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6.13 PROTECTION OF POLICYHOLDERS’ INTERESTS
6.1 CRM IN LIFE INSURANCE COMPANIES

Relationship marketing is emerging as the core marketing activity for businesses operating in fiercely competitive environments. On average, businesses spend six times more to acquire customers than they do to keep them. Therefore, many firms are now paying more attention to their relationships with existing customers to retain them and increase their share of customer’s purchases. Deregulation of Insurance industry in the global has resulted in increased number of layers in the market hence competition. Worldwide service organizations have been pioneers in developing customer retention strategies.¹

Banks have relationship managers for select customers, airlines have frequent flyer programs to reward loyal customers, credit cards offer redeemable bonus points for increased card usage, telecom service operators provide customized services to their heavy users, and hotels have personalized services for their regular guests. It is important to acknowledge the fact that for effective management and growth of an organization in any sector, whether banking, insurance, engineering, entertainment, etc, there has to be a conscious effort by the management towards making it customer oriented. Customer relationship activities also include learning a customer’s individual interest and then tailoring services to meet them. Such programs help companies retain customers not only by providing a useful service but also by making customer feel appreciated.²

Information technology is the processing and distribution of data using computer hardware and software, telecommunications, and digital electronics. A study on Indian banking industry shows that information technology enhances

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² R. Srinivasan, Services marketing. The Indian Context, PHI Learning Pvt. Ltd., 2012
efficiency and strengthens service quality. Researchers found out that information technology (IT) practices could help enhance customer service by increasing convenience, collecting service performance information for management use, and offering extra services. Several competitive roles of IT in services, including creation of barriers to entry, productivity enhancement, and revenue generation have been explored.³

6.2 CRM Market Segments

Six Steps to CRM Strategy

☐ Cost to acquire customers ☐ Cost to sell ☐ Cost to serve ☐ Time to serve

Customer satisfaction ☐ Return on relationship ☐ Competitive advantages ☐ Number of customers ☐ Retention rate ☐ Assessment in the collection of analytics customer’s value ☐ Revenue per customer ☐ Impact of order fulfillment returns and call center actively or actual sales performance

In a globalized insurance environment and with severe competition in the insurance sector, an organization can survive only with its customer centric strategies. The organization should focus on Customer Relationship Management (CRM) in order to be customer friendly, enhancement of customer satisfaction and the resultant growth of the firm. A proper and timely platform is required to achieve this. Traditionally, marketing has been seen from the perspective of managing relationship with customer groups.⁴

Relationship marketing, however, takes a much broader view of the business. It emphasizes on a wider range of markets to provide the best value proposition in terms of both the product and also the customer service. At present, the CRM is the

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latest idea of managing and propagating insurance business more successfully. It is a tool that helps to design insurance products which match with the customer expectations. It also helps to build customer trust and develops loyalty of the customer. The main strategy of CRM is to pay attention to customer needs, innovative marketing channels, uniform quality outlets and identification of target market and also customer groups.\textsuperscript{5}

The new generation companies claim to grow by customer services by tuning up technology, training staff and tackling existing markets. Private players are picking up market share from competitors. With better prospects offered in the technology sector, the capacities and capabilities of the life insurance sector to retain and improve customer base is strengthened. The timely and efficient policy towards customer service makes this possible and acceptable to the insurers. The quality of customer relationship is often the differentiator. It is more so for life insurance business because the insurers are in the business of improving the quality of life of the customers. The understanding that a life insurance business is essentially one of partnership in helping customers and meets their lives, opportunities and adversities will go a long way in aligning the functional arms in the business.\textsuperscript{6}

For any organization, the main objective is of profit maximization. But non-profit organizations are also paying more attention to efficient services and also protecting the interests of the customers. The primary objective of an insurance organization is to maintain clarity in transactions and provide full protection to policyholders. The insurers should be utmost transparent at the time of the sale of their products. They have to provide clear and complete information about the

products. The biggest beneficiary of the competition among life insurers has been the customer. A wide range of products, customer-focused service and professional advice have become the mantras of the industry, with the customer forming the pivot of each company’s strategy.

CRM is a defensive marketing strategy that focuses on managing the customer experience by better understanding their needs and buying behaviour. It is a systematic way to strengthen the relationship between a company and its customers and transforming acquaintances. Given the importance of CRM in business success, insurers many times are eager to adopt the latest technology in different service applications which will provide a competitive edge. But, the actual success lies in the proper and careful adoption of the latest technology. Employees are crucial to the success of CRM. Hence, they are to be trained effectively to handle changes. However, change adoption is not a simple task.\(^7\)

**6.3 CUSTOMER SERVICE**

Customer service is the main key of insurance business. It is an attitude and a series of organized behaviour aimed at delivering measurable satisfaction and delight to customers. The customer has to play an important role in knowing his rights and obligations towards the purchase of insurance products. For this, the consumer has to get both pre and post-sale services from the insurers.

