

Increasing role of CRM in Life Insurance Sector

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Abstract

The Indian life insurance industry has its own origin and history, since its inception. It has passed through many obstacles, hindrances to attain the present status. The income earning capacity of an individual citizen of a nation, the eagerness and awareness of the general public are the two key determinants of the growth of any insurance industry. For that they should provide wider and mass-employment opportunities and sound educational system. Moreover, the general public must be inculcated with more knowledge, awareness and importance about life insurance, and these steps help to boost the growth of insurance industries CRM in life insurance sector plays a very important role; it is an activity/program by which the survival of an industry is being easy in competitive market. As its main functions is to maintain relationship with the existing (old) customers & new customers. The CRM is working as an important tool for the insurance industry in today's world/scenario as it is not an easy task to maintain the relationship with customers for long period of time but with the help of CRM it is being possible. It is concluded that Customer Relationship Management program started by the LIC is effective in approach. LIC is able to maintain good rapport with its customers and also this CRM program is helpful for it to compete with its competitors without losing its customers to them. With the introduction of Information technology, LIC is now providing satisfactory services to its customers and customers are feeling very much updated with all the happenings about their policies. It is evident that customer relationship management program is effective in approach and policy holders are experiencing difference in service comparatively with the past.

LIC; An Introduction

The Life Insurance Corporation of India was founded in 1956 when the Life Insurance of India Act passed in the parliament that nationalised the private insurance industry in India. Over 245 insurance companies and provident societies were merged to create the state owned Life Insurance Corporation. The Industrial Policy Resolution of 1956 passed the Life Insurance of India Act on June 19, 1956 creating the Life Insurance Corporation of India, which started operating in September of that year. It consolidated the life insurance business of 245 private life insurers and other entities offering life insurance services, this consisted of 154 life insurance companies, 16 foreign companies and 75 provident companies. The nationalisation of the life insurance business in India was a result of the Industrial Policy Resolution of 1956 which had created a policy framework for extending state control over at least seventeen sectors of the economy, including life insurance.

Organization:

Today LIC functions with 2048 fully computerized branch offices, 113 divisional offices, 8 Zonal offices, 1381 Satellite offices and the corporate office. LIC's Wide Area Network covers 113 Divisional offices and connects all the branches through a Metro Area Network. Foreign offices in United Kingdom, Mauritius and Fiji. LIC has tied up with some Banks and Service providers to offer on-line premium collection facility in selected cities. LIC's ECS and ATM premium payment facility is an addition to customer convenience. Apart from on-line Kiosks and IVRS, Info centres have been commissioned at Mumbai, Ahmadabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune and many other cities. With a vision of providing easy access to its policyholders, LIC has launched its SATELLITE SAMPARK offices. The satellite offices are smaller, leaner and closer to the customer. The digitalized records of the satellite offices will facilitate anywhere servicing and many other conveniences in the future.

IRDA: There was a time when Life Insurance in India meant LIC and nothing else, but after the liberalization policies and opening up of Insurance sector, lot of new insurance companies came up mainly as joint ventures between the leading Insurance companies of the world and the leading corporate houses of India. This article pertains to the general business environment in the insurance sector and the journey of the sector towards the present condition and the customer angle to the whole sector.

Before liberalization, there was a big monopoly in the Life Insurance sector with LIC as a sole major player and consumer faith on LIC was very high, primarily because of the government holding in the company. LIC also basically sold traditional plans which were of secured nature and people do get secured returns at the maturity along with some bonus. Indians have till date not understood the basic concept of insurance cover and the basic mentality of the consumer is what will I get in return at the time of maturity. This thought drove LIC towards endowment and cash back plans.

After liberalization of the insurance sector, lot of competition came in the form of new private players who had to add new customers to their business. These new players started aggressively and hired lot of agents and insurance sales officers. These people were lured for the want of commissions on the first premium paid by the new consumers. These private players started pushing different forms of ULIPS (Unit Linked Insurance Plans) in the public. This product was also favoured by the public since stock exchanges and equity were giving phenomenal returns. The agents would generally dupe public in buying those ULIPS which gave them maximum commission, not what they actually needs and they would be made to believe that the money would double in 5 years etc. LIC also introduced the ULIPS, but agents were not so aggressive and LIC would have its 50% traditional and ULIPS plans.

Everything was good until we saw the start of recession in the global economy, with it the indian stock markets took dive and the NAV of all the ULIPS came to a real low level, triggering a panic

reaction among the ULIP investors. But people were not told that ULIPS/Insurance products are long range products and if you redeem them before 5 years then various charges would be deducted from your investment and most of them did not even get, what they invested in total leading to lot of distrust for private insurance players. Initially LIC was losing a lot of market share to these companies, but now after the recession stage LIC is regaining the lost space and again is a major player in life insurance.

