

# Effective Customer Support System of Life Insurance Companies

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## Abstract

*Increased competition, new technologies and the shift in power from the provider to the customer have produced unrelenting pressure on life insurance business. The market forces point to one overwhelming strategic imperative: customer-focused strategy. Customers are willing to build long-term relationships based on trust and mutual respect with firms that provide a differentiated and personalized service offering. Over the past few years, life insurance industry responded to intensified competition and high customer attrition by entering each other's markets to capture greater "wallet share" and ostensibly lower their economies of scale. The service delivery process is influenced by quality of personnel, information technology, internal processes, human resource practices, and even an institution's own change orientation.*

*Now a day's customers are demanding seamless, multi-channel sales and service experiences. Simultaneously, other players are looking for opportunities to invade this space or to redefine it through disruptive innovation. The result is forcing life insurance companies to examine a more balanced, integrated approach to the customer experience and growth. This research, we analyze the need, preference and satisfaction of customers in life insurance business and provide perspective on how to improve the customer experience.*

**Key Words:** Customer support system, life insurance companies, Customers long-term relationships

## **I. Introduction**

In today's deregulated world, members of life insurance industry are continuously forced to seek new ways to gain on their competitors and to outdo one another in terms of effectively reaching to retail customer's demands for increasing sophisticated life insurance products and services. As they have moved away from traditional broad based marketing to retail relationship service provision to attract and hold customers, to cross-sell products and most importantly to turn customers to avail multi products and services, customer relationship management is of utmost importance to life insurance industry for survival and growth. To keep customers in today's competitive environment, life insurance industries are increasing the depth of relationship through implementation of customer relationship management programs. A successful customer relationship management program in life insurance business addresses four key areas of business: strategy, people, technology and process. The processes in the organizations are the drivers of change that give direction to the organization. The strategic directions move the two enabler people and technology and their systematic interaction leads to a successful customer relationship management program.

In a life insurance industry it is untypical to find website interactions in one database, lease agreements in an administration system, call center history in another and payment history in accounting system. Though difficult to do but integrating such a huge information system can provide valuable insight in to financial customer's behavioral pattern, preferences and signals for intended behaviors. Advanced data analysis models can provide valuable information on customer behavior and can help in projecting behavior in more accurate way about the likelihood of purchase of specific products and services, the best next offer information and the probability of defection to the competitor brands. These models are customized to that organization's business domain and

customer behavior and are not based on any behavioral or non behavioral correlates but are purely based on actual interactions of customers with financial institutions.

Customer Relationship Management is the establishment, development, maintenance and optimization of long term mutually valuable relationships between consumers and the organizations. Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes.

At the heart of a perfect CRM strategy is the creation of mutual value for all the parties involved in the business process. It is about creating a sustainable competitive advantage by being the best at understanding, communicating, and delivering and developing existing customer relationships in addition to creating and keeping new customers. So the concept of product life cycle is giving way to the concept of customer life cycle focusing on the development of products and services that anticipate the future need of the existing customers and creating additional services that extend existing customer relationships beyond transactions. The customer life cycle paradigm looks at lengthening the life span of the customer with the organization rather than the endurance of a particular product or brand. A good customer relationship management program addresses to the changing need of the customers by developing products and services that continuously seek to satisfy the lifestyle and need patterns of individual customers.

## **II. Objectives**

1. To find out customer's need and how life insurance companies fulfill those needs to attract and sustain their customer.

2. To explain which type of customer support is provided by the life insurance companies.

### **III. Research Methodology**

A descriptive research methodology has been adopted. It is based on secondary data. Secondary data has been collected from books, magazines, news paper, journals, IRDA annual report etc.

### **IV. Review of Literature**

**Agarwal, R.F. (2001)** has attempted to study the importance of information technology in the insurance industry and brings out the efficient need of providing improved services when there is competition due to private entry. In an insurance company, the service of it may be utilized in many areas like customer service, claim management, human resources etc. It is assumed that to have an overall increase in the size of the insurance market, information technology must be used on a much vigorous basis for more extensive penetration.

**Paresh Parasnis (2001)** in an article briefly discusses the various channels of distribution in the life insurance industry in India and new avenue cues being explored by the new player. The greater importance is given to the customer not only for meeting his requirements but also the impact in times of fulfillment, quality of service rendered, complexity of products etc is given priority. To conclude, the life insurance industry in transition presents - opportunities, but is also fraught with challenges of an - unknown magnitude. Therefore, only the best will survive in the long-term which enables to spot the emerging trends and helps to capitalize the benefits of its customers.

**Devashish Pujari and Anand Sharma (2004)** their study formulate certain objectives to elucidate the importance and application of marketing concepts in the services offered by insurance companies, and suggest measures to strengthen customer satisfaction. The study is primarily based on the observation and unstructured interviews with the executives at regional office and branch office of insurance companies. The main source of information is through advertisement and information lying in the branch, divisional and regional office.

**Mony, S.V. (2005)** in his article entitled “New Initiatives in the Insurance Sector Opportunities and Challenges Stressed that the Co-operative Sector and the Micro-Credit Organizations”, might help in the penetration of insurance in the rural areas by formulating low cost policies. He also stressed that good customer service and information technology might help insurance companies in the penetration of insurance products into urban areas.

