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A Study on Customer Relationship Management in Insurance Sector

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Abstract: ***The behaviors of the customers in the services sector have been changing drastically during the last several years. The reason is all services firms have improved their existing mechanisms and come up with innovative ideas to attract the new clientele and gain the customer loyalty. Therefore, like banking and telecom industry, insurance industry need to study their customers and their changing behaviors. The very nature of the insurance business necessitates knowing health histories, life histories, beneficiary information and more about the demographic profile of the prospective customers. In the post-liberalization of insurance market in India; one factor that contributes to the overall performance of insurance players is Customer Relationship Management (CRM). Due to the increase in number of insurance players and rising awareness among customers about different products, companies in the insurance sector realize the importance of CRM. CRM allows insurance companies to enable the marketing departments to identify and target their best customers, manage marketing campaigns with clear goals and objectives, and generate quality leads for the sales team. In this paper, author attempts to analyze the perceptions of customers and employees of insurance companies and their CRM practices and also the study includes understanding how well do they manage their Customer Relationships and to study how empowered are the employees of the organization to deliver superior service. The data collected for the study is purely on secondary basis collected from various textbooks, journals like IRDAI journal, visited libraries for gathering data.***
Keywords: Customer Relationship Management, CRM Practices, Insurance Sector, Customer Behavior, Improved Sales efforts

I. INTRODUCTION

The behaviors of the customers in the services sector have been changing drastically during the last several years. The reason is all services firms have improved their existing mechanisms and come up with innovative ideas to attract the new clientele and gain the customer loyalty. Therefore, like banking and telecom industry, insurance industry need to study their customers and their changing behaviors. The very nature of the insurance business necessitates knowing health histories, life histories, beneficiary information and more about the demographic profile of the prospective customers. In the post-liberalization of insurance market in India; one factor that contributes to the overall performance of insurance players is Customer Relationship Management (CRM). Due to the increase in number of insurance players and rising awareness among customers about different products, companies in the insurance sector realize the importance of CRM. CRM allows insurance companies to enable the marketing departments to identify and target their best customers, manage marketing campaigns with clear goals and objectives, and generate quality leads for the sales team.

Insurance is one of the primary risk management devices available to the people. The term 'insurance' stands for a mechanism to protect against risks, hazards, or dangers to life and property. Increased standard of living on one side, ill health, uncaused diseases spread all around on the other unsafe environment every where amidst the above calamities and ailments the span of life of an individual is almost becoming a major challenge. From all the above circumstances the concept of insurance was borne. Indian Insurance Sector has undergone significant expansion during past decade.

There are only 6 insurance companies in India in 1999 but the number increased to 46 during 2011-12. Tremendous changes were taken place according to market requirement in recent years in the line of insurance sector. Efficient people were recruited and trained to motivate the customers and giving them effective advices in order to meet their expectations. The main function of insurance is to provide protection against the possible chances of generating losses. It eliminates worries and miseries of losses due to destruction of property and possible loss of life to their descendents.

Risk is the uncertainty under playing any business. Where there is uncertainty, there is risk. The risk is unavoidable and unpreventable. However, the risk can be minimized by risk control and risk management. Insurance indeed is the mechanism to reduce the element of risk. Insurance in any economy is regarded as a pillar of growth and works as a catalyst in the overall

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development of the economy.

II. REVIEW OF LITERATURE

Peter F. Drucker the great management guru defined the modern concept of business as "To create customers". This is perhaps the shortest definition of modern business or the changing concept of business but definitely not the simplest of definitions, for the phrase, to create customers, though sounds simple but has great implications. Here the customer is not the buyer who is one of the two parties in the sales transaction as a 'One-off' case but a person whose loyalty towards the organization has to be ensured.

Dr.P.Sheela and G.Arti stressed that Insurance Companies have to understand the changing needs of customers. They have to develop viable and cost- effective distribution channels, build consumer awareness and confidence which will together contribute in further strengthening the insurance business in India. Insurance Organizations being service oriented need more customer responsiveness. In addition, it should stand as a model in CRM activities. It is observed that more acquiring of technology in the name of serving effectively is not the answer of CRM. As a condition precedent to coverage under this policy, the insured shall report such claim to report such claim in writing to the insurance company as soon as reasonably practicable, and that prior to the inception date of policy, the insured did not know or did not have reasonable foresight that such wrongful act might give rise to a claim. In today's credit happy society, an insurance cover which mitigates the risk of repaying credit if death or disability happens to the debtors is very relevant. The study is emphasizing on creditor insurance by looking at the feature of the products, benefits, the problem faced and the relevance of creditor insurance for the Indian insurance market.

III. OBJECTIVES

A. The perceptions of customers and employees of insurance companies and their CRM practices.
B. To study whether the technology selected is on the basis of customer needs.
C. To study how empowered are the employees of the organization to deliver superior service.
D. To study the customer knowledge strategy adopted.

IV. SOURCES OF DATA

The sources for secondary data comprised of existing published and unpublished literature, which was used for laying the conceptual foundation, review of literature relevant to the study. Large number of published text and reference books were referred for clarifying the theoretical concepts. Previous research in the field of the present study was reviewed by referring to research journals, trade magazines and publications of the Banking and Insurance institutes.

