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A Study on Effectiveness of Claim Settlement Ratio with Special Reference to Chennai

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ABSTRACT: Insurance services play an important role in providing financial support during unexpected situations. One of the key factors that build trust among policy holders is the effectiveness of claim settlement. When claims are settled quickly and fairly, it improves customer confidence and satisfaction. Delays or lack of transparency can create dissatisfaction among customers. So, it is important to understand how well claim settlement processes are managed. The major goal of the current research is to examine the usefulness of claim settlement ratio, in private health insurance firms, by emphasizing on the variables that are considered important in this research study: the time taken to process claims, transparency of claim procedures, documentation, and satisfaction of claims by the customers. The geographical area of the study is restricted to Chennai, Tamil Nadu and to the insurance companies that are the participants of the study, that is, to the private health insurance companies such as the ICICI Lombard General Insurance Ltd., HDFC ERGO Health Insurance Ltd., Max Bupa Health Insurance Ltd., Star Health and Allied Insurance Ltd., and Apollo Munich Health Insurance Ltd. Primary data will be collected using structured questionnaires on a sample of 120 policyholders so that all types of demographics and types of policies are represented. Descriptive research design and convenience sampling method has been used. Simple percentage analysis, chi-square analysis, correlation have been applied to reach the findings of the study. The study shows that fair and efficient claim settlement is important for building reliability. Overall, better claim settlement practices help in increasing customer satisfaction and long-term loyalty.

KEYWORDS: Claim Settlement Ratio, Insurance Performance, Claim Processing Efficiency, Customer Satisfaction, Service Quality, Transparency, Policyholder Trust.

I. INTRODUCTION

Insurance is a financial agreement whereby individuals or organizations execute the risk of possible loss of finances to an insurance company in exchange of payment of a premium. It covers anti-accidents, sickness, property damages, or loss of life, which are some of the uncertainties. Insurance would lead to pooling of risks and the loss burden would be distributed among a great number of policyholders. Insurance is therefore a mechanism that provides stability and security in finances of individuals, families and businesses. According to John Magee, "Insurance is a plan by which large numbers of people associate themselves and transfer to the shoulders of all risks that attach to individuals."

Insurance offers financial safeguard in case of unforeseen losses that can arise as a result of accidents, diseases or natural catastrophes. It makes people and corporations not carry the whole financial weight on their shoulders. Policyholders are able to transfer the financial risks that may occur to the insurance company by paying a small premium. This minimizes the pressure and effect of unexpected occurrences. Insured financial security can be used to make future planning easier. It secures finances both personal and business by paying unanticipated costs. Therefore, insurance is a security net in the uncertain times.

Various insurance plans, in particular, life and endowment plans, promote frequent savings. The policyholders pay little amounts on a regular basis, which builds up with time. Such investments are used to accumulate a pool to use in the future or retirement. The money collected by insurance companies is also invested in other sectors thus adding to economic development. Saving by insurance is a discipline in finances. It offers the two advantages of defense and wealth generation. In general, insurance promotes long-term financial planning and investing.

OBJECTIVES OF THE STUDY

- To examine the claim processing time of the insurance company for the policy holders.
- To analyze the transparency in claim procedures for the policy holders.
- To assess the policy holders perception towards documentation requirements at the time of claim settlements.
- To evaluate the customer satisfaction with claim settlement in insurance services.

II. REVIEW OF LITERATURE

Maheshwari & Mahapatro, 2025) conducted an empirical study to analyze the impact of claim settlement processes on Mediclaim policyholder satisfaction in Firozabad City (Uttar Pradesh), aiming to identify the key operational factors influencing customer experiences during claim settlement. The objective was to assess how claim processing time, communication clarity, and support from insurers and intermediaries (agents/TPAs) affect overall satisfaction levels among policyholders who had filed at least one claim. Using a descriptive-analytical research design, the study collected primary data from a sample of 200 Mediclaim policyholders through a structured, pre-tested questionnaire and analysed it using SPSS with descriptive statistics, Pearson correlation, and multiple linear regression techniques. Findings indicated that longer claim settlement time negatively affected satisfaction, while clear communication of policy terms and proactive support from insurers or TPAs were positively associated with higher satisfaction scores. The authors suggested that health digital claim tracking systems, standardize turnaround times, and improve communication channels to address operational bottlenecks. The conclusion emphasized that improving claim settlement efficiency enhances policyholder trust, contributing to better organizational performance in health insurance.

