

HOW TO CHOOSE YOUR INSURANCE COMPANY?

Insurance is one of the most effective tools that cushions us against eventualities and helps us mitigate risks. Everyone should have a few basic insurance plans like health, motor, cyber, and PA policy as a part of their financial planning. But what are the key points that one should keep in mind while buying an insurance plan, is it price or coverage? Or there is something more one should keep in consideration? While looking for insurance covers, it is only natural for a customer to evaluate various options available in the market before narrowing down on the insurer, but this is often not enough. Obviously, it is a good starting point to check the top insurers who offer the products that you want to purchase. Now that you have the list of the top 3 or 4 insurers, what is the next step? A very common approach that many customers take is to do a cost and

coverage analysis while choosing a policy; however, there are a few more parameters on which one should evaluate the prospective insurer before making the final decision.

The capability of the insurer to pay the claim: Claims are the moment of truth in insurance, and it is the duty of the insurer to honour an admissible claim. The Claims Settlement Ratio (CSR) of the insurer is a clear indication of their claim paying capability which is expressed in percentage and is calculated measuring the total number of claims settled against the total claims received. For example, if a company received 100 claims and has settled 95 claims, their claims settlement ratio will be 95%. The higher the CSR, the better. Apart from the claim settlement ratio, it is advised to do a bit of research to know how quickly the company is settling the claims. Gone are the

days when claims settlement was a long-drawn process; today insurers are heavily adopting new-age technologies and tools to settle claims within a few hours, or even within minutes!

Solvency Ratio: Solvency Ratio reflects the cash inflow of an insurer against their liabilities; it indicates a company's ability to fulfill their liabilities. Simply put it indicates the financial health of the insurer. The insurance regulator, IRDAI mandates all companies to maintain a solvency ratio of 150% or 1.5. A company with a higher solvency ratio is likely to have a better claim paying ability.

Cashless network of the insurer: Every insurer has a list of network hospitals and garages spread across different cities where the insured gets to avail the facility of cashless claim settlement in these empaneled hospitals and garages. The biggest advantage of network

hospitals and garages is that the insured gets hassle-free, fast, and quality service without spending anything, unlike the non-network hospital and garages where the insured has to make the initial payment that's later reimbursed by the insurer. The wider the network of the insurer, the better as it makes the entire process much smoother and stress-free for the insured.

Apart from the aforementioned points, it is important to know about the reputation of the insurer, their customer service, and their support before finalising the insurer. We have many insurers, offering different products, and many times these products are surprisingly low-cost. As a buyer, you must exercise due diligence, and do research about your potential insurer. At times, the low pricing is just used to woo a customer, however, at the time of claim, these companies may not be

forthcoming and supportive. On the contrary, the companies with better services might have slightly expensive products but they are also likely to have better claim paying capability, faster services, and a wider network. You should give more weightage to the 'value,' which the insurer brings to you rather than just focusing on the 'price.' Always, go with an insurer of repute, someone who is known for their customer support and their overall servicing capabilities. Your insurer should be a company that firmly stands by you during the time of need and settles the claims, swiftly and gracefully.

TA Ramalingam,
Chief Technical
Officer, Bajaj
Allianz General
Insurance

