PERFORMANCE OF INSURANCE SECTOR CUSTOMER RELATIONSHIP MANAGEMENT

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Abstract

Insurance is an enormous opportunity for organizations to improve their bottom-line by addressing all the de strategic element, customer inter-actions, front and back office integration, CRM culture, change management etc. to attract new customer and hold on to the old ones. The successful in CRM implementation an organization must have a clear strategic vision that fosters the CRM culture and practices. The organization must selectively choose appropriate analytical tools and techniques to utilize the data and should also select the right vendor for supplying technology solutions. As CRM progress, vendors predict that the near future will see the sharing of common customer interaction channels, with a greater thrust on customization and personalization. CRM leverages and amplifies customer base of an organization through efficacious and efficient marketing. In fact CRM has brought up new dimensions in the field of marketing by significantly improving marketing functioning and execution. The Customer Relationship management is the key factor for the success of an organization as it builds a base of loyal customers.

Key words: CRM, IRDA.

Introduction

These marketing strategies are more promising as compared to the traditional ways on marketing as they help delivering higher-up performance and walloping business. With the growing popularity of web, customers are tending towards web marketing or web shopping. This helps both customers and supplier to transact in a real time environment irrespective of their locations. Email marketing has turned out to be more efficacious and inexpensive as compared to mail or phone based marketing strategies. Email marketing is direct marketing which is data driven and leads to more accurate customer response and effective fulfilment of customer needs. More attractive features include newsletters, sending of e-Coupons, e-Cards, provision of saving events into calendars and the like. A CRM system provides a platform to analyze the customer buying behaviour online. This interactive strategy provides great accuracy with high speed which includes profiling services furnishing elaborated bits of information regarding customers purchasing habits or behaviour. Individualized analysis of this behaviour also helps to identify to which product or brand the customer more tended. The accomplishes to build a long-term relationship with customer by properly canvassing customer needs and resulting in customer satisfaction. Analyzing to the particular behaviour of customer online also helps to fix or change of marketing techniques or strategies to mould the system according to the future prospective. CRM marketing forecasting technique helps to understand this change through regression and statistical analysis of customer behaviour online. These are some complex but more accurate analysis techniques provided by CRM system which are proved to be one of best marketing strategies. This innovative approach is carried out with greater risks but is believed to outturn astonishing rewards. It is important for an organization to have check on marketing performance regularly so that the techniques never deteriorate and always match to yield greater results. These CRM oriented models help in delivering accurate measurement of marketing performance throughout the organization and to do better every time. These synergistic marketing strategies make a part of CRM system to develop high-end marketing business. Hence it's very important for an organization to incorporate them by carefully anticipating change, testing their performance and assembling the best possible combination of these strategies to meet the needs of the customer and maximize its marketing growth.

Objective of the Study

To study the Insurance Sector Customer Relationship Management

Development of Insurance Sector Customer Relationship Management

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. 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. 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 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. 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, e-business and internet marketing. 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.

In the section, an attempt is made to analyse the growth and development performance of life insurance companies of Tamil Nadu and India. For this the important factors such as number of policies, total premium income, life insurance penetration and density are considered. Data availability for Tamil Nadu is only from 2006-07 to 2012-13. Data are available for 2001-02 to 2013-14 are taken in to account for India level.

Framework of Analysis

The trend and compound growth rates are computed for the growth and development performance of Life Insurance companies in Tamil Nadu and India by adopting the linear and semi-log trend models and they are given below:

$$Y = a + bt$$

Where

$$Y = \quad \text{Variable}$$

$$t = \quad \text{Time variable}$$

a and b are the parameters to be estimated.

The above models were estimated by the method of least squares. The compound growth rate was calculated by using the following formula:

Compound Growth Rate (%) = [Anti log b – 1] X 100

Policies of Life Insurance Companies

The details about the number of policies of Life Insurance companies in Tamil Nadu are shown in below table

Policies of Life Insurance Companies

LIC	ICICI Prudential Life	SBI Life	HDFC Standard Life
3124128	131166	76543	30809
3588588	233252	144238	54916
2767943	169520	117721	72411
2913816	114526	168974	48910
2645872	80090	80242	49806
2786287	59396	57696	50277
2709320	55584	53461	57094