(Sharma & Rao, 2024) conducted a study on the influence of digital technologies on claim settlement processes in health insurance companies to understand whether automation and digital platforms improve settlement ratios and customer perceptions. The study's objective was to assess how digital claim platforms, online documentation, and real-time settlement tracking influence the effectiveness of health insurance claim handling. A sample of 380 policyholders who had experienced digital claim submission in the past year was surveyed using structured questionnaires. The research used a quantitative method, analyzing data through structural equation modeling (SEM) to test hypothesized relationships. Findings showed that digital technologies significantly reduce processing time, enhance transparency, and improve customer satisfaction with claim settlements, resulting in better organizational outcomes.

(Singhal, Sultana & Goyal, 2023) conducted a qualitative study to explore policyholders' experience and expectations from health insurance claim settlement during the COVID-19 pandemic in the National Capital Region (NCR) of India. The objective was to understand how claim settlement provisions and operational bottlenecks affected people who were hospitalised and claimed financial support for COVID-19 treatment. The study used in-depth interviews with 67 health insurance claimants, as well as discussions with branch managers, agents, and hospital staff to gather comprehensive insights into procedural and practical challenges. Through qualitative analysis techniques, the research found that service-level agreement lapses, lack of clarity in claim procedures, and inadequate customer awareness were major factors causing dissatisfaction among policyholders. Respondents reported confusion over procedural requirements and delays, which intensified financial and emotional stress during emergencies. The authors suggested that insurers and regulators should enhance claim settlement transparency, strengthen communication, and streamline operational processes to better support policyholders. The conclusion highlighted that policyholders' experiences during crises expose weaknesses in claim settlement practices, and improving these processes can significantly enhance customer trust and satisfaction within the health insurance sector.

III. RESEARCH METHODOLOGY

The research design that will be used in the study is descriptive research design. The sampling design adopted in the study is convenience sampling. Primary data will be gathered directly by way of policyholders through a structured questionnaire Secondary data are collected through company reports, insurance journals, published research papers, articles and credible websites. The sample size of the study is 120. Simple percentage analysis, chi square analysis and correlation have been used in this study.

Data analysis and interpretation

Table No. 1 CLAIM PROCESSING TIME

Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
The time taken for claim verification is satisfactory	30 (25.0%)	45 (37.5%)	20 (16.7%)	15 (12.5%)	10 (8.3%)	120 (100%)
Claim settlement procedures are completed without unnecessary delays	28 (23.3%)	42 (35.0%)	22 (18.3%)	16 (13.3%)	12 (10.0%)	120 (100%)
The duration between claim submission and settlement is acceptable	32 (26.7%)	44 (36.7%)	18 (15.0%)	14 (11.7%)	12 (10.0%)	120 (100%)
Timely updates are provided during the claim processing period	26 (21.7%)	40 (33.3%)	25 (20.8%)	17 (14.2%)	12 (10.0%)	120 (100%)
The overall waiting time for claim settlement is minimal	24 (20.0%)	38 (31.7%)	28 (23.3%)	18 (15.0%)	12 (10.0%)	120 (100%)

Source: Primary data

INTERPRETATION

The above table shows the respondents 25.0% strongly agree and 37.5% agree that the time taken for claim verification is satisfactory, while 16.7% are neutral, 12.5% disagree, and 8.3% strongly disagree. 23.3% strongly agree and 35.0% agree that claim settlement procedures are completed without unnecessary delays, while 18.3% are neutral, 13.3% disagree, and 10.0% strongly disagree. 26.7% strongly agree and 36.7% agree that the duration between claim submission and settlement is acceptable, while 15.0% are neutral, 11.7% disagree, and 10.0% strongly disagree. 21.7% strongly agree and 33.3% agree that timely updates are provided during the claim processing period, while 20.8% are neutral, 14.2% disagree, and 10.0% strongly disagree. 20.0% strongly agree and 31.7% agree that the overall waiting time for claim settlement is minimal, while 23.3% are neutral, 15.0% disagree, and 10.0% strongly disagree.

