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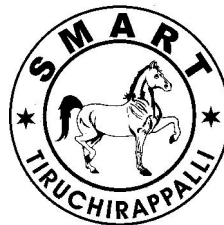**Dr. M. SELVAM,** M.Com., Ph.D.,

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CRM IN INSURANCE INDUSTRY

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Abstract

The competitive landscape of the insurance industry is rapidly evolving. The structure of the market, the competition for customer wallet share, and the heightened focus on profitability has converged in an unprecedented way. This has created a marketplace that is far more complex, dynamic, and challenging than any in the past. Today, policyholders are expecting even more individual attention, responsiveness, and customization, but unwilling to pay a premium for these services. They are willing, however, to build long – term relationships based on trust and mutual respect with firms that provide a differentiated service offering. Good customer relationship is at the heart of business success. Stronger the relationship between the policyholders and the insurer, more likely the policyholder will give insurer repeat business. Now, marketing is shifting from trying to maximize the profit on each individual transaction to maximize beneficial relationship. The operating principle is "build good relationship and profitable transaction will follow automatically". This paper highlights the needs, goals, processes, challenges and benefits of CRM strategies and solutions in the context of exploding e- insurance industry in India.

If the customer service in the organization is really good, the customer is unlikely to look elsewhere. In fact, he would act as a great brand ambassador for the company, which would eventually pave the way for enrolling fresh customers. In the case of long-term contracts, a policyholder is entitled to a host of services during the entire contract period and attending to them is mandatory.

With the competition heating up in the post-liberalized insurance market, one factor that is contributing to the overall performance of an insurance player is Customer Relationship Management (CRM). Each insurance is parading its own leverages in the field and highlighting the importance attached to customer service in the organization (U. Jawaharlal, 2005).

Need for CRM

Hyper competition has resulted in plethora of products and services, which in turn has led to crowning the customer as king.

Expectations of customers rise exponentially with the refinements in IT based utilities. The key expectations in customer service in the insurance industry are:

- Speedy documentation and processes at the time of issue of policies
- Easy and simple procedures for medical underwriting
- Quick response to any changes related to the customer's policy, namely, change of name, contact details, assignment of policy or term reduction
- Prompt redressal of customer grievances
- Offer to upgrade the policy and provide flexibility to the customers
- Updates on the company's performance
- Information on a regular basis on the status of his account.

With CRM, insurers serve their customers better and increase their chances of retaining them, and their satisfaction level by having all

relevant information necessary to make planning, product, and service decision throughout the customer life cycle. This, in turn, can increase customer loyalty and retention by meeting customers' requirements and expectations. (Scott Nelson, 2003).

With a view to providing better services, insurance firms have been tactically adopting Customer Relationship Management (CRM) strategies. They have started with basic operational systems to integrate customer information from multiple channels and sales force automation. Technologies such as contact centre segmentation and campaign management tools are maturing and finding wider adoption with a number of insurance companies.

CRM – The meaning

Only in 1983, Berry formally introduced the term, customer relationship management to the literature, though several ideas of relationship marketing had emerged much earlier. He defines CRM as attracting, maintaining and enhancing customer relationship in multi service organizations.

CRM goes beyond the transactional exchange and enables the marketer to estimate the customer's sentiments and buying intentions so that the customer can be provided with products and services before he starts demanding. This is possible through the integration of four important components i.e. people, process, technology and data.

Thus CRM is to identify, establish, maintain, enhance and when necessary, also to terminate relationship with customers and stakeholder at a profit so that the objectives of both parties are met, and that this is done by mutual exchange and fulfillment of promises. (Tapan K Panda, 2003).

