“To Study Refund TAT in Aditya Birla Health Insurance”.

Aditya Birla Health Insurance Co. Limited

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ADITYA BIRLA HEALTH INSURANCE : INTRODUCTION

Aditya Birla Health Insurance Company (ABHIC) is joint venture between **Aditya Birla Group (ABG)** and **MMI Holdings.**

- **Aditya Birla Group (ABG),** a Fortune 500 company, is a diversified conglomerate widely recognized across India and overseas for quality consumer products and services with operations that include financial services, manufacturing, telecom, fashion and lifestyle.
- **Aditya Birla Group companies in India**

ADITYA BIRLA HEALTH INSURANCE : INTRODUCTION

- **MMI Holdings Limited (MMI),** is a leading insurance based financial services company with a legacy of 122 years, created from merger of Metropolitan Holdings and the Momentum Group. MMI is one of the largest insurers in South Africa with businesses in 12 countries outside South Africa and United Kingdom.
- The core businesses of MMI are long and short-term insurance, asset management, savings, investment, healthcare administration and employee benefits. These product and service solutions are provided to all market segments through operating brands Metropolitan and Momentum.
- MMI brands include the following global companies

METROPOLITAN
Together we can

momentum

multiply
wellness & rewards

GUARDRISK
TAILORED RISK SOLUTIONS

ADITYA BIRLA HEALTH INSURANCE

- **Vision** : *"Empowering and motivating families to prioritize health and lead fulfilling lives"*
- **Mission :** To be a leader and role model in health insurance industry, with a reputation for innovation and trustworthiness.
- *"***Values Definition:** The essence of what the Value means in the ABG context Group Standards –the ABG's operating standards in relation to its key stake holders Individual Behavior – the ABG's expectations from its employees to meet its Group Standards Examples of Conformance / Non-Conformance - the ordinary day-to-day actions to help individual understand what are acceptable / not acceptable norms in the context of the defined Value

1. The Aditya Birla Group (ABG) Values are:
2. Integrity
3. Commitment
4. Passion
5. Seamlessness
6. Speed

BACKGROUND

- The Aditya Birla health Insurance works with a Motive of not only providing affordable health insurance coverage to all, but also rewards an individual for maintaining healthy life style.
- The Prime objective of Aditya Birla Health Insurance is to Enhance & Ensure Customer's Satisfaction
- The health insurance product of Aditya Birla has various featured benefits like wellness plan, health returns, Active days etc which not only influences customers in health insurance market but also make them to utilize benefits of remaining healthy.
- As per the study this product is very new in the market of Health Insurance where an individual is rewarded for being healthy and active. At the time of launch of this product by Aditya Birla there was huge excitement with a lot of queries n the mind of customers with this product.
- Company started its new business operations in retail sector on 1st November and is doing extremely good.

NEW BUSINESS OPERATIONS

1. New Business operations take care of all the activities or manage relation with the customer before Policy issuance or at the time of policy issuance. The issues like hard copies not received, details of refund etc. are looked after by the NB team.
2. It works on following Domains-
3. Data Entry Process
4. Portability process
5. Refunds and Cancellation
6. Dispatch of Policy Kit
7. RTO Management
8. IT Enhancement
9. New System Management

10. System UAT
11. Vendor management
12. EIA management
13. Archival Management
14. Finance Re-conciliation
15. MIS & Analytics
16. Day to Day Activities

SOME TERMINOLOGIES RELATED TO REFUND

1. Refund- Repayment of sum of money
2. Underwriter Rejection- Insurer rejects the application for insurance when they find that the applicant represents a risk that falls outside of the underwriting standards established by insurance company. This is termed as Underwriter Rejection.
3. High Ageing- According to IRDA norms, proposal that are not issued till 40 days of inwarding are high ageing and should be rejected.
4. Counter Offer- an offer made in response to the previous offer by the other party during negotiations for final contract.
5. Finance Clearance-when the customer pays the insurance company in the form of cheque or inline transaction, the bank gives the clearance status whether the payment is bounced or is received by bank. This finance clearance is very important in case when the case gets rejected and is to refund.
6. Refund by Ops- once the case gets rejected by underwriter or due to high ageing, the case is seen in the rejection status and process of refund is initiated by operations team and is further processed by Finance team.
7. Refund ID- when the refund is initiated by operations team, Refund ID is created which is send to the finance and is traceable to check further status of the refund.
8. Refund by Finance- once the refund is initiated by operations team, refund ID is shared to the Finance team, that process the refund to customer

