CHAPTER-17

A STUDY TO ASSESS NEW BUSINESS GROUP OPERATIONS IN TERMS OF ITS TAT, PREMIUMS, COST AND EFFICIENCY

[1]**Shambhavi Shukla**

Student, IIHMR University

[2]**Dr. Anoop Khanna**

Professor, IIHMR University

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INTRODUCTION

Insurance Operations Cost refers to the expenses associated with the day-to-day functioning of an insurance company. In the context of a commercial insurance company, these costs are broadly categorized into three main types. Firstly, Fixed costs are those that remain constant, regardless of the company's operational state or capacity. This includes expenses like building rent, furniture, and laptops. These costs are incurred irrespective of the business's operational activity and remain constant. Secondly, Variable costs fluctuate based on the level of production and how it is conducted. For instance, issuing a certain number of insurance policies might require different amounts of time and resources depending on the production speed. Variable costs include indirect overhead costs such as laptop supplies, computer supplies, credit card processing, electrical usage, office products, payroll services, telecom, uniforms, utilities, or waste disposal. Thirdly, Semi-variable costs are expenses necessary to maintain the business in proper condition, such as maintenance costs. These costs are partially fixed and partially variable, reflecting the dual nature of their impact on the company's budget [2,3].

Overhead costs in an insurance company involve the expenditure on manpower used by the company. These costs are typically quantified in monetary terms, but non-monetary overhead, such as the time required to complete a task, is also a factor. Examples of overhead costs encompass rent for office space, electricity costs for office lights, and some office personnel wages. It's important to note that non-overhead costs are separate and pertain to expenses like the cost of raw materials used in the goods a business sells [1].

RESEARCH OBJECTIVES

1. To examine the procedural workflow of new business group operations.
2. To identify any problematic areas within the process.
3. To evaluate the time (TAT) required to issue a new business policy.

4. To calculate the cost associated with issuing a new business policy.

RESEARCH METHODOLOGY

A descriptive, cross-sectional study was conducted at Aditya Birla Health Insurance over a two-month period from February 14th, 2019, to April 14th, 2019. The initial phase involved an examination of the process flow of group operations, gaining an understanding of the procedures associated with new business group operations. Subsequently, a time and motion study were undertaken to identify the total time required for policy issuance. Secondary data from inception was collected and analyzed accordingly.

The sample for the study was selected using the purposive sampling technique, with a total sample size of 55 participants chosen based on the assumption that, on average, one new business issuance takes approximately six days. The data obtained was then analyzed using Microsoft Excel.

RESULTS & DISCUSSION

During the study, it was observed that 41% of the premiums fell within the range of under 1 lakh, which accounted for 1609 out of 3924 policies. Out of this subset, 40% of policies with a premium of 1 lakh, a significant portion, were concentrated under 20 thousand, specifically 739 out of 1609 policies. Furthermore, the zones contributing the highest premiums under 1 lakh were identified as Maharashtra, Delhi, Telangana, Karnataka, and Tamil Nadu. The cost associated with the issuance of a new business policy was determined to be 950 Rs, considering the time taken for the process in relation to the incurred employee salary.

On average, the time taken by a resource for the policy issuance of new business policies was approximately 3.2 hours. The efficiency of the employee in this process was found to be 35%. The study revealed that the maximum time consumption occurred during the data uploading phase in the HB portal, which was identified as a value-enabling activity. Additionally, it was noted that the data format received from brokers was not standardized, contributing to operational challenges.

CONCLUSION

The study findings underscored that new business with a premium below Rs. 950 translates into an operational loss for the company, particularly excluding the sales and underwriting department. The time-motion study revealed that the issuance of new business could be achieved within a time frame of 2 hours. To optimize the efficiency of the process, it was recommended that the HB upload feature should have a standardized data uploading limit to prevent unnecessary time wastage. Standardizing the data format with brokers was also suggested as a measure to avoid the need for rework in data handling. Additionally, the implementation of a maker-checker type system was proposed to introduce control checks within the process, ensuring a systematic and error-free workflow.

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