Customer service is the essence and heart of insurance business. Though it is not at all a new word in the business world, the new thing is the way customers are now treated by the organization. So the importance of serving customer is of utmost importance in the ever-increasing, ever changing and highly competitive

Many researchers have proved that retaining a customer is four times cheaper than acquiring a few.

6.4 FINDINGS OF THE SURVEY

A study was done on the CRM practices in public sector LIC and ten private life insurance companies. The private companies taken for the study are HDFC Life, ICICI Prudential, SBI Life, Reliance Life, Bajaj Allianz, Max Life, Aviva Life, Birla Sun life, Met Life and Tata AIA.

6.41 CRM IN LIFE INSURANCE CORPORATION OF INDIA

LIC had issued credit cards to the policyholders. The policyholders can make payment of premium to the Corporation with the help of the credit card. This practice was also taken up by some private insurers. Many insurance companies are also making payments to policyholders through National Electronic Fund Transfer (NEFT) and Electronic Clearing Service (ECS) to ensure speed and safety of funds. Through the Key Performance Indicator (KPI), an insurer can give necessary information to the insured immediately. Automated modes like ECS or standing instructions through a credit card ensure that the customer undertakes limited effort and decreases the risk of lapsation for both the customer and the insurer. Use of mobile phones for remittance of insurance premium is likely to be a reality soon.

LIC opened satellite offices across the country to link up the branch network with the Head Office. As a result, the Corporation took up the expansion of improved customer service even to rural areas. Now all customers can transfer insurance payments through any ATM terminal anywhere in the country. The private players are also providing services beyond their boundaries. Through call centres’ and touch points, the insurers are serving the customers better. With the advent of the
information technology, e-mail and mobiles have also resulted in faster and safer customer services at a touch of the button.

The Government of India is taking a step enormously for giving unique identification number to Indian citizens. LIC has agreed with the authority to provide verification services wherever necessary for a certain fee of the policyholders. It helps prevent insurance fraud by colluding with hospitals and diagnostic centres’.

The IRDA is also planning to establish insurance fraud prevention authority for reducing the problem of insurance fraud. Another facility by the insurer to the policyholder is the establishment of cheque boxes at various counters like malls, ATM centres’, etc. The cheques of the policyholders are collected through these centres’ and the same will be deposited in the insurers’ accounts. The philosophy behind all these initiatives is to ensure total satisfaction of the consumer.

Treating the Customer Fairly (TCF) is a new management initiative that looks beyond mere customer satisfaction. It is a technique in which the gap between the customer’s desire and what he gets from the insurer actually is reduced. It helps to gain the confidence of the customer. Every customer will be treated fairly by the insurer. It helps improved customer loyalty, increased customer satisfaction and improved goodwill. TCF ensures maintenance of satiated customers and results in the long-term sustainable growth of the Indian life insurance industry.

The technology has also used for providing customer services right from the proposal to the settling of a claim. The technology includes mobile, internet and electronic transfer. This increased the geographical spread of the business across the globe. Renewal follow-up services like timely reminders, renewal notices and facility to renew policies are also initiated by the insurers to build-up strong renewal mechanism.
Customer Due Diligence (CDD) is another management technique which helps the insurer to identify customer identity and verifying the beneficial owner. The insurers should apply CDD measures for determining the risk appetite depending upon the type of customer, business relationship or transaction.

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

Online premium payment options include LIC Website – Net Banking, Debit and Credit card

Authorized Banks – Through Axis Bank and Corporation Bank

Franchises – AP Online, MP Online, Suvidha Infoserve and Easy Bill Pay.

Merchants – Premium Point Empowered agents, Life Plus (SBA) & Retired LIC Employee collection.
6.42 CRM in HDFC LIFE

HDFC Life are committed to maintaining the highest level of customer service. Hence they have tried to provide customers with all the information they may want to seek regarding procedures such as paying their premium, various policy servicing options, processing a claim and so on. Customers can manage their account online and access and manage life policies online, avail 17 premium payment options, know about tax benefits and tax laws applicable to their policy, able to contact the company, download policy servicing forms for permissible policy alterations, make claims for benefits, and enquire about lapsation and revival of policies. The Company also provides a key feature document, a notice corner, an information centre and a grievance Redressal centre.