**Raman, N. and Gayathri, C. (2006)** article “A Study on Customer’s Awareness towards New Insurance Companies”, Indian journal of Marketing revealed that customers are now looking at insurance as complete financial solutions offering stable returns coupled with total protection. Companies will need to constantly innovate in terms of product development to meet ever changing consumer needs. Understanding the customer better will enable insurance companies to design appropriate products, determine price correctly and increase profitability. In the present scenario a key differentiation would be professional customer service in terms of quality of advice on enhancing customer convenience.

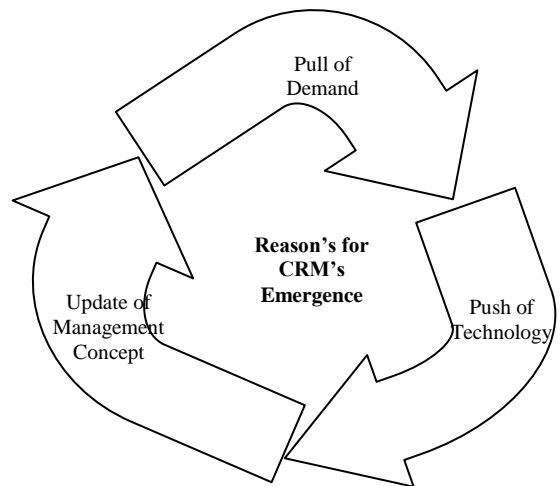
**Patil, P.B. and Thakkar, P.N. (2007)** article “Impact of Disinvestment on Banking and Insurance Sector” revealed that a strong competition among the insurance companies has

led to better services being provided by customer satisfaction can be known from the customer retention ratio. Now most of the companies are customer centric approach, rather than product centric approach which is leading to customer-retention ratio.

## V. Data Analysis

In general, the reasons which cause the emergence of CRM can be analyzed from three factors below:

- 1. Pull of Demand:** In recent years, many enterprises have paid more attention to the informationization to achieve good economic benefits, but in the process of implementation, most of the enterprises have to face a common problem. The problem is the level of informationization in sales, marketing and service cannot adapt to the requirements of business development. Therefore, more and more enterprises start to realize the need to advance and enhance the automation and scientification in normal business life. (Zhang 2009)
- 2. Push of Technology:** With the high development of Computer Technology, Telecommunication Technology and Network Applications, the process of CRM's development has also accelerated. Because the development of Information Technology makes the application of information become possible.



Reasons which Cause Emergence of CRM  
Source: Shao and Yu 2004, 2

3. **Update of Management Concept:** In the process of developing the management concept, with the evolution of the marketing environment and thinking, the concept has gone through five stages viz, product-oriented period, sales-oriented period, profit-oriented period, marketing oriented period and customer-oriented period. With the arrival of customer-oriented period, more and more enterprises focus on establishing a common victorious relationship with customers in order to achieve a win-win situation, rather than trying to gain all possible profit from their customers. (Zhang 2009)
4. **Understanding Customer's Need their Fulfillment:** Meeting customers, understanding their needs and aspirations, customizing solutions for them is goal and mission of life insurance companies. Knowing their needs helps us advise them on the right financial solutions. Developing an enterprise-wide view of the customer is challenging because customer data may be housed in multiple systems, divisions, departments and regions. Financial services use channels according to their requirements. Some of these channels include telephone, call center, branch office, Internet and field base managers.

**Table: 1 Customer's Need their Fulfillment <sup>[8]</sup>**

Client Needs	Issues we help clients to address
<b>Innovate and grow profitably</b>	Reshaping the IT function into a source of innovation Transforming business information to drive insight and fact-based decision making Evaluating acquisition and divestiture strategies to position for the future Realizing deal synergy and value Developing sustainability programs that add value
<b>Build effective organizations</b>	Rethinking strategy in terms of markets, geographies,

	<p>channels, and clients</p> <p>Restructuring organizational models in terms of structures, policies, and roles</p> <p>Establishing effective strategic sourcing and procurement</p> <p>Transforming the close and consolidation process to work for rather than against you</p>
<b>Manage risk, regulation, and financial reporting</b>	<p>Building a risk-resilient organization</p> <p>Implementing and realizing the benefits of ERM</p> <p>Managing ERP investment and project execution risk</p> <p>Safeguarding the currency of business; keeping sensitive data out of the wrong hands</p> <p>Affirming capital project governance and accountability</p> <p>Assessing and mitigating corruption risk in your global business operations</p> <p>Accounting and financial reporting</p> <p>Third-party assurance</p> <p>Compliance with tax law and regulation</p>
<b>Reduce costs</b>	<p>Driving efficiency through shared services</p> <p>Redesigning finance to realize efficiency and competitive advantage</p> <p>Taking control of cost through effective spend management and cash forecapractices</p> <p>Driving sustainable cost reduction</p>
<b>Leverage talent</b>	<p>Defining and implementing an effective HR organization</p> <p>Rethinking pivotal talent</p>

Life insurance companies realize the need for in-depth and integrated customer knowledge in order to build close cooperative and partnering relationships with their customers. The emergence of new technologies is significantly altering how companies interface with their customers, a development bringing about a greater degree of integration between marketing, sales, and customer service functions in organizations. CRM represents an enterprise approach to developing full-knowledge about customer behavior.



