



A STUDY ON QUALITY OF CUSTOMER SERVICE IN INDIA INSURANCE SECTOR

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ABSTRACT

The trend of insurance companies shifting from a product-focused view to a customer-focused one has been developing recently as insurance products become increasingly hard to differentiate in fiercely competitive markets. Insurance companies in India are consequently directing their strategies towards increasing customer satisfaction and loyalty through improved service quality. This paper attempts to explain desirable for insurance companies to develop a customer centric approach for future survival and growth. It also throws light on the problems and issues in giving quality services process by insurance sectors, it also presents some possible solutions to the problems.



KEYWORDS : *Customer Satisfaction, Service Quality, Customer Centric Approach & Insurance Sector.*

INTRODUCTION

Customer service is an integral part of the insurance organization. It is necessary to identify the key success factors in insurance industry, such as customer satisfaction, intense competition and increase in the market share. Insurance companies in India offer a wide variety of products and supplementary services, streamlining of sales and distribution channels along with targeted advertising and marketing campaigns. With increased globalization and presence of a large number of players in the market, the customer relationship and satisfaction is in danger of being proved incomplete. Firms use technology as a key tool to enhance the information flow in the business, helping their employees better understand the ever changing and increasing needs and wants of their customers.

HISTORICAL REVIEW OF INSURANCE SECTOR

The insurance sector in India has completed all facets of competition –from being an open competitive market to being nationalized and then getting back to the form of a liberalized market once again. The history of the insurance sector in India reveals that it has witnessed complete dynamism for the past two centuries approximately.

With the establishment of the Oriental Life Insurance Company in Kolkata, the business of Indian life insurance started in the year 1818.

Important milestones in the Indian life insurance business

- ✓ **1912:** The Indian Life Assurance Companies Act came into force for regulating the life insurance business.
- ✓ **1928:** The Indian Insurance Companies Act was enacted for enabling the government to collect statistical information on both life and non-life insurance businesses.
- ✓ **1938:** The earlier legislation consolidated the Insurance Act with the aim of safeguarding the interests of the insuring public.

- ✓ **1956:** 245 Indian and foreign insurers and provident societies were taken over by the central government and they got nationalized. LIC was formed by an Act of Parliament, viz. LIC Act, 1956. It started off with a capital of ` 5 crore and that too from the Government of India.

The history of general insurance business in India can be traced back to Triton Insurance Company Ltd. (the first general insurance company) which was formed in the year 1850 in Kolkata by the British.

Important milestones in the Indian general insurance business

- ✓ **1907:** The Indian Mercantile Insurance Ltd. was set up which was the first company of its type to transact all general insurance business.
- ✓ **1957:** General Insurance Council, an arm of the Insurance Association of India, framed a code of conduct for guaranteeing fair conduct and sound business patterns.
- ✓ **1968:** The Insurance Act improved for regulating investments and set minimal solvency levels and the Tariff Advisory Committee was set up.
- ✓ **1972:** The General Insurance Business (Nationalization) Act, 1972 nationalized the general insurance business in India. It came into effect from 1st January 1973.

107 insurers integrated and grouped into four companies viz. the National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd. and the United India Insurance Company Ltd.

IRDA has till now provided registration to 12 private life insurance companies and 9 general insurance companies. If the existing public sector insurance companies are considered then there are presently 13 insurance companies in the life side and 13 companies functioning in general insurance business. General Insurance Corporation has been sanctioned as the "Indian reinsurer" for underwriting only reinsurance business.

Becoming the Customer Centric Insurance Sector

The insurance industry is evolving. Customers are informed, demanding, and connected. Providers need to establish a stronger customer orientation, build deeper relationships with customers, and deliver products to market faster. New regulations, dynamic capital markets, and mergers and acquisitions abound. Insurers face stiffer competition for educated customers from traditional and nontraditional players using new technologies. These factors can lower earned premiums and reduce resources available to serve customers. To maximize earned premiums, some successful insurers optimize their distribution network and find the balance between direct and intermediary business. This approach helps to enable and motivate a diverse sales force and reduce time to market. Successful insurers reduce operating costs by integrating and streamlining processes, which eliminates redundancies, and getting the right data to the right people at the right time. To run better, an insurer must deliver superior customer service by truly connecting with customers. This approach helps ensure that a company doesn't lose hard-won customers to a more responsive competitor. In the future, customers will be able to change their insurer as easily as they change television channels. To succeed, insurers must provide "customer care" and not just "financial services."