6.43 CRM in ICICI Prudential

The company sells most of its products online through phone or internet. For existing customers constant support is provided through a toll free number, sms, Turnaround time, downloading of forms, filing of claims, Payment of premium online and buy insurance online. Existing customers can set standing instructions, view fund progress, get E-statements and perform E-switch, do an online top up, file complaints, go through Pre issuance payments and protect their policy. They also have all the instructions regarding the procedure to file claims, make online claim intimation and avail networking of hospital facilities.

6.44 CRM in SBI Life

SBI Life Insurance is a joint venture between State Bank of India and BNP Paribas Cardif. To its existing policy holders, the company offers various services to pay
premium online, detailed premium payment procedure, ECS facility, NRI services, claim settlement process, Answers to FAQs, SMS based services and Revival of lapsed policies. New customers can avail of services of Premium calculator, Need analysis calculator, Retirement calculator, Human Life Value (HLV) calculator, Buy Policy Online Tools, Financial Planner tools, Proposal tracker, Order a form, Meet an Advisor, Child education Planner, Tax calculator and Easy Plan Finder.

**New CRM initiative in SBI life**

One of the biggest challenges was to integrate the data from the existing systems with the new solution. This was made relatively easy by SBI life by adopting the new CRM solution’s plug and play modules. The same module also allows integration with the IRDA portal such that the regulator can query the system to track complains. With the new solution, SBI Life can efficiently service any query/compliant because they have a consolidated view of all the past payments and history of customer interaction at their fingertips allowing for faster resolution and immediate escalation for problem that require deeper investigation. For every complaint they receive, they have a corresponding token from the regulator which tracks the resolution and defines the turnaround time. For example, the regulator allows for three days from the complaints being generated to the acknowledgement received by the customer from the bank. This is available for both the regulator and SBI life to see online. Similarly, IRDA has defined the complaint lifecycle of different types of complaint. With the new system, the company can record not just the queries of existing customer but also the initial interactions with potential customers. This helps the company understand customer behavior; what people are looking for, why they chose the solutions they do.
6.45 CRM in RELIANCE Life

The company provides online services for IVR (Interactive voice response) ECS and direct debit premium payment options, Fund performance information, claim filing procedure, download of forms, help desk and toll free contact numbers for queries and complaints.

6.46 CRM in BAJAJALLIANZ

Bajaj Allianz provides Online Calculators – Return calculator, Right insure calculator, Right invest calculator and Retire rich calculator. Life tools such as Manage your Policy, Claim Process and Get Claim status are provided to policy holders. Additional services include Premium Renewal options, Benefit illustrations, Retrieve saved quotes and Life FAQs.

6.47 CRM in MAX LIFE-CRM initiatives

- First organization to have provided a free look period of 15 days for the customers - later on IRDA made this mandatory
- First Indian life insurer to have provided different services to the agents and customers over phone
- First company to have started toll free lines for agent services
- First life insurer in India to have started service centers at the regional level
- First and the sole Indian life insurer to have put into practice the Lean methodology of service excellence in service industry
- First Indian life insurer to have been awarded ISO 9001:2008 certification
Apart from the above achievements the regular CRM strategies include customer services such as Premium payment options (More than ten options) like Pay Online, Pay by Phone, Auto debit, Drop box or branch cheque pick up. IVR (Interactive Voice Response) to solve queries, Escalation Matrix to report query to higher level, Answers to frequently asked questions, SMS updates on NAV, Last amount paid, policy status, policy due date, Unit Statement. Customers can download premium receipts and get information about withdrawn plans.

6.48 CRM in AVIVA LIFE

The company assures customers of daily provision of information and the effective communication with as main priorities in their work. They offer various possibilities for access to the information about their products and services. They offer consultations to their customers and aim to provide adequate solutions that meet their individual needs. Existing customers are offered services for payment of insurance premium, claim for insurance benefits, surrender of policies, investment of insurance units, personal information update, file a complaint or give recommendations. When they give information, they comply with the highest standards for confidentiality and information safety, which ING applies in its activity worldwide. Customized products for Business, Small Business, Individual, Senior Citizens, Pregnant Women, children and for women

6.49 CRM in BIRLASUNLIFE

Customers are able to avail of the following services for ease of payment of premium and settlement of claims. Customers are able to - Manage their Policy through on
line services for the following - Pay Premium, Change Premium Payment Frequency, Update your Contact Details, Subscribe to e-statement.