After Sept 2010, IRDA the regulatory body in india took some proactive steps for the regulation of ULIPS like there has to be some set life cover access in every product and commissions were also regulated for agents. The actions were taken after lot of complaints and tussle with SEBI over the control of these market oriented products. Now there are lot of educational shows on television which guides investors for the right kind of insurance product the investor needs. Customers are educated about the need of insurance and often told to look for term life insurance cover and not for their investment vehicles. After initial hiccups the life insurance sector in India is maturing and is poised for a long term growth leading to better risk coverage for the Indian customers.

FDI :Foreign direct investment (FDI) is a direct investment into production or business in a country by an individual or company of another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Seeking to attract more foreign investment, the government has relaxed FDI norms for the insurance sector by permitting overseas companies to buy 49 per cent stake in domestic insurers without prior approval.

Currently, up to 26 per cent FDI is permitted through the automatic approval route. For FDI up to 49 per cent, the approval of the Foreign Investment Promotion Board is required.

“The foreign investment proposals up to 49 per cent of the total paid up equity of the Indian insurance company shall be allowed on the automatic route subject to verification by the Insurance Regulatory and Development Authority of India,” said a government notification.

There are 52 insurance companies operating in India, of which 24 are in the life insurance business and 28 in general insurance. During April-December 2015, FDI into the country grew by 40 per cent to \$ 29.44 billion.

Liberalization of the financial services sector has led to insurance companies functioning increasingly under competitive pressures; so companies are consequently directing their strategies towards increasing customer satisfaction and loyalty through improved service quality. With the opening of insurance industry to private players, the competition has intensified and it has become very difficult for the companies to attract and retain the policyholders. Every company has recognized the need for shifting from a traditional strategy to survive in the market. It is in this context, the process of CRM has been adopted by all private and public sector insurance companies as well. CRM technologies and campaign management tools are maturing

and finding wider adoption with large insurance companies. This study is an endeavour to examine and evaluate the various CRM initiatives in life insurance companies and compare the strategies used by public sector LIC with private sector companies.

Introduction of CRM

CRM is a technology. Implementation of this technology includes collection of valuable information of the customers through previous contacts, surveys and queries. The information is collected through e-mail, fax and call centres. It is best fit for providing quality service towards policyholders. Through the implementation of CRM, the insurer gets the advantages of innovative development of product, better operational efficiency and accelerated customer satisfaction. The customers are becoming harder to convince and satisfy. They are more demanding, price and service-conscious, less forgiving and are approached easily by competitors with same or higher offers. This challenge is not to develop satiated customers but to produce very much delighted, loyal and committed customers

CRM in LIC which was once upon a time put customers through a lot of hardships now with the advent of private life insurance companies has reinvented itself in terms of Customer Relationship Management. Customization of life insurance products have enabled customers to choose among variety of life insurance products that are need based and customer centric. This culture was not prevalent in LIC when it was the sole Life Insurance provider in the country till year 2000. The company now provides online services for customer education regarding policy status, insurance selector, NRI centre, phone help line, policy guidelines, tax benefits, Bonus information and sms enquiry. It also provides premium calculator and multiple premium payment options. It was found that LIC had the most number of channels for customers to pay their premiums both online and offline when compared to private life insurance companies. The offline premium payment options were – ECS, Bill Pay and ATM.

CRM in LIC

CRM IN LIFE INSURANCE CORPORATION OF INDIA LIC had issued credit cards to the policyholders. The policyholders can make payment of premium to the Corporation with the help of the credit card. This practice was also taken up by some private insurers. Many insurance companies are also making payments to policyholders through National Electronic Fund Transfer (NEFT) and Electronic Clearing Service (ECS) to ensure speed and safety of funds. Through the Key Performance Indicator (KPI), an insurer can give necessary information to the insured immediately. Automated modes like ECS or standing instructions through a credit card ensure that the customer undertakes limited effort and decreases the risk of lapsation for both the customer and the insurer. Use of mobile phones for remittance of insurance premium is likely to be a reality soon. LIC opened satellite offices across the country to link up the branch network with the Head Office. As a result, the corporation took up the expansion of improved customer service even to rural areas. Now all customers can transfer insurance payments through any ATM

