CHAPTER V
CRM IN INSURANCE INDUSTRY

5.1 Introduction

Last one decade of reforms in India have started yielding the results in the Indian economy. The Government's resolve to push the reforms measures further, less bureaucratic hurdles, absence of red tapism, investors' friendly business environment all put together have given tremendous boost to the industries in terms of FDI and investments from FIIs. Though the impact is felt in all the sectors, service sector is the one which is most benefited out of all those reforms and the contribution of service sector to the GDP of the country has grown manifold. New economy organizations are spreading their wings into service industry like banking, financial services, insurance, communication, entertainment, telecom and so on. And no wonder why India is considered to be the most preferred nation in the world for Business Process Outsourcing (BPO). The service industry in India has achieved a phenomenal growth in the recent past and among them, Insurance is one sector, which has witnessed high decibel growth. Thanks to the investor friendly regulator in the name of Insurance Regulatory Development Authority (IRDA). The growth the market has achieved in terms of 18-20% in life insurance and 15-17% in non-life insurance stands testimony to that.
In this scenario, it becomes necessary to understand the paradigm shift that taking place in marketing of the insurance products and the strategies adopted by the players in the market.

**History**

Looking back at the history, the ride had not been so smooth to the public sector players like LIC, GIC and its subsidiaries. For a long time, the insurance policies are not bought but sold in the country because of so many odd reasons like low awareness level, aversion towards the products as such, superstitious beliefs and less diversified product portfolio. The monolith in the life insurance sector, Life Insurance Corporation of India had been basking on its past glory and enjoying the monopolistic situation in the market. Even the General Insurers like GIC and its subsidiaries were able to reach the people with very few products out of many products in their kitty offering little or no options to the customers. The rules of the game have started changing with the introduction of reforms towards liberalization and privatization.

Infact private sector participation in insurance is not new in the Indian context. In 1956, when the Government of India nationalized the business of life insurance, there were 245 private insurance companies operating in the country. And sixteen years later, when the same happened to General insurance, there were 106. But the seeds were sown as far back as 1993, when the Malhotra Committee headed by former Finance Secretary and Ex-RBI Governor R.N. Malhotra was created to recommend the directions the Indian industry should take. By 1994, the Committee was ready with its report.
The salient suggestions included those on the structure of the industry, competition and the necessity and role of a regulator. The Committee also recommended the opening up of the industry to private sector to increase the reach of the insurance products. Essentially Malhotra was laying the foundation for the creation of regulation and the liberalization process. In April 2000, Insurance Regulatory Development Authority (IRDA) came into being as a statutory body to regulate the industry and to keep a hawk's eye on the private players. The mission of IRDA is "to protect the interests of the policyholders, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto". What happened after April 2000 is well known in terms of new entrants in the field, the market growth rate and the achievements of new players within a short span of two to three years.

**Industry - an outlook**

Insurance is estimated to be Rs.400 billion business in India and the gross premium collection is about 2% of GDP growing between 15% and 20% per annum. India also has the highest number of insurance policies in force in the world and the total investible funds with LIC alone are almost 8% of GDP. Yet, more than three-fourth of India's insurable population has no life insurance cover. Considering that only about 65 million out of 250 million people are covered by life insurance, the potential is quite evident.
Switzerland is the world's largest per capita insurance spender ($4663 per inhabitant), ahead of Japan ($4132 per inhabitant) and far ahead of (200% more) North America, and even further ahead of (250% more) Western Europe. In India, the per capita premium is Rs.490, which is less than 1% than the per capita premium collected in developed nations like UK. India has a savings rate of 22% but less than 5% of it is spent on insurance.

The General insurance market is about Rs.11000 crores and with the expected growth in the Indian economy and new players moving in, the market for general insurance is expected to grow at 18% per annum. Over the last ten years, the compounded average growth rate for the industry works out to more than 15%. The five major categories - fire, marine (hull), engineering, motor (both owner-driven and third party) and workers compensation (clubbed either with engineering or miscellaneous) comprised 62.41% of non-life business in the year 1999-2000.

5.2 Players in the market

The untapped potential in terms of potential insurable population in the country has attracted many players to the market. According to IRDA sources, there are 12 private players in the life insurance sector and 9 in case of non-life insurance sector vying for their pie. Homegrown business barons like TATAs, Birlas, Bajaj and ICICI have jumped into the foray joining hands with foreign players as joint ventures. The indigenous knowledge about the Indian consumer behaviour coupled with the expertise of the foreign partners in insurance business has enabled the new entrants making an inroad into the market with roaring success. In addition to the market
share, the private insurers are also able to grab the mind share of the upwardly mobile Indian. The list of players in life and non-life insurance is given below.

