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Synergy between Insurance Company & Customer

'Connect with Customer' is the buzzword. This enables customer relationship and customer satisfaction. This article critically looks at issues faced by the insurance industry and the ways to connect with the customers.

Insurance Industry is at the cross roads now- it was under the Government control through the Public Sector companies for more than four decades and again it was privatized in 1999, through the formation of a Regulator- Insurance Regulatory & Development Authority- IRDA. There are 24 Life Insurance companies and 28 General Insurance companies, including the Public Sector Units.

There was a sharp increase in the new business initially when the Private Players came in to the arena in the early 2000s, only to dry up after a decade and now a lot of debate is on:

- Is the insurance industry growing on the right lines?
- Does the IRDA regulate more than develop the industry, because regulation comes first in its nomenclature?
- Has 'Mis-selling' become the norm or an exception?
- Can India sustain the other intermediaries like the Bank Channel, Internet, Brokers etc or only the traditional Agency channel can survive in our country?
- Are the customers the victims in the whole game?
- Why there is no growth in the agency numbers, although it is often said that only sky is the limit for earnings under an insurance agency career?

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- How to connect with the customers- Relationship Marketing or Technology or CRM initiatives or Operational efficiencies or Call Centers?

There are endless questions about the future of the insurance industry in India, but one thing is certain- whatever happens in the industry, customer is the cornerstone of the insurance portfolio and unless the client is satisfied, well-connected and constantly kept in the loop, there is no bright future for the insurance industry as a whole.

The Present Position

- The economic turn down of 2008 had the impact on the insurance industry.
- All the Private Players including the insurance behemoth- Life Insurance Corporation of India- LIC- faced a downfall not only in new business but also in the number of their foot-soldiers- Agents. The number of agents for the entire industry is only 21.68 lacs, come down from a figure of more than 30 lacs, a few years ago. LIC has only 11.73 lac agents, one of its lowest figures.
- High inflation resulted in lower savings and demand for physical assets like the Real Estate and Gold again started reigning supreme.
- The number of complaints has gone up steeply from 309613 during 2011-12 to 341012 during 2012-13 in the life insurance sector.
- The amounts of claim not paid to the customers have increased enormously to Rs. 5848 crores in the life insurance industry due to non-availability of the bank accounts of the policyholders.
- The Persistency level of policies is not improving- the percentage is even as low as 60% for some of the Private Players.
- With the exit of a huge number of agents, the number of ‘orphan’ policyholders has increased manifold. It is more than 40 % of the total policyholders on an average for the life insurance industry.
- There are 30% lapses of policies after the first year and 50% lapses after five years of policies.
- Rs 1 lac crore were surrendered during 2012-13, out of which 73% belonged to ULIPs under LIC and 96% belonged to ULIPs under the Private Players.

- The number of employees in the industry has got reduced to 2.42 lacs from 2.67 lacs. 553 offices of the Private Insurers have been closed.
- There are only 10300 total branch offices in the entire country under life insurance companies. 18485 Death claims were rejected in the industry for an amount of Rs. 568 crores during 2012-13.
- The death claim settlement ratio for the Private Players has come down to 88%, whereas LIC maintains its ratio at 97.7%, with its claim rejection being only 1.12%.
- During 2013-14, only four Private Players showed growth in their premium income out of 23.
- The life insurance penetration dropped to 3.4% of GDP in 2007 from 4.6% in 2002.
- Now it shows signs of improvement by touching a figure of nearly 4% during 2012-13.
- The performance of a few countries in this sphere is much better- Asia-4.2%, Hong Kong- 10.98% and Taiwan- 15.03%.

Foreign Players are Quitting India:

- Mitsui Sumitomo bought 26% of Max Life insurance for Rs. 2731 crores.
- Nippon Life bought 26% of the Reliance Life Insurance Company for 2948 crores.
- Exide bought 26% of the ING Vysya for Rs.550 crores.
- Aviva is next in the list to sell its share of 26%

As per Swiss Re Report, India occupies 9th position in the world in premium income, up from 20th position in 2000. China occupies the 6th position.

As per the Mc Kinsey Report, the life insurance industry will show 15% growth in the next four years, touching a total premium income of Rs 550000 crores.

The Initiatives of the Insurance Companies

All the above are happening, despite a host of measures being taken up by every insurance company.