### ***A. Effective Service Delivery***

In life insurance business, there are both internal and external quality measures that are used to evaluate performance. External measures are typically based on customer perceptions of service quality, which are obtained through surveys and focus groups. Although these measures can be effective in guiding an institution's performance closer to its clientele's needs, they are not very effective when compared across institutions. There are following strategies which are adopted:

#### **Strategy 1: Facilitate Integrated and Consistent Cross-Channel Interactions**

The first step in ensuring an exceptional customer experience is to offer multi-channel contact center interactions comprised of phone, fax, e-mail, SMS text messaging, and perhaps even Web chat, so that prospects and customers can conduct business with you exactly when and how they like. Offering superior channel interaction will encourage consumers to use insurance company Websites instead of, or in addition to, aggregator sites — which will give insurance companies a greater chance to differentiate their products and services, deliver more personalized services, improve cross-sell and up-sell rates and lower operating costs.

#### **Strategy 2: Offer an Inviting “Customer Front Door”**

When customers use the call center channel, the Interactive Voice Response (IVR) system provides the customer's first impression of the company. It also serves as a guide to the insurance company's services, and determines how well the company can decrease the volume of calls that agents must handle or reduce handling times. Traditional IVR menus have frustrated customers with long and confusing menu trees. Open dialog call steering is emerging as an innovative alternative to traditional IVR menus. By asking what the customer wants and recognizing key words in natural speech, and by integrating

with business rules and routing strategies, open dialog call steering applications take intelligent action to ensure the most efficient resolution of the call.

### **Strategy 3: Get Customers off the Phone and Onto the Web**

Using Web self-service, members, providers, agents and brokers can interact with the company whenever they want, not just during weekday contact center service hours. Not only does Web self-service enhance customer service, it also helps to migrate calls away from expensive call center agents. Call center agents can dedicate their time to handling more complex inquiries and concentrating on selling activities, rather than responding to routine calls that can be easily automated. The opportunities for self-service in insurance abound for all customer audiences. Members can view policy coverage, pay bills, make changes to policies, submit claims and check the status of claims progress. And, they can more easily keep track of their own customer accounts rather than having to consult with a call center representative.

### **Strategy 4: Handle Calls More Intelligently**

When taking calls, the number one priority for insurance companies is to make sure they provide acceptable customer service. Skills-based routing, virtual hold and business priority routing are three key approaches for meeting service requirements as efficiently as possible while also making the most of opportunities to drive new revenues. An IVR system not only identifies customers, but also why they are calling. With this knowledge, skills-based routing determines where the call should be directed — either to a self-service application, or to a customer service agent most qualified to efficiently handle the call based on license certification, selling skills, language skills, product knowledge or the ability to handle a specific type of claim, benefits, billing or sales inquiry.

**Strategy 5: Give Agents the Information They Need to Do Their Jobs**

The integration of back-office system information with everyday contact center activities helps agents resolve calls more quickly and effectively. As soon as the agent takes the call, relevant customer information is displayed within a single screen so that agents don't need to manually navigate through systems to find the information they are looking for. Workflow management allows the service representative to efficiently take all necessary steps to resolve customer issues, reducing the time it takes to get customers the answers they are looking for. As back-office integration with the call center and workflow management decreases average handling times and reduces unnecessary repeat contacts to resolve issues, customer satisfaction becomes higher while the contact center workload and costs are lowered.

**Strategy 6: Initiate Proactive Contact**

Because customers don't interact with the contact center on a frequent basis, insurance companies should consider initiating proactive contact to stay in touch with the customer. Insurance companies find that policy renewals increase with frequent communications leading up to the renewal event, and that the number of products sold per customer also increases. Whenever an agent or broker opens or renews a large account, using proactive contact to send a thank you message can let these important distributors know that you appreciate their business.

**Strategy 7: Make More Effective Use of Customer Data and Segmentation**

Given slow growth in a mature market, some insurance companies are abandoning their product-centric approaches to selling. Instead, they are maximizing the lifetime value of customers through cross-selling and up-selling. In this new paradigm, using customer data and segmentation to anticipate the future needs of individual customers becomes more important than mass marketing. Going one step further, high-value policy holders and

distributors may interact, when possible, with a life-time advisor who is intimately familiar with the client's history and needs. Or, demographic matching is a way to assign the customer to an agent who has a common demographic profile.

### **Strategy 8: Optimize Business Process Execution**

Insurance interactions usually involve multi-step business processes that may include multiple contacts with customers, service providers and other third parties. As the communications hub for the company, the contact center can be harnessed to automate and expedite end-to-end business processes supporting these communications. By directly integrating a business workflow engine, the contact center becomes an active participant in driving business efficiency.

### **Strategy 9: Create a Winning Team Effort with Contact Center Virtualization**

Many insurance companies are moving towards a virtual contact center to allow geographically dispersed agents to operate as a single, winning team. Regardless of location, agents can be called upon, as available; to ensure appropriate response levels and to provide access to needed expertise. A virtual contact center is vital for load balancing during times of peak demand, and is essential in the insurance industry where the appropriate resource for each call is not only highly variable, but is often unavailable in a centralized call center. A virtual contact center unifies the skills of licensed agents, home-based agents, outsourced agents, mid-and back-office specialists, field agents and other experts, regardless of their location.