PROCESSING OF REFUND

Refund is generated when the case is rejected or if there is any excess amount paid by the customer. Once the case gets rejected by underwriters or due to high ageing, it is shown in the Rejection (RJ) bucket in the system. Before initiating the refund process, cheque clearance is checked. Refund is initiated only when the clearance is updated for the case. Once the clearance is uploaded, refund process is initiated and request is sent to the finance.

After receiving the request for the refund, finance send the consolidated file to the bank and bank does the payment and then shares the UTR details with the finance.

Refund is done on following case:

1. In case of underwriter Rejection
2. High Ageing
3. Counter Offer Not accepted

In case of rejection, according to the norms, while refunding the amount, pre policy medical checkup (PPMC) charges should be deducted, but the system does not allow the same. And entire amount is refunded to the customer without any reduction of PPMC charges.

REVIEW OF LITERATURE

Application form: the application form for health insurance policy is intended to collect comprehensive information on your proposal, health and medical profile. Medical test may be called for depending upon your age, health declaration and health cover you have opted for. It is on the basis of this information collected; insurance company accepts or rejects policy applications. Insurance companies generally reject applications when there is high-risk element perceived. One would expect that with all the competition in insurance, insurers would queue up to sell you. Unfortunately, that's not true. The hardest part of buying health insurance is getting the insurer to issue you a policy.

The most common grounds that are perceived as high risk are as follow

1. Age: almost all health insurance companies have upper limit on entry age of the policy. The entry age varies between 50 and 60 years of age. This makes it difficult for those above 60 years to get a regular health insurance policy for themselves.
2. Preexisting diseases: health insurance companies could reject applications on the basis of pre-existing conditions such as diabetes, hypertension or high cholesterol levels. This is because; such conditions pose a higher risk to the insurer, the chances of claim being high.
3. Policy exclusions: health insurance companies are pretty edgy when it comes to insuring these involved in adventure sports, scuba diving, paragliding or mountaineering. Such activities are excluded in a policy.
4. For individuals in hazardous occupation: insurance companies are more than happy when their customers are not only healthy, but also poses low chances of falling ill, so that the instances of any claims remain minimal. It is for this reason individuals employed in the sectors that have the potential to cause long term health hazards, face problems in getting a regular health cover. An example of such occupations could be employment in mines, factories or construction sites where individual comes in contact with substances such as asbestos, etc., which may cause respiratory disorder later in life.

5. A healthy person disclosed in his health insurance application that he was anxious in nature. The insurer promptly declined the insurance and refused to conduct a medical test.

Regrettably, there is a little public information on how many applications are declined by insurers but it is high, sometimes as much as 30%. It is estimated that over 5 million applications get rejected every year. Such high decline rates create many issues. The purchase process is frustrating because the effort of filling the form, paying and getting medically tested goes to waste. The cost of rejections is borne by the person because the medical fees are deducted from the premium refund.

Rejections also take place in case of high ageing proposals. According to IRDA norms, cases not issued till 40 days of getting inwarded are rejected.

All the rejected cases should be refunded to the customers through the same mode of the payment, that customer did while purchasing the policy, within 10 days

RESEARCH METHODOLOGY

Research Question:

What is the turnaround time of the refund from the time of the initiation of the process till customer receives the same?

Purpose of the study:

To calculate turnaround time (TAT) of the refund amount generated by rejection or excess amount paid by the customer, from the time of initiation of refund process till customer receives the same and also to raise the change request of the system allowing the PPMC deduction from the refund amount

Need for the study:

The need for the study arises to know about the turnaround time (TAT) of the refund amount generated by rejection or excess amount from the time of initiation of refund process till customer receives the same and also to raise the change request of the system for PPMC charges reduction from the refund amount.