1. Through CRM measures like Information Desks, Kiosks, Call Centers, Info-centers, Single-window desk, the insurer is communicating with the customers.
2. There are programs of rewarding loyal customers through Additional or Loyalty Bonus at the time of the maturity of the policies.
3. There are customer-centric tools like providing on line solutions to the problems of customers.
4. Customer Grievance Redressal programs are available for each insurance company as well as at the IRDAI Portal.
5. There are Strategic CRM initiatives like the analyzing customer data, data mining and customer intelligence.
6. Social networking sites like the Face Book, Twitter and You Tube are also a part of the Strategic CRM of some Private insurance companies to remain in constant touch with the policyholders.
7. There is net-working of all the branches of the insurance company and there are facilities of LAN, MAN & WAN. (Local Area Network, Metro Area Network and Wide Area Network respectively.)
8. The premium can be paid in any branch in the country, and other servicing functions like the revival of the policies, change of address etc also can be carried out.
9. There are EDMS-Electronic Data Management Services, analysis of the needs of the customers, data-mining and mapping of the profiles of the customers.

Despite all the above, it appears that the insurance company is not in real touch with its customers and it has to invent itself to stay relevant. And connected.

For the Focus of the Insurance Companies

There are a few areas for the insurer to concentrate on for remaining in intimate association with the client as well as transform the way it should connect with the customer:

- Earlier we used to have insurance products from ‘cradle to grave’, meaning there are solutions for different situations in life like old age provision, untimely death, the education/marriage of children, start-up funds etc. Now this coinage has to

change to ‘cradle to cot’, meaning there should be suitable Plans right from the time a child is born in the cradle till he/she reaches the old age and be carefree lying in the cot, as he/she is covered by a good Health Cover, because rising health cost is the most threatening situation at the old age for any individual.

- For achieving this end, the agent has to regain the trust of the customer, by overcoming the fixation on Yields. Let us not allow the financial analysts daze the client with ROI- Return on Investment & Wealth creation jargons. The agent has to plan long term and offer risk protection to the family of the customer.
- Pension Plans, Health Insurance, Term Insurance and Mortgage Protection Plans are some of the long term financial solutions.
- The customers are no more patient or forgiving as they were in the past. In this information- filled Age, they immediately take the insurance company to task for any omission or error and go to the Consumer Council or the Insurance Ombudsman and get suitable awards. Thus customer centricity is the need of the hour. The insurance company has to inculcate the culture of customer centricity among its employees and officers through proper training and develop the habit of pro-activity rather than the present Re-activity.
- The distribution channels need a re-look and re-vamping. The traditional agency channel needs a complete overhaul through rigorous selection, systematic training in addition to the mandatory IRDAI training and test and monitoring of the activities of the agents. The alarming turn over of agents should be halted.
- The existing Banc Assurance tie-ups have to be leveraged by the insurer and improve their penetration. Can anybody believe that merely 15% of the present Bank Branches which are partners with an insurance company are involved in the selling of the insurance products?
- The insurance company needs to move towards a more scientific approach with more stress on Technology, whereby it can come closer to the customer.

Some of the Ails of the Insurance Sector

Multi-layered Agency Model

The traditional agency model has become very costly- first the expenses in recruiting agents through the tier of Development Officers/ Unit Managers, training the newly found

people, facing their turn over even during the training period, the slow progress in new business of the new agents due to the very nature of this selling profession, maintaining their records, monitoring their progress.... The list is endless.

As a matter of fact, a recent research among around 6700 job seekers revealed that only 10% of them preferred a sales job- among women it was still lower- 5%. Attrition among the sales personnel is a whopping 50 to 150%, depending up on the industry. The level of rejection on an average a sales person faces is 8 out of every 10 calls. Many sales people even refuse to drink water during their rounds because of the fear of searching for toilets!

One of the most predominant fears of the mothers is as to who will marry their salesmen- sons! Well, many of these findings eminently fit into the life of an insurance sales person too. The fixed expenses in running this agency model are very high, when you take into account the salary, allowances and other incentives given to the Development Officers/ Unit Managers who recruit these agents.

These further get multiplied when the expenses of the persons- Branch Managers- supervising the activities of the Development Officers/Unit Managers are also taken into consideration.

The ironic part of this whole model- multi-layered- is that right from the lowest rung- The Agent- to the highest rung- the Zonal Manager (this begins from the Development Officer, Assistant Branch Manager, Branch Manager, Sales Manager, Marketing Manager, Senior/ Divisional Manager, Regional Manager, finally ending with the Zonal Manager) all share the awards, rewards and accolades for the SAME premium income brought in by the first person down at the end of the ladder- The Agent.

