Study to Assess New Business Group Operations in Terms of Its TAT, Premiums, Cost and Efficiency

By

Shambhavi Shukla

Dissertation submitted in partial fulfillment of the requirements of the degree

MBA Hospital and Health Management

Academic year, 2017-2019

The IIHMR University, Jaipur

1, Prabhu Dayal Marg, Sanganer, Airport
Jaipur 302029, Rajasthan
Ph: 0141 3924700, Fax: 3924738
Website: **www.iihmr.edu.in**

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INSTITUTE OF HEALTH
MANAGEMENT RESEARCH
(WHO Collaborating Centre for District Health System Based on Primary Health Care)

IIHMR UNIVERSITY

TO WHOMSOEVER MAY CONCERN

This is to certify that **Shambhavi Shukla** student of MBA Hospital and Health Management from The IIHMR University, Jaipur has undergone internship training at **Aditya Birla Health Insurance, Mumbai** from **1st February 2019 to 30th April 2019.**

The Candidate has successfully carried out the study assigned to him during internship training and his approach to the study has been sincere, scientific and analytical.
The Internship is in fulfillment of the course requirements.

I wish him all success in all his future endeavors.

Dean, Academics and Student Affairs
The IIHMR University, Jaipur
17 May 2019.

Professor
The IIHMR University, Jaipur

1, Prabhu Dayal Marg, Near Sanganer Airport, Jaipur- 302029, Rajasthan, India.
Ph.: 0141- 3924700, 2791431- 32, Fax: 0141 3924738, E-mail: iihmr@iihmr.edu.in, Web.: www.iihmr.edu.in

May 10, 2019

Internship Completion Certificate
To Whom So Ever It May Concern

This is to certify that **Ms. Shambhavi Shukla** has completed her internship with **Aditya Birla Health Insurance Company Limited (ABHICL)** from **1st February 2019 to 30th April 2019.**

She has successfully completed her project **"A study on cost of new business policy issuance by group operations."**

Her performance was found to be as per the high standard required by ABHICL.

We wish her all the best in her future endeavours.

Thanking you,

Yours sincerely,

Anuradha Puranik
Head – Corporate HR

Aditya Birla Health Insurance Co. Limited
(T) +91 22 6279 9500
care.healthinsurance@adityabirlacapital.com | www.adityabirlahealthinsurance.com

Registered Office:
One India Bulls Centre, Tower 1, 9th floor, Jupiter Mill Compound, 841, Senapati Bapat Marg, Elphinstone Road, Mumbai - 400 013
CIN: U66000MH2015PLC263677
IRDAI Registration No. 153

THE IIHMR UNIVERSITY, JAIPUR

CERTIFICATE BY SCHOLAR

This is to certify that the dissertation titled **A study to assess New Business Group Operations in terms of its TAT, Premiums, Cost and Efficiency at Aditya Birla Health Insurance, Mumbai** and submitted by **Shambhavi Shukla,** Enrollment No **IIHMR-U/01/2017-19/0663** under the supervision of **Dr. Anoop Khanna** for award of MBA in Hospital and Health Management from The IIHMR University, carried out during the period from **1rd February 2019 to 30th April 2019** embodies my original work and has not formed the basis for the award of any degree, diploma associate ship, fellowship, titles in this or any other institute or other similar institution of higher learning.

Shambhavi

(SHAMBHAVI SHUKLA)
Signature

Abstract

Group health insurance is desiigned in such a manner so-as-to offer comprehensive healthcare coverage to people belonging to a particular group. The groups formed for this purpose could be either employer-employee (E to E) groups or non--employer- employee (non E to E) groups as per the group insurance guidelines given by IIRDA.. There is separate team of people in every insurance company called as Group Operations team or Group Ops which regulate the smooth functioning of the Group health insurance and its issuance processes. Every policy issuance starts with coming of new business, where group of policy is issued by team and then the members of groups are enrolled for health insurance. While issuing a policy there are various costs that comes in which includes administration cost, HR cost, service cost and other. These cost directly or indirectly influences growth of insurance company and thus is cause of concern for company and people associated with.

Keywords- Group health insurance, Group Ops, cost, policy issuance

Objectives-

- To study process flow of new business group operations.
- To identify problem area in process.
- To estimate time (TAT) to issue a new business policy.
- To estimate cost of new business policy issuance.
- To identify reason for cost incurred of policy issuance.
- To identify root cause to reduce cost of policy issuance.
- To set benchmark for policy premium and identify zones with lowest premiums.
- To identifying the efficiency of work in new business.
- To provide suggestions as per observation.

Methodology-

Descriptive, cross sectional study was being conducted in Aditya Birla Health Insurance for two months (Feb 14$^{th,\ 2019}$ to April 14th 2019)

Firstly, the process flow of group operations was seen and understanding of new business group operations was developed. After this the time and motion study was conducted to identify total time taken for policy issuance. Later the secondary data from inception was taken and analysis was made accordingly.

To ample was selected by Purposive **sampling technique**. The total sample size of **55** was taken (taking on average 1 new business issuance take aprox 6 days). The data obtained was analyzed use of excel.

