

CRM in Life Insurance Sector in India: A study on Customers' Services and Complaints

Prof. P. Indrasena Reddy*, Dr. K. Someshwar Rao**, Mr. K. Saisharan***

The services sector has been growing year after year in the country. The growth of the services sector at 9.2% in 2010-11 which is higher than the average growth of 7.5% of during the last five years. Its contribution to GDP growth has been more than 50% since 1997-98. The present contribution of services sector to GDP is 57.3%. The high growth in the services sector is mainly due to high level of activities taken up in the country relating to trade, hotels, transport and communications, finance and insurance services. Growth in the finance and insurance sector was facilitated by strong expansion in non-food credit and surge in insurance business by public and private insurance companies.

The insurance sector was opened up in the year 1999 for facilitating the entry of private players into the industry. With an annual growth rate of 24.31% and the largest number of life insurance policies in force, the potential of the Indian insurance industry is huge. The year 1999 saw a revolution in the Indian insurance sector, as major structural changes took place with the ending of Government monopoly and the passage of the Insurance Regulatory and Development Authority (IRDA) Bill, lifting entry restrictions for private players and allowing foreign players to enter the market with some limits on direct foreign ownership. Together with banking services, it accounts for about 7.7% to the country's GDP. However, insurance penetration in the country is poor. Insurance penetration or premium volume as a share of country's GDP for the year 2010 is at 4.40% for life insurance and 0.71% for non-life insurance.

The level of penetration tends to rise as income increases; particularly in life insurance saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. The insurance sector was opened up for private participation four year ago and the private players are active in the liberalized environment. The insurance market has witnessed dynamic changes which includes presence of a fair number of insurers both in life and non-life segment.

Keywords: Customer Relationship Management, Life Insurance Sector

Introduction

Most of the private insurance companies have formed joint venture partnering with recognized foreign players across the globe. The share of Indian life insurance market in global market was 2.69% in 2010. Consumer awareness has improved. Competition has brought more products and better customer servicing. It has had a positive impact on the economy in terms of income generation and employment growth. In life insurance business India ranked 9th among the 156 countries. Life insurance penetration in India had gone up from 2.15% in 2001 to 4.4% in 2010. The impetus for increase is due to the active role played by IRDA in licensing private players and taking positive steps in increasing the insurance awareness among the people. Besides the insurance companies in general and private insurance companies in particular, are reaching to so far untapped potential in rural areas with aggressive campaign by offering suitable products. At present there are 23 life and 24 non-life insurance

companies operating in the insurance industry in the country. The players in the industry are creating additional markets by enhancing the level of risk awareness amongst the uninsured public. The liberalized environment is expected to improve the levels of customer satisfaction.

Growth in Life Insurance Sector

The size of life insurance market increased on the strength of growth in the economy and concomitant increase in per capital income. The life insurance industry recorded a premium income of Rs.2,91,605 crore during the year 2010-11. The contribution of first year premium, single premium and renewal premium to the total premium was Rs.1,26,381 crore, Rs.62451.45 crore and 165224 crore respectively during the year 2010-11. When the industry was opened up to the private players in 1999, the life insurance premium was Rs. 34,898.48 crore which constituted of Rs.6996.95 crore of first year premium, Rs.25,191.07 crore of renewal premium and Rs.2,740.45 crore of single premium. These figures reveal that

* Professor of Commerce, Kakatiya University, Warangal (AP).

** Reader in Commerce, Bhadraka College of Commerce, Hyderabad (AP).

*** Research Scholar, Dept. of Commerce & Busi. Mgt. Kakatiya University, Warangal (AP).

the life insurance sector has witnessed more growth during the post-liberalized period.

Today the insurance industry is facing varied challenges in the evolving economic realities and changed demographics. The industry's achievements over time will be assessed not just in terms of their performance but also their sensitivity to the needs of the market, adoption of modern practices to upgrade technical skills and a deeper penetration of the insurance market in terms of GDP. It is hoped that such activities will enlarge the pie rather than result in fractionalization of the pie. Ability to serve the policy holders in an innovative manner together with competitive pricing of the products should be the mantra of the insurers. 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. Alternate channels of distribution like bancassurance, direct marketing, internet and telemarketing are being adopting to reduce the costs and to reach a wider customer base.

Market discipline is a critical area for the healthy development of the insurance industry in emerging markets. The key to effective market discipline lies in public disclosure and consumer education. Informed and educated customers are often the most effective means of enforcing commercial discipline. An informed customer is in a position to avail better services, and has faith in the industry, thereby facilitating penetration and growth.

A number of initiatives have taken by IRDA to develop insurance market. Broadly these include initiatives at building customer confidence through a regulatory frame work, expansion of coverage through customer awareness campaigns and through expansion of the customer reach, encourage insurers to launch innovative products and by simplifying procedures for accessing insurance services.

Customer Relationship Management (CRM)

Customer relationship management is a corporate level strategy focusing on creating and maintaining relationships with customers. CRM is not a technology itself, but rather a holistic approach to an organization's philosophy, placing the emphasis firmly on the customer. CRM governs an organization's philosophy at all levels, including policies and processes, front of house customer service