

Customer Relationship Management in Insurance Sector

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Abstract: *Customer Relationship Management (CRM) now playing an inevitable role in the business world. Every institution wants to attract more and more customers and always struggling to retain their existing customers. CRM leads to modern trend in the field of business. Nowadays CRM is attracting the expanded attention of scholars and practitioners. In order to maintain customer relationship, life insurance companies should provide proper service whenever and wherever it is required.*

Key words: *Customer Relationship Management, Need for CRM, Introduction of CRM in a company CRM cycle Advantages and Factors responsible for failure of CRM*

I. Introduction

Customer relationship management (CRM) is a system for managing a company's interactions with current and future customers. It often involves using technology to organise, automatic and synchronise sales, marketing, customer service and technical support.^[1] CRM, uses the benefit of data management that allows data resources to work as a single integrated database. Origin of the term CRM can be traced back in the earlier 1990's, when the concept of marketing changed from transactional to rational. CRM is intended for building long-term relationship. CRM is often considered as database marketing primarily linking marketing of the organisation with the database of the customers. Some theorists have been considering it, as an exercise for customer retention as many theories and studies have been emphasising on the rationale for keeping the customers. This requires a variety of techniques, especially post-sale initiatives, to keep the customers for life. This was believed to be a mechanism to keep the existing customers happy so that they remain with the organisation and may, if possible, generate positive referral for the company's products and services. It was believed that application of IT can be an effective tool to develop one-to-one relationship that integrates database with company's marketing strategy that may focus on leveraging the existing customer base. Selling policies to new customers is expensive one compared to existing customer. Successful CRM should give insurers the ability to measure customer value, and improve the customer's service perceptions while reducing servicing costs.

1.2 Definition of CRM

Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organisation to achieve greater efficiency and effectiveness in delivering customer value.^[2] Similarly, CRM is marketing-oriented towards strong, lasting relationships with individual accounts.^[3] Based on the understanding available of Customer Relationship Management, it can be defined as "Customer Relationship Management is a continuously updated process of identifying relative value of customers and designing customised company interaction to delight them so that they do not just remain with the company profitably but also be the company's ambassador. Full involvement and empowerment of employees and appropriate technology are two essentials for successful CRM".^[4]

1.3 Need for CRM

Globalisation is a boom in Electronic world to help the field of CRM to contact customers directly. A firm can easily interact with its customers at low cost. CRM is one to one, communication from the firm and its customers. Firms must shift from the old paradigm of mass production to the new paradigm of mass customerisation to meet the exact demands of the customer.^[5] The last 15 years have witnessed an explosion of growth of opportunities for service sector organisations. Today, more and more service sector companies have a chance to walk on the competitive edge and prove their abilities on par if not better than other players in the field. The present trend is in favour of good customer relationship management. The successes of a service sector organisations today, depends on its ability to serve the customer for 'ever' and also making a number of service

available to the customers hence there is a need to study the impact of CRM on business prospectus. In this background, CRM becomes imperative.

1.4 Importance of CRM

A satisfied customer in 10 years will bring 100 more customers to the company. It costs 7 times more to attract a new customer than to serve an old one. 20% of the company's loyal customers account for 80% of its revenues. (Pareto's principle). The chances of selling to an existing customer are 1 in 2; the chances of selling to a new customer are 1 in 16. Customers tell eight friends about a satisfying experience and 20 friends for a negative experience. It is easier to influence existing customers to buy 10% more than increase the customer base by 10%. Eighty per cent of successful new product and service ideas come from existing customers. Repeat customers cost one-fifth less than new customers and can substantially increase profits.^[6]

1.5 Ways to keep customers

1. Every part of the company's marketing effort should be geared towards building lifetime relationships.
2. People want to do business with friendly people. To have effective relations a friendly attitude must permeate in the organisation.
3. Information technology developments should be positively used to serve the customers.
4. The company should always be flexible to bend its rules and procedures in the client's favour.
5. The company should communicate with its customers even when it is not trying to sell something.
6. The company can communicate and develop stronger customer bonding by providing financial and social benefits.
7. The company should try to know all its customers including their lifestyles, hobbies, likes and dislikes etc.
8. The company should make it a point to deliver more than what is promised.

II. CRM In Insurance

With the increase in the number of insurance companies in the market and consumers becoming more aware of different policies. Insurance companies have realized the importance of CRM. The cost of attracting a new customer is five times more than that is incurred to make an existing customer happy. Therefore, to survive in the market, insurance companies need to implement CRM in their organizations. This is the key to success in the industry. The organizations can succeed who have been able to build a base of their loyal customers, because a loyal customer advocates the companies' products much better than the organization itself. The basic existence of the organisation lies in the hands of its customers. It can be easily concluded that for success, it is necessary to implement CRM in the right manner.