Table No. 2 CUSTOMER SATISFACTION WITH CLAIM SETTLEMENT

Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
The claim settlement experience meets expectations	34 (28.3%)	46 (38.3%)	18 (15.0%)	12 (10.0%)	10 (8.3%)	120 (100%)
The efficiency of claim settlement leads to overall satisfaction	32 (26.7%)	44 (36.7%)	20 (16.7%)	14 (11.7%)	10 (8.3%)	120 (100%)
The claim settlement process reflects good service quality	30 (25.0%)	42 (35.0%)	22 (18.3%)	14 (11.7%)	12 (10.0%)	120 (100%)
The claim settlement experience encourages continued association with the insurer	28 (23.3%)	40 (33.3%)	24 (20.0%)	16 (13.3%)	12 (10.0%)	120 (100%)
The claim settlement process reflects fairness and reliability	29 (24.2%)	41 (34.2%)	23 (19.2%)	15 (12.5%)	12 (10.0%)	120 (100%)

Source: Primary data

INTERPRETATION

The above table shows the respondents 28.3% strongly agree and 38.3% agree that the claim settlement experience meets expectations, while 15.0% are neutral, 10.0% disagree, and 8.3% strongly disagree. 26.7% strongly agree and 36.7% agree that the efficiency of claim settlement leads to overall satisfaction, while 16.7% are neutral, 11.7% disagree, and 8.3% strongly disagree. 25.0% strongly agree and 35.0% agree that the claim settlement process reflects good service quality, while 18.3% are neutral, 11.7% disagree, and 10.0% strongly disagree. 23.3% strongly agree and 33.3% agree that the claim settlement experience encourages continued association with the insurer, while 20.0% are neutral, 13.3% disagree, and 10.0% strongly disagree. 24.2% strongly agree and 34.2% agree that the claim settlement process reflects fairness and reliability, while 19.2% are neutral, 12.5% disagree, and 10.0% strongly disagree.

Table No. 3 Transparency in Claim Procedures

Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Clear guidelines are provided for filing insurance claims	36 (30.0%)	48 (40.0%)	16 (13.3%)	12 (10.0%)	8 (6.7%)	120 (100%)
The reasons for claim approval or rejection are clearly communicated	32 (26.7%)	44 (36.7%)	20 (16.7%)	14 (11.7%)	10 (8.3%)	120 (100%)
The claim settlement process is transparent and easy to understand	30 (25.0%)	42 (35.0%)	22 (18.3%)	14 (11.7%)	12 (10.0%)	120 (100%)
Claim procedures are clearly explained by the insurance company	34 (28.3%)	46 (38.3%)	18 (15.0%)	12 (10.0%)	10 (8.3%)	120 (100%)
Policy conditions related to claim settlement are clearly stated	31 (25.8%)	43 (35.8%)	21 (17.5%)	13 (10.8%)	12 (10.0%)	120 (100%)

Source: Primary data

INTERPRETATION

The above table shows the respondents 30.0% strongly agree and 40.0% agree that clear guidelines are provided for filing insurance claims, while 13.3% are neutral, 10.0% disagree, and 6.7% strongly disagree. 26.7% strongly agree and 36.7% agree that the reasons for claim approval or rejection are clearly communicated, while 16.7% are neutral, 11.7% disagree, and 8.3% strongly disagree. 25.0% strongly agree and 35.0% agree that the claim settlement process is transparent and easy to understand, while 18.3% are neutral, 11.7% disagree, and 10.0% strongly disagree. 28.3% strongly agree and 38.3% agree that claim procedures are clearly explained by the insurance company, while 15.0% are neutral, 10.0% disagree, and 8.3% strongly disagree. 25.8% strongly agree and 35.8% agree that policy conditions related to claim settlement are clearly stated, while 17.5% are neutral, 10.8% disagree, and 10.0% strongly disagree.