Results and Findings-

- 41% premium ranges under 1 lakh (1609/ 3924)
- Out of that 40% -1Lakh premium, maximum lies under 20 thousand (739/ 1609).
- Zones which holds maximum premium under 1 lakh are Maharashtra, Delhi, Telangana, Karnataka and Tamil Nadu.
- New business policy issuance costs to 950Rs. (Time for process is taken v/s cost incurred as employee salary is taken)
- Average time taken by resource for policy issuance of New business= 3.2hr (process flow is observed and time estimation for each sub step is taken)
- Efficiency of employee= 35%
- The maximum time consumption is of data uploading in HB portal (value enabling activity)
- The data format from broker is not standardized.

Suggestions-

- New business with premium below Rs.950 is operational loss to company (excluding sales and underwriting department).
- The issuance of new business is possible in 2hr (as per time motion study).
- HB upload should have standard data uploading limit to avoid time wastage.
- Standardize data format with brokers end to avoid rework of data massaging.
- There should be maker checker type system to have control check in process.

Acknowledgements

I owe immense appreciation to some people for their contribution towards this work. This study could not have been successful without the support of some concerned people. I extend my sincere gratitude to my mentor, **Vishal Shetty**, Manager, Group Operations- Affinity of Aditya Birla Health Insurance Company Limited. I am thankful to him for spending his valuable time with me and giving me insights to complete this work.

The successful completion of this study owes much to Mr.**Gaurav Tripathi** ,AVP, Group Operations ABHI who has guided the research from its beginning to end. His comments and insights and the constant encouragement have been invaluable to this report.

Without the guidance and blessings of our director; **Dr. S.D. Gupta**, Director IIHMR University this project would not have been possible for us.

My Special Thanks to **Col. Dr. Ashok Kaushik**, Dean Academics and Students Affair, IIHMR University, Jaipur for being a continuous guiding source throughout the degree, I would also like to thanks **Dr. Anoop Khanna** IIHMR University, my guide for providing me support in completing my project successfully as well as giving insight in to my operational issues which came across during the project.

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TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

INTRODUCTION

The expenses which are related to the operation of a insurance new business, The cost of resources used by an insurance company just to maintain its existence is called Insurance Operations Cost.

Mainly the cost of commercial company is categorized three broad categories-

- Fixed costs are the cost which remains the same whether the operation is closed or running at 100% capacity. This include items such as the rent of the building, furniture's, laptop etc. These are generally having to be paid regardless of what state the business is in. It is constant.
- Variable costs are the cost which may increase depending on whether more production is done, and how it is done (issuing 10 items of policy might require 50 days of normal time or take 30 days if overtime is used. It may be more or less expensive to use overtime production depending on whether faster production means the product can be more profitable).

VC include indirect overhead costs such as Laptop Supplies, Computer Supplies, Credit Card Processing, Electrical use, Office Products, Payroll Services, Telecom, Uniforms, Utilities, or Waste Disposal etc.

- Semi variable, the expenses necessary to keep the business in proper
- condition like maintenance

cost etc.

Overhead costs for an insurance company are the cost of manpower used by an company. These cost are usually measured in monetary terms, but non-monetary overhead is possible in the form of time required to complete a task.

Examples of overhead costs include:

- Payment of rent on the office space a business occupies

- Cost of electricity for the office lights
- Some office personnel wages

Non-overhead, such as the cost of raw materials used in the goods a business sells.

Operating Cost is calculated by Cost of goods sold + Operating

Expenses. Operating Expenses consist of -

- Administrative and office expenses like salaries, rent of company to staff, insurance, other fees etc.
- Selling and distribution expenses like advertisement of product

by company, salaries of salesperson. It includes all operating cost

such as salary, rent, stationery, furniture etc.

Group health insurance is design in such a manner so-as-to offer comprehensive healthcare coverage to people belonging to a particular group. The groups formed for this purpose could be either employer-employee (E to E) groups or non-employer- employee (non E to E) groups as per the group insurance guidelines given by IIRDA..

There is separate team of people in every insurance company called as Group Operations team or Group Ops which regulate the smooth functioning of the Group health insurance and its issuance processes.

Every policy issuance starts with coming of new business, where group of policy is issued by team and then the members of groups are enrolled for health insurance. While issuing a policy there are various costs that comes in which includes administration cost, HR cost, service cost and other. These cost directly or indirectly influences growth of insurance company and thus is cause of concern for company and people associated with it.

The major cost associated with any company is what they pay to their employee assalary.And the workplace efficiency depends on how well the salary paid is utilized as per working hour in company. The growth of company depends on how productivity is. High productivity high growth rate of

company.
The efficiency of company is measure of standard employee working hour by amount of time taken.

OBJECTIVE-

- To study process flow of new business group operations.
- To identify problem area in process.
- To estimate time (TAT) to issue a new business policy.
- To estimate cost of new business policy issuance.
- To identify reason for cost incurred of policy issuance.
- To identify root cause to reduce cost of policy issuance.
- To set benchmark for policy premium and identify zones with lowest premiums.
- To identifying the efficiency of work in new business.
- To provide suggestions as per observation.