**List of players in Life Insurers**

01. HDFC Standard Life Insurance Company Ltd.
02. Max New York Life Insurance Company Ltd.
03. ICICI Prudential Life Insurance Company Ltd.
04. Om Kotak Mahindra Life Insurance Company Ltd.
05. Birla Sun Life Insurance Company Ltd.
06. Tata AIG Life Insurance Company Ltd.
07. SBI Life Insurance Company Ltd.
08. ING Vysya Life Insurance Company Ltd.
09. Allianz Bajaj Life Insurance Company Ltd.
10. Metlife India Insurance Company Ltd.
11. AMP Sanmar Assurance Company Ltd.
12. Aviva Life Insurance Company Ltd.

The FDI limit in insurance sector has been capped at 26% with the remaining 74% in the hands of Indian players. The proposal by the Government of India to increase the FDI limit to 49% has met with lukewarm response, as the players are comfortable with the existing norms.
5.3 Strategies adopted by the players in the market

Gone are the days when the customers were forced to take up the kind of products whatever coming from LIC's and GIC's stables. But now, the customer has been portrayed as the king and to his delight, the products are redesigned and customized suiting his need taking into account his paying capacity and multiple benefits. To much of his embarrassment, he has also got an option of withdrawing his offer within a period of 15 days (free-look period) if he is not satisfied with the policy features.

The following strategies were adopted by the players in the market.

I Shift in the product portfolio

Earlier the entire industry was revolving around investment and savings oriented plans. As the interest rates are moving southwards, all the players are deliberately focusing on selling pure risk covers in an effort to capture the new customers. The premium on such products is low as it covers only the risk aspect and does not factor in investments or savings. Even the market leader LIC has withdrawn some of the products, which are positioned, on the assured returns platform. Though the share of the term plans in the product portfolio is quite negligible, the shift towards the term products is already visible. Typically a term plan does not provide anything by way of maturity, unlike money back or endowment policies. Globally, close to a third of the policies fall into this category must be an encouraging news to the players.
Unit linked products are also gaining momentum in this country. Om Kotak and Birla Sun Life have launched unit linked schemes focusing on equity, debt and gilt edged stocks. These schemes are expected to yield better returns when compared to normal insurance schemes. As the awareness level about these unique products is much lower, the companies resort to educate the customers about the salient features of the products.

**II Value For Money (VFM)**

The sea change since the sector opened up has been on the way the basic products have been packaged innovatively, often tailor made to provide a bundle of benefits to the customers. This is possible through the introduction of riders, which have added value to the risk cover at minimal cost. Riders are nothing but add-ons coming along with the base policies for a slightly additional premium. Riders have become the major instruments for the organizations to lure the customers away from the competitors. The removal of 30% cap on the premium of the base policy for the health riders alone has come as a shot in the arm for many players since this is used as an Unique Selling Proposition by many private players vis a vis the LIC. Later, LIC has also started announcing riders along with the main policies dancing to the tune of the market forces. This could see many non-life players going out of the business as life insurers offer a plethora of personal line products as add-ons. Riders can also be availed by the existing policyholders.
III Tapping the Niche Markets

Private insurers are concentrating much on designing attractive products by investing heavily on research, studying life expectancy and health statistics across age groups, income levels, professionals and regions on their own instead of relying on data with state insurers. The products are designed with a technical team of actuaries and a product development team working closely together to target the niche market. The innovations for the niche markets are abound and to name a few.....

* MetLife India Insurance Company has recently launched a Charitable Trust Policy in Kolkata, which has evoked a lot of interest especially among the Marwaris business community who want to set up a temple in their name after their death. Similarly a Buy & Sell Agreement cover from the same company permits a business enterprise to take out a life plan on each of its partners, to ensure that the firm continues.

* The other segments, which have attracted almost all the players, are the women and the children segments. Though the State insurer has had a chunk of products sufficiently for a longer time, it faces stiff competition from the private players in these segments.

* Tata AIG has offered a specialized life insurance package where the insured and the employers of the insured have a say in it. Termed as Worksite Marketing, AIG, which has adopted this practice in different places across the world, is spreading the concept in India too. Worksite Marketing is a distribution method used to offer voluntary
insurance products (employee benefits) to employees at their place of work with the sponsorship or backing of their employer, traditionally done on a deduction from the payroll. The policyholder carries the policy with himself throughout his life, even if it happens to change the organizations.

* Tata AIG General Insurance, for the first time in the country, has launched a specialized product for Accountants (after tasting the success with specialized products such as Directors and Officers policy in India) in its bid to segment the market for professional indemnity policies. The policy has been designed with the assistance from Bombay Chartered Accountants Society. This policy covers claims pertaining to professional negligence, wrongful acts committed in the performance of duties. It also provides for coverage of all legal expenses incurred in defending such claims.

* Any other way to promote non-smoking? Or to reward those who give up smoking? Om Kotak Mahindra has taken an initiative by offering a term insurance plan - a pure protection product - to non-smokers at much cheaper price. As against an annual premium of Rs.2400 on a Rs.10 lacs policy for a 10 year term for a 30 year old under the preferred term plan, the regular term premium works out to Rs.3400 for a similar cover. Though there are apprehensions in the industry circle about the success of the policy, the intention of the company is quite appreciated.
* Even the unborn child's future can be safeguarded now. The offspring can be insured against unfortunate congenital defects. State owned General Insurers have started aggressively marketing these kinds of products.