2.1 Insurance companies available in India

1. Life Insurance Corporation of India
2. SBI Life Insurance Co. Ltd
3. Tata AIG General Insurance
4. New India Assurance
5. Oriental Insurance
6. ING Vysya Life Insurance
7. Shriram Life Insurance
8. ICICI Prudential Life Insurance
9. HDFC Standard Life Insurance
10. Bajaj Allianz General Insurance
11. IFFCO TOKIO General Insurance
12. ICICI Lombard General Insurance
13. Birla Sun Life Insurance
14. Aviva Life Insurance
15. Max Life Insurance
16. MetLife India Insurance
17. Reliance Life Insurance
18. Sahara India Life Insurance
19. Om Kotak Mahindra Insurance Company
20. Agriculture Insurance Company of India Ltd
21. Amsure Insurance
22. ANZ Insurance
23. Cholamandalam General Insurance
24. Employee's State Insurance Corporation

25. Peerless Smart Financial Solutions
26. Royal Sundaram Alliance Insurance India
27. Export Credit Guarantee Corporation of India Ltd.

III. Importance Of CRM In Insurance Sector

Many customers of Insurance companies are not aware of the policies and services to be rendered by the company. So there should be a relationship between the customer and the company. CRM helps the organisation to knowledge the customers on behalf of the organisation. Then only they become loyal to the organisation. Most insurers understand the CRM business proposition and have undertaken significant initiatives, there has been limited success to date.

3.1 Premium related services rendered by CRM

Life insurance premium has to be paid by the policy holder for a period of 5 years to 30 years. This period is depending on the term of the policy taken. In order to pay the premium in time, the company follow some CRM tools to help the customer. Customer service in insurance organizations is with strange constraints, which may not be very relevant in the other areas of services organizations. In some cases, it can go up to an entire life time of the client, if he or she is looking at backing up the risk coverage during the active working period with a reasonable and decent pension package.

3.1.1 Premium payment reminders

Sending reminders to the customers by mail is the oldest method followed by the organisation. Nowadays the insurance companies send reminders through e-Mail, SMS as per their customer's wish. The companies provide the facility to the customers to remit the premium not only in their office branches but also through new mode of payments such as service centres, net banking, mobile apps and bank accounts. Providing such user friendly services, the customers feel the service experience better.

3.1.2 Grace Period

The grace period for insurance policy means giving extra time to pay their premium, generally, 30 days for quarterly, half yearly and annual mode. For monthly payment mode, 15 days given as grace period. If the policyholder fails to pay the premium within the grace period, the policy will automatically lapse which means the policyholder no longer has the life protection of the policy. Providing grace period is also one of the CRM tool.

3.2 Premium related services rendered by CRM

There are some other services also provided by the Insurance companies using CRM as a tool.

3.2.1 Duplicate policy

If the original policy is lost, it is not easy to get a duplicate policy. Because there is a chance of misusing the original policy against the company. So the company take several precautions measures before issuing a duplicate policy. A duplicate policy confers on its owner the same rights and privileges as the original policy. Issuing duplicate policy is also one of the CRM tool.

3.2.2 Alterations in policy

Nowadays a policy can be altered so easy. Topup facilities for sum assured are available. Like that, the reduction of sum assured also available. Mode of payment of premium also changeable like monthly mode into quarterly or annually. Alterations in policy include conversion of whole life policy into endowment plan, alteration from without profit plan to with profit plan, correction in name, settlement option of payment of sum assured by instalments, grant of accident benefit, and etc. However, no alteration is permitted within one year of the commencement of the policy with some exceptions.

3.2.3 Policy transfer and change of address

Life insurance contract is long term process. So the address change of policy holder is inevitable. CRM helps the customer to apply and getting change in the address. As a result of address change, the policy records also to be get transferred from one branch to another. Today, all the branches are inter-connected through networking facility. So, the transfer of policy record from one branch to another is not necessary.

3.2.4 Maintenance of records

A policy holder may make modifications in the policy any time during the policy period. So it is vital to update and maintain the records of the policy holders. In early days, the policy holders have to contact their branches for every detail they want. But today, using effective CRM, it is easy to get any information they want.

3.2.5 Revival of policy

All life insurance companies provide the service of revival of the lapsed policies. Arrears of the unpaid premium with interest should be paid to revive the policy. If a revival of the policy is effected within 6 monthly

from the due of first unpaid premium, no personal statement regarding health is required and the policy is revived on collection of delayed premium with interest. Providing such facility of revival gives policyholder the opportunity to bring the customer upto date and avail the benefits of the insurance policy.

3.2.6 Assignment and Nomination

A life insurance policy is easily assignable to another person. If a policy owner wants to donate his life insurance policy to some other person, he can easily transfer his ownership rights of the policy. But once the transfer is made, if the assignor wants to cancel it, then the assignee would re-assigned it to the assignor. Life insurance policies insist their customers for nomination. Even though nomination is done at the time of purchasing the policy, nomination can also be made thereafter by means of an endorsement on the policy itself. Change and cancellation of nomination may be made any number of times by the life assured before the date of maturity of the policy.

3.3 Settlement related services

These are the essential services rendered by life insurers to their customers. A policyholder can terminate the contract whenever he wishes to, for any reason.

3.3.1 Surrender of a policy

Insurance companies provide policyholders the option of surrendering their insurance policies. Minimum three years, the premium have to be paid, the policyholder can surrender the contract for a guaranteed surrender value. In case of surrender, generally the policy has to be cancelled.