terminal anywhere in the country. The private players are also providing services beyond their boundaries. Through call centres and touch points, the insurers are serving the customers better. With the advent of the 111 information technology, e-mail and mobiles have also resulted in faster and safer customer services at a touch of the button. The Government of India is taking a step enormously for giving unique identification number to Indian citizens. LIC has agreed with the authority to provide verification services wherever necessary for a certain fee of the policyholders. It helps prevent insurance fraud by colluding with hospitals and diagnostic centres. The IRDA is also planning to establish insurance fraud prevention authority for reducing the problem of insurance fraud. Another facility by the insurer to the policyholder is the establishment of cheque boxes at various counters like malls, ATM centres, etc. The cheques of the policyholders are collected through these centres and the same will be deposited in the insurers' accounts. The philosophy behind all these initiatives is to ensure total satisfaction of the consumer. Treating the Customer Fairly (TCF) is a new management initiative that looks beyond mere customer satisfaction. It is a technique in which the gap between the customer's desire and what he gets from the insurer actually is reduced. It helps to gain the confidence of the customer. Every customer will be treated fairly by the insurer. It helps improved customer loyalty, increased customer satisfaction and improved goodwill. TCF ensures maintenance of satisfied customers and results in the long-term sustainable growth of the Indian life insurance industry. The technology has also used for providing customer services right from the proposal to the settling of a claim. The technology includes mobile, internet and electronic transfer. This increased the geographical spread of the business across the globe. Renewal follow-up services like timely reminders, renewal notices and facility to renew policies are also initiated by the insurers to build-up strong renewal mechanism. 112 Customer Due Diligence (CDD) is another management technique which helps the insurer to identify customer identity and verifying the beneficial owner. The insurers should apply CDD measures for determining the risk appetite depending upon the type of customer, business relationship or transaction. LIC which was once upon a time put customers through a lot of hardships now with the advent of private life insurance companies has reinvented itself in terms of Customer Relationship Management. Customization of life insurance products have enabled customers to choose among variety of life insurance products that are need based and customer centric. This culture was not prevalent in LIC when it was the sole Life Insurance provider in the country till year 2000. The company now provides online services for customer education regarding policy status, insurance selector, NRI centre, phone help line, policy guidelines, tax benefits, bonus information and sms enquiry. It also provides premium calculator and multiple premium payment options. It was found that LIC had the most number of channels for customers to pay their premiums both online and offline when compared to private life insurance companies. The Offline premium payment options were – ECS, Bill Pay and ATM. Online premium payment options include LIC Website – Net Banking, Debit and Credit card Authorized Banks – Through Axis Bank and Corporation Bank Franchises – AP Online, MP Online, SuvidhaInfoserve and Easy Bill Pay. Merchants – Premium Point Empowered agents, Life Plus (SBA) & Retired LIC Employee collection.

Conclusions and Suggestions

It is very clear from the analysis of the data and the statistical analysis that follows that the CRM practices of life insurance companies have seen a dramatic change over the past few years. Most of the insurance companies have very transparent and effective CRM models. However it is evident that the private companies have been the pioneers in initiating the CRM strategies because of service quality perceptions and increased competition in the industry. Customer services in private companies far outweigh the facilities offered in the public sector LIC. It was found that LIC has reinvented its strategies to stay abreast with IRDA regulations and provide varied facilities to its customers. Majority of the respondents were of the opinion that the services provided by private companies have redefined the whole concept of insurance. When LIC was the only insurance company customers were at a disadvantage due to its monopoly position and seller oriented selling of life insurance products. However life insurance products are now need based and customer centric. Customers have shown a clear preference for private life insurance companies due to their persistent efforts to build new clients and retain existing clients. Private companies also made it relatively easy for clients to revalidate lapsed policies and are very effective in quick claim settlements. There is definitely a shift of customers' preference from public sector LIC to private life insurance companies. This would be even more evident if private companies continue to reinvent themselves, develop customer need based products, eliminate mis-selling and concentrate on customer satisfaction and customer relationship building as its main prerogative

The Life Insurance Corporation of India came into existence on 1st September, 1956, with the objective of spreading life insurance more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost. LIC has played a significant role in spreading life insurance among the masses and mobilization of people's money for people's welfare.

From then to now, LIC has crossed many milestones and has set unprecedented performance records in various aspects of life insurance business. LIC continues to be the dominant life trajectory surpassing its own past records. In its 58 years of existence, LIC has grown from strength to strength be its customer base, agency network, branch office network, new business premium and has a significant role in spreading life insurance widely across the country. In the year 2014-15, 232.32 lakh claims amounting to Rs 90458.16 crore were settled, 99.51% of death claims and 99.78% of maturity claims were settled. The LIC has the best claim ratio in the industry. Indian insurance and is moving fast on a new growth

Life Insurance Corporation of India has outdone its peers in the private sector in most parameters used for measuring consumer friendliness. The corporation had fewer lapses, higher claim settlement and no penalties from the regulator. LIC has been a pioneer in using information technology for enhancing the quality of its service to customers. Being the largest insurer in India,

LIC has always explored all the avenues that technology offers to provide the best of services to its valued customers and other stakeholders. The LIC of India has the powerful network and it is launching attractive advertisements in the regular interval to create great awareness among the general public.

LIC Portal through www.licindia.in is the single largest collection centre with 35,634 outlets actively using the systems for premium collection and other servicing.

LIC reaches out to its customers through IVRS, Call Centres, Customer Zones, SMS, e-mail, website and through the popular Social Networking sites.

The Life Insurance business in India, outside India as well as the total business of LIC always has an increasing trend. The LPG has incorporated a positive influence on LIC of India and its performance.

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