V. KNOW THE CUSTOMER

Know the customer will be the challenging imperative. Customer data may be divided among product lines, or among legacy claims, policy and billing systems. If an insurance company has expanded its customer base through mergers or acquisitions, its information may be even more fragmented.

CRM in insurance starts with single, complete real time enterprise view, so that call center representatives, agents and brokers can understand and serve every facet of individual customers. This level of holistic, personalized service can be differentiating factor that retains good customers and reduces churn – an important goal, given that new customer retention is profitable and customer acquisition can be expensive.

A. Retain customers with great service

Most insurance companies understand the virtues of a single, complete, real time enterprise view of individual customers and they have made great progress towards providing this view at customer touch points throughout the enterprise. But it's critical to note that this view should not be regarded as an end in and of itself- rather, it is a rich foundation to be used as basis for a deeper more advanced level of customer understanding.

B. Predict the customer attitude and behavior

Without customer attitude and behavior prediction, this is exactly the quagmire that calls centre representatives, agents and brokers find themselves in every day. This advanced level of understanding is needed to help insurance companies predict customer behavior and align marketing, cross selling and up selling efforts accordingly .By making customer analysis and behavior prediction data immediately accessible at the desktop, sales efforts are optimized and customer loyalty is strengthen, as individual customers feel that their needs are understood and met in a way that is fast and convenient.

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C. Sum profiling

Insurance companies first build a profile of information about customers who have previously exhibited a targeted behavior. Profiling requires rich customer data including enterprise-wide transactional and behavioral data such as call center and account holdings information. Other data sources include key performance indicators and third party demographics. An example of profiling might be building a profile for customers who bought new homeowners' insurance policies in the past two years. The goal is to determine characteristics to look for in future buyers.

D. Sum modeling

By using data mining on the profile information, analytics can uncover the most relevant characteristics of the customer segment being analyzed. For example, the most significant attributes of customers who bought home owners insurance are gleaned from the profile via the data mining application. Such characteristics comprise the model of customers most likely to purchase homeowners' insurance in the futures.

E. Sum scoring

Insurance companies use predictive analytics to score existing customers by comparing them to the model. The most closely matching the characteristics included in the model are most likely to exhibit the targeted behavior. Given the example above, an insurance company can rate its customers numerically to indicate how closely they match the model of the person most likely to buy homeowners' insurance.

Once customers are scored and the analysis pin points customers most strongly correlating with the model, an insurance company can address those customers, especially the top prospects. Customers scoring a nine or above might receive a special promotion for homeowners' insurance, while a separate, incentive based offer might entice those scoring seven and above.

Customer analysis and behavior prediction can also be used to identify life events and/or extended relationships, which can be highly useful in improving profitability from individual customers. For example, life events often trigger changes in insurance coverage that can be anticipated and leveraged with targeted offerings. You might identify health insurance policy holders who have recently had new children and offer them an attractive life insurance policy. Using a single, complete real-time enterprise view coupled with customer analysis and behavior prediction, you may be able to identify good drivers among your auto policy holders who have children turning sixteen. It's time for a targeted offer to add the family's new driver to the policy.

As with many industries, the more products you can sell to a given customer, the less apt he/she is to migrate another provider. Furthermore, as policy holders tend to stick with you, the ratio of premiums paid to the cost of claims increases in favor of the farmer. Lastly, statistics show that the longer a policy holder remains a customer, the less frequently he/she submits a claim. All of these factors contribute to improved profitability.

The first key is to enable your agents, representatives and brokers to identify and spend the right amount on each opportunity. A high-value, low-risk customer, who carries policies over a long period and makes relatively low claims, is an ideal subject for marketing and sales efforts and targeted at extending his or her portfolio. Call Center representatives, agents and brokers need real-time access to this business intelligence, so they will know where to concentrate their efforts in the limited amount of time they have the customer's attention.

The second key is to use the most cost-effective channels without sacrificing a high level of customer service. Call Center, agents, e-mail, phone and self service portals-how can your employees determine which channels are the most efficient and cost-effective for different target audience and desired behaviors? Again, using customer analysis and behavior prediction, call center representatives, agents and brokers can target marketing and sales efforts through different channels depending on the target audience in question.

Going one step further, new and advanced e-mail response, web chart and self-service portal tools are drawing more and more customers to the web each day, enabling a consistently high level of customer service while "Pulling" customers to a communications medium which is much more cost-efficient then the phone. Particularly valuable are web-based self-service portals, which can function as a first and last point of contact and eliminate valuable time spent assisting a customer who can just as well assist him or herself. Finally, web-based interactions tend to deliver on the holy grail of customer service--speed and convenience.

The third key is automation of the more mundane insurance business process. Given the myriad systems in the insurance world—claims, billing and policy systems, not to mention auto mobile, home, life and health insurance subsystems for each one—CRM

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systems in insurance will only add another layer of complexity, labor and expense if they are not pre-built to connect with legacy systems an automate the mundane work of keeping these systems updated. Automated, multistep work flow capabilities are critical to minimizing these and other potential bottlenecks, such as the processing of trailing documents supporting a policy application documents like expert appraisals, doctor's statements and/or proof of student status. By automating mundane processes and removing the paper trail, call center agents, representatives and brokers are freed up to focus on the more strategic activities like servicing customers.

