Pricing Assumptions (Short Term Health Indemnity Product)

Claim frequency : Rating Parameters

What are the rating parameters ?

- Age of Insured

- Product Design (e.g. Deductible)

- Sum Insured ?

- Location ?

Claim Frequency Assumptions: Factors To Consider

- New product or re-filing ?

- New product
    - Internal experience of similar product(s)
    - Published statistics (IIB Report)
    - Business strategy/Channel mix
    - Pre-acceptance Underwriting practice
    - Product design (e.g. Waiting period, Optional benefit)

- Re-filing
    - Contribution from Renewal business

Claim severity Rating Parameters

- Important Rating parameters

    - Age of Insured
    - Sum Insured
    - Location

Claim Severity Assumptions: Factors To Consider

- New product or re-filing ?

- New product
    - Internal experience of similar product(s)
    - Published statistics (IIB Report)
    - Business strategy/Channel mix
    - Product design (e.g. Room category restriction)

- Re-filing
    - Impact of Renewal business

- Future Medical Inflation
- Advancement in medical technology

Floater Policy

- Need to make an assumption about age of the spouse

- Technical discount due to single sum insured available for all the family members
    - Will vary by age and sum insured

- Discount due to administrative cost saving

- Anti-selection discount ?

Mass Scheme

- Fresh policy or renewal ?

- Fresh policy
    - Experience of similar scheme(s) in neighbouring districts/states
    - Availability of Medical infrastructure facility
    - Impact of Hospital package rate
    - General awareness/literacy rate in the state

- Renewal
    - Which phase ?
    - Any change in hospital package rate ?

IBNR Reserving : Understanding Settlement Rate

Understanding The Trend in Claim Settlement Process

- Observe key ratios in the **first/second development period across all accident cohorts**

   - Settled Vs Reported claim count ratio & Paid Vs Incurred claim amount ratio
   - Consider Rejected claim count contribution

- **Paid Ratio** (% of Earned Premium) in the first development period, however need to also consider:
   - Claim frequency per earned exposure
   - Average claim cost per claim

Example

Accident Quarter (AQ)	First Development Quarter	
	Settled/Reported Claim count	Paid/Incurred Claim amount
AQ1	55%	59%
AQ2	48%	52%
AQ3	45%	49%
AQ4	43%	48%
AQ5	42%	44%
AQ6	39%	42%
AQ7	35%	40%
AQ8	32%	35%
AQ9 (Latest Quarter)	24%	28%

You may want to put additional margin while choosing Development factor of Q2 over Q1, for the latest quarter

Discuss the derived Ultimate claim ratio level for the quarter with Underwriter/Claim/ MIS function to get the comfort level

Thank You