MATERIAL AND METHODS

- STUDY DESIGN: Descriptive Cross Sectional Study was conducted.
- SETTING: Aditya Birla Health Insurance Mumbai.
- DURATION OF STUDY: For 3 months (Feb 1st 2019 to April 14th 2019)
- DATA COLLECTION-
    - Firstly, the process flow of group operations was seen and understanding of new business group operations was developed.
    - After this the time-motion study was conducted to identify total time taken for policy issuance. Later the secondary data from inception was taken and analysis was made accordingly. (Primary Data Collection)
    - To select the sample, Purposive sampling technique was used. The total of 55 sample was collected (taking on average 1 new business issuance take aprox 6 days). The data obtained was analysed using excel. (Secondary Data Collection)

- SAMPLING METHOD- Simple Random Sampling.
- SAMPLE- ABHI Employees
- SAMPLE SIZE: Total of 55 sample was collected (1New business issuance takes aprox 6 days to complete)

RESULTS AND FINDINGS-

- **41%** premium ranges under 1 lakh (1609/ 3924)
- Out of that 40% -1Lakh premium, maximum lies under 20 thousand (739/ 1609).
- Zones which holds maximum premium under 1 lakh are Maharashtra, Delhi, Telangana, Karnataka and Tamil Nadu.
- New business policy issuance costs to **950Rs.** (Time for process is taken v/s cost incurred as employee salary is taken)
- Average time taken by resource for policy issuance of New business= **3.2hr** (process flow is observed and time estimation for each sub step is taken)
- Efficiency of employee= **35%**
- The maximum time consumption is of data uploading in HB portal (value enabling activity)
- The data format from broker is not standardized.

CONCLUSIONS-

- New business with premium below **Rs.950** is operational loss to company (excluding sales and underwriting department).
- The issuance of new business is possible in **2hr** (as per time motion study).
- HB upload should have standard data uploading limit to avoid time wastage.
- Standardize data format with brokers end to avoid rework of data massaging.
- There should be maker checker type system to have control check in process.

REFERENCES-

1) https://www.mckinsey.com/~/media/mckinsey/industries/financial%20services/our%20insights/what%20drives%20insurance%20operating%20costs/successfully_reducing_operating_costs.ashx

2) https://www.investopedia.com/terms/g/group-health-insurance-plan.asp

3) https://en.wikipedia.org/wiki/Operating_cost

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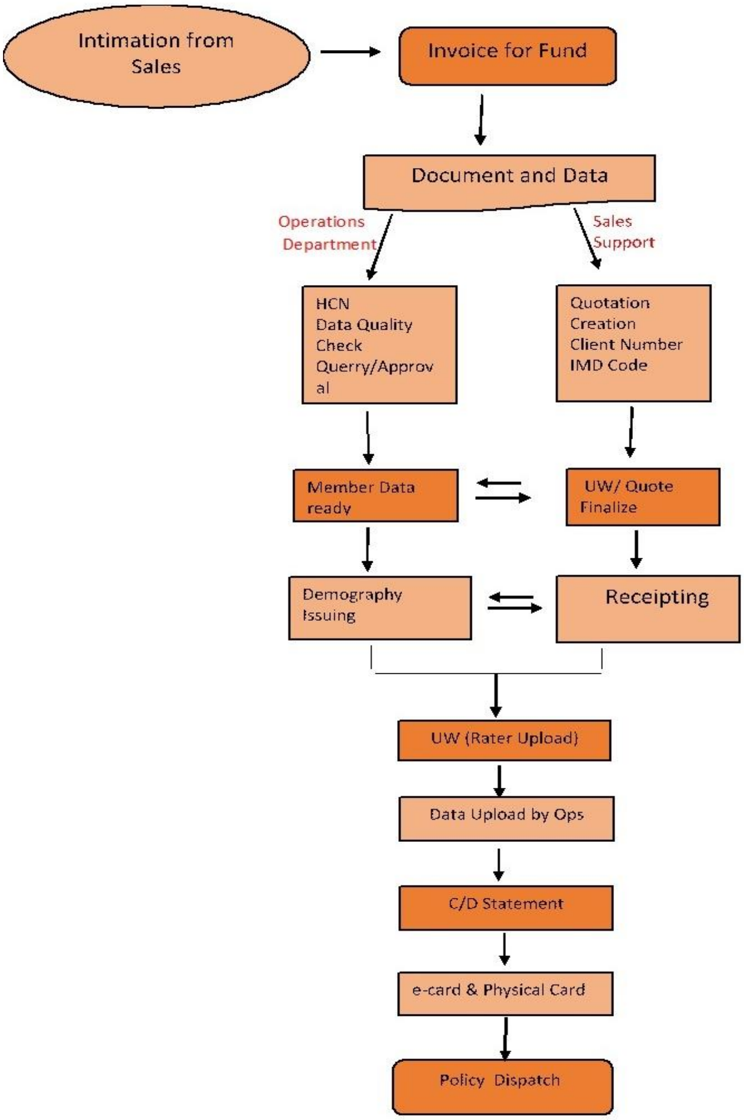
The project was started by understanding the process flow of new business policy issuance. Were different parts of process was analysed and time motion study was conducted.