### **Strategy 10: Boost Agent Productivity through Interaction Blending**

Insurance companies benefit from optimizing their agents' time as much as possible. Call blending allows agents to handle both inbound service calls and outbound sales calls as call volume and skills permit, while task blending allows agents to offer their assistance

at different interaction channels. For instance, contact center agents can be switched to answering e-mails or engaging in text chats with customers. Not only does this maximize agent productivity, but interaction blending also breaks up the potential monotony of the position.

There are many measurement-related reasons why this is the case, but even more fundamentally, an argument can be made that results vary based on the way in which an individual's expectations are formed. When judging their own service quality, life insurance companies need to evaluate themselves on objective measures which span across industries to eliminate any measurement/perception discrepancies. Two proxies for service quality: customer hold and system time, and an institution's tenacity for eliciting customer satisfaction. It is believed that these measures adequately reflect a financial institution's use of internal resources, as well as its customer-focus.

### ***B. Effective People***

Since the primary interface between Life Insurance Company and its customer is a service representative, this element strongly influences an institution's ability to deliver quality service. An organization's human resource (HR) practices effect how well its employees are able to perform. More specifically, human resource practices directly influence how knowledgeable an employee is about the product offering, whether or not an employee is empowered to resolve customer issues in real time, and the level of turnover within the organization.

### **Current Employment Pattern**

An estimated 0.2 - 0.3 million people are employed as on-rolls employee in the insurance industry. On the other more than 2.5 million people are employed as intermediaries, either in

the form of agents or brokers, in insurance industry. Thus the major employment in the insurance industry is driven by intermediaries who sell the insurance policies for the companies on commission basis. Various forms of intermediaries employed in the industry are:

- Individual Agents
- Corporate Agents (including Banks)
- Insurance Brokers

Among the above the majority category is individual agents. As per Insurance Regulatory and Development Authority (IRDA), currently 2.5 million individual life insurance agents are employed in the industry. The number of life insurance corporate agents and brokers are 2415 and 281 respectively. Non-life insurance also has a similar structure; however, as life insurance intermediaries can also sell non-life insurance products, there will be very few stand alone non-life insurance agents. Thus we have not considered non-life agents separately for employment estimation. Also two major segments of non-life insurance, auto & health insurance, is covered separately under the auto and healthcare sector reports. Thus we have focused on life insurance for our analysis.

**Table: 2 State-wise Distribution of Life Cycle Agent**

S. No.	State	Percentage of Total People Employed
1.	Uttar Pradesh	12 %
2.	Andhra Pradesh	11 %
3.	Maharashtra	10 %
4.	Tamil Nadu	7 %
5.	West Bengal	7 %
6.	Gujarat	6 %
7.	Kerela	6 %

8.	Karnataka	5 %
9.	Rajasthan	5 %
10.	Madhya Pradesh	4 %
11.	Others	28 %
Total		100 %

**Source:** IRDA and IMaCS analysis

**Table: 3 Geographic Distribution of Life Insurance Offices**

Region	Private Companies	LIC
Metro	10 %	12 %
Urban	18 %	19 %
Semi - Urban	42 %	34 %
Others	30 %	35 %
Total	100 %	100 %

**Source:** IRDA and IMaCS analysis

Top 10 states accounts for 72% of the total life insurance agents employed, with Uttar-Pradesh accounting for the maximum number of individual life insurance agents.

The geographic distribution of life insurance office suggests that both LIC as well as private companies have approximately 70% of the offices in the semi-urban and rural areas.

### ***C. Effective Processes***

An institution's internal processes strongly influence the quality of customer interactions with that institution. Ideally, a process is designed and implemented in a manner to most effectively utilize all the elements of operations. Attitudes, needs, or perceptions an institution can quickly act upon those influences to gain an advantage over the

competition. Similarly, how quickly those responses can be implemented is a direct function of the flexibility of the processes.

**Table 4: Typical Activities in Value Chain of Insurance**

Product Development	Marketing	Administration	Asset Management	Claims Management
↓	↓	↓	↓	↓
<ul style="list-style-type: none"> <li>• Product Planning</li> <li>• Business Analysis and Technical Design</li> <li>• Policy Pricing</li> <li>• Policy Wordings</li> <li>• Policy related Forms Designing</li> </ul>	Direct sales and promotion Marketing activities Outbound /inbound telesales Advertising Support activities such as agent compensation, performance tracking of agents and sales force, training etc.	Premium Accounting Policy Owner Services HR Administration etc.	Investment functions Portfolio analysis and decisions Reinsurance Periodic Evaluation	Registration claims Indexing Data Entry Editing, referencing and verification Invoice processing Payment Recovery of overpayments Adjusting overpayments Claims evaluation, examination and litigation

Source: Journal of Insurance and Marketing vol 2

Typical activities in an insurance organization:

1. **Product Development:** The process starts with product development where the idea is conceptualized and converted into marketable product. There have been innovations in the types of products developed by the insurers, which are relevant to the people of different age groups, and suit their requirements. A number of new products have been introduced in the life segment with guaranteed additions, which were subsequently withdrawn/toned down; single premium mode has been popularized; unit linked products; and add-on/riders including accidental death; dismemberment, critical illness, fixed term assurance risk cover, group hospital and surgical treatment, hospital cash benefits, etc.