IV Thrust to the rural markets

Thanks to the norms stipulated by the regulator IRDA, all the players have turned their eyes towards the rural market. Towards ensuring equitable distribution of insurance policies in every nook and cranny of the country, IRDA stipulates the rural obligations to be met by the players over the years.

The rural obligation on part of the new private insurance companies is incremental in nature. It goes from 5% to 15% over the period of 5 years for life insurance and from 2% to 5% in case of general insurance. IRDA has also defined what it meant by rural.

1. The place should have a population of less than 5000
2. Secondly, the density of the population should be less than 400 persons per square kilometer.
3. 75% of the male population should be engaged in agricultural pursuit.

Of the 11 private sector life insurers, 10 companies substantially performed in the rural sector with the %age of policies issued in the rural sector standing higher than 5% level mentioned. Most of the non-life insurers achieved the base level of 2% gross premium from rural sector. Since the penalty for not adhering to the obligation
includes Rs.5 lacs penal fee and upto 3 years of imprisonment of the Chief of the organization, all the companies are flocking the rural market. The challenge lies in reaching the critical mass with the redesigned products. And the organizations have been fairly successful in their efforts. For instance, Om Kotak Life Insurance is successful in selling the single premium policy in rural market. Reaching the doorsteps of the villagers through non-conventional channels like Regional Rural Banks (RRBs), Co-operative banks, Self-Help Groups (SHGs), ITCs e-choupal is also being tried by the players.

V Tapping unconventional distribution channels

Nevertheless all the players depend heavily on their agents force to reach out (LIC has reached a figure of 8,50,000 agents and planned to increase it to 1 million by this year), they are trying out other distribution channels also like banks and corporate agencies in addition to the channels mentioned above. The following table shows the strategic alliances the insurers have entered into to distribute their products.
# CRM in Private Life Insurance in Karnataka

## Insurers and their corporate agencies/banks

Table 5.1

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<tr>
<th>Sl.No</th>
<th>Insurer</th>
<th>Banks / Corporate Agencies</th>
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<tbody>
<tr>
<td>01</td>
<td>Bajaj Alliance (General Insurance)</td>
<td>Jammu &amp; Kashmir Bank, Karur Vysya Bank, Punjab &amp; Sind Bank</td>
</tr>
<tr>
<td>02</td>
<td>United India Insurance Company Ltd.</td>
<td>Andhra Bank, Indian Bank, South India Bank, Federal Bank</td>
</tr>
<tr>
<td>03</td>
<td>New India Assurance Company Ltd</td>
<td>Punjab National Bank (General Insurance) Vijaya Bank (Life Insurance)</td>
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<td>04</td>
<td>SBI Life</td>
<td>SBI branches and branches of its subsidiaries</td>
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<tr>
<td>05</td>
<td>ICICI Prudential</td>
<td>Allahabad Bank, Bank of India, Citibank, Federal Bank, Lord Krishna Bank, Punjab and Maharashtra Co-operative Banks</td>
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<tr>
<td>06</td>
<td>LIC of India</td>
<td>Corporation Bank, Oriental Bank of Commerce</td>
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<td>07</td>
<td>Metlife</td>
<td>Karnataka Bank, Dhanalakshmi Bank, Jammu &amp; Kashmir Bank</td>
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<td>08</td>
<td>AMP Sanmar</td>
<td>Kerala based Co-operative Banks – Peruntalmanna Bank and Manjeri Bank</td>
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<td>09</td>
<td>Birla SunLife</td>
<td>Citibank, Deutsche bank, IDBI Bank, Catholic Syrian Bank, Bank of Rajasthan, Bank of Muscat</td>
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<tr>
<td>10</td>
<td>HDFC Standard Life Insurance</td>
<td>Indian Bank, Union Bank</td>
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LIC is also exploring ways to rope in Regional Rural Banks (RRBs) across the country. Cross-selling could be another key strategy in selling insurance provided the restrictions on the functioning of corporate agencies are lifted. Once the curbs are removed, the market may see a wave of cross-selling. Royal Sundaram Alliance may offer household insurance with Sundaram Housing Finance and sell customers of Sundaram Finance Mutual Fund a whole range of insurance products. ICICI-Prudential and HDFC Standard will tie up with their parent companies to use their network.

Once the much-awaited Insurance Brokers Regulations comes into force, the industry is poised to change the way the insurance products are sold with the entry of brokers. While an insurance agent represents an insurance company and offers only the products of that company, an insurance broker is independent and represents a number of insurers. He can also compare the benefits of different policies and premiums to find the best coverage for the customer.