Objectives of the study:

The main objectives of the study are: -

1. To calculate turnaround time (TAT) of the refund amount generated by rejection or cancellation or excess amount from the time of initiation of refund process till customer receives the same.
2. To suggest measure to reduce the TAT of the refund.
3. To raise the Change Request of the system to deduct the PPMC charges which is currently not deducted and customer is refunded the whole amount

Study design:

Cross Sectional Study and observational study

This study design was appropriate as this is an observational study that analyses data collected from a population, or a representative subset, at a specific point in time- that is cross sectional data.

The study was done on the entire data; as a result, the probability of accuracy of study was more.

Reasons for taking entire data:

1. ABHI has recently started operation in health insurance domain hence the size of available data is limited therefore the sample size is approximately equal to entire data available.

Data collection:

The main source of information for this study was based on the data collection.

The data was collected from the various departments of Aditya Birla Health Insurance, websites of IRDA.

Retrospective study was conducted and data from December to February were taken from Operations and Finance Department. The data collected from these months were then compared with the data obtained in the month of March, April and May, after taking measurements of improvement

DATA ANALYSIS AND DATA INTERPRETATION

Turnaround time of the refund is calculated by
Firstly, Refund by operations is calculated by below Formulae

Refund by Ops = Refund date by Ops - date of proposal Rejection

Secondly refund by finance to the customer is calculated by

Refund by Finance = UTR date – Refund date by Ops

Total turnaround time of the Refund = Refund by Ops + Refund by Finance

Tools for analysis will be:

- Percentage Analysis
- Graph

OBSERVATIONS

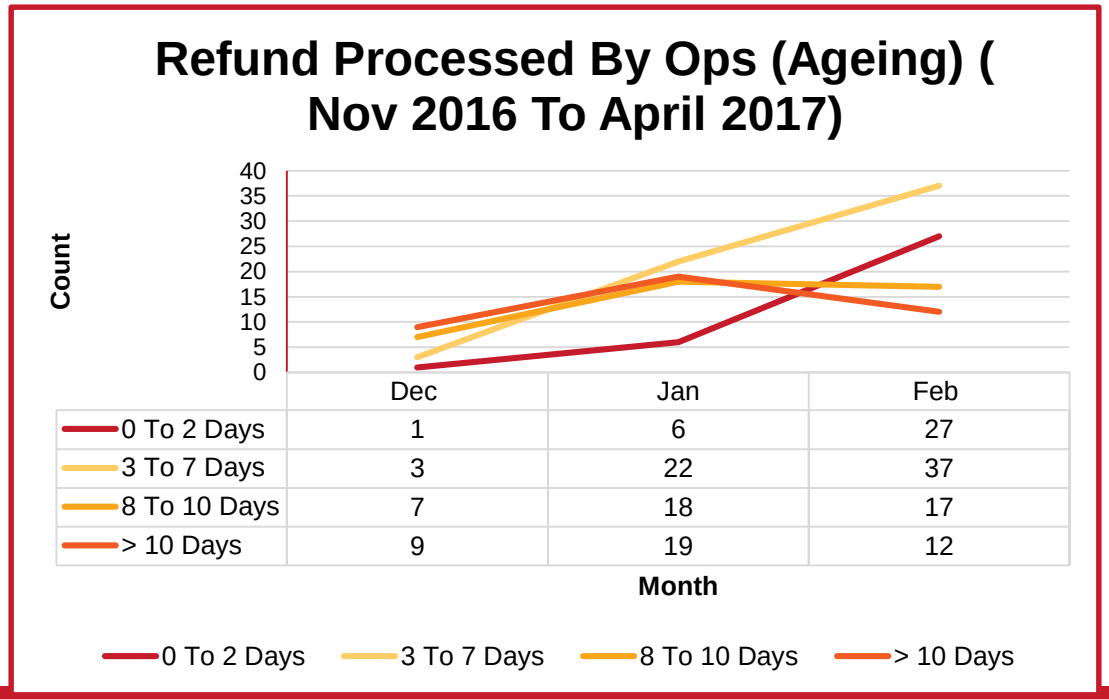
Retrospective study is done and the data from December to February is collected and analyzed. The data shows the following trend