Table :5 New Policies Issued : Life Insurers

Insurer	2002 - 2003	2003 - 2004	2004 - 2005	2005 - 2006	2006 - 2007	2007 - 2008	2008 - 2009	2009 - 2010	2010 - 2011	2011 - 2012
LIC	24545580	26968069	23978123	31590707	38229292	37612599	35912667	388.63 lakh	370.38 lakh	357.51 lakh
Private	825094	1658847	2233075	3871410	7922274	13261558	15010710	143.62 lakh	111.14 lakh	84.42 lakh
Total	25370674	28626916	26211198	35462117	46151566	50874157	50923377	532.25 lakh	481.52 lakh	441.93 lakh

Source: As per IRDA Annual Report 2002-03 to 2011-12

2. **Marketing:** Once the product is ready for selling the marketing team introduces the product to the agents and the agent takes the product to the final consumer. Maximum employment is in the sales and marketing function. Life insurance -products generally have savings components also and hence require more aggressive selling on account of competition from other instruments of savings and investment.
3. **Administration:** There is also a separate team for administration and support functions. Life Insurance companies use a rules-driven system with highly advanced administration and processing tools that help insurers lower operating costs and increase speed to market. Administration capability proves access to consolidated policy, product and customer information, thus improving the insurer's operational efficiencies.
4. **Asset Management:** The premium collected from selling of policy is invested by the asset management team. The framework for assessment of Economic Capital plays an important role in the entire risk management mechanism of insurance companies, which enables insurers to determine the right amount of capital to be allocated to each and every risk encountered by individual insurers in carrying out the insurance business.

**Table 6:** Assets under Management of Life Insurers

INSURER	LIFE FUND											
	Central Government Securities		State Government & Other Approved Securities		Infrastructure Investments		Approved Investments		Other Investments		Total (Life Fund)	
	31.3.2011	31.3.2012	31.3.2011	31.3.2012	31.3.2011	31.3.2012	31.3.2011	31.3.2012	31.3.2011	31.3.2012	31.3.2011	31.3.2012
AEGON RELIGARE	113.61	87.35	17.85	37.64	40.43	62.33	59.64	46.68	0.00	10.31	231.53	244.31
AVIVA	338.81	483.02	137.66	157.86	178.79	267.97	178.01	280.59	0.00	0.00	833.28	1189.45
BAJAJ ALLIANZ	2125.63	3431.95	890.25	838.26	1081.98	1614.18	1553.22	2148.58	57.68	121.19	5708.76	8154.16
BHARTIAXA	90.84	149.59	10.06	0.00	31.99	50.11	66.52	80.12	1.91	19.13	201.32	298.95
BIRLA SUNLIFE	1138.02	1454.23	0.00	0.00	535.32	810.11	501.89	367.35	2.66	32.15	2177.89	2663.85
CANARA HSBC	134.25	167.26	24.76	32.87	75.23	142.88	44.36	54.69	0.00	0.00	278.60	397.69
DLF PRAMERICA	80.59	91.58	0.00	0.00	34.37	49.11	26.12	13.38	1.95	3.12	143.02	157.19
EDELWEISS TOKIO	0.00	61.11	0.00	0.00	0.00	119.54	0.00	261.25	0.00	50.35	0.00	492.25
FUTURE GENERALI	185.11	237.10	60.56	125.31	130.53	181.50	73.06	145.86	0.65	0.74	449.90	690.50
HDFC STANDARD	2276.66	3119.66	456.77	594.53	1301.75	1636.71	1274.23	1952.72	50.72	160.30	5360.12	7463.93
ICICI PRUDENTIAL	2619.75	2638.53	813.75	1134.31	1080.84	1686.00	1934.78	3333.99	113.26	161.37	6562.38	8954.20
IDBI FEDERAL	150.32	341.80	54.84	59.86	83.86	137.44	261.27	202.89	8.08	2.79	558.38	744.79
INDIAFIRST	190.66	241.45	12.21	12.13	59.08	93.03	87.56	108.55	0.00	1.25	349.50	456.41
ING VVSYA	575.01	824.20	152.28	157.40	335.53	482.99	315.42	367.92	45.82	98.48	1424.06	1931.00
KOTAK MAHINDRA	682.46	835.84	163.03	285.47	370.86	541.48	331.08	436.63	1.85	0.83	1549.28	2100.25
MAX LIFE	2517.25	3368.10	521.02	765.13	1131.22	1779.46	709.36	1287.86	1.33	29.59	4880.19	7230.14
METLIFE	784.60	1282.39	120.21	120.45	357.06	472.37	112.49	165.62	0.00	0.00	1374.36	2040.83
RELIANCE	476.80	833.72	171.28	213.28	253.20	417.17	403.82	1122.60	4.67	106.98	1309.77	2693.74
SAHARA	191.93	228.42	63.03	59.54	123.94	159.30	80.86	81.05	3.01	12.09	462.77	540.40
SBI LIFE	2161.51	2872.26	319.30	412.48	746.50	1104.88	1377.42	1593.48	109.39	145.96	4714.12	6129.05
SHRIRAM LIFE	107.09	139.37	25.46	29.87	63.27	73.78	62.81	74.75	1.29	5.82	259.92	323.59
STAR UNION DAHCHI	195.42	247.33	53.71	61.88	70.00	99.72	77.84	75.21	7.38	2.91	404.35	487.05
TATA AIA	2146.83	2955.03	360.08	325.58	603.50	805.41	418.74	515.73	20.85	20.78	3550.00	4622.53
<b>PRIVATE TOTAL</b>	<b>19283.14</b>	<b>26091.29</b>	<b>4428.11</b>	<b>5423.84</b>	<b>8689.26</b>	<b>12787.46</b>	<b>9950.52</b>	<b>14717.51</b>	<b>432.49</b>	<b>986.16</b>	<b>42783.52</b>	<b>60006.26</b>
LIC	334092.91	368668.82	136929.55	172509.45	80491.49	84532.45	205050.46	243607.28	41726.63	45276.07	798291.03	914614.07
<b>INDUSTRY TOTAL</b>	<b>353376.05</b>	<b>394780.11</b>	<b>141357.66</b>	<b>177933.28</b>	<b>89180.75</b>	<b>97319.92</b>	<b>215000.98</b>	<b>258324.79</b>	<b>42159.12</b>	<b>46262.23</b>	<b>841074.55</b>	<b>974620.33</b>