Make Premium Payment – there is a range of premium payment options ensure their convenience, Net Banking, ECS, Direct debit, National Electronic Fund Transfer (NEFT).

Enquire and clarify regarding – Claims, Demat of Insurance, Investment, Login, Policy servicing, Tax benefit.

**6.410 CRM in MET LIFE**

Met Life companies enables online for customers to login to their customized id and make premium payment, know the claim procedure, download forms, provides policy holder education warns trains customers against spurious calls and has a special zone for NRI customers.

**6.411 CRM in TATA AIA**

At Tata AIA Life, it's the company's commitment and constant endeavor to deliver and maintain the highest level of service for you. To ensure a convenient and hassle-free experience for customers, the company has included all relevant information that customers may require at different stages of their association with the company. Customers can track their applications online, check the performance of their policy funds, Premium payment online through NEFT, EBPP (Electronic Bill Processing and Payment), ICICI Bank Quick Pay, Internet Mobile Payment Service, Payment through direct debit, drop boxes, cheque pick up.
6.5 CRM IMPLEMENTATION

CRM is a technology. Implementation of this technology includes collection of valuable information of the customers through previous contacts, surveys and queries. The information is collected through tele, e-mail, fax and call centers. It is best fit for providing quality service towards policyholders. Through the implementation of CRM, the insurer gets the advantages of innovative development of product, better operational efficiency and accelerated customer satisfaction. The customers are becoming harder to convince and satisfy. They are more demanding, price and service-conscious, less forgiving and are approached easily by competitors with same or higher offers. This challenge is not to develop satiated customers but to produce very much delighted, loyal and committed customers.8

The most popular definition of customer satisfaction/dissatisfaction is that it is a comparison of customer expectations to perceptions regarding the actual service encounter. Comparing customer expectations with their perceptions is based on what marketers refer to as the expectancy model. If customer perception meets expectations, the expectations are said to be confirmed and the customer is satisfied. If perceptions and expectations are not equal, then the expectation is said to be disconfirmed.9

CRM has proved to be an effective tool in the quest for better customer relationships for the insurance companies. The customer generally imposes tremendous faith in the agent. The clarifications regarding the customer’s questions should be answered in a correct and proactive manner by the agent.

With customer attrition rates hitting the roof, the primary challenge for CRM is to ensure customer satisfaction and retention. The key to customer satisfaction is to

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understand the individual customer’s behaviour and predict their needs and demands. Inspite of the best intentions of the organization, customer might get dissatisfied with some aspect of his experience with the organization. Levels of dissatisfaction can range from displeasure to anger.$^{10}$

To ensure higher impetus on CRM initiatives, sales force automation is of great help. All routine data entry tasks are automated or outsourced. Online access to all required data and information helps sales people obtain current information as and when they require. This results in integration of both front-end and back-end data. With intense competition and at the same time decreasing customer loyalty in the insurance industry, the insurers have also to address not only prospective and existing customers but also the lost ones as the distinct target group for their CRM initiatives through carefully planned revival programmes. Many insurers have obtained the benefits of CRM. They have retained and pleased the customers with their newly designed products, gained repeated purchases of the insurance products and increased profitability. Insurance companies need to focus on customer driven policies to satisfy the diversified needs of policyholders in the best possible manner.$^{11}$

**6.6 MATURITY AND DEATH CLAIMS**

The claims are generally categorized into two classes, i.e., maturity and death claims. The maturity claims have to be settled at the time of maturity. The lump sum amount paid at the maturity date includes the sum assured and also an accrued

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amount of bonus. The insurer normally dispatches advance intimations to the insured. The company is expected to make payment on the maturity date. Post-dated cheques are normally sent to the policyholders in advance. Maturity claim is payable under endowment type of policies including money back policies. The life assured should be alive on the date of maturity. The policy schedule provides for the payment of the maturity claim to the life assured or the assignee. Settlement procedure in a maturity claim is simple. After the receipt of the completed and stamped discharge voucher from the person entitled to the policy money along with the policy documents, claim amount will be paid by the insurer direct to the account of the policyholder.\textsuperscript{12}

Death claims occur before the expiry of the term of the policy and on the death of the insured. At the time of death claims, the nominee should submit all the necessary documents to the insurer. Death claim is payable under all policies. The death of the life assured must occur before the end of the policy term. The premiums should have been paid up to the date of death or for at least three years. This is a privilege offered by the insurer to the claimant in appreciation of the long association of the life assured with the insurer. The LIC is following this practice. The objective of this privilege is to pay the full sum assured in certain cases, even if the premiums are not paid up to the date of death.\textsuperscript{13}