Source: IRDA Annual Report

The above table reveals that there is a fluctuating growth in the number of policies of life insurance companies in Tamil Nadu during the study period, that is the number of policies of LIC was 31, 24,128 in the year 2006-07 and it increased to 35, 88,588 in 2007-08. The number of polices of LIC was continuously decreased from the year 2009-10 to 2012-13 expect in the year 2011-12. The number of policy of ICICI Prudential Life insurance was 1, 31,166 in the year 2006-07 and it increased to 2, 33,252 in 2007-08. In the year 2008-09 the number of policy 1, 69,520 and it has decreased to 55,584 in the year 2012-13. The number of policy of SBI life insurance was 76,543 in the year 2006-07 and it increased to 1, 44,238 in 2007-08. In the year 2008-09 the number of policy 1, 17,721 and it has decreased to 53,461 in the year 2012-13. There is a remarkable increase in the number of policy of HDFC Std life insurance in Tamil Nadu during the study period. It has continuously increased from 2006-07 to 2012-13 expect in the year 2009-10. In the year 2008-09 onwards the growth of LIC, ICICI Prudential life, and SBI Life has negative growth. The performance of the insurance sector in financial year 2008-09 was largely influenced by the sub-prime crisis. The sub-prime crisis started in the United States in late 2007, evolved as a financial crisis in US and later engulfed Europe and UK. By late 2008 it seeped into Asia. As a result, the financial crisis deepened

among many countries of the world, thus forcing the respective governments to take necessary steps to come out of the crisis.

The below table shows the computed results of trend and growth rates of number of polices in Tamil Nadu during the period of study.

Trend and Development of Policies in Life Insurance Companies

S.No	Number of Polices	Linear Trend co–efficient			CGR (%)
		a	b	R^2	
1	LIC	3358150.14	-106110.61 (-2.177)	0.38	-3.44
2	ICICI Prudential Life	215346.00	-23710.29 (-2.940)	0.56	-19.43
3	SBI Life	139812.00	-9993.18 (-1.238)	0.081	-11.13
4	HDFC Standard Life	45321.57	1677.57 (0.685)	-0.097	4.71

It is inferred from the above table, that the trend co-efficient of the number of polices in Tamil Nadu for all four companies are not statistically significant at 5 per cent level. Among the all the companies there is only HDFC Standard Life Insurance has positive growth rate of 4.71 per cent.

Density of Life Insurance

Insurance density is calculated as the ratio of the premium to the population per capita premium.

Life Insurance Density

Density (Rs.)	836.7	1218.4	769.5	860.8	923.7	676.1	596.8

Source: IRDA Annual Report

In above Table it has been observed that there is a fluctuating trend in life insurance Density during the study period. The life insurance density in India was 836.7 in 2006-07 and it increased to 1218.4 in 2007-08. In the year 2009-10 the life insurance density was 860.8 and it has reduced to 596.8 in 2012-13.

Problems Faced by the Customers

The next part of the study deals with the problems faced by the customer their relationship with the life insurance companies. An attempt is made to compare and rank magnitude of the problems faced by the respondents in their relationship with the life insurance companies. Seven statements were presented to respondents and they were asked to rank the problems faced by them.

Problems Faced by the Customers

S.No	Problems	Score	Average Score	Rank
1	Indifferent attitude of the officials during the busy hours.	26923	53.85	II
2	More legal formalities at the time of settlements.	26147	52.29	III
3	Ambiguity in the terms and conditions of the policy	25445	50.89	V
4	Red-tapism	23423	46.85	VI
5	Delay in the revival of the lapsed policy	19466	38.93	VII
6	Inefficient grievance redressal mechanism	27678	55.36	I
7	Misleading information given by the agents	25918	51.84	IV

From the above table it is observed that the Garrett scores which help to decide the most important factor that makes the respondents to opine about the problem faced by them in their relationship in life insurance companies. According to Garrett ranking, among the seven factors 'Inefficient grievance redressal mechanism' ranks first with a mean score of 55.36, followed by 'Indifferent attitude of the officials during the busy hours.' ranks second with a mean score of 53.85, 'More legal formalities at the time of settlements' ranks third with a mean score of 52.29, 'Misleading information given by the agents' ranks fourth with a mean score of 51.84, 'Ambiguity in the terms and conditions of the policy' ranks fifth with a mean score of 50.89, followed by 'Red-tapism' and 'Delay in the revival of the lapsed policy', 'with mean score of 46.85 and 38.93 respectively.

Conclusion

Every individual is exposed to innumerable risks connected with his life and business. He or She is very much interested in escaping from such risks and searches for protection. This led to development of insurance business which is a means to avoid the consequence of risk. Insurance is a method of securing protection against future calamities and uncertainties. At present insurance occupies an important place in the modern world. It plays an important role in the life of every citizen. It has now developed on an enormous scale leading to the evolution of many types of insurance. The customer is the king in the market. Life insurance companies deal in intangible products. With the entry of private players, the competition is becoming intense. In order to satisfy the customers, every company is trying to implement new creations and innovative product characteristics to attract customers.

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