Source: As per IRDA Annual Report: 2011-12

5. **Claims Management:** Claims settlement is an integral part of marketing, and one of the indicators of the quality of customer service, on which the image of the industry is dependent, is the speed and ease with which claims are settled. Therefore, strong, expeditious, and fair claims-handling strategy and machinery must be put in place to deal with the increased volume of business and increased claims.

**Table 7: Individual Death Claims (Benefit Amount In ₹ Crore)**

Life Insurer	Claims pending at start of the year		Claims intimated / booked		Total Claims		Claims paid		Claims repudiated		Claims written back		Claims pending at end of the period		Break up of claims pending – duration wise (Policies)				
	No of Policies	Benefit Amount	No of Policies	Benefit Amount	No of Policies	Benefit Amount	No of Policies	Benefit Amount	No of Policies	Benefit Amount	No of Policies	Benefit Amount	No of Policies	Benefit Amount	≤ 3 months	> 3 to ≤ 6 months	> 6 to ≤ 12 months	> 12 months	Total
AEGON RELIGARE	4	0.28	270	15.87	274 (100)	16.15 (100)	181 (66.06)	9.65 (59.74)	89 (32.48)	6.13 (37.96)			4 (1.46)	0.37 (2.30)	4 (100.00)				4 (100)
AVIVA	82	2.74	2158	68.67	2240 (100)	71.41 (100)	2006 (89.55)	53.41 (74.80)	214 (9.55)	15.14 (21.20)			20 (0.89)	2.86 (4.00)	15 (75.00)	2 (10.00)		3 (15.00)	20 (100)
BAJAJ ALLIANZ	1145	22.91	26067	400.69	27212 (100)	423.60 (100)	24658 (90.61)	355.67 (83.96)	1709 (6.28)	41.70 (9.84)			845 (3.11)	26.23 (6.19)	833 (98.58)	12 (1.42)			845 (100)
BHARTI AXA	2	0.27	933	23.10	935 (100)	23.37 (100)	820 (87.70)	16.76 (71.73)	101 (10.80)	4.53 (19.39)			14 (1.50)	2.08 (8.88)	9 (64.29)	5 (35.71)			14 (100)
BIRLA SUNLIFE	34	1.96	10880	278.67	10914 (100)	280.64 (100)	9925 (90.94)	225.66 (80.41)	958 (8.78)	53.09 (18.92)			31 (0.28)	1.89 (0.67)	2 (6.45)	2 (6.45)	5 (16.13)	22 (70.97)	31 (100)
CANARA HSBC	35	0.96	413	17.35	448 (100)	18.31 (100)	361 (80.58)	14.68 (80.17)	67 (14.96)	2.87 (15.70)			20 (4.46)	0.76 (4.14)	15 (75.00)	4 (20.00)	1 (5.00)		20 (100)
DLF PRAMERICA	24	0.64	209	6.07	233 (100)	6.71 (100)	57 (24.46)	1.46 (21.80)	39 (16.74)	0.98 (14.63)			137 (58.80)	4.27 (63.57)	60 (43.80)	62 (45.26)	13 (9.49)	2 (1.46)	137 (100)
EDELWEISS TOKIO			1	0.05	1 (100)	0.05 (100)	1 (100.00)	1 (100.00)					0	0.00					0 (0)
FUTURE GENERALI	348	7.82	1659	38.00	2007 (100)	45.82 (100)	1366 (68.06)	28.72 (62.68)	545 (27.15)	12.84 (28.02)			96 (4.78)	4.26 (9.30)	78 (81.25)	10 (10.42)	7 (7.29)	1 (1.04)	96 (100)
HDFC STANDARD	28	1.39	5121	105.84	5149 (100)	107.23 (100)	4952 (96.17)	96.97 (90.43)	187 (3.63)	9.04 (8.43)			10 (0.19)	1.22 (1.14)	9 (90.00)			1 (10.00)	10 (100)
ICICI PRUDENTIAL	361	7.14	14468	218.38	14829 (100)	225.52 (100)	14314 (96.53)	212.85 (94.38)	468 (3.16)	10.02 (4.44)			47 (0.32)	2.64 (1.17)	30 (63.83)	7 (14.89)		10 (21.28)	47 (100)
IDBI FEDERAL	59	2.69	568	27.62	627 (100)	30.31 (100)	423 (67.46)	19.27 (63.58)	173 (27.59)	8.96 (29.56)			31 (4.94)	2.08 (6.86)	30 (96.77)			1 (3.23)	31 (100)
INDIAFIRST			546	9.55	546 (100)	9.55 (100)	449 (82.23)	7.15 (74.83)	97 (17.77)	2.40 (25.17)			0	0.00 (0.00)					0 (0)