VI Cause Related Marketing (CRM)

Cause Related Marketing has become the order of the day in Insurance industry. By creating a goodwill about the organizations, the insurers are making an attempt to change the negative attitude of the people towards insurance products. For instance,
Towards serving the society in a better way, LIC has adopted a novel way through its Bima Grams policy. Accordingly, LIC pays 25% of the premium collected from the villagers or Rs.25000 whichever is lesser for undertaking developmental work in the villages provided,

- The population of the village is between 1000 and 5000
- Life insurance coverage for at least one person in 75% of the households
- Acquisition of 100 new policies in a single year

Birla Sun Life Insurance has adopted 332 villages around Renukoot and actively involved in improving the lives of the residents.

Conclusion

Observing the trends the industry has been moving for the last two years, the commitment of the players to take the business forward is quite apparent. With the increase in awareness level about the insurance and the products, the day is not far off all the insurable population in the country would have been brought under the insurance net. The Governments resolve to continue with the reforms coupled with investor friendly IRDA’s regulations will surely take the business far.
5.4 FAQs:

How Much Life Insurance is needed?

"Life Insurance Needs," means the amount of life insurance death benefits (pure life insurance protection) that is needed upon a person's death. There are a range of life insurance products to choose from, such as term life insurance, whole life insurance, variable life insurance, universal life insurance, and variable universal life insurance. Choosing amongst different products is not the main concern here. The main concern is the amount of life insurance death benefits you need, regardless of the type of product you choose.

Is it the rule of thumb that you need life insurance coverage equaling 4 to 6 times your income?

Yes. However, needs vary based on family status, savings and lifestyle. You should review your coverage on those terms.

What about buying life insurance for a spouse or children?

Generally, that should not be done in lieu of buying appropriate amounts of life insurance on the family breadwinner(s).

It is extremely important that you protect the earning capacity of the primary breadwinner, if possible, with the right amount of life insurance before considering life insurance on children or spouse. In a dual-income household, it is important to protect the earning capacity of both spouses. Life insurance for a non-wage earning spouse is often recommended for help in paying for household services lost if that spouse dies.
Should I buy term insurance or cash value life insurance?

Term life insurance pays out in the event of death. Cash value, which is more costly, has a cash amount you can withdraw before death. Which one is for you will depend on your circumstances. First answer an insurance question - how much life insurance should you buy? Then look at the financial aspect - what type of policy should you buy? The amount of life insurance you need may be so large that the only way you can afford it is by buying term insurance, which carries a lower premium than cash value policies. If your ability (and willingness) to pay life insurance premiums is such that you can afford the desired amount of life insurance under either type of policy, you can consider the financial decision - which type of policy to buy. If you view life insurance as an investment, you'll want to study rates of returns. If it's protection, then your purchase is a matter of what you can afford and want to spend.

Does term insurance provide protection for temporary needs?

Yes. Term insurance is ordinarily purchased to provide temporary coverage for a known period of time. Term insurance generally provides a lower initial cost.

Are there advantages to buying life insurance at a early age rather that waiting until after marriage or children?

Yes. The premiums are lower when you are younger.
Is permanent insurance initially more expensive than term insurance?

Yes. While it is true that the initial premium can be higher than that of term insurance, there are additional features and benefits built into permanent life insurance that make it a greater value for the money spent.

What is an annuity?

Annuities are tax-deferred investments that guarantee you regular payments at some future time, usually retirement.

Why Do People Typically Choose Annuities?

1. To accumulate long-term savings.
2. To provide guaranteed life-long income.
3. To supplement other retirement savings.
4. To increase income in retirement.
5. To take advantage of tax deferral options.

If I decide to take out life cover will I need to go for a medical?

Once your application has been submitted to the insurer it will be assessed by a medical underwriter. The life insurance provider will either accept your application immediately, or they could request a medical report from your General Practitioner. You may also be asked to attend a medical examination, which will be paid for by the insurer.
What are my different options for paying premiums?

Depending on which Prudential product you own, you may be able to pay your premiums on a monthly, quarterly, semi-annual or annual basis. You may also be able to have your premiums deducted directly from your paycheck.

What do I need in order to file a death claim?

In order to file a death claim on a policy, you will need the following information:

- Policy number and, if available, the policy itself or Certificate of Insurance
- Date of insured's death
- Certified copy of the insured's death certificate
- Date of insured's birth
- Insured's mailing address
- Beneficiary's name
- Beneficiary's relationship to the insured
- Beneficiary's date of birth

If the beneficiary is also deceased, you will need:

- Certified copy of the beneficiary's death certificate

How may I reinstate a lapsed policy?

Determine how long it has been since your policy has lapsed. The lapse notice will indicate the amount of premiums missed and the date(s) on which they were due.
It will indicate the amount of premium you will need to pay in order to have your policy reinstated.

*What do I do if I've lost my policy?*

If you have lost your policy, you can request your policy number from the insurance company.

*What is the utility of a proposal form?*

A proposal form contains information for the preparation of policy which is a contract document between the insured and the insurer.

