Max Bupa (Niva Bupa), National Care | HDFC Ergo, ICICI Lombard, Bajaj Allianz, Tata AIG, Care, Niva Bupa

Conclusion

When dealing with a health insurance plan, you are paying premiums to financially secure yourself during times of medical crisis. Considering the increased price of healthcare services, opting for a health insurance plan has become essential. However, following the rising cost of medical care, health insurance premiums are also on the rise.

So, when choosing a health insurer, you have to be cautious of selecting a brand that will stay on in the industry for the long run, thereby ensuring that you are spared from any inconveniences like the sudden loss of perks like No-Claim Bonus (for every claim-free year, your base amount gets boosted by a pre-decided %) in case you have to shift to another provider. You can always compare health insurers, their metrics, and product portfolios before finalising an insurer or approaching an expert for better support.