Life Insurer	Claims pending at start of the year		Claims intimated / booked		Total Claims		Claims paid		Claims repudiated		Claims written back		Claims pending at end of the period		Break up of claims pending – duration wise (Policies)				
	No of Policies	Benefit Amount	No of Policies	Benefit Amount	No of Policies	Benefit Amount	No of Policies	Benefit Amount	No of Policies	Benefit Amount	No of Policies	Benefit Amount	No of Policies	Benefit Amount	≤ 3 months	> 3 to ≤ 6 months	> 6 to ≤ 12 months	> 12 months	Total
ING VYSYA	119	2.80	2707	40.75	2826 (100)	43.55 (100)	2510 (88.82)	34.95 (80.25)	148 (5.24)	4.34 (9.96)	15	0.19 (0.53)	153 (5.41)	4.07 (9.36)	129 (84.31)	24 (15.69)			153 (100)
KOTAK MAHINDRA	184	5.37	2765	78.92	2949 (100)	84.29 (100)	2716 (92.10)	60.55 (71.84)	123 (4.17)	15.91 (18.87)			110 (3.73)	7.82 (9.28)	66 (60.00)	13 (11.82)	6 (5.45)	25 (22.73)	110 (100)
MAX LIFE	644	18.50	8387	197.67	9031 (100)	216.17 (100)	8113 (89.84)	181.33 (83.89)	775 (8.58)	26.83 (12.41)			143 (1.58)	8.01 (3.70)	132 (92.31)	7 (4.90)		4 (2.80)	143 (100)
METLIFE	152	9.03	2022	71.48	2174 (100)	80.52 (100)	1769 (81.37)	58.50 (72.65)	209 (9.61)	10.90 (13.53)	9	0.40 (0.50)	187 (8.60)	10.72 (13.32)	149 (79.68)	22 (11.76)	11 (5.88)	5 (2.67)	187 (100)
RELIANCE	1605	27.03	18929	225.73	20534 (100)	252.76 (100)	17367 (84.58)	180.54 (71.43)	2263 (11.02)	48.42 (19.16)	1	0.02 (0.01)	903 (4.40)	23.78 (9.41)	848 (93.91)	20 (2.21)	22 (2.44)	13 (1.44)	903 (100)
SAHARA	299	3.20	745	6.81	1044 (100)	10.01 (100)	814 (77.97)	7.64 (76.32)	49 (4.69)	0.91 (9.09)	11	0.07 (1.05)	170 (16.28)	1.39 (13.89)	124 (72.94)	19 (11.18)	6 (3.53)	21 (12.35)	170 (100)
SBI LIFE	103	5.32	11761	179.71	11864 (100)	185.03 (100)	11328 (95.48)	176.95 (95.63)	378 (3.19)	2.50 (1.35)			158 (1.33)	5.58 (3.01)	123 (77.85)	11 (6.96)	7 (4.43)	17 (10.76)	158 (100)
SHRIRAM LIFE	290	6.15	1153	24.17	1443 (100)	30.32 (100)	937 (64.93)	17.67 (58.28)	209 (14.48)	5.53 (18.24)			297 (20.58)	7.12 (23.48)	104 (35.02)	58 (24.58)	73 (24.58)	62 (20.88)	297 (100)
STAR UNION DAI-ICHI	52	1.03	425	7.18	477 (100)	8.20 (100)	411 (86.16)	6.01 (73.25)	11 (2.31)	0.31 (3.75)			55 (11.53)	1.89 (23.00)	47 (85.45)	5 (9.09)	3 (5.45)		55 (100)
TATA AIA	42	1.85	5065	113.05	5107 (100)	114.90 (100)	4287 (89.34)	82.78 (80.95)	791 (7.82)	29.58 (15.49)			29 (0.57)	2.54 (2.21)	25 (86.21)	3 (10.34)		1 (3.45)	29 (100)
PRIVATE TOTAL	5612	129.09	117252	2155.32	122864 (100)	2284.41 (100)	109765 (89.34)	1849.23 (80.95)	9603 (7.82)	312.94 (13.70)	36	0.68 (0.03)	3460 (2.82)	121.57 (5.32)	2832 (81.85)	286 (8.27)	154 (4.45)	188 (5.43)	3460 (100)
LIC	10803	177.32	720533	6696.21	731336 (100)	6873.53 (100)	712501 (97.42)	6559.51 (95.43)	9530 (1.30)	137.96 (2.01)	449	4.72 (0.06)	8856 (1.21)	171.34 (2.49)	3309 (37.36)	2087 (23.57)	1957 (22.10)	1503 (16.97)	8856 (100)
INDUSTRY TOTAL	16415	306.41	837785	8851.53	854200 (100)	9157.94 (100)	822266 (96.26)	8408.74 (91.82)	19133 (2.24)	450.90 (4.92)	485	5.40 (0.06)	12316 (1.44)	292.91 (3.20)	6141 (49.86)	2373 (19.27)	2111 (17.14)	1691 (13.73)	12316 (100)