Today's insurance companies certainly face a daunting challenge in maintaining and increasing their competitive edge. But by focusing on three key imperatives—gaining a unified enterprise view of customers, retaining customers with great service and controlling costs while expanding insurance companies can turn challenges into strategic competitive advantage and enhance their long term viability and profitability.

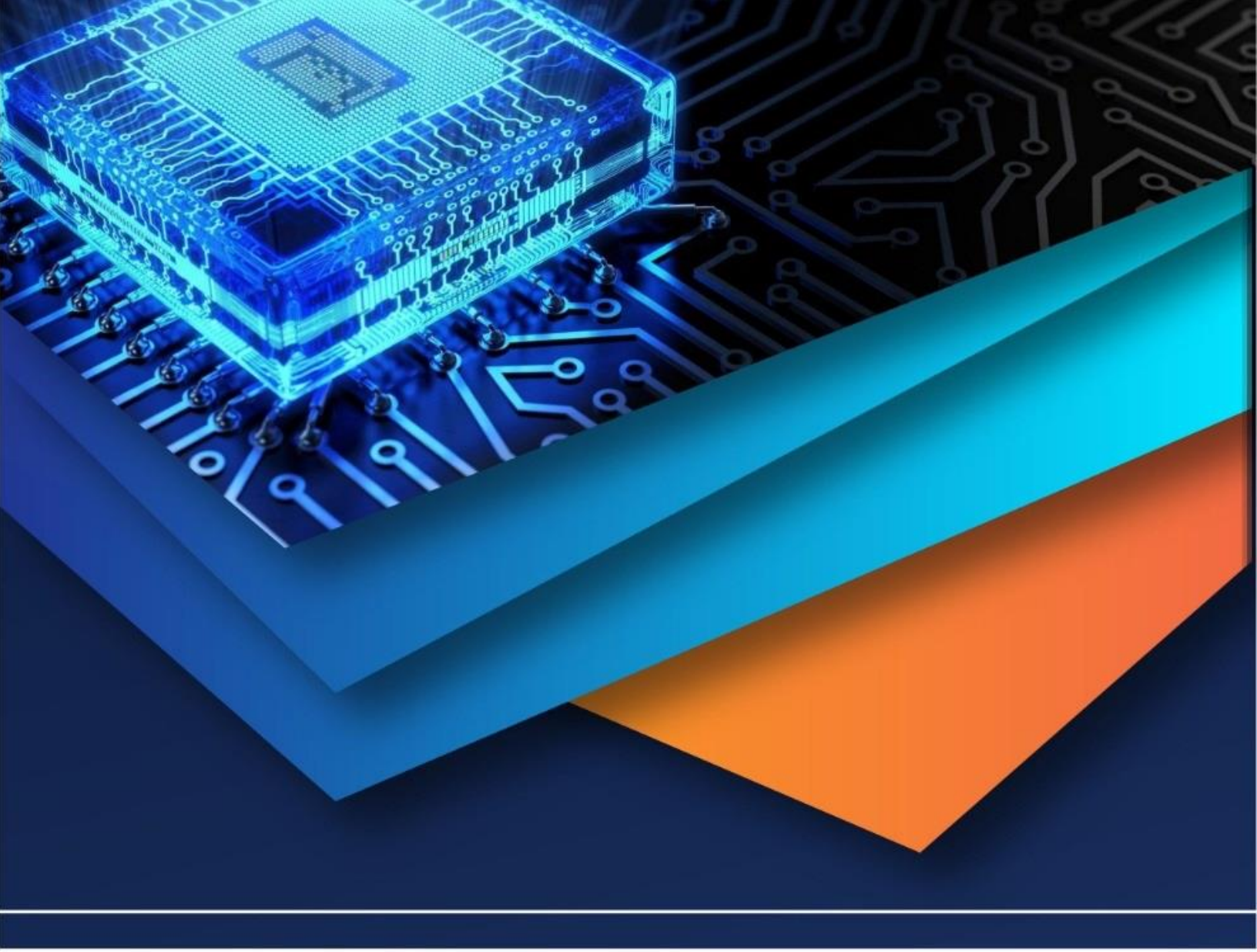
VI. CONCLUSION

There is a sea change in the Indian insurance services during the last one and half decades. The customer has been considered a pivotal factor for the growth and survival of the services sector. The present study indicates CRM practices of insurance companies are quite satisfactory, regarding several lacunae that need to be reminded. From the findings of the study it is clearly identified that the CRM practices of the organizations have partially failed in reaching to all sorts of customer segments. Hence, there is an urgent need on the part of the organizations to analyze the existing practices, find out the constraints or impediments in meeting the goals of these practices. First, the organizations should pay attention for improving the existing CRM practices as well as services and then should take-up improvements and new interventions for modifications as quickly as possible. Predicting customer behavior for improved sales efforts is a three step process.

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