The insurance company's incentive system is such that the premium brought in by one of the sales constituents- Agents-is the parameter for recognizing the work done by others in the ladder, beginning from the Development Officer/Unit Manager up to the level of Senior Executives like the Zonal Manager.

Infrastructure Cost

The cost of opening Branch Offices in different cities, towns and rural areas is very high. The real estate cost, the salaries of the Manager and the Staff and other expenses are mind-boggling. The rentals go up steeply, if the location is within the busy bazaar area. The broadband connection is too needed for working on line, even in the remotest of the areas, especially in the rural pockets.

The Distribution Channels

Apart from the agency model, the next one which is bringing in some premium income to the insurance company is the Bank Assurance Model. Although LIC is bringing only around 2-3% of its total new business premium income through the bank channel, it is nearly 45% for the Private Players. But again this is only half the picture. Not only 15% of the bank branches are involved in this process, there are also many instances of mis-selling, even forced selling to the customers and also ultimately not providing proper after-sales services with the result, the customer is left in the lurch.

The bank personnel selling the insurance products have a different story to narrate- no special incentive for doing this additional job, no mention of this work done in their Confidential Reports while their bank branch managers are taking all the credit, attending the different Conventions arranged by the insurance companies and receiving all the mementoes!

The customers are also not happy- they are forced certain policies down their throats, no after-sales servicing due to the lack of knowledge on the part of the bank employees and what not!

Customer at the Losing End

For the insurance industry, the intermediaries have become more important and the Products are designed in such a way so that they are easily 'pushed' in the market on the hapless customer. For the agents, the emphasis is more on their commission and not on the benefit to the policyholders.

This has become acute now in view of the total ban by the IRDAI on all the existing insurance products from January 1, 2014 and the absence of suitable insurance products released by the insurer. The blame game is going on between the insurers and the Regulator- with the insurance companies mentioning that around 200 products are with the IRDAI pending approval, whereas the Regulator is reiterating that he has only 70 products with him, that too pending for want of clarifications from the insurance companies. But the ultimate losers are the Agents and in turn, the clients.

This has resulted in the alienation of the customer towards the insurance company.

Attracting Talent for the Insurance Industry

Sadly it is no more the best talent that is attracted by the insurance industry. Seeing the vagaries of success in this sunrise industry, the most enterprising youngsters do not feel safe to join here.

Now the preference is for IT Industry, followed by Consultancy jobs, openings in the foreign land, banking sector etc. The craze for the Civil Service has returned with a vengeance. There are many training institutions for training for IAS/IPS services.

Only the average/ mediocre people apply for executive positions in the open recruitment of officers in the insurance industry and their turn over is quite alarming even during the training period.

The perception among the youngsters is that insurance job means working as an agent. While Agency is, no doubt, an excellent career- money wise and opportunity wise and there is nothing to feel awkward/ashamed in joining this profession, the fact remains that it is not every one's cup of tea!

When only the average people are retained, the service also tends to be average.

Now what are the Ways to Connect with the Customers?

Digitalization

Today's customer is more knowledgeable and demanding. He/she is younger, more tech-savvy and his/her expectations from the insurance are very high. More customer-friendly and cheaper products are the need of the hour. Better service on all fronts as well as faster compliances are required- in short quicker Turn around Time- TAT. India ranks second in the possession of mobiles in the world- 900 million mobiles are in use.

India ranks third in the usage of the Internet in the world- 300 million users as on date. India again ranks second in the number of the social media users in the world- more than 100 million. Government of India has given a call- Go Digital.

Already seven crore bank accounts have been opened under the Prime Minister's Jan Dhan Yojana- PMJDY- in less than 100 days from AUGUST 15, 2014 and the Government is planning to transfer benefits to the beneficiaries through ATMs and the mobile technology. As on May 31, 2015, 10.5 crore bank accounts have been opened under this

scheme and Rs 10500 crores are lying in deposits in these accounts. If this can be done by the Government, the insurance companies can do a lot more for connecting with their customers through Digitalization and Mobile technology.

Demat Formats for Policies

Already Insurance Regulatory & Development Authority of India - IRDAI has called for storing all the policy records by the insurance companies in a demat form. This will save a lot of hassles like the physical printing of nearly 5 crores policies every year, the cost of dispatching them to the customers, the storage space required for keeping the records etc. There is no fear of losing the policy documents due to theft, floods, fire etc. It is very easy for the policyholder to preserve his/her policy records.

On Line Servicing

The customer has no time or patience to contact the agent or the insurance company to get servicing, to know about new products and other benefits. The on line medium is not just about creating a website but it is the tool to serve the customer at the convenient time of the customer- not within office hours or working days and what not. The on line service is available 24/7 for the customer.