Under section 108 of the Indian Evidence Act, 1872, if it is proved that the person has not been heard of for seven years by those who would have naturally heard by him had he been alive, the presumption of law is that he is dead. His heirs can apply to the appropriate civil court and get a court order declaring that the life

\begin{flushright}
\textsuperscript{13} Yegnapriya Bharat, ‘Grievance Management... and Beyond – Top Priority for Insurers’, IRDA Journal, October, 2011, p.28.
\end{flushright}
assured might be presumed to be dead. The date of the court’s order is taken as the
date of death and a claim is payable by the insurer.

In case of more than one person claim to the policy money, it is called a rival
claim. The insurer may advice the rivals to approach the court for resolution of the
rivalry. The claimants should move the court within 15 days. The insurer has to wait
till the court passes an order of resolution and also for payment. The efficiency of the
service rendered by the insurers to the customers is mostly influenced by the way in
which both the maturity and death claims are being settled. 14

6.7 CRM in Insurance

Insurance CRM helps general & life insurance companies enhance customer
satisfaction. CRM boosts revenues by streamlining processes, improving
intermediary management and providing actionable intelligence at front-ends on a
single technology platform. CRM strategies bring about 360 Degree customer view,
effective collaborations, know corporate requirements, have effective cross-sell and
up-sell, render optimal service quality, offer real-time performance data, comply with
regulations and display intelligent reports and dashboards.

6.8 CRM IMPLEMENTATION

CRM is a technology. Implementation of this technology includes collection of
valuable information of the customers through previous contacts, surveys and
queries. The information is collected through tele, e-mail, fax and call centers. It is
best fit for providing quality service towards policyholders. Through the
implementation of CRM, the insurer gets the advantages of innovative development

14 Bindu Krishnan, ‘Claims Management and Claims Settlements in Insurance’, The Journal of Insurance Institute of
India, Mumbai, July-December, 2010, p.49.
of product, better operational efficiency and accelerated customer satisfaction. The customers are becoming harder to convince and satisfy. They are more demanding, price and service-conscious, less forgiving and are approached easily by competitors with same or higher offers. This challenge is not to develop satiated customers but to produce very much delighted, loyal and committed customers.

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With customer attrition rates hitting the roof, the primary challenge for CRM is to ensure customer satisfaction and retention. The key to customer satisfaction is to understand the individual customer’s behaviour and predict their needs and demands. In spite of the best intentions of the organization, customer might get dissatisfied with some aspect of his experience with the organization. Levels of dissatisfaction can range from displeasure to anger.

To ensure higher impetus on CRM initiatives, sales force automation is of great help. All routine data entry tasks are automated or outsourced. Online access

to all required data and information helps sales people obtain current information as and when they require. This results in integration of both front-end and back-end data. With intense competition and at the same time decreasing customer loyalty in the insurance industry, the insurers have also to address not only prospective and existing customers but also the lost ones as the distinct target group for their CRM initiatives through carefully planned revival programmes. Many insurers have obtained the benefits of CRM. They have retained and pleased the customers with their newly designed products, gained repeated purchases of the insurance products and increased profitability. Insurance companies need to focus on customer driven policies to satisfy the diversified needs of policyholders in the best possible manner.

LIC and other private insurance companies depend significantly on the technology for carrying out the routine tasks like online payment, online claim settlements, ebusiness and internet marketing. e-CRM is an online customized approach to interact with prospects and existing customers. It helps to understand, estimate and manage customer needs quickly. It reduces the costs of customer operations. But, implementation of e-CRM needs suitable infrastructure requirements on the web by the insurer. As new insurers are entering into the market and are offering different innovative products, they have to give more importance to CRM.

The life insurance agents also have to play an important role in building up the relationship with the policyholders. Relationship management is a suitable strategy for better taking care of the customers. CRM has got an integrated approach which helps the manager, the agent and other officials to understand the present status of clients, facilitate smooth and continuous flow of information and timely care of the consumer. Relationship management is the key factor for the success of an organization as it builds a base of loyal customers.
Analysis of the research questions

Methodological background

The data used in this study were collected through a survey among insurance companies in India. A total of 90 copies of the questionnaire were sent. 3 copies of the questionnaire (meant for IT manager, marketing manager and underwriting manager, respectively) accompanied by a covering letter explaining the objectives of this survey were personally handed to each company and this was followed up by telephone calls to motivate them to act. To ensure a high response rate, copies of the questionnaire were sent a second time to those companies who lost the earlier ones. Again, this was followed up by regular visits in order to clarify any difficulty the respondents might have in filling the questionnaire. Eventually, among the 86 copies retrieved, 78 were correctly completed and these were analyzed for this research.