3.3.2 Paid up assurance

At least three years, the premium has to be paid and subsequent premiums are not paid, the policy will not lapse but will be converted into a paid-up assurance. The amount of claim will be available either on maturity of the policy or on death whichever is earlier.

3.3.3 Claims settlement

The settlement of claim is an important aspect of service to the policyholders. Life insurance companies have to give emphasis on expeditious settlement of maturity as well as death claims. They should provide proper guidance to their customers on the procedure for registering a claim and early settlement thereof. IRDA given regulatory guidelines to insurance companies to make a speedy claim settlement. Introduction of CRM systems helps in web based loss filing and checking the claim status.

IV. Results Of CRM

CRM delivers a deal of functional, process-based tools to help employees be more productive in selling, marketing and servicing key stakeholders. The first level of CRM impact is the improved speed, accuracy and efficiency of internal processes or improved productivity of individuals in which labour and paper-intensive processes are streamlined. The second level of impact is measured when payer becomes easier to do business with, both from an agent and consumer perspective. The third and most profound level of impact is when the 'sweet spot' of optimal business profitability is revealed. When the right mix of products, markets, sales model and agents is identified, the company have all the elements required to make smarter and more strategic business decision. A CRM system should facilitate customization by making it easy to change the way in which customer data is organized and used.

4.1 Advantages of CRM

CRM is the process of acquiring, retaining and growing profitable customers. It requires a clear focus on the service attributes that represent value to the customer that create loyalty. Customer relationship management has several advantages:

1. Company can easily find the needs of the customers.
2. It can easily to target specific customers by focusing on their needs.
3. I makes easier to track the effectiveness of a given campaign.
4. It gives knowledge about the customer who is loyal to the product.
5. Direct contact with the customers, creates the potential customers' existence.
6. Marketing of a product is based on customer-oriented not price oriented.
7. As per the customers' wish, a product is manufactured and marketed.
8. It prevents overspending on low-value clients or under-spending on high value ones.
9. It speeds up the time to develop and market a product.
10. CRM reduces advertisement costs.
11. Product quality to be increased.
12. Volume of sale is to be raised.
13. It improves the use of the customer channel, thus making the most of each contact with a customer.

4.2 Factors responsible for the Failure of CRM in Insurance

Management strongly believe that CRM is the only source to solve all their problems relates to marketing. It is after the initiatives begin to unfold and become tangible that the management realises the gaps in their expectations same of the cases for failure are,

1. Business use CRM as a technology, not as a marketing practice. Due to automation of obsolete processes and, people believing that technology alone can change results without having to what they really do or what they really believe.
2. Most of the CRM failures based on the company policies and wrong interpretation of the analysis of CRM.
3. Remaking a company to be genuinely customer-centric is new and uncharted territory and as with anything new, there is always resistance to change. Change often forces people to regress to what they know and protect what they have always been comfortable with.
4. If a company wants to apply CRM technique, then it should rely on its analysis. There is a failure in understanding what CRM is all about. Some regard its all about technology and they fail to align technology with strategy. Some think it's all about targeting customers and customer groups for special offers. They see it as a simple matter of capturing names and addresses and linking this to customer transactions to cross-sell and up-sell.
5. Poor planning of a company's interaction with customers and increases the chances of addressing wrong issues.
6. Poor understanding of CRM, can't fulfil its goal.
7. Many companies don't educate its staff to execute CRM techniques and can't educate its customers how to use CRM. There is lack of CRM skills. Many companies are creating sophisticated customer research methodology techniques without realizing that such sophisticated tools required sophisticated users and the users need training.
8. In most cases, CRM requires huge budget allotment.
9. Lack of internal, enterprise-wide data integration has made it exceedingly difficult to develop a comprehensive view of customers.

V. CRM In India

The insurance industry in India has come a long way since liberalization of the sector. Opening up of the sector has stiffened the competition, making it necessary for the providers to shift from traditional policy based sales structure to customized sales structure. An industry which thrives to sell 'intangible' needs to understand and serve its customers by setting ever-improved standards. CRM in India is still in its infancy. The CRM market in India is likely to grow. The insurance sector is expected to witness very high spending initiatives on deployment of CRM solutions. Indian insurance companies have to gear up the new initialises of CRM. G.N. Bajpai, the then Chairman of LIC emphasized the growing importance of customer relationship management and said that companies will have to transform CRM to value-based client relationship. Now, it is in the interest of stakeholders of the insurance industry to enable convergence that evolves around core competencies and maintain an appropriate balance between the business model, human resources and technology.

VI. Conclusion

To achieve successful CRM, a company should understand what is and why it is beneficial to customers in order to retain them for long time. Customers give priority only to satisfy their needs. The success rate of the CRM depends on the quality of CRM. Many infrastructural changes are required for industry deployments to be successful. These changes include updating administration systems, consolidating back offices, integrating front-end channels with back-end systems, moving customer information to front-end channels and dealing with data issues. The future of CRM is very hopeful in insurance sector.

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