1. Refund By Ops-

In the month of December, 45% cases took more than 10 days to get refunded, while 35% cases took 8-10 days. 15 % cases took 3 to 7 days while only 2% cases got refunded in 0-2 days

In month of January, 29% of cases got refunded in more than 10 days or in 8 to 10 days, while only 9% cases got refunded in 0 to 2 days

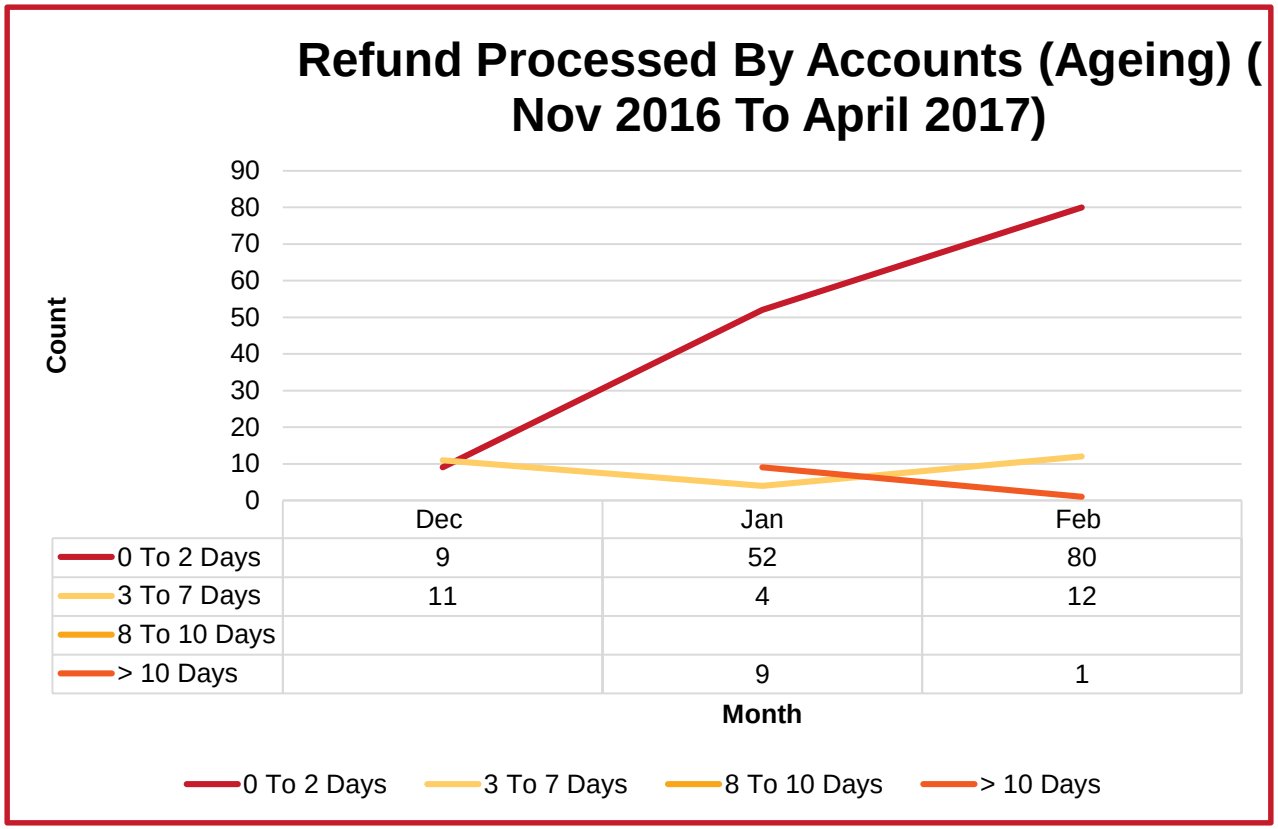
In month of February, the condition seems to be little improved but still 12% cases got refunded in more than 10 days, thus breaching the compliance.