Focusing on the customer enables the insurer to:

1. Increase Customer Focus in a Multichannel Environment
2. Deliver the right products to the right customers
3. Reduce Operational Costs Streamline core insurance processes across major lines of business
4. Support Business and Finance Decisions
5. Manage enterprise-wide risk and compliance using real-time insight.

Challenges and Opportunities of Insurance sectors in India:

The wide range of economic reforms were initiated in the year 1991 through the advent of LPG, which not only brought forth drastic changes in their functional set up of a country but also in the structure of insurance sector, routed through the examination carried out by Malhotra Committee. The recommendations of the committee are mainly fostered to open up the sector for the players. The objectives of the committee were implemented in the later part of the year 2000 under the able leadership of Insurance Regulatory Development Authority of India. These new insurance companies started operating from metros and urban areas. The urban population got more attention and it led to good insurance penetration in urban areas as compared to the rural markets. Hence, the rural people didn't have a chance to learn more about insurance. The major challenges which have to be channelized for the growth of insurance sector are:

The major challenges are

1. Cut-Threat Competition:

Liberalization will create acute competition in the insurance market. Fierce competition to increase volume and market share will continue as more and more players join the race for the greater Indian insurance.

2. Customer Relationship Management:

Customer behavior will be influenced by environmental factors as well as intrinsic personal aspirations. The environmental factors are socio economic and demographic factors, inputs of insurance advisors, the company's efforts to manage customer satisfaction and experience.

3. Distribution of Products:

Segmentation of markets, selling segment oriented products, focusing on fuller satisfaction of customer's aspiration misstates multiple distribution net works. While the traditional channel of tied up agents or advisors would be the most important distribution channel, insurers should innovate and find new methods of delivering products to customers.

4. Risk Management:

With the environment changes in the economic scenario of the country the risk landscape has undergone significant changes. With the opening up of economy and the entry of MNC in almost all sectors, there has been a surge in the income levels, especially in the middle class. The globalization has also resulted in cultural exchanges more than in the past.

5. Untapped Market Segments:

It is important to increase the customer base in semi-urban and rural areas which offer a huge potential. The fact that a major chunk of business for LIC comes from these areas stand as a testimony to this indisputable fact. There are difficulties in approaching this segment which will take us back issues of customer education.

6. Relationship Management:

The relationship management of insurance companies is mainly trapped by individuals as well as corporate agent. The relationship of the clients should be ever maintained, but the mistakes of the agent are the major causes in the relationship management.

7. Human Resource Management:

The insurance market is now filled with players, who are mature, globally and big players in the Trans-Nationally competitive global competitive insurance market. Each of them has ability to influence the market. The human resource competency will be another big challenge.

8. Managing the Regulatory Authority:

As the competition acute, the customer becomes more vulnerable to the vagaries on market environment. The regulators have a dual responsibility. They has to ensure that the insuree adhere to sound insurance principles and practices as well as maintain adequate financial resources to meet their liabilities.

9. Opportunities Promote Awareness:

It is necessary to promote more awareness among public about insurance. Because the level of insurance penetration is very low. Customer needs a good deal of customer education in which the insurees have to invest a lot of their resources in terms of time, effort, infrastructure and money. Though a knowledgeable customer is a challenge for the company to convince and sell a product to him, the brighter side is that his awareness had brought him to the threshold of insurance.

10. Multiple Channels of Distribution:

Distribution being a key determinant of success for insurance companies. Because at more number of distribution channels the insurees have a large database of their disposal. By data mining prospects can be accurately together for business. Linking insurance with allied finance products like housing loan, mutual fund investment in companies, banks credit cards etc are the new channels for life insurance. It is definite that the new channels will help the insurance companies to reach out farther, wider and deeper.

11. Professionalism in Insurance Marketing:

There are quality insurance advisors in this field due to the passing of IRDA bill. To obtain an agency license training and written test are necessary. Many educated youth, retired officials are taking insurance agency as a career. They guide the customers so that they can select products according to their need, rather than to force selling.