*What role does an insurance agent play?*

The contract of insurance is between insurer and the insured. The role of an agent who is an intermediary is only for facilitating the process.

*What is Guaranteed additions?*

The LIC provides its policy holders with the bonus declared as a certain amount per thousand of the assured sum. This bonus is declared irrespective of the performance of LIC and that is why its called guaranteed bonus.

*What are Loyalty Additions?*

For certain policies in addition to the returns which Insurance Companies declares further additions depending on its performance which is called loyalty additions.
What is surrender value?

This is the entitled amount which a policy holder receive back after he returns back the policy to the insurer.

When does a policy lapse?

If a policy holder fails to pay off his premium within grace period after the due date of payment, the policy lapses.

How do I revive my lapsed policy?

The policy holder can revive a policy during his lifetime only but within a period of 5 years from the due date of first unpaid premium and before the date of maturity.

What are the tax benefits I get by taking an insurance policy?

Other than the risk cover, you receive an Income Tax Relief under Section 88 of the Income Tax Act.

What are the policies that qualify for the bonus?

Bonus is paid on all the policies with profit or participating policies of Insurance Companies. The newer entrants have yet to declare their bonuses.
What is double accident benefit?

You get double accident benefits just by paying an additional premium of Rs. 1 /- PA against a sum assured of Rs. 1000 / -. The benefit provides for the payment of an additional amount equal to the sum assured in the case of death of a policyholder owing to any accident. The death claim under Double Accident Benefit becomes double of the normal claim.

What is nominee?

A nominee is a rightful heir to your policy appointed by you. After your death, the nominee who did not have any right under the policy while you were alive becomes the rightful recipient who will receive the sum assured by the policy.

What is a paid up policy?

According to regulations, if you pay up your premiums for continuously for 3 years, the policy does not become void and null even if no subsequent policies are paid. Such policies are called paid-up policies.

How is the paid-up value calculated?

Paid-up Value = (No of premiums paid/Total no of premiums payable) x Sum Assured

Should one allow his policy to become paid-up?

No, you should never because the sum assured is reduced to a very low figure that it cannot provide any cover to the policyholder or his dependants.
You also end up losing certain benefits like double accident benefits, survival benefits installment if the policy is a money back policy and also the bonus declared by Insurance Companies.
5.5 CRM Strategies

Aviva uses CRM to insure success

The insurance company has integrated its customer-facing departments using Talisma's e-CRM suite, says ABHINAV SINGH

According to TARUN PANDEY, Aviva went in for Talisma's suite primarily because it offered integration with the company's call centre operations—which no other vendor was offering.

AVIVA Life Insurance has made its mark in the Indian insurance industry in just two years. It has been aided in this endeavor by the deployment of Talisma's e-CRM suite that has helped it launch new products and services to differentiate itself from competitors.

The reason

There has been an influx of private life insurance companies in India after the liberalisation of the Indian insurance sector. When Aviva entered India in 2002, it was one of the last players to enter the market. The key to success lay in knowing potential customers better, and in bringing out products and services tailored to customer requirements. To do this, it went in for an enterprise-wide deployment of Talisma's e-CRM suite even before it launched Indian operations in June 2002.
Picking the best

A stringent assessment exercise took place, during which four vendors, including Talisma, were evaluated by a team of 10 people. This team had representatives from the IT department and also from customer-facing departments such as sales, marketing and customer services.

Says Tarun Pandey, manager, Applications, Aviva, “After a thorough evaluation process, company went in for Talisma’s suite primarily because it offered integration with call centre operations, which no other vendor was offering. The suite promised a common integrated platform for different customer-facing departments [sales, marketing and customer services] within the organisation.”

A smooth roll-out

The implementation of the CRM suite was a smooth affair. The implementation exercise began in December 2001 and went live six months later. Pandey explains, “Since we went in for the CRM suite before launching our business in India, the implementation was smooth. If an organisation is already in business the implementation exercise can be a prolonged affair.”

The CRM suite has been deployed in marketing, sales and service as well in the partner and sales ecosystem (comprising bank assurance partners and insurance
agents). Aviva has implemented several modules of Talisma e-CRM, such as marketing, sales, servicing, and contact centre. The only component it hasn’t used is the chat module. Today, there are 450 personnel using the e-CRM suite at Aviva.

Advantage Aviva

Pandey explains, “The implementation of Talisma e-CRM has helped us share real-time customer information across different customer-facing departments across locations. This has helped departments track customer details and respond to queries at short notice.”