Question 1

Could major transactions like the filling of proposal forms and claim forms be done online by the customers without physical contact with insurance companies? As presented in Table 6.1. About 46% of the respondents agreed that customers could perform major transactions online without necessarily coming in contact with the company in person, while the rest disagreed. This shows the low level of development of online business activities in the market.

Table 6.1 Development of Online business activities

<table>
<thead>
<tr>
<th>Alternatives</th>
<th>Response</th>
<th>Percentage</th>
<th>Aggregate (%)</th>
</tr>
</thead>
<tbody>
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<td>Strongly agree</td>
<td>07</td>
<td>08.97</td>
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</tr>
<tr>
<td>Agree</td>
<td>29</td>
<td>37.18</td>
<td>46.15</td>
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<tr>
<td>Undecided</td>
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<td>34.62</td>
<td>34.62</td>
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<tr>
<td>Disagree</td>
<td>11</td>
<td>14.10</td>
<td></td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>04</td>
<td>05.13</td>
<td>19.23</td>
</tr>
<tr>
<td>Total</td>
<td>78</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary Data Survey on CRM
Question 2

With the aid of IT, do the insurance firms in India have a comprehensive database of their customers? As presented in Table 6.2, 82% of the respondents agreed that they have a comprehensive database of their customers. This result is an interesting one because customer relationship marketing in practice involves the purchase of hardware and software that will enable a company to capture detailed information about individual customers that can be used for better target marketing (Achumba, 1995).

Table 6.2 Table showing awareness of Insurance Companies’ Data Base

<table>
<thead>
<tr>
<th>Alternatives</th>
<th>Response</th>
<th>Percentage</th>
<th>Aggregate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>30</td>
<td>38.46</td>
<td></td>
</tr>
<tr>
<td>Agree</td>
<td>34</td>
<td>43.59</td>
<td>82.05</td>
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<td>Undecided</td>
<td>09</td>
<td>11.54</td>
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<tr>
<td>Disagree</td>
<td>04</td>
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<tr>
<td>Strongly disagree</td>
<td>01</td>
<td>01.28</td>
<td>06.41</td>
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<tr>
<td>Total</td>
<td>78</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary Data Survey on CRM

Question 3

What are the effects of application of information technology on the profitability of an insurance organization? As presented in Table 6.2, while about 34% agreed that a combination of IT and CRM has not given an impressive increase in the level of profitability, 41% disagreed, while 24% were undecided. This shows that efficient use of IT in insurance organizations results in increased profitability. Again, this result aligns with an earlier research conducted by Jeffers (2003) that IT on itself does not necessarily account for differences in performance level among firms, but its true contribution in that regard may lie in its complementarily effect on other firm-specific resources. In simple terms, IT supported by adequate human and business resources as well as IT managerial capability may help to make profitable resources even more so.
Table 6.3 Table showing effects of IT on profitability

<table>
<thead>
<tr>
<th>Alternatives</th>
<th>Response</th>
<th>Percentage</th>
<th>Aggregate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>03</td>
<td>03.85</td>
<td></td>
</tr>
<tr>
<td>Agree</td>
<td>24</td>
<td>30.77</td>
<td>34.62</td>
</tr>
<tr>
<td>Undecided</td>
<td>19</td>
<td>24.36</td>
<td>24.36</td>
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<tr>
<td>Disagree</td>
<td>20</td>
<td>25.64</td>
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</tr>
<tr>
<td>Strongly disagree</td>
<td>12</td>
<td>15.38</td>
<td>41.02</td>
</tr>
<tr>
<td>Total</td>
<td>78</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

This research attempts to find out how customer relationship can become more effective with the aid of information technology and to examine the view that CRM when properly carried out using adequate information technology can yield optimal results for organizations. Based on the results of research questions and hypotheses tested for selected insurance companies, it was found out that in majority of companies, customers could not perform major transactions on line without necessarily coming in contact with the company in person. This is because not all companies have fully integrated IT with their CRM. Also, it was discovered that a good number of insurance companies have a comprehensive database of their customers with the aid of information technology. Consistent with some previous studies, this study supports the view that the use of IT can enhance service delivery. Apart from that, another finding is that effective and efficient combination of high level of CRM and IT will increase the level of customers’ patronage and ultimately the organization’s profitability. The importance of combining IT with CRM cannot be overemphasized. This view represents the opinions of major authors cited in the course of this research study. This research reveals that customer relationship can be improved using information system, and this is being adopted and albeit gradually by the insurance companies in India. In summary, the study revealed that CRM and IT, if effectively and appropriately combined in service delivery, would minimize delay in customer service delivery and ultimately result in increased profit.
6.10 CLAIM REPUDIATION