Goals of CRM

CRM is an organizational strategy to develop mutually profitable lifelong relationship with the customer. The primary goal of CRM is to build and maintain a base of committed customers who are profitable for the organization. To achieve this goal, the firm should focus on the attraction, retention, and enhancement of customer relationships. Other objectives of CRM are to:

* Use technology and human resources to understand the needs and behavior of present and potential customers;

* Acquire, retain and establish mutually rewarding, one to one, relationships with customers;

* Provide better customer service to customers;

* Identify high value customers so that the organization can serve them better with differential service;

* Collect customer information at all possible points and making this information available to the entire organization wherever and whenever needed, so that the customer could be served better;

* Get maximum 'wallet share' of the customer;

* Increase customer revenues by cross selling and up selling;

* Simplify marketing and sales processes;

* Provide the level of service appropriate to high value customers;

* Integrate all customer related activities like marketing, sales, service in such a way that highest value is provided to the customer. (R.S Prasad, 2004).

CRM Process

A typical insurance company has a huge customer base, varied product lines, multiple distribution channels, and a market with a geographical spread. To effectively interact with customers and design suitable products, the insurers' CRM strategy has to fully utilize the potential of technology. The insurer has to leverage a vast pool of data at each step in the CRM process, and use the insight gained for developing new products and services to meet the ever-changing needs of the customers.

The CRM deployment process in an insurance company could be divided into six steps.

1. CRM initiative

Insurance business has been traditional and conservative compared to other financial service markets. Hence making changes in the way business is run by introducing new technologies could generate resistance and slow down the adoption of CRM. Therefore, the insurance company should first educate and communicate with employees at all levels to prepare themselves for the new CRM deployment, helping them to prioritize the solution and understand that it is a strategic initiative for the organization.

2. Identifying customers

Knowing our primary customers like policyholders, beneficiaries, insured, agents or brokers is important while customizing and developing the CRM strategy because these answers can significantly change how the design and implementation of the product is done. A customer–centric insurer must have a clear understanding of each of the customer segments and build an infrastructure and strategy to provide them with products and services that address the needs of each segment.

3. Collecting and owning customer data

To gain the maximum benefits of a total view of the customer, insurer should capture and combine customer information obtained from Zonal offices, Divisional offices, Branch offices, Agents, along with the customer data from the existing system. This information gleaned from these sources must be combined with personal interactions.

4. Develop a definite ROI strategy

The insurer must have Returns On Investment (ROI) measurement in place to monitor effectiveness and to justify future investment in CRM technologies. Instead of just hoping to have better results, the company has to develop business–focused ROI criteria that will enable it to define, measure, and analyze the impact of CRM processes and technologies on the business.

By setting realistic goals, one can calculate the returns on these initiatives and determine which components of the CRM strategy are producing the greatest impact on the business by the use of metrics. Metrics that insurer can use to measure CRM success includes customer satisfaction ratings, number of customer complaints, average time to resolve issues, response time, customer attrition, number of cross-sells, customer profitability, cost of service, etc.

5.Create a realistic budget and timeline

The CRM budget and timeline should be as realistic as possible, ensuring that any project vital to the CRM deployment is completed within a timeline. Updating administrative systems, updating websites, and web-based channels help the organization to stick to the time schedules. A realistic budget helps the creation of these instruments.

6. Seek experienced resources

Technological challenges, such as integrating existing IT system with customer-centric solutions, may create challenges for insurance deployments. Hence, to implement the CRM solution, insurer should ensure that the CRM seller and the company's IT professionals have the technical proficiency and experience to integrate their resources towards customer oriented solutions.

Benefits of CRM deployment

The benefits of application of Customer Relationship Management (CRM) solutions are plentiful which include needs analysis, online selling, online payment, claims intimation and settlements, online customer servicing, loan processing and knowledge management.

Impediments to the Implementation of CRM

The challenges faced by the insurers during development, implementation and maintaining CRM projects can be listed as follows:

1.Culture: The culture of the insurance industry hampers the movement towards CRM. Traditionally, the insurance sector has been resistant to changes in business or technology. Insurers' legacy information systems are a major impediment to adopting technologies like CRM.

2. Identification of Customer Point: Getting the information to the actual point of customer contact, which varies from company to company, is one of the major problems in implementing CRM. The relationship with customer is often scattered across layers

e.g. with agents, immediate branch office, direct e-contacts, etc.,

3. Technology: Many insurance companies still lack the technology and the corporate approach needed to understand their customers. Lack of internal, enterprise wide data integration has made it exceedingly difficult to develop a comprehensive view of customers.

