

## A Study on Customer Relationship Management in Insurance Sector

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### ABSTRACT

*The customer attitude has adapted the changes in the service industry with more demanding, challenging and aware customers. With the increase in competition, innovative products with improved and better services are available to the customers' resultant in a significant rise in the expectation level of customers. After banking and telecom sector, the insurance sector needs to study the customers and their changing attitudes. Liberalization has changed the statistics of insurance industry in India with increased competition and awareness of customers. Post liberalization the insurance companies recognize the need to study the changing customer behaviour and the importance of Customer Relationship Management (CRM) in retaining the existing customers. CRM allows insurance companies to enable the marketing departments to identify and target their best customers, manage marketing campaigns with clear goals and objectives, and generate quality leads for the sales team. CRM allows the insurance companies to manage marketing strategies at optimum level in identifying and targeting customers in a manner that long-term relationship is maintained. The study focuses on CRM contribution in the growth of the business by providing better customer service, increasing customer revenues, maintaining updated customer data, training sales staff in customer conflict handling and in retention of customers.*

**Keywords:** Customer Relationship Management, Insurance Sector, Customer Retention, Customer Behaviour

### INTRODUCTION

Eventually like telecom and banking, Insurance sector had recognized the need to deploy Customer relationship Management solutions. Intense competition, complex and continuous changing business environment have influenced customer behaviour to a significant extent. Nowadays customers are more aware and ready to switch easily will diminish customer loyalty which has increased the need of business to be customer-centric and market –focused in comparison to the past. In general the Indian insurance sector is complex with less stability and competitive in nature. This is due to the presence of major big player in the industry dominates the market. Price and market mechanism is primarily controlled by the major player. Most insurance companies are not adequate to deal with price related problems here CRM enables the organization to survive and provide better customer service. CRM has become a catalyst for growth in the insurance sector. The transactional model had been substituted with relationship model to meet customer demands regularly. CRM is beyond an Information technology solution for improved customer service. CRM is a business proposition to integrate the people, process and technology to improve relationships with existing and prospective customers. CRM solutions attract prospects, unify the administration and marketing strategies to provide better customer service, provide customized solutions to satisfy customer expectations and demand and handle customer conflicts and complain in real time.

## Literature Review

H.S. Sandhu and N. Bala (2006) in their study had discussed about the post liberalization change and growth in the market. They added that with newly developed business environment the dearth for research on various industry needs like bank guarantee, role of customer relationship management and dependency of information technology.

R.Kumar and K.Vaidya (2004) in the research study had suggested differentiation strategies that can be used by the insurance companies to gain competitive advantage. Cross selling opportunities are being grasped by the extensive use of CRM tools. They had provided with a new term of e-service implying to customer service with the use of internet and modern information techniques.

M. Rajkumari<sup>6</sup> (2007) had showed that awareness of customers about the insurance policies is very limited. Lack of awareness is the prime reason for low percentage of insured population. The major found was the income tax deduction and savings followed by risk coverage and protection. The research further suggested that adapting CRM models are only effective when customers are aware about the product and services. Urgent need is to extensively use media, advertising and other sources to increase the awareness of customers.

Dr.P.Sheela and G.Arthi (2005) had given priority to changing customers' needs with time. They had stressed on building cost effective distribution channel to enhance customer awareness and strengthening customer responsiveness. They had emphasized that by increasing the use of technology is not sufficient for serving the customers instead use of CRM model is necessary.

R.Jampala and V. Rao (2007) had focussed on the physical Distribution channels of insurance companies. Overtime corporate agents, brokers and referrals had emerged but the use these distribution channels are limited. Apart from physical channel they had focussed on tangible channels created by information technology and internet like e-mail, web portals had also gained importance nowadays. Extensive use of distribution channels is vital to stand out in highly competitive environment.

## Need of CRM

Statistics about customer behaviour and the benefits of loyal customers clearly show the importance and necessity of CRM in present business environment. Customer satisfaction plays a crucial role in attracting new customer and spreading a positive word of mouth. A satisfied customer say in 10 years will attracts 100 more customers to the company. According to Pareto principle, 20 per cent of company loyal customer accounts to 80 per cent of total revenues. It is five times cheaper to retain an old customer than attract a new one. Probability of selling an existing customer is one in two and selling to a new customer is one in sixteen. In general a satisfying experience on average is communicated to eight familiar persons and a negative experience 20 familiar persons. Eighty percent of ideas come from existing customers. CRM is a cost-efficient tool in all aspects as it reduces acquisition and handling cost and increase profits by attracting and retaining old customers.

## CRM in Insurance Sector

Insurance is security tool to protect the individuals, firms and other entities from the probable loss and financial deficit prior at an acceptable rate. It is a type of risk management used to compensate the significant uncertain loss in monetary terms. Eventually with the liberalisation in the industry,

insurance is being perceived as a medium of transfer of risk instead of a saving method. Intense competition with aware and demanding customers had changed the statics of the industry. Insurance companies have to struggle for market share and customer segmentation. Innovative products, convenience and ease in operation, better customer service and deeper market penetration by knowing the customer base are required for sustainability and growth of the businesses.

Quantum selling is not practically achievable in insurance market as need and potential of customers varies at every single step. Most Insurances companies recognize the merit of individual customers in real time to enhance the customer touch points all over. Deeper understanding of customer needs and detailed information is requisite for synchronizing the marketing strategies with the customer purchase behaviour. Satisfying with the product that is most suitable according the customer requirement in a particular time period is critical. Advanced level of customer understanding with appropriate data to optimize cross- selling and up selling efforts to have positive impact of customer perception and company business. Generally Insurance companies follow three step process for predicting the customer behaviour and further planning.