Refund by Finance-

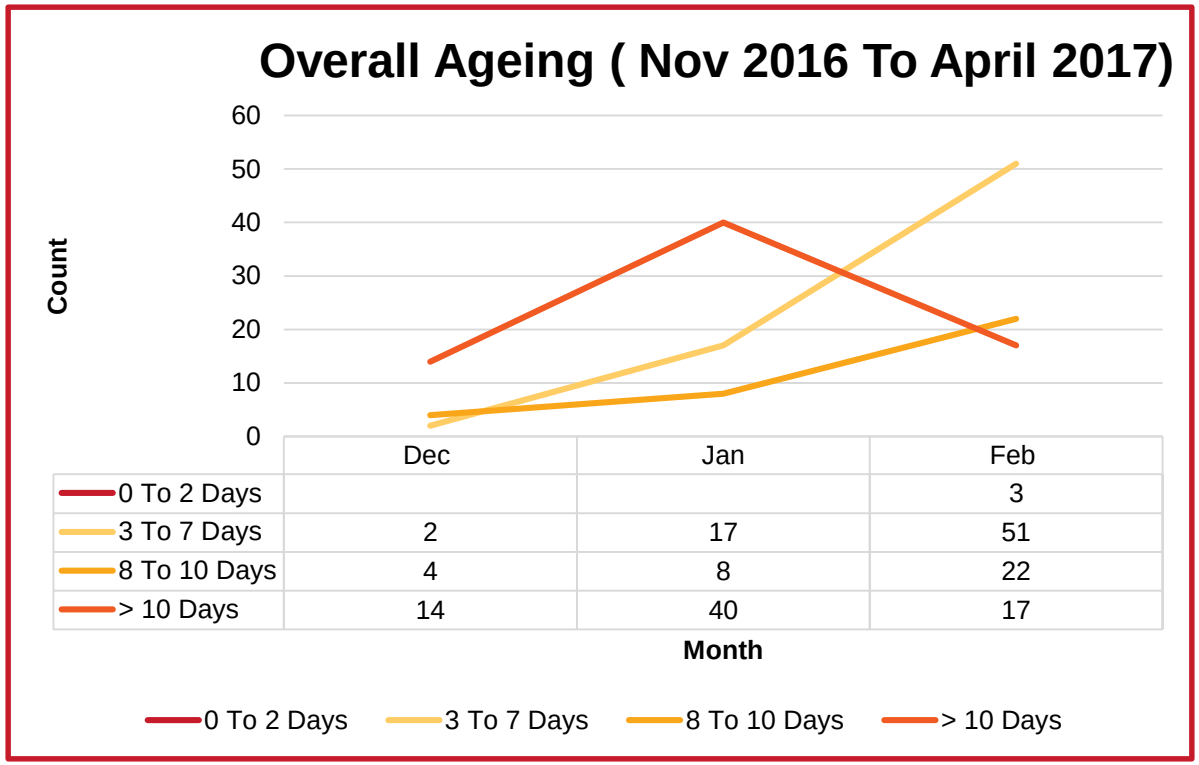
In month of December, 55% cases got refunded within 3 to 7 days which should have done in 1 day.

In January 13% cases took more than 10 days and in February, 12% cases took 3 to 7 days



Total turnaround Time:

In month of December, 70% of cases had TAT of more than 10 days while 20 % of cases had TAT of 8 to 10 days. In month of January, 61% of cases had TAT of more than 10 days while12 % cases had TAT of 8 to 10 days, in month of February, 23% of cases had TAT of more than 10 days while 54% cases had 3 to 7 days of TAT



PPMC charges:

PPMC CHARGES NOT DEDUCTED IN THE SYSTEM: system does not deduct the PPMC charges which leads to loss to the company. Till today, company has lost almost 4 lakhs due to PPMC charges. System refunds the 100% amount to the customers which ideally should not be there. 50% PPMC charges, as per the norms, should be deducted from the refund amount.