The implementation has facilitated quick analysis of Aviva’s sales and marketing initiatives, which has, in turn, helped the company modify its products and services before offering them to customers. This has helped it win more customers and retain existing ones by offering them products and services that fit their needs. It has also helped Aviva develop multi-step marketing campaigns. Based on the type of response at each stage of the advertising campaign, appropriate processes can be triggered automatically in the e-CRM suite. Aviva’s entire sales and marketing operation has been integrated through this deployment. The company’s customer service team has successfully leveraged the suite to provide superior service across multiple channels.
New version

Talisma is upgrading its e-CRM product and Aviva plans to roll it out by May 2004. Pandey says, "We have already evaluated the new version of Talisma's e-CRM, which is likely to be released in May or June this year, and since it has enhanced features matching our requirements we will go for it." Besides going for a new version, Aviva is planning to go in for the chat module of Talisma's e-CRM suite so that customers will be able to chat with Aviva's representatives if they have an inquiry.

The CRM portal at SBI Life

SBI Life Insurance chose the WebLogic platform to streamline its CRM initiatives and other business processes, says Shivani Shinde

The need for system automation became critical at SBI Life Insurance. The challenge was to meet the demanding service and fulfilment levels of the growing insurance sector. SBI Life was on the lookout for a technology solution that was easy to implement, cost-effective and robust to expand its presence in the insurance sector and achieve a higher degree of service differentiation.

Although the organisation had a centralised system, most of the work was done manually. "We had a client/server architecture in place. But it was not integrated with the legacy systems," explains Murali G, Head of IT at SBI Life.
Early on, the top management realised that technology was a crucial driver for product and service delivery. Although using the extensive SBI group platform for cross-selling products and services was a viable option, reaching and engaging the customer cost effectively required a technology backbone. The portal initiative started sometime in 2003. Earlier, the insurance major had little enterprise software to support its business and the processes were carried out in an ad hoc manner. The system went live in 2004, taking just four to five months to go online.

It was clear as far back as 2002 that a durable and scalable system was going to be essential, and it was felt that a Web portal would be the best solution as a part of SBI's CRM initiative. Various options were taken into consideration—recreating their entire operations in-house, allowing a vendor to provide the basic platform and then build applications on it, etc. SBI also spoke to some leading providers in the industry, did some spadework, and finally decided to go for BEA Web Logic.

The Kotak Group has initiated a group wide implementation of Siebel CRM. The solution is expected to go live in the next six to nine months.

"Kotak Life posted a hundred % growth rate in the last financial year. Company also sees a huge business potential as eighty % of India’s population is still not insured. As a result, to cope up with the increasing scale of operations we are deploying the CRM solution," says Dhiresh Rustogi, executive VP-IT, Kotak Life Insurance.
Siebel Proved To Be A Functional-Fit For Kotak

As part of strategy, instead of running multiple applications and then integrating them with the CRM, Kotak Life decided to go for a system that will not only fulfill the integration needs but also serve as a single repository for data. Additionally there is also a possibility of failure in case of integrating small applications. The application integration will not be point-to-point but through an EAI layer, changing the way different applications communicate with each other.

So how is Siebel a functional fit for Kotak? Rustogi expresses "Kotak Insurance is a part of a large group. Company is looking for a CRM that can cater to non-life insurance products - services offered by Kotak Securities and Kotak Bank." Siebel will facilitate the Kotak Group to focus not only on customer prospects but also agents and external vendor prospects, thus the solution is configured to fit into any customer relationship and prospect management needs.

Coupled with this Siebel will enable Kotak to capture typical data about cold leads, existing, former and prospective customers, and Sales Force Automation. As a result the solution offers wide scope for interaction not only with the existing customer but also with former and prospective customers and agents.
Standardization Of Processes Is The Key Benefit

As of now the business processes are mapped to fit into the individual systems and applications in place. The challenge before Kotak is to chart a standard set of processes for handling customer, agent, marketing and campaigns, however the sub-processes can be different in the standard processes.

Standardization of processes will be the key benefit after the solution goes live. "The customer experience will be standardized across all the group companies. Financial benefits will start rolling out after we initiate the analysis of all the data captured in the system because we are looking at this product from a long term perspective," Said Rustogi.

"We are also looking to buy additional applications that would equip further automation, as and when the need arises they will be integrated with the CRM," concluded Rustogi.
LIC ropes in Wipro, IBM for CRM project

[Piyush Pandey in Ahmedabad | May 06, 2004 13:08 IST]

The Life Insurance Corporation of India has roped in Wipro and IBM for its customer relation management project.

The project will help the corporation chalk out its future plan and marketing strategy.

"The CRM project is the largest of its kind in India. It is aimed at studying consumer behaviour and chalking out our future plans and marketing strategy," said R N Bhardwaj, managing director, LIC.

The cost of the project is estimated to be over Rs 50 crore (Rs 500 million) and it is expected to be completed in the next three years.

Wipro and IBM will work together to compile the data of over 15 crore (Rs 150 million) policyholders of LIC.

The data would reflect consumer behaviour of the policyholders. It will also find out the number of customers going for loans, paying premium within the due date and defaulting in premium payment.
"Based upon the consumer behaviour of over 15 crore policy holders, LIC will formulate its new policy accordingly and will chalk out its market plan. Consumer behaviour analysis will help the corporation play a major role in the competitive and expanding insurance market," said Bhardwaj.