4. CRM - Buy or Build: Insurers must make crucial decisions as to whether they should buy CRM solutions from vendors or build the system internally. Internal construction requires sufficient IT resources with skills and expertise in various CRM areas (i.e., front-office, mid-office and back-office), time to complete the project, and funding. These challenges cause many small-to-midsize providers to turn to external vendors for the parts needed for CRM.

5. CRM - Cost or Revenue: Is CRM about revenue, or cost, is a question posed by most of the insurers. CRM solutions will have to prove their worth to users prior to making an investment. But measuring results of CRM program is not as cut and dried as it is with other technologies. Many insurance companies want to invest in a CRM process when they know the results, but in reality, they may not know the result until they activate it. Therefore, insurers must clearly identify the purpose of the system being implemented and conduct a thorough cost vs. benefit analysis (K. Bhramaramba and Sudha Suswaram,2003).

CRM Training for Agents

It is the task of the top-level and middle-level managers to train their agents to practise relationship management and build relationships with their clients.

1. The agents should be trained to analyze their environment (society, friends, peer groups, etc) and build good relationships with their environment because a good marketer first forms relationships and then sells his goods.

2. An agent should prepare a profile of the prospective targets (or potential clients).

3. He should be trained to interact with them.

4. He should be trained to build the customer database and classify them into potential and existing customers. The existing customers may be classified into dissatisfied, satisfied and highly satisfied customers.

5. The agents should be trained to get the feedback of the customers because insurance selling is a confidence building measure where a relationship is built between the client and the agent, which lasts for a long duration (Ravi Kumar Sharma, 2005).

Customer relationship in Indian insurance industry

Due to competition, insurers have taken initiatives by adopting technology to improve their services to the policyholder in achieving lower turnaround time for issuance of policies, customers servicing, complaint redressal and customer education. Business processes have been computerized to keep track of the policies issued right from inception to maturity, covering all aspects of administration, underwriting, claims, commissions and insurance accounting.

Insurers have set up their websites for disseminating timely and complete information to the policyholders so as to provide value added services to customers. Financial planning tools, information about products, commission details, premium calculators, NAV quotations, FAQ, etc., are made available to customers. A number of insurers are designing enterprise portals to enable policyholders to query the status of their policies to make on-line premium payment and provide a forum for registering/ seeking redressal of policy servicing related issues. In-

surers have implemented facilities to pay premiums through non –conventional channels such as credit cards, ATMs, online payments, standing instructions, etc., in order to provide hassle-free modes of payment of premium. Conscious of the imperative need to build up data bases to help their operations, some insurers have taken initiatives to develop data warehouses to facilitate their operations.

Automated complaints management process, tracking them from lodging of customer complaints till redressed, have been put in place by the insurers to handle any delay in the settlement of claims. Toll free numbers and call centers have been put in place for better customer reach. Insurers have also taken initiatives in developing Customer Relationship Management (CRM) systems and grievances management process.(IRDA Annual Report 2003-2004)

We can expect a further improvement in the customer service levels with:

∨ Electronic submission of proposal forms

∨ Electronic transfer of medical data

∨ Automatic underwriting to reduce time taken

∨ direct debits/electronic payment of premiums

∨ Easy withdrawal facilities

∨ Regular updates on the policy status

∨ Facility for the customer to procure data from the company website regarding premium calculation, proposal tracking, daily NAV, switch funds, stock market alerts and recommendations. (Shivaji Dam , 2004)

Conclusion

Insurance players should not be carried away by the apparent high-sounding appeal of the CRM solutions. They should rather aim at acquiring what suits their needs. It should be

realized that it is for the enhancement of customer satisfaction and in the process, business growth, that a proper CRM platform is required. As such, it calls for a proper understanding of the customer's needs and desire. (U. Jawaharlal, 2005). For a CRM system to be effective, it must integrate analysis from all customer touch points, balance customer and shareholder value, and drive business process refinement across the enterprise. Only then can the success of a proper implementation of CRM be ensured.

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