

## PERSONAL FINANCE

# Buying an insurance policy? Look out for 3 things in a company

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BUYING INSURANCE is crucial to protect your assets from any financial loss. As insurance is essentially a contract between the policyholder and the insurance company. So, before purchasing the policy, buyers must do the due diligence of the company, not just the insurance product. This approach is important because, at the end of the day, it is the insurance company that will honour the claims. Buyers should pay close attention to grievance ratio, coverage strength and financial muscle of the insurer, before taking any decision. Let us find out more about how they can do this.

**Grievance ratio:** As a policyholder, you want seamless experience during claims and also other times. If you are not happy, you can lodge complaints but this route might take a lot of time for resolution. The grievance ratio is a useful metric which tells you

about the number of complaints received by the insurer to premium collected. One should opt for insurers with low grievance ratio to premium. The larger an insurer, its premium collection might increase because of the ability to sell policies. However, a consequent rise in complaints shows dissatisfaction among consumers. Ideally, one should consider insurers with a grievance ratio to premium of less than 0.0015. Such a low ratio shows the insurance company is able to service customers' needs proactively.

**Coverage strength:** Unlike pure life insurance when the insured and the insurer don't speak during claims, service coverage becomes more important when it comes to non-life covers. General insurance consumers have a variety of requirements and only an insurer with proper coverage strength can step in to help every time with the highest level of service quality. Consider an insurance company which has an adequate number of offices across the country



and a high number of intermediaries working for it. Besides online and tele-calling services, the insurer must be accessible in channels that you want and keeps customers as a focal point in all operations. With the world adopting digital processes fast, the insurer

should have offer solutions, such as online self-endorsement facility to reduce customers walking into branches or calling agents for small changes in policy. The perfect marriage between technology and human interface is what delivers the best serv-

ice experience.

**Financial muscle:** An insurance company pays consumer claims based on its own financial assets. This is why adequate care should be taken in selecting an insurer with sufficient financial muscle. 'The larger, the better' argument is not the best approach. What insurance buyers should look for are stable and robust investment returns and a strong capital buffer i.e. solvency ratio. The latter metric measures the company's ability to pay off its claims if all of them materialise at once. Insurers make money by collecting insurance premiums and by generating returns from those premiums. Their key expenses are claims on the risks they underwrite and the cost of running their operations. If the insurer manages their business well, it has the requisite financial strength to honour customer claims.

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