RESULTS/ FINDINGS

1. The data indicates that the TAT of the maximum cases is beyond 10 days or in between 8 to 10 days which requires urgent attention as it breaches the compliance
2. Such high TAT results in customer dissatisfaction, which further effect the company's reputation.
3. It was observed that the refund by Operations was mainly due to the finance non-clearance. The ops team did not initiate the refund, as they do not get clearance from the finance for the payment.
4. It was also observed that lot of cases were pending due to the IT issue. As the company has newly started in insurance sector, the IT system is not developed efficiently, resulting in lot of IT problems. This further affects the refund and thus increases the TAT of the refund.
5. Lack of coordination between Finance and Operations team.
6. Routine monitoring of the refund process was lacking. It was not made as the routine work due to other priorities and lack of human resources.
7. PPMC charges were not deducted from the refund amount resulting in financial loss to the company. The customer is refunded 100% payment, which is ideally not correct. The PPMC charges should be deducted from the amount but due to system issue, it was not done.

INTERVENTIONS

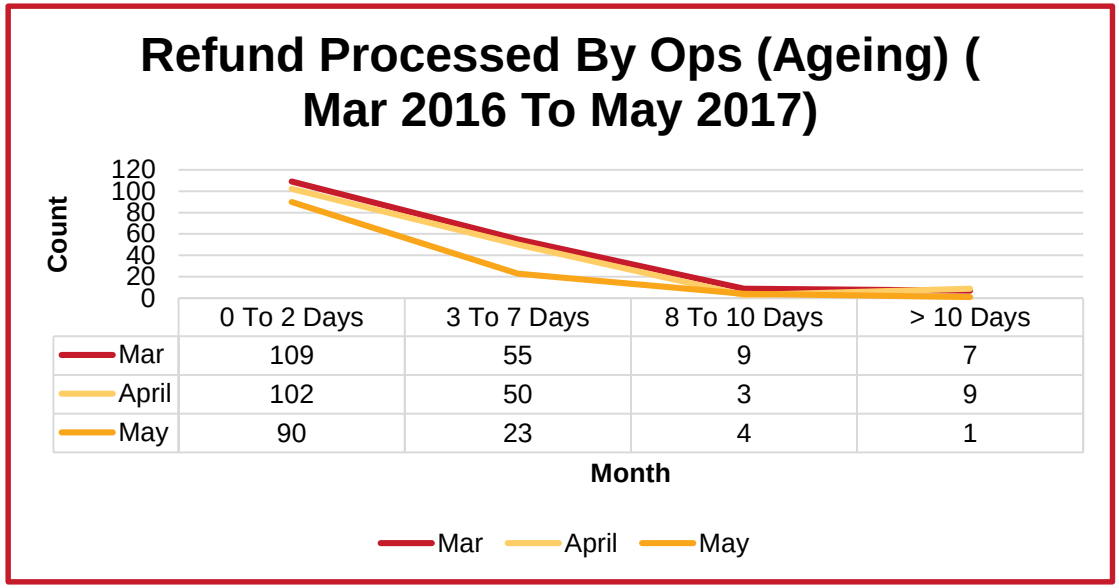
1. Proactive chasing of cancellation and rejected cases for refund.
2. Checking Receipt ID, clearance on the daily basis.
3. Making the refund process as a routine activity.
4. Coordinating with Finance team for streamlining the process.
5. Enhancing the system capability for minimal IT issue and smoothening the refund process.
6. Checking with the finance for the clearance of the payment necessary to initiate the refund.
7. Developing the system and raising the change request to allow the deduction of PPMC charges from the amount of refund.

IMPROVEMENTS SEEN POST INTERVENTIONS

After applying the implementations, improvements are seen. Some implementations were done in the month of March, April and May and the data is again studies and analyzed.