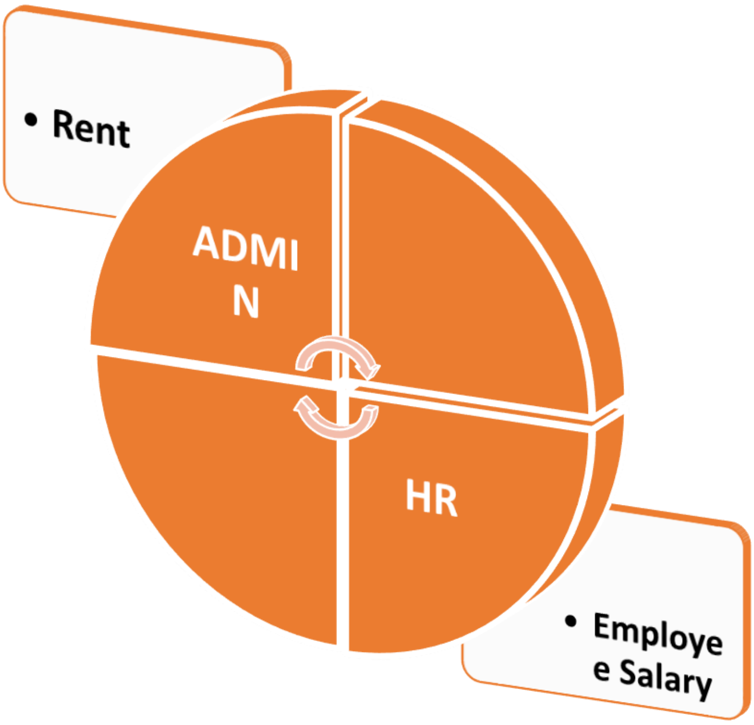
Fig 1- <u>Process Flow of Group Operations</u>



The new business from start to end is followed and various observations are made for the same.

Fig 2- **<u>Employees Cost Inclusion And Exclusion Criteria</u>**

While doing different inclusion and exclusion criteria was taken in consideration for analysis of cost of operations.



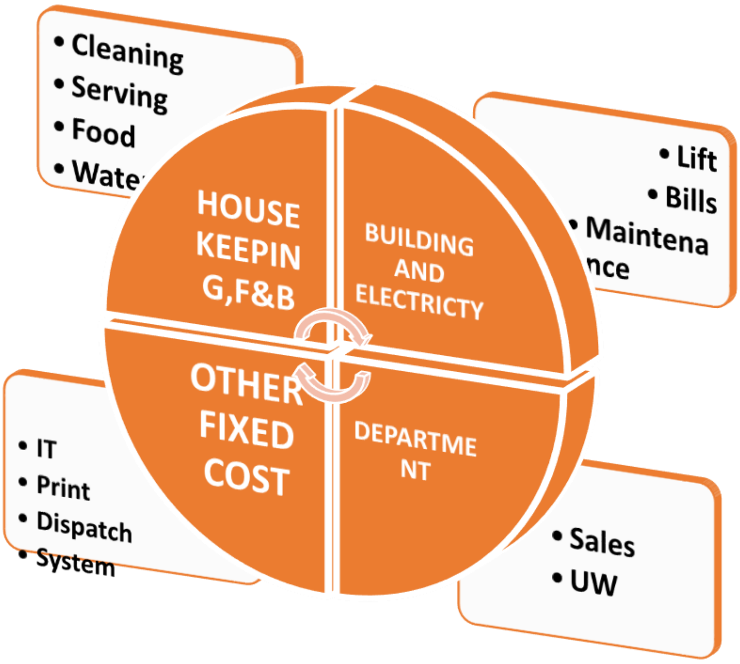
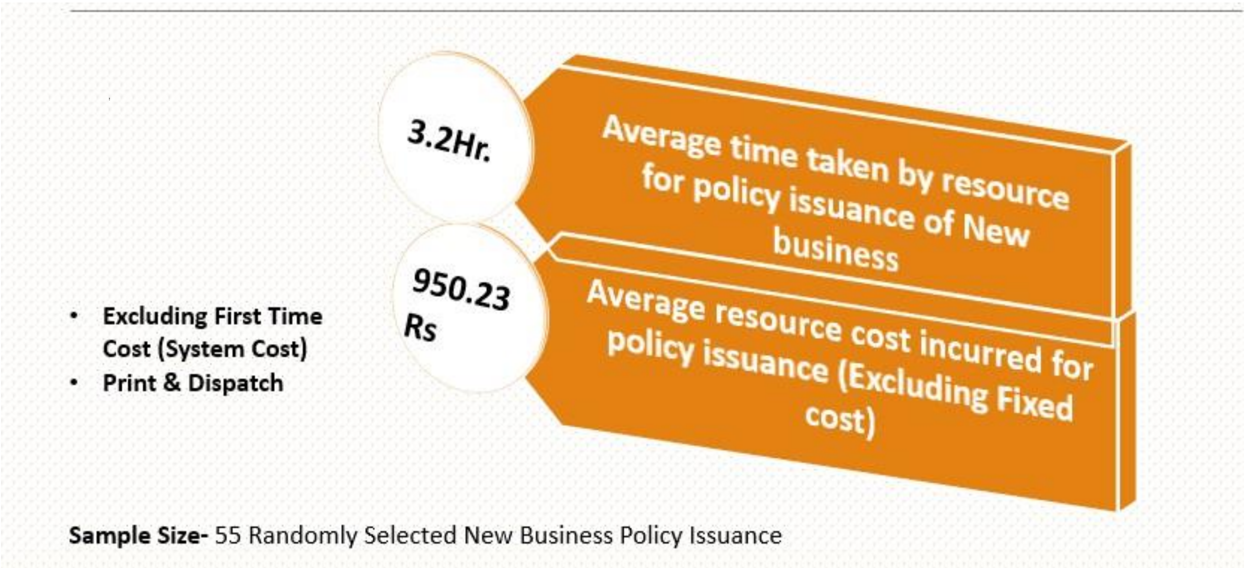


Fig 3- TAT v/s Cost Per Resource



The TAT was calculated by doing time motion study at each step by following each employees and then according to that TAT cost per step is taken out.