12. Huge Untapped Market:

There is a lot of untapped market in the country. This gives space for all players to grow and expand the insurance industry. Middle class people are having more awareness than the lower class and high class people. They want to provide money for the education and marriage of their children and also to meet their old age needs. So there is market expansion for pension plans and child career plans.

13. Threat to Health and Life:

People die due to natural calamities and terrorism unexpectedly. The environmental pollution affects the health of mankind. In cities people got employment in industries like IT, ITES etc. Due to heavy work and occupational stress they get diseases. Hence there is a growing need for these people to go for different kinds of insurance.

14. Regulations of IRDA:

IRDA regulations enacted for the protection of policy holders interest has also set out the benchmarks for servicing, settlement of claims, grievance redressal and so on. It also contains matters relating to disclosures in proposal for insurance, statutory content of a insurance document, duties and responsibilities of the agent etc. The IRDA watch the insurance companies always. So the companies cannot provide deficient customer service

Significance of Customer Service in Insurance Sector

1. Improve trust and information exchange

In the Insurance sector, good customer service generates satisfied or delighted customers and it leads to increased compliance, improved information exchange, improved relationships, increased trust and decreased workloads or costs.

2. Save money and increases profit

In the Insurance sector, good customer service generates customer loyalty, which produces increased revenues and reduced costs.

3. Competition and technological up gradation

Consumers are becoming more sophisticated in their requirements and are increasingly demanding higher standards of services. Therefore interest in managing the services through customer service is considerably high in insurance sectors. It requires setting customer service objectives in terms of relative importance of customer service element.

Causes of Inadequacy of Customer Service System in Insurance Sector

1. Company does not have a unified customer database,

The customers are distributed among the sales name of the company from salesman to direct service. But many sales do not pay attention to the renewal of the customer service. Having all the customer information in one database allows the insurance firm to trim costs, build better relationships with their customers and generate additional revenue. It includes data such as name, address, city, state, Zip, transaction information, response information, customer-service interactions, inquiry information, responses to promotions, Web responses to newsletters, and event attendance.

2. Lack of improvement in work processes

The insurance firms need to use modern means to improve the customer satisfaction and enhance customer loyalty. But the firms not implemented the improving in their process may fail in business.

3. Fail to broaden the service space (carryout personalized and friendly service)

Bring rigid in the traditional setup leads to customer dissatisfaction, fails to attract and retain more customers. The company should be changing the current business service to broaden the service space like non-limited-service, establish a customer hotline, held customer networking forum to put forward valuable opinions and provide user-friendly value added services.

4. Lack of implement CRM System

When a firm fails to establish a centralized data warehouse of the customer information it leads to poor customer relationship management and it could not use this information on customer for analysis, daily collection of customer information, understanding its real demand and customer of communication.

Customer service in Insurance Sector – Action Plan

1. Identify the target customer

Begin identifying the target customers by considering the point of purchase, point of service delivery or receipt, and point of consumption. Cluster or segment target customers based on their common behaviors, knowing that targeting the wrong customers can have adverse effects on the organization. Determine the priorities of various clusters of customers, knowing that the capabilities of the organization are crucial in addressing these priorities. When possible, focus on customers with high current or future value. This does not mean that other customers will not receive service, but it may mean that they

will receive a different level of service. Discourage non-target customers, those who are not likely to be satisfied by the services, and those to whom it is expensive to provide services, which is a necessary part of a customer focus.

2. Determine what customers wants

Determine what target customers want by asking them in person or as part of a mail or telephone survey, or by using other mechanisms (e.g., electronic tracking and researching marketing trends) to determine what they want. Be aware that advertising, word of mouth, and public relations influence customers' expectations. Meeting customers' basic needs or expectations does not always bring high levels of satisfaction. Exceeding expectations produces high satisfaction therefore, determine customers' ideal desires. Determine how the target customers prioritize their "wants." Generally, customers want convenience, quality products and services, variety or selection, low prices, and protection or security. However, each organization must identify what is most important to its customers. Weigh how important the customer-identified "wants" are to the organization. Determine how well the organization can meet the customers' "wants" in comparison with competitors. The success of other companies at meeting and exceeding customer expectations changes a customer's frame of reference and increases a customer's expectations. Determine which "wants," if performance delivery were to be improved, would most impact the organization's bottom line (profit, cost, loyalty, trust, or compliance).