Refund Process by Ops:

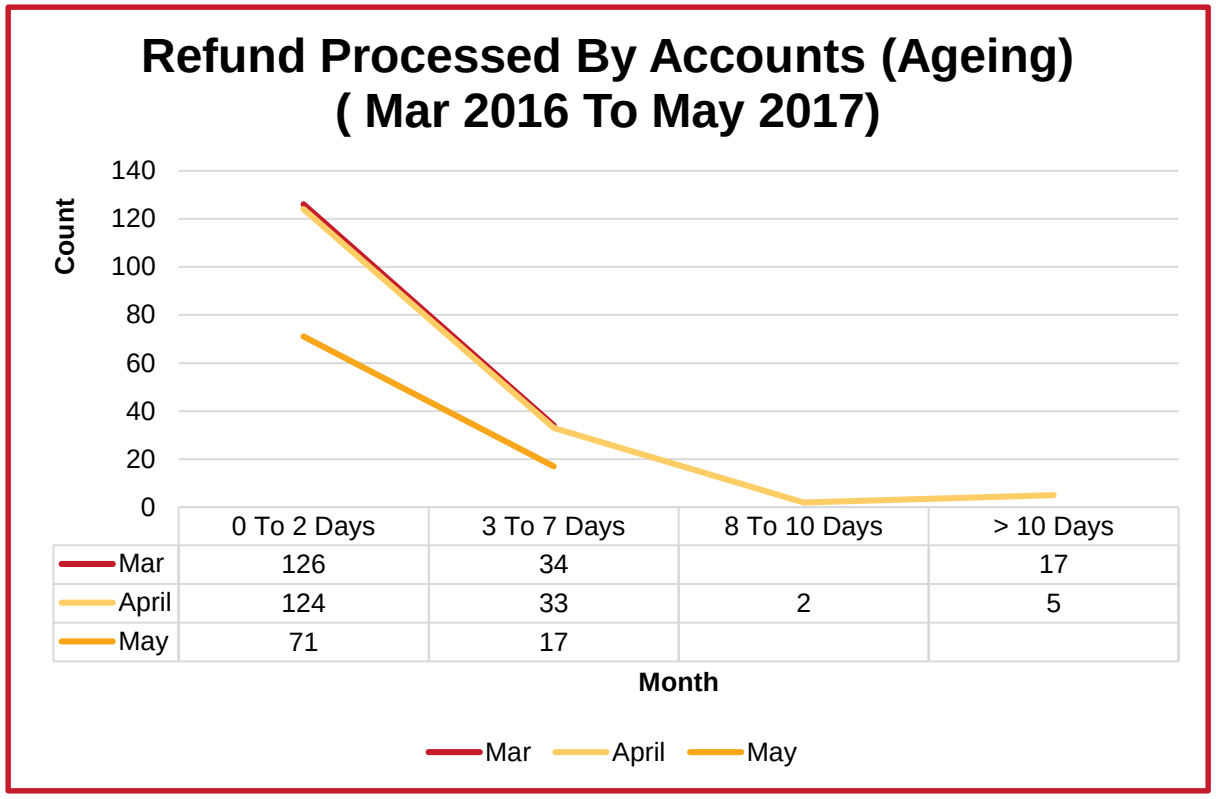
It is seen that only 3% cases took more than 10 Days in April while only 1 case out of 118 took more than 10 days in month of May. Around 91% cases are taking less than a week to get refunded by ops in month of March and around 95% in month of May.



Refund done by Accounts:

In month of March, around 90% cases took less than a week to get refunded while in month of April, the figure increased to 96%.