"For LIC, the customer is very important. All efforts will be made to provide faster and better services to the customers," Bhardwaj said.

LIC has introduced full-fledged info centers and customer relation departments to help policyholders. LIC has added 3 crore (30 million) new customers in the last financial year.
5.6 Does CRM Have A Place In The Insurance Agency?

CRM is one of those catch acronyms that is gaining popularity in most rapidly growing industries. Contact Relations Management (CRM) is the art of keeping up with prospects and clients in a system which utilizes today's technology to help agents increase close ratios. These type of systems are the driving force of sales departments for such companies as Harley Davidson and Staples. These companies have found that recording, tracking and maximizing their prospecting efforts saves time and resources. Throughout the past few years, this type of technology has been making its way into other industries besides the fortune 500, but does it have a place in the Insurance Agency? Absolutely!

Insurance Agents are constantly seeking referrals, purchasing leads, networking, cold calling, and paying for local advertising. What do agents do with the prospect's information if the sale is not made? It is lost in the deep abyss of paperwork in offices. Post it notes, hand written notes and printed leads proliferate desks of agents across the country. All the necessary questions are asked and typed into a rating system then, they close the sale. But what if the sale is not closed? What is done with this information? How does an agent follow up in six months, send mailers, and retain the information for future repeat marketing? Agents are paying thousands of their hard earned dollars every year and yet not keeping the information they have achieved in the process.
CRM systems fill this gap by allowing producers to easily input, manage and utilize the information retained in their prospecting. Such systems have various customizations, email templates, cross-selling tools, and automation, which allow the insurance agent to focus on what they do best. Agents are available to service the customer and help them preserve their lifestyles through quality insurance.

The key to selling anything is multiple exposures and timing. Agents using CRM tools keep in repetitive contact with their prospects and are able to maintain information such as expiration dates of policies and notes about each prospect for later use. Keeping all the information at the agent's fingertips and allowing for easy access is essential to fully utilizing a CRM system. Most systems allow agents to attach documents and track all notes in one place which eliminates needless paperwork piling up in their offices.

When shopping for the best system for your office, agents must look at what processes the system offers to aid in prospecting and making selling faster and easier.

1. Most captive agents cannot install software on their system so this mandates an online system. Choose an online version to eliminate the need to download software. Online CRM's allow the producer to track the productivity of their office from any computer and still provides all the security required for the insurance industry. Be aware to inquire if they require online versions to be hosted on the producer's servers. Some
companies tout that they are fully online, but neglect to mention that the agent needs to pay for separate server hosting with another company. Find an all in one company to make utilization of the system easier on your daily process.

2. Consider how the agency receives its leads. Does the system facilitate for various lead sources? Does it have easy data entry? Does it allow agents to import an excel spreadsheet or require the technical department to do it? How do Online Leads work with the system? Will it automatically import online leads and automatically assign those leads to producers to eliminate the down time of someone handing them out?

3. What follow up tools does the system offer, auto responders, drip emails, individual emails, reminders and easy reports to access prospects by expiration dates and other criteria? Following up with prospects is a big job and can consume a large portion of the prospect's day. Explore options for multiple automatic email follow up's, reminders, email templates, and scheduled emails to be set up all at once and delivered on the agent's schedule. Look for a system that will take care of the follow up, allowing the agent to make calls and follow up on time sensitive tasks.

4. How difficult are the customizations to meet the agent's needs for their industry? Insurance agents are experts on the insurance industry, not software developers! A system should not take longer than a few hours (off and on) to train and should be able to be workable easily within a week. The
customizations should be geared toward how the agent works their business, not the standards of what the industry mandates. This allows the agent to get up and running faster and with little discomfort. Make sure to explore what integrations with lead companies and carriers that company may provide to cut down on set up hassles.

5. How supportive is the customer service to learn the system and teach the system in a manner that is best for the agent? Does the system provide online training, help functions, support online or by phone? Each person has a different combination of ways in which they learn easiest. Also consider what timelines for training meet your agencies work schedule. Training should be completed at the agent's schedule and with the options of learning in stages. Continued support should be provided as well for when the agent is ready for the next stage in the system (make sure to explore if there are additional charges beyond the first few hours).

6. What security does the system offer both externally to unauthorized users as well as internal security for other agents inside your office? Systems that are housed on a computer are available only on that computer. This option provides a lot of security but is available only on the computer they are housed on. This also allows only one agent in the system at a time on that computer. This discussion opens up the question of what happens if something happens to the computer.
Online systems beg the question of internet hacking. When exploring CRM options, ask what type of security do they provide? Do they manage their own servers, what type of documentation for security measures can be provided and what type of security certificates are in place. When inside the system, make sure the web address starts off with https:// rather than a simple http:// this indicates that a security certificate is in place and actively monitored for outside disturbances.