**Note:** First row across each insurer shows the absolute figures whereas second row shows percentage of the respective total claims.

**Source:** As per IRDA Annual Report: 2011-12

### ***D. Effective Technology***

Information technology has the potential of being a significant source of competitive advantage. Not only will this technology enable institutions to more closely ascertain and align themselves with their client's needs, but also has the potential of significantly improving the effectiveness of both the internal processes and personnel. With the right use of technology, all other drivers of service delivery can be made more flexible, faster, and more effective.

- Customers can access the enterprise and do business by telephone, fax, network and other technical ways.
- All the employees who deal with customers can fully know the customer relationship, trade with the customers based on their demands, understand how to do the vertical and horizontal marketing with customers and record the customers' information.
- It can make the planning and assessment for marketing activities and get the perspective for all aspects of the activities.
- It can track all sales activities.
- The system users can access the enterprise's business processing system and get customer information anywhere and anytime.
- The information application has the analysis capability on marketing and sales activities.
- It can provide the information of cost, profit, productivity, risk and other useful factors to the enterprises, and make the multidimensional analysis in the customers, products, functions, geographic area and other aspects.

LIC has been completely different when it comes to IT adoption; there are many other prominent insurer players who have had some very well IT success stories; An overview

of insurance companies operating expenses on information technology. The expense of four company's viz. Shriram, HDFC, ING and LIC were not available here so not included here. The average expense of 6 years (5 in case of not available) is calculated for each company. Bajaj followed by Reliance and then ICICI has highest spending in IT on an average.

**Table 8:** Information Technology and Related Expenses, Rs. 000's

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	average
Aviva	NA	61970	95074	157593	151491	152017	123629
Bajaj	NA	110982	227693	532772	557559	542950	394391.2
Birla	22569	20367	32076	122717	168501	252917	103191.2
ICICI	NA	129232	232175	389950	264476	273010	257768.6
Kotak	41310	33254	51526	74144	107519	90890	66440.5
Max	NA	99322	150891	198676	252439	493792	239024
Met	17991	24615	87231	150291	108334	13783	67040.83
Reliance	71637	72757	160370	351871	584343	569117	301682.5
Sahara	xx	28328	28723	40781	49032	46175	38607.8
SBI	35025	89287	101727	188652	203303	212960	138492.3
Tata	63300	107935	109028	199745	446580	461793	231396.8

**Source:** Operating expense schedule, L-6 Public Disclosure of Insurance companies

On the part of IRDA, IT infrastructure facilities have been significantly enhanced and exploring the possibilities of use of IT in key areas of functioning in order to cater to the growing needs of industry.

## VI. Findings

1. Information-sharing allows life insurance companies to provide their customers with tailored services that recognize and respond to their individual needs. These uses of data allow the institution to provide customers with valuable, targeted opportunities.

2. Life insurance companies use their own information, as well as data from public records and other sources, to inform consumers most likely to be interested in new products and services.
3. Life insurance companies rely on personal information to operate more efficiently and reduce costs to consumers. Affiliated companies can combine their data systems and operations, thereby acquiring information systems more cost-effectively, avoiding the costs of maintaining redundant systems.
4. Life insurance agents, and Internet brokerage services—use accessible personal information to compete more effectively with larger companies.
5. Responsible information-sharing facilitates innovation in life insurance business and the ways in which they are provided to customers.

## **VII. Conclusion**

Life insurance companies are most probably the industry category that is facing rapid modernization and inflated competition in today's world. The fight has begun for getting a larger share of the customer pie with the lowest possible cost to serve the customers. Since profits are drying up in the face of increased competition and customers are moving very fast from one firm to another on service and complete solution provision dimension, it becomes important to have an integrated customer relationship management strategy across the whole organization for generating higher customer life time value. Without this awareness and constant attention to varying customer needs a life insurance provider cannot be competitive in today's world. Integration of process, people, technology and information will offer a greater value to the customers.

Customer expectations are difficult to manage but are often cause of dissonance that result in loss of existing customer base. So understanding of customer expectations with regard to service delivery levels and product quality is essential if a long term and symbiotic value relationships are to be established. It is also important to design customer value model. The combined understanding of customer's behavior, needs and wants, the customer value model will seek to deliver the value in the most cost effective manner. Defining the customer's expected life cycle, performance measurement mechanism and corresponding service mix offering are crucial for success of a financial service provider.

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