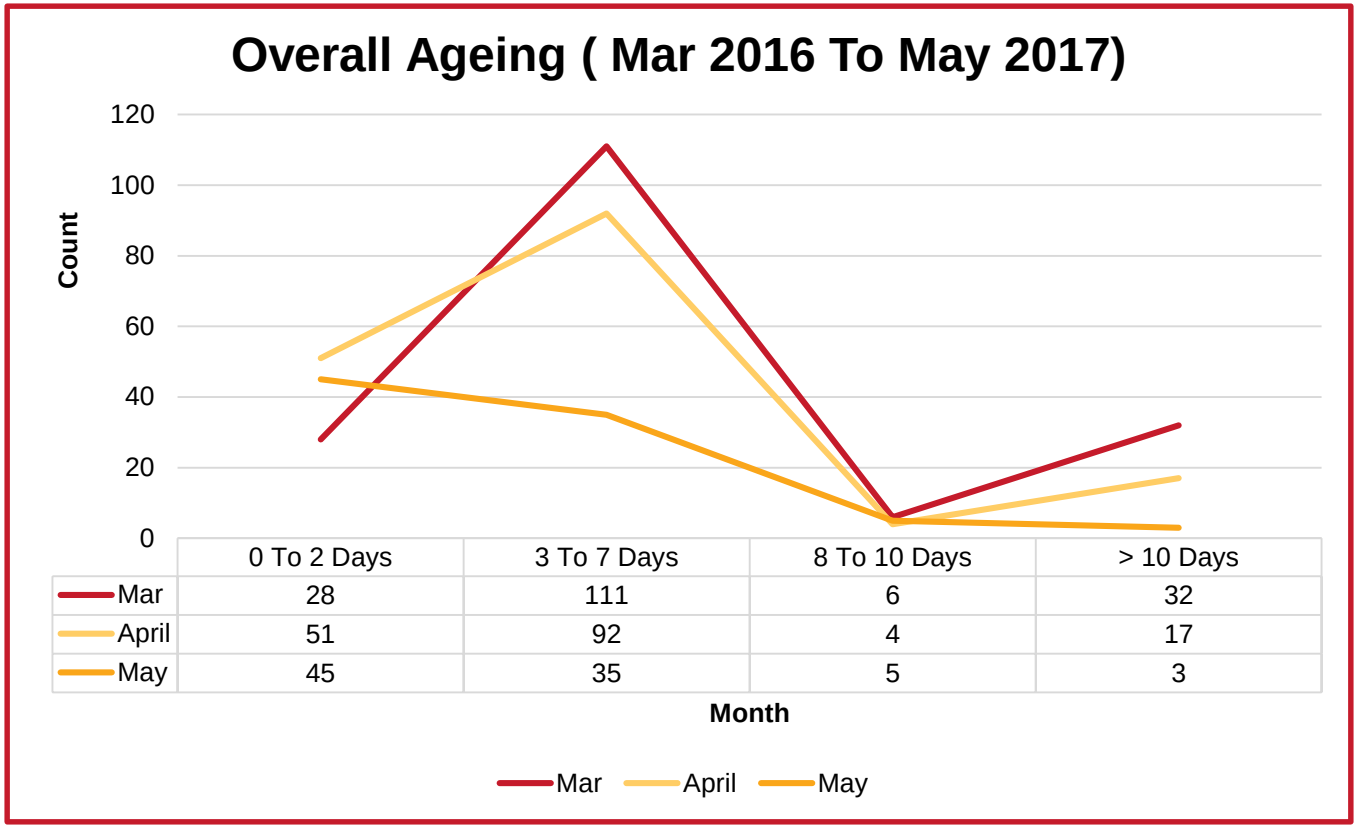
In Month of May, almost all the cases were refunded in less than a week time.



	0 To 2 Days	3 To 7 Days	8 To 10 Days	> 10 Days
Mar	126	34		17
April	124	33	2	5
May	71	17		

Total Turnaround Time:

Maximum cases got refunded in less than a week time



	0 To 2 Days	3 To 7 Days	8 To 10 Days	> 10 Days
Mar	28	111	6	32
April	51	92	4	17
May	45	35	5	3

CONCLUSIONS

The standalone health insurance arm under the brand Aditya Birla Health Insurance (ABHI). The new business segment is a joint venture between the Aditya Birla Group and MMI Holdings Ltd (MMI), a diversified financial services company in South Africa.

1. It is a new startup in health insurance domain. For the company, customer satisfaction and trust is of prime most importance. The company takes all the customers on the individual basis and give priority to their rights. It performs all the possible actions required to develop trust among the customers. It aims to empower and motivate the people to live healthy life.
2. For achieving customer satisfaction, refund plays a very vital role. Insurance sector, where fraud is very common, company takes all the measure to take necessary actions to avoid such frauds. Returning the money back to the customer on their account on time, impacts on customer satisfaction leading to maintain the relationship with the customer.

THANK YOU