7. What reporting and marketing tools are available to allow the agent to make the most of each lead? Tools for making the daily processes easier are the core to the CRM system. Agency managers need to look deeper and explore what reporting features are available. Are there productivity reports which are easy to access and easy to read? Do they give a lot of information that is not needed, or are they customizable to view what the agency manager cares about tracking? Does it have easy tracking of the agent workflow and daily activities? Can data on prospects be accessed based on what the agency manager wants to access? Exploring these questions can help the agency administrator decide what kind of system is right for their agency.

8. What do you get for your money? Does the CRM charge for various sections of the application? How much are updates? How often are updates rolled out? Are there additional charges for internet hosting of your system somewhere? Are there hidden fees for activity or limits on data storage? Are there hidden fees for additional training or support? Are the developers open
to suggestions on how to improve the system to match daily work flow needs?

Contact Relations Management Systems are great tools for keeping the salesman on top of prospects and keeping the sales process efficient. CRM's are driving every top industry today and the insurance industry is not far behind in discovering the useful tool it can be to the industrious agent. Sales professionals in every walk of the industry are taking the time to investigate how these systems can help them to use their marketing dollars to their fullest extent. Explore the options available and discover what CRM can do for your agency.

5.7 CRM: a risky bridge to the customer

Understanding the company's customers can help risk management build better insurance and loss control programs. But if a CRM program is not done right, the total cost of risk could be impacted. If statistics can be believed, then customer relationship management, or CRM, is one large puzzle. It seems that for every position one can take on the effectiveness of CRM programs, there's a study to back it up. Business executives, CRM software companies, property and casualty insurers, and customers themselves are lining up to voice their opinions on the effectiveness, or lack thereof, of customer relationship management strategies, software, and programs.
Regardless, one thing seems certain--CRM programs can help or hurt the risk management process depending on how effectively they are managed. Industry analysts, such as Deloitte Research, Gartner Group, and Meridien Research have all researched the CRM concept. Deloitte's study shows that CRM and supply chain applications are 81% more profitable for companies who use them, compared with those who don't. A Gartner Group projection that the failure rate for CRM projects will increase from 55% in 2001 to 70% in 2003 is due in part to failure to learn from past mistakes, says the report. Meridien's study of the financial services industry shows that 45% of customers defect because of poor service.

Research by Purdue University says that CRM is working. A study by the Purdue Center for Customer Driven Quality says that 76% of customers have reported that call center reporting has "somewhat improved" since the installation of a CRM program. Managers agree--they reported 88% of their call center agent efficiency as being "somewhat improved."

Indeed, more businesses than ever are using CRM, says a study by Harte-Hanks, a San Antonio, Texas-based firm that implements CRM solutions. One-third of the businesses surveyed has a CRM program or project in place.

What does all the research mean? It's clear that CRM is a large, important slice of business success. Experts agree that following through on a CRM program is often the missing link in business operations. Customer relationship management programs fail for many reasons. One is costs. If the world can stand one more statistic, in The
Gartner Group's estimation, 40% to 75% of businesses will underestimate the costs of CRM projects over the next five years.

Another reason for failure is a lack of understanding or agreement on corporate goals, as well as a lack of upfront planning. A CRM program is more than just implementing a technology solution and it's more than customer service. It should be a strategic initiative to learn more about customers' needs, behaviors, and preferences in order to identify market segments and deliver value.

A CRM program is doomed to fail if corporate culture and organization are not part of upfront planning. Many experts stress that companies should not underestimate the importance of people factors. Employees need to be trained in using your program effectively—and that may require a change in employee behavior.

"The driver behind CRM is to build something that allows us to have a better strategy in order to communicate with and view customers from a more holistic point of view," says Chris Maloney, director of market strategy at Maritz Loyalty Marketing, St. Louis, Mo. Maloney's group deals with CRM as a strategy and less of a technology solution. "CRM is about treating customers differently. You would target those customers who are most likely to leave you that you want to retain, or that you can grow. The goals of CRM would be to improve customer loyalty."
CRM Unplugged

So why is there a disconnect between the goal and the actual outcome? Many say it lies in the false notion that CRM solutions are the only steps necessary for success. "Three years ago, there was a great effort around CRM," says Tom Mullan, CRM architecture and partnerships for banking insurance at Hewlett Packard, Nashua, N.H. Mullan's group provides CRM strategies to banks and financial institutions. "In that rush, they did the channel portion—the call center or the Web-based portion. Those channel solutions work, and they work as a channel solution would. But they don't solve the problem of keeping the customer's data all in one place. They don't solve the second problem of making the channel consistent. That's why we're seeing negatives. It's a learning experience."

It could be too that defining CRM has become almost as challenging as finding success in CRM. While some say it's customer service, others disagree. "It's broader than customer service," says Chris McShea, national director of P&C actuarial services at Ernst & Young, New York. "You can provide great customer service and not have a good context for who your best customers are and who you should align and focus your services with. CRM is meant to create that blanket, that intimacy of knowledge around your best customers, so that you can align the resources you're going to deploy to service."