Insurance is a business of collecting premiums and settling claims. In claim process, an insurer has to give support to all valid claims. At the time of selling an insurance policy, an insurer has to take correct information relating to the proposer’s health and financial conditions. Based on the information, the insurers have to decide the particular category of risk, the coverage amount and the premium accordingly. At the time of claim stage, if they find suppressed information, it may lead to rejection of the claim. The insurer should list out the genuine claims and settle the same immediately. Further, an insurer has also to publicize the reasons for repudiation of claims. A proper and quick processing of a genuine claim goes a long way in building the reputation of the insurer while an indiscriminate repudiation is bound to affect its goodwill. A reduction in fraud levels results in decreasing the false claim payments. It is important that insurance selling process is transparent and educative for the customers, but, the policy may be invalid due to the misrepresentation or suppression of material facts by the insured at the time of submitting claims. The repudiation of a claim has to be considered by an insurer on the merits of the lapses of information given in the proposal form.

The larger the number of products and variants, the more confused is the customer. Any misunderstanding can result in disappointment and consequent rejection of a claim. Buying insurance products is complicated and mostly confusing to the customer. But, it is the responsibility of the customer to understand the provisions of his insurance policy. The main responsibility of the claims department is to distinguish between the valid and invalid claims fairly. Section 45 and 47 of the Insurance Act, 1938 enable the insurer to repudiate the claims as and when necessary. Sometimes, the claims may be repudiated on other reasons. If any of the
clause or condition laid down in the policy document is contravened, then the insurer is compelled to repudiate the claim or pay the stipulated amount as per the relevant clause or condition. It is a sad state of affairs that the claims of the insured persons are deliberately and intentionally repudiated under the pretext of nondisclosure of pre-existing diseases. It is necessary that more care is taken at various levels while a claim is repudiated. In order to achieve this, it is desirable to put in place various layers of operational hierarchy before repudiating a claim. There is always a provision in the insurance organization to review the repudiated claims. The review may result in admitting the claims repudiated earlier. If the review also confirms the repudiation, the claimant has to be advised that it was not found possible to make the payment of the claim. The claimant can approach the grievance redressal machinery first, before he goes to the court of law.

The approach of the insurers in the matter of repudiation of claims should be one of extreme care and caution. It should not be dealt within a mechanical and routine manner. While legally, insurance companies are absolutely right in repudiating claims based on documentary evidence, morally they owe a duty to the customer’s family. Ability to keep repudiation to the absolute minimum is a key to business success in the changing insurance environment. On the whole, it is understood that the total number of claims repudiated or pending is less than 5 per cent in LIC and for the private sector it is over 15 per cent.

6.11 BENEFITS PAID

The benefits payable to the customers by the life insurers at different points of time during the policy period include the payment of survival and annuity benefits. It includes surrender amounts also. The profitability, the trust and the quality of customer service rendered by an insurer are clearly influenced by the benefits
payable to the customers. Survival benefits are payable under money back policies. The life assured should be alive on the date on which the survival benefit is payable. If a policy is assigned, the assignee can receive the survival benefit though the life assured is alive.

Annuity payments are also made by the insured depending on the type of annuity and the mode of payment of annuity selected by the annuitant. Depending upon the structure of insurance product, the benefit payment arises. The major point in surrender of a policy is that the policy is cancelled before the happening of an insured event. The accident and disability benefits as per the conditions mentioned in the policies are also to be paid by the insurers to the customer. Further, the critical illness benefit is also paid to the customer as a lump sum amount on the diagnosis of specified diseases.

6.12 COMPLAINT MANAGEMENT

One of the major ethical concerns faced by the insurance industry today is that of misconduct. It gives rise to a plethora of complaints which not only cause monetary loss to an insurer but also result in the loss of trust, reputation and brand image. Personal interactions and home visits are considered to be customer friendly in some parts of the country. The complainants not only want quick resolution but also satisfactory results and therefore, customer voice is given importance in the process resolution. No error attitude and complaint management leads to higher customer satisfaction and patronage.