Table 1- Estimation of time of 3.2hr is calculated in this format

Buffer Time 50 min = 5 employee is taken (1 employee is excluded because that person only make HCN Note which takes 5min)

Process Undertaken	Time Taken
Invoice	00:12
MIS Entry	00:18
HCN Note	00:05
QC Check	00:15
Receipting	00:11
Demographic Issuance	00:14
Member Data Upload	00:25
C/D	00:04
MIS Mail	00:04
Dispatch & E-Card	00:08
Senior Executive Time	00:30
Buffer Time	00:50

Table 2- **<u>Salary Breakup of employee working</u>**

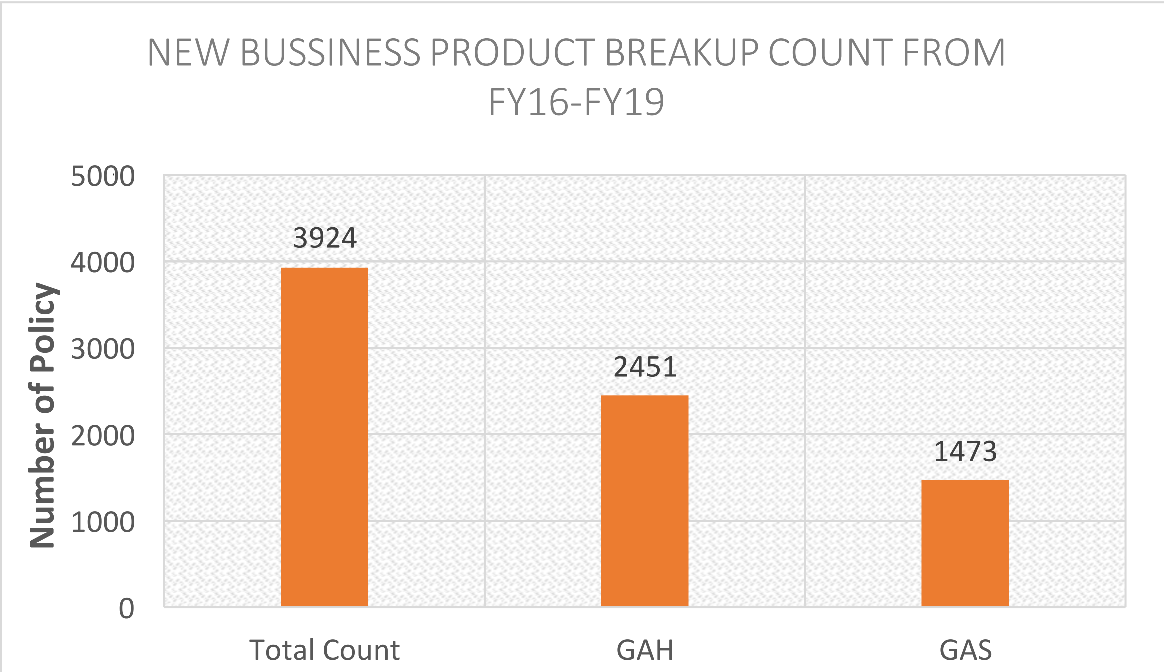
				1Day= 9Hr		
Post	Count	Salary/ Year	Salary/ Month	Salary/Day	Salary/1Hr	Salary/Min
Senior Executive	1	5,00,000	₹ 41,667	₹ 1,344.09	₹ 149.34	₹ 2.49
On role Executive	1	4,00,000	₹ 33,333	₹ 1,075.27	₹ 119.47	₹ 1.99
Off role Executive	4	2,50,000	₹ 20,833	₹ 672.04	₹ 74.67	₹ 1.24

Table3- **<u>People involved in new business process flow</u>**

1 Senior Executive
1 On Role Employee
4 Off Role

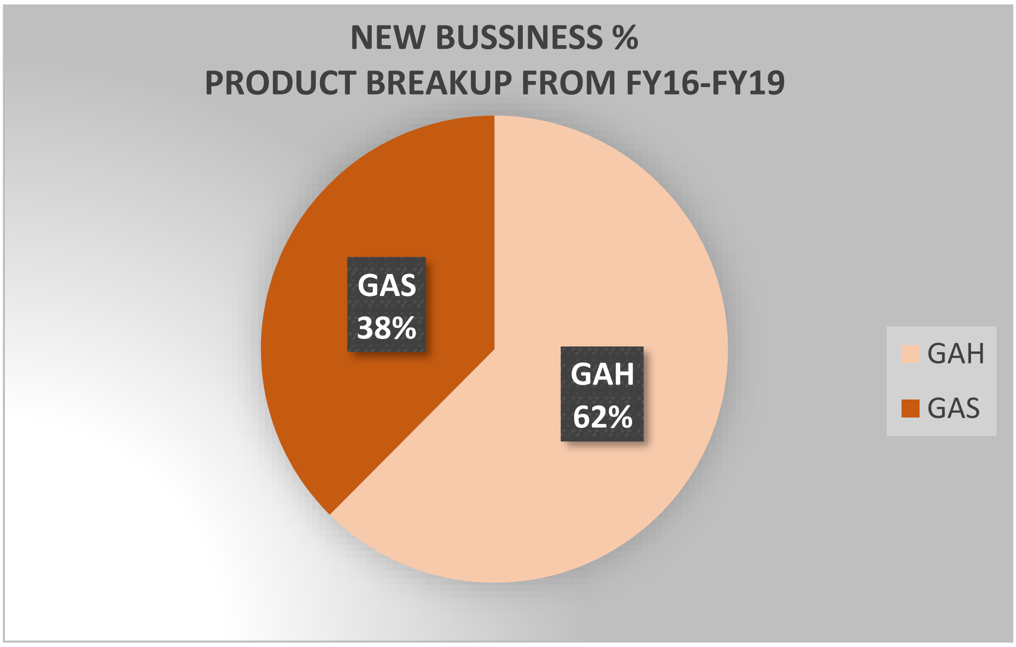
Each employee's salary is divided into salary per day, then hour and then in minutes to get accurate amount of salary per minute used by employee.