Sum Profiling: Profiling is build on the basis of past exhibited targeted behaviour of customers to predict their future needs and demand. Extensive data is required from maintaining profiles from existing account holders and negotiable sources and institutions. Data sources include information regarding key performance indicators and demographics data.

Sum modelling: Data mining techniques are used to sort the profile data to identify patterns and establish useful relationships within the data. Data mining parameters includes sequence analysis, classification, clustering and forecasting. Data mining provide insights of particular traits about the customer segment to build probable customer models and predictions about future demands and purchases.

Sum scoring: In sum scoring method scores are given to the existing customers in relation with customer models. Closely parallel scores in the models shows similar behaviour patterns .Insurance companies with scoring technique can rate numerically the customer behaviour identifying the relation and similarity with the model respectively. Based on the scoring the insurance companies can distinguish between the prime prospects from the rest and plan strategies according. For instance, customers scoring high can been offered a special scheme while average scored customers can be offered an incentive based policy.

## **Maintaining Customers by Supporting Customer Service**

Besides finding new prospects to enhance the market share, retaining an old customer is very important as Insurance markets works on long-run engagement with the customers. With the expansion of the industry, availability of options had been increase for the customers which amplify the difficulties of the companies to retain the customers. Insurance Companies has to come with new policies and services to satisfy the customers and to provide ease in operation. Moreover many customers are not aware of the policies and services upgraded by the companies. With the help of CRM, insurance companies bridge the gap and provide information to the customers. The study discusses about some significant CRM services and initiative to practically understand the contribution in retaining the customers.

Premium related services: Premium is the amount paid by the policy holder for covering the risk to the insurance company periodically. Ranging from a time period of 5 years to 30 years or in some cases the whole lifetime, the insurance premium has to be paid my holders of the policy. Many CRM are used in the event of the payment of the premium to help the customers and fulfilling their requirements timely. Premium payment reminders on the mediums most suited to the holders,

providing new mode of payment like net banking, service centres, mobile apps and bank accounts, provision of grace period to the holder fails to make timely premium payment to protect the policy from lapsing are the major CRM tools solving the problem related with premium payment .

CRM tools also provide provisions for solving minor problems as in long-run varieties of changes and problems arise and prompt and swift resolution of these problems is important for satisfactory encounter with the holders. Some of ancillary services provided by the CRM tools are listed below.

- Issuing a duplicate copy of the policy when original policy is been misplaced can be a security hazard for the insurance company as there are chances of misuse of the original policy. CRM tool along with precautionary measures ease in providing a duplicate copy with the same rights and benefits to the customers.
- Change in address of the policy holder or policy transfer is ineludible in such long time period. Change in record of the policy holder is required at all branches and places stored which can be done with the CRM software tools and networking in real time. Unlike earlier customers are in position can apply for change conveniently at any branch or from their home by using online services.
- CRM also provides the different top-up facility to the customers. Change in the mode of payment from monthly to bi-monthly or quarterly or annually, modification of the insurance plan to say endowment plan, alteration in the amount of insurance, alteration in the names of assignee and nominee and even revival of the lapse policy within the given period and paying the arrears of unpaid premium with interest in real time.
- CRM tools also provide solutions to the settlement issues of the policies. Depending on the criteria of different insurance companies usually minimum three consecutive years of premium payment is required to surrender the policy with guarantee surrender value, protecting the policy from lapsing by converting the policy to a paid-up assurance and also in claim settlement. Claim settlement is the most important aspect for any policyholder. CRM has simplify the procedure of loss filling and also checking claim status and guiding customers in earlier registration for claim.

## **Effects of CRM in Insurance Companies**

Executing CRM in businesses deliver practical and operation based solutions for more productive results in all covering function of management. The outcome can be divided into four major positive levels of effects on the processes and working of the Insurance companies. The first level of effect is application of the CRM tools is improved swiftness, precision and efficiency in overall processes of the insurance companies. The second level of effect is the integration of agents, representatives and brokers to easily access required data and provide satisfactory solutions to customers in real time. The third level of effect is the extensive use of technological and cost-effective mediums in marketing, sales and customer service. Besides being cost-efficient these mediums are highly productive, impactful and speedy in operation from both business and customer perspectives. Adaption of advanced and newer options like e-mail response system, web charts and self-service portals tools and reduction in the use of traditional labour and paper intensive techniques. Automation of in every procedure say claims, billing, premium payment, settlement of insurance not only provides ease and convenience in handling but optimize productivity in minimum time and resources. The fourth level of effect is the development of competencies especially in area of customer service and support by achieving a right balance of technology, people, products, customer model and sales techniques. Technological advancements help in setting standards for different procedural work and availability of organized data facilitate in customization in customer service.

## Conclusion

The present study have shown that CRM application in insurance companies is providing satisfactory results in providing better customer service and retaining customers. The success of CRM is achieved by understand the needs of customers at different time period and maintaining quality in CRM operations. Implementation of CRM in businesses require vast structural changes starting from the management willingness, up gradation of administration and integrating of all departments from back end systems to front channels. Eventually the performance level of CRM is improving and insurance sector is becoming CRM friendly in nature. With the similar pattern of growth, the future of CRM is very promising in insurance industry.

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