Establishment of a Grievance Redressal Cell by IRDA is a right initiative by the Regulator towards the protection of consumer rights. This Cell plays a facilitative and suggestive role by taking up complaints with the respective insurers. An effective complaint management system enhances customer satisfaction by creating a
customer-focused environment that receives and attends to complaints and is open to feed-back. Such a system helps the organization to improve its services towards customers. IRDA has also implemented an online Integrated Grievance Management System (IGMS) which provides a way for policyholders to register their complaints with the insurers. The complaints flow to the Regulator’s repository and updation and status of the complaints are also clearly shown in the Regulator’s system.

INSURANCE OMBUDSMAN

Ombudsman is an independent regulatory mechanism established solely for the redressal of customer grievances. It is a Swedish word meaning thereby a ‘legal representative’. It was started in 1809 and adopted in many countries. This concept was first introduced in the banking sector with a notification by the RBI. Before IRDA’s regulations in 2002, ombudsman scheme was also introduced in the insurance sector through the notification of ‘Redressal of Public Grievance Rules, 1998’ under Section 114 of the Insurance Act, 1938. An institution of Ombudsman was set up for the first time by the Government in consultation with the IRA for settling complaints and grievances of the insured. The main role of this institution is to protect the interest of the policyholders to generate good faith and confidence in the minds of consumers and insurers. Ombudsman is appointed for a period of 3 years or attains the age of 65 years, whichever is earlier. There is no re-appointment. 12 ombudsmen were appointed by Governing Body for a period of three years. These include Bhopal, Bhubaneswar, Cochin, Guwahati, Chandigarh, New Delhi, Chennai, Kolkata, Ahmedabad, Lucknow, Mumbai and Hyderabad.

Ombudsman is empowered to receive complaints from any person who has any grievance against the insurer. He is a centre for redressing complaints on large
scale. Generally, the complaints include repudiation of claims, dispute regarding the amount of premium paid, dispute on the legality of the policy, delay in the settlement of claims and the non-issue of any document after the receipt of the premium.

6.13 PROTECTION OF POLICYHOLDERS’ INTERESTS

Rendering efficient services and protecting the interests of the customer have been logging the limelight world over. There has been an increasing emphasis on being fair to the customer, irrespective of the type of business that one pursues. Regulation of insurance has a beneficial effect on the institution by maintaining public confidence, securing desirable uniformity and preventing destructive practices arising from competition within the industry. IRDA (Protection of Policyholders’ Interests) regulations, 2002 exclusively deals with the matters to be stated in a life insurance policy and includes other important items for protecting the interests of the policyholders. When a new policy is issued, insurers must advise the insured to read it in order to make sure that the cover granted conforms to his or her wishes. It is also necessary to pay attention to endorsements. In some cases, they should override the more general provisions in the policy itself.\footnote{Bindu Krishnan, ‘Claims Management and Claims Settlements in Insurance’, The Journal of Insurance Institute of India, Mumbai, July-December, 2010, p.49.}

The protection of policyholder regulations have played a very significant role in protecting the interests and responsive to policy holders’ needs. It has helped in bringing transparency in transactions between insurers and insured in the sales process, documentation, service levels and grievance redressal. A life insurance policy shall clearly state the name of plan, basis of participation, benefits payable, details of riders, date of commencement of risk, premiums payable, age at entry, provisions for nomination, assignment, loans and surrender and any other special cause relating to the policy.
In the process of sale, the insurer or an agent or an intermediary shall act according to the code of conduct prescribed by the Regulatory Authority, the Life Insurance Council and also the recognized professional bodies or associations of agents or intermediaries.

A life insurance company, upon receiving a claim, shall process the claim without delay. Any queries or requirement of additional documents shall be raised all at once and not in a piece-meal manner within a period of 15 days of the receipt of the claim.

A claim under a life policy shall be paid or disputed giving all the relevant reasons, within 30 days from the date of receipt of all relevant papers and clarifications required.

When there is a delay on the part of the insurer in processing a claim, the insurer shall pay interest on the claim amount at a rate which is 2 per cent above the bank rate. Any breach of obligations on an insurer or insurance agent or insurance intermediary may enable the Regulator to initiate action against each or all of them jointly or severally.  

The IRDA reviews the functioning of the insurance company, from time to time, through inspections, meetings with the chief executives and chief finance officers, the appointed actuaries and other senior officials, to form a view of compliance and how risk issues are being readdressed by the insurers.

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17 News Article in Economic Times "Customer complaints rise against insurers by over 10%" September 1, 2013