3. Establish an organizational culture supportive of customer service

Utilizing the information gathered, establish the company's customer-focused vision. The vision statement should be simple and may also identify what the company does not want to be. Live up to what is promised by concurrently developing and applying externally and internally oriented strategic service concepts that reflect the vision. If the organization does not implement both internally and externally oriented service strategies consistent with the vision, the organization will have good intentions but poor customer service. Continually reflect on the vision and goals and the way services are delivered to customers. Be creative about the mechanisms used to create and deliver new services. Be willing to change existing practices to integrate improvements.

4. Implement an Externally Oriented Strategic Service Concept

The externally oriented strategic service concept establishes how the organization's service is designed, marketed, and delivered to target customers. Take into account the costs of providing services and ways to minimize those costs while implementing quality control. The service concept must be developed with the frontline worker at its center. Determine the necessary financial, human, and technological resources necessary, as well as how the organizational structure and flow can enable the frontline worker to delight the customer and deliver the promised vision. Use advertising/educational strategies to set appropriate customer expectations. When planning, realize that control of information can take the place of assets.

Provide a feedback loop for incorporating customer comments and complaints into the planning processes. Customer complaints are an invaluable resource and source of information without which organizations cannot be successful. Complaints brought to the organization are one of the most efficient and least expensive ways to obtain information about customer expectations of services. Complaints are a more direct means of obtaining information than conducting research studies of customer expectations, conducting transaction studies, or reviewing customer expectations. Online registration and payment facilities are now in place for the convenience of customers.

5. Implement an Internally Oriented Strategic Service Concept

The internally oriented strategic service concept establishes how the organization's internal processes will support the customer-focused vision. The premise behind the internally oriented strategic service concept is "capable workers who are well trained and fairly compensated provide better service, need less supervision, and are much more likely to stay on the job.

Ensure that divisions and individuals within the organization communicate. Frontline employees and other employees need information and a support network. A customer should never have to tell one employee what another employee already knows.

Develop cross-functional teams for operations and improvement tasks. First ask those who are doing the work for suggestions to improve productivity.

Link all employees' compensation to (and offer rewards for) good customer service performance. Rewards can be money, status, praise, acknowledgement, or perks such as trips or special events.

Finally, measure employee satisfaction regularly. Leaders in the service industry have employed such methods as toll-free numbers, periodic roundtable meetings, and surveys to collect employee satisfaction information.

CONCLUSION

The insurance sector in India has come to a position of very high potential and competitiveness in the market. Indians, have always seen life insurance as a tax saving device, are now suddenly turning to the private sector that are providing them new products and variety for their choice. Consumers remain the most important centre of the insurance sector. After the entry of the foreign players the industry is seeing a lot of competition and thus improvement of the customer service in the industry. Computerization of operations and updating of technology has become imperative in the current scenario. Foreign players are bringing in international best practices in service through use of latest technologies

The insurance agents still remain the main source through which insurance products are sold. The concept is very well established in the country but still the increasing use of other sources is imperative. At present the distribution channels that are available in the market are direct selling, Corporate agents, Group selling, Brokers and cooperative societies and Bankassurance

Customers have tremendous choice from a large variety of products from pure term (risk) insurance to unit-linked investment products. Customers are offered unbundled products with a variety of benefits as riders from which they can choose. More customers are buying products and services based on their true needs and not just traditional moneyback policies, which is not considered very appropriate for long-term protection and savings. There is lots of saving and investment plans in the market. However, there are still some key new products yet to be introduced - e.g. health products.

The rural consumer is now exhibiting an increasing propensity for insurance products. Estimates show that the rural consumers are willing to dole out anything between Rs 3,500 and Rs 2,900 as premium each year. In the insurance the awareness level for life insurance is the highest in rural India, but the consumers are also aware about motor, accidents and cattle insurance. The perceived benefits of buying a life policy range from security of income bulk return in future, daughter's marriage, children's education and good return on savings.

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