There is also advantage of mobile application through messaging and IVR- Inter-Voice Response. The customer only wants a hassle-free service and experience. The customer needs the information in whichever way and whatever form as desired by him/her. Ultimately the experience of transacting or doing business has to be seamless and painless for the customer and that is achieved in this way.

The customer is in better control of having his/her information come directly instead of paper, thereby, in the event of unfortunate loss, there is no data footprint left on the device, as everything is secure thanks to the technological intervention and innovation.

BC Model for the Rural Customers

Agent banking is another channel to promote financial inclusion globally. The Banking Correspondent Model- BC- in India has demonstrated the need for a shift from the single product regime to create value for banks, agents and clients. Since insurance and pension products cover a large span of rural clients, life cycle and needs, the prospect of insurance inclusion through agent banking is being widely recognized by Regulators and

practitioners alike. For low income clients, this should be a one-stop financial solution. Even the IRDAI has recommended the CSC Model- Common Services Centre- for the rural areas to be adopted by the insurance companies.

A Higher Role for the Bancassurance Model

The banks should be encouraged to recruit staff that would only be involved in selling Mutual Funds, insurance products and such other things. These people should be properly trained besides the mandatory IRDAI training. There has been an instance of such recruitment for rural banking before 2/3 decades. These people will not have the usual mindset of a banker- thinking of only the banking products. Such persons will have a personalized approach towards their insurance customers and have a deeper connect.

Customer Centricity

The insurance company should first understand its customers, their expectations and accordingly offer products and services which will add value. For this, there are different yardsticks:

- Retirement needs of the customers
- Health insurance requirements
- Changing Income Tax rules from time to time
- Life Expectancy
- Health costs
- Different life style needs of the customers and
- The varying needs of Urban and Rural clients.

Relationship Marketing

Relationship Marketing has the aim of building mutually satisfying long term relations with the customers. It builds strong economic, technical and social ties with the clients. Philip Kotler defines it “Build an effective network of relationship with the key stakeholders and profit will follow”.

In insurance selling, this Relationship Marketing transforms the prospect to a customer, then to a client and ultimately an advocate and an ambassador for the insurance company.

Relationship Marketing consists of :-

- Prospecting
- Counseling
- Servicing
- Remaining in constant touch and
- Be connected with the customer.

For this, the agent has to only give the following:

- A smile
- A patient hearing and
- Respect for the customer.

Remain Connected

This kind of remaining connected with the customer brings the following results:

- Satisfaction to the client
- Continued services from the agent at no extra cost
- Sale of new policies now and then from the existing clients to the insurance company
- Higher Persistency Ratio
- Less number of Lapses of policies
- Less number of surrenders of policies
- Both the above lead to higher profits for the insurance company
- Improving the image and reputation of the insurance company and
- Greater publicity for the insurance company through the word of mouth from the existing policyholders.

Banking industry has proved that 5% increase in customer satisfaction has led to 25% increase in profitability. While this is the experience in the Banking sector, remaining connected with our customers should lead to still better results.

Listening to the Customer is the Best Way to Connect

As per a Study, an ideal person spends 9% of his/her time in writing, 16% in reading, 30% in talking (not a surprise), and 45% in listening to others. Technology costs money- but what about a powerful but yet an inexpensive tool that can go a long way in connecting with the customer?

It is EMPATHETIC LISTENING.

This comes free, each one is equipped with this tool and not dependent on hardware or software- no question of the board- SYSTEM DOWN-SORRY. The customer wants to be treated as an important person, he/she wants to be respected, comfortably seated and definitely be understood. All these can be achieved by a patient and empathetic listener. The customer is greeted with a smile, offered a seat to sit and enquired politely as to his/her problem. He/she is listened to carefully with attention- Half the battle is already won without a single word being spoken or any simple solution offered.

The above are all very small things but they make a lot of difference to the customer and create a lot of impact on the mind of the customer about the insurance organization.

Have we not heard people saying “That officer did not solve my problem, but heard mine with a lot of patience- that itself is enough for me. I feel terribly satisfied and happy”?

Insurance companies have to recognize listening as a relationship building tool and an excellent method to connect with the customers. Just as you will listen blissfully to the early morning chirpings of the birds or distant whistling of the train at midnight, let us listen to our customers. You will realize that silence and silent listening are more powerful and they give stunning feedbacks.

This will lead to a better connect with your customers.

References :

- IRDAI Reports
- Economic News Paper