IV. CHI-SQUARE ANALYSIS: RELATIONSHI BETWEEN CLAIM PROCESSING TIME AND CUSTOMER SATISFACTION WITH CLAIM SETTLEMENT

HYPOTHESIS TESTING

Null hypothesis (H01): There is no significant relationship between claim processing time and customer satisfaction with claim settlement.

Alternative hypothesis (H02): There is some significant relationship between claim processing time and customer satisfaction with claim settlement.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	347.073 ^a	195	.000

Likelihood Ratio	264.336	195	.001
Linear-by-Linear Association	4.904	1	.027
N of Valid Cases	120		
a. 222 cells (99.1%) have expected count less than 5. The minimum expected count is .02.			

INTERPRETATION:

As per the above table, it is inferred that the P value is 0.000; it is not significant to 5% (0.05) significant level. The minimum expected count is 0.02. Thus null hypothesis is rejected and it is found that there is significant difference between claim processing time and customer satisfaction with claim settlement.

V. CORRELATION ANALYSIS: RELATIONSHIP BETWEEN TRANSPARENCY IN CLAIM PROCEDURES AND CUSTOMER SATISFACTION WITH CLAIM SETTLEMENT

HYPOTHESIS TESTING

Null hypothesis (H01): There is no significant relationship between transparency in claim procedures and customer satisfaction with claim settlement.

Alternative hypothesis (H02): There is some significant relationship between transparency in claim procedures and customer satisfaction with claim settlement.

Correlations			
		Transparency in claim procedures	Customer satisfaction with claim settlement
Transparency in claim procedures	Pearson Correlation	1	-.434**
	Sig. (2-tailed)		.000
	N	120	120
Customer satisfaction with claim settlement	Pearson Correlation	-.434**	1
	Sig. (2-tailed)	.000	
	N	120	120
**. Correlation is significant at the 0.01 level (2-tailed).			

INTERPRETATION

The above table indicates that out of 120 respondents, co-efficient of correlation between transparency in claim procedures and customer satisfaction with claim settlement is -0.434. It is below 1. So there is negative relationship between transparency in claim procedures and customer satisfaction with claim settlement.

VI. SUGGESTIONS

- The internal processes of the company should be streamlined to be able to deliver services faster and more consistently.
- The firm should also adopt effective workflow to reduce time wastage in all business processes.
- The company must be keen on cutting processing time by the use of better systems and practices.
- The company ought to maintain frequent and time-sensitive contacts with the customers in service processes.
- The company should minimize the waiting time through improving the overall operational efficiency.
- To enhance the process, the company must have straightforward and concise rules that must be adhered to during all the processes.
- The company should be transparent and explain the reasoning of the decisions made and why.
- The company ought to streamline the processes to make them more transparent and easy to use.
- The company must maintain a good correspondence and orientation on all the procedures.
- All the terms and conditions pertaining to the company should be well spelt and communicated.
- The company ought to streamline requirements to make processes simple and easy to manage to the customers.

VII. CONCLUSION

The conclusion is that customer perception, trust and general satisfaction with insurance providers have a significant impact on the claim settlement ratio. Whenever the process of settling claims is timely, transparent, and with support of clear communication, policyholders are likely to gain confidence with the insurer. Conversely, delays, complicated documentation and in transparency of procedures may produce dissatisfaction and decrease the perceived trustworthiness of the insurance company. Therefore, the effectiveness and justice of settling the claims have a conclusive impact on defining the reliability and acceptance of insurance services.

Further on, it is also concluded that the claim settlement experience should be made stronger with the help of improvements in the workflow efficiency, procedure simplification, and better communication. The customer-focused model which guarantees swift processing, less paperwork and correct instructions can result in increased satisfaction and long-term commitment with the insurer. Thus, insurance companies should constantly upgrade their claim settlement procedures in order to sustain fairness, reliability and quality of service which eventually leads to the long-term customer trust and loyalty.

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