Fig 4- <u>New Business Product Breakup from Inception till Date</u>



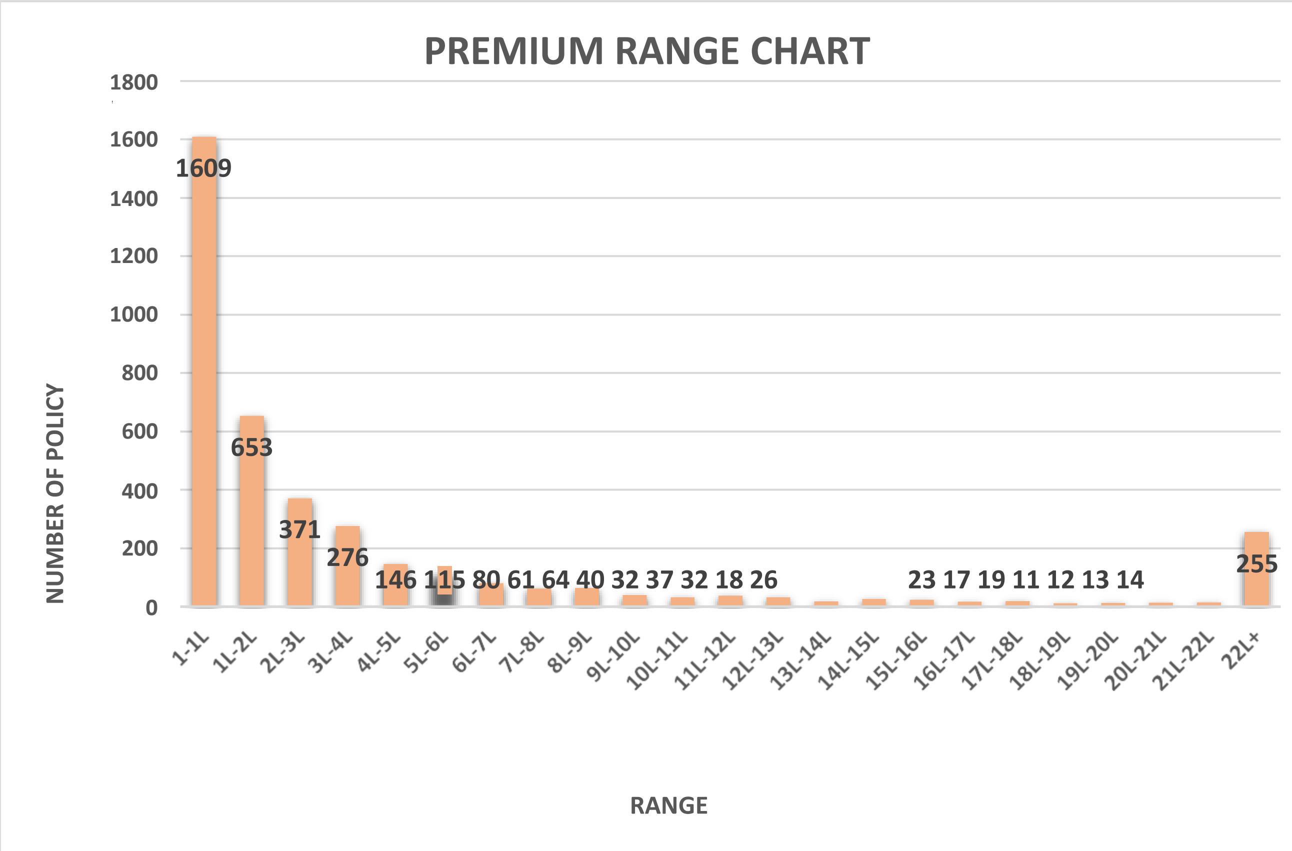
GAH= Group Active Health **GAS**= Group Active Secure

Fig 5- <u>New Business Product % Breakup from Inception till Date</u>



The company product breakup is in two product types i.e. Group Active Health and Group Active Secure.

Fig 6- Premium Range Chart from Inception till Date



The premium range from inception is analyzed so that further benchmark for premium can be made. Once the premium range is analyzed it is seen that maximum premium range lies under range of 1 lakh and thud the further bifurcation of premium 1lakh is done to have more accuracy.

Fig 7-% Premium Range Chart from Inception till Date

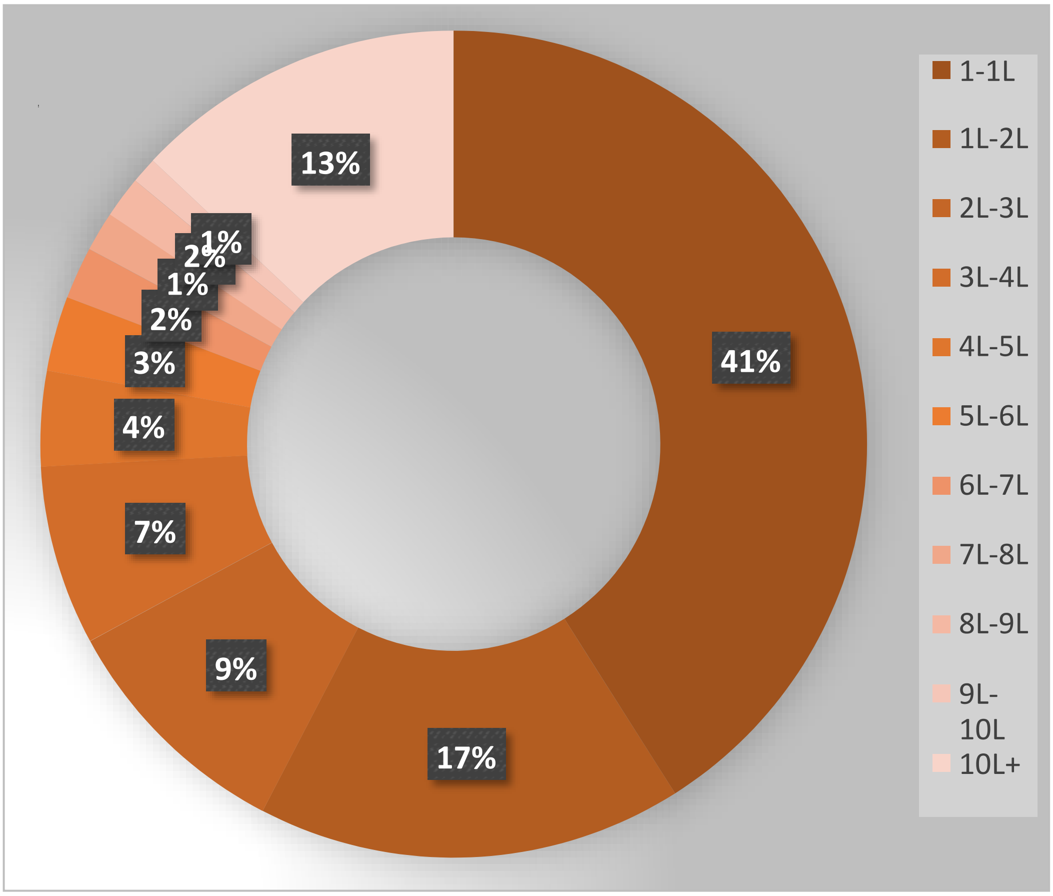


Fig 8- (41% share) Premium Breakup Up to 1lakh

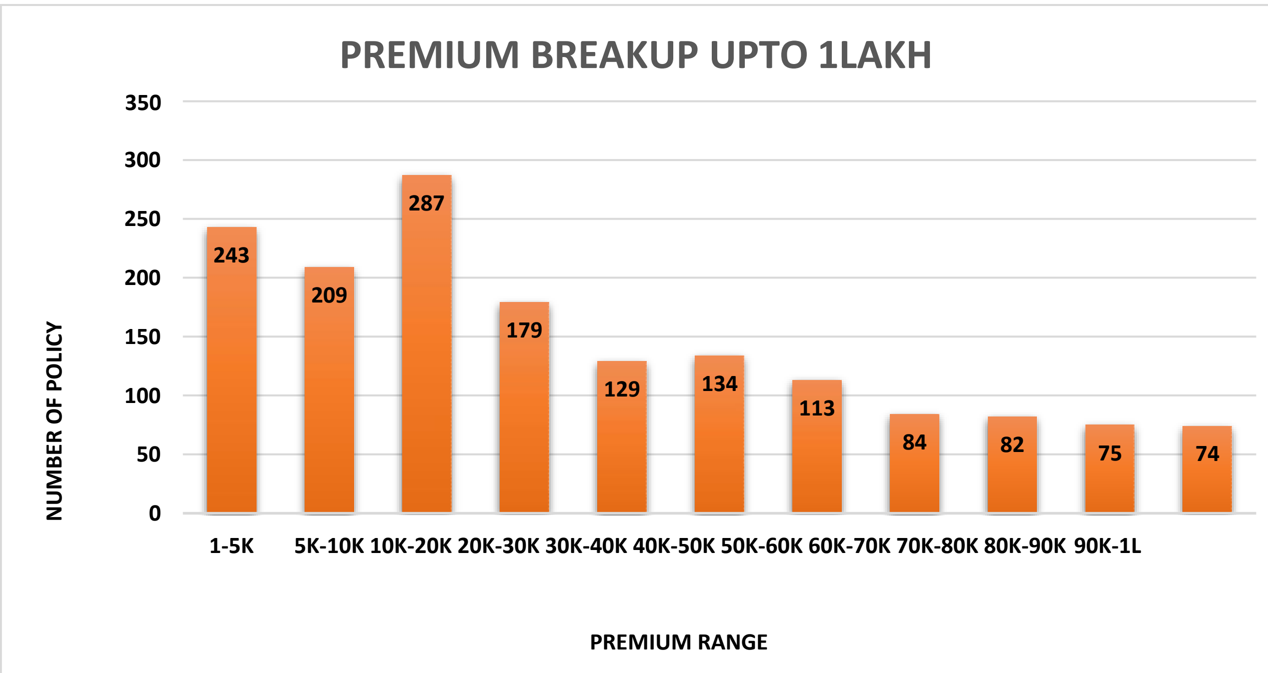


Fig 9- Graph Representing Zone V/S Premium < 1 Lakh

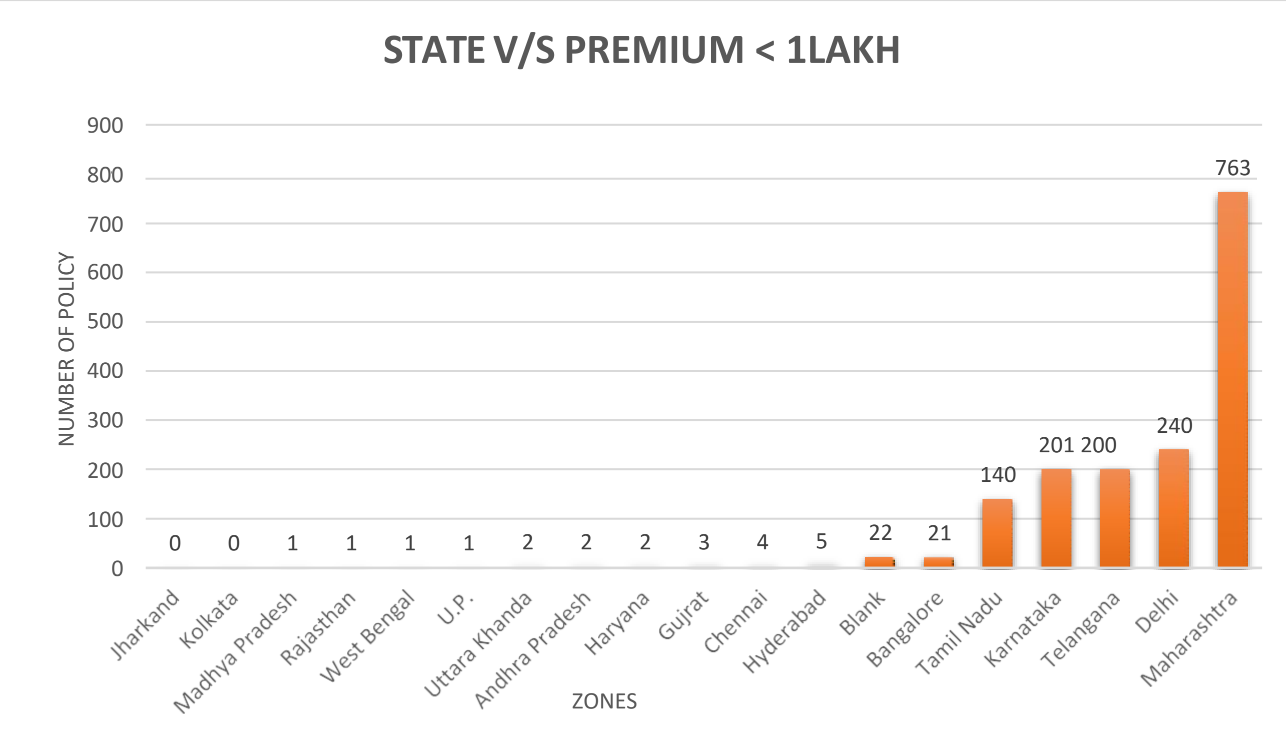


Table 4- Table Representing Zone V/S Premium < 1 Lakh

ZONE	COUNT	LOWEST PREMIUM	PREMIUM UNDER 1LAKH	PREMIUM UNDER BENCHMARK	AVERAGE
Tamil Nadu	140	561	100000	3	28,622
Karnataka	201	108	100000	13	34,337
Telangana	200	1560	100000	9	33,683
Delhi	240	511	100000	7	37,246
Maharashtra	763	145.31	100000	6	31,008

Efficiency of work

Efficiency= $\frac{\textbf{Work Output}}{\textbf{Work Input}}$ **x 100**

- Oct 2016 Feb 2019 = 626 days =3924 policy
- 626 (excluding Saturday and Sunday including holidays)= 3924 Policy issue/ 6 person per policy.
- 3924 policy / 626 days i.e. 6 policy per day
- Output= No. of working days x Policy issuance hours

i.e. 626 x 3.2 x 6 = 2003.2

- Input= No. of working days x Resource x Per day working hour
- i.e. 626 x 6 x 9 = 33804
- **Efficiency= 2002.2/ 33804 x 100 = 35%**

CONCLUSION-

The most important factor that can affect company growth is it amount they consumed and the cost that occurs as result of an activity. Thus proper monitoring of that cost and its control measure should be there in overall form. Thus, the cost of operation is calculated that was Rs. 950.

New business with premium below Rs.950 is operational loss to company (excluding sales and underwriting department). The issuance of new business is possible in 2hr (as per time motion study). HB upload should have standard data uploading limit to avoid time wastage. Standardize data format with brokers end to avoid rework of data massaging. There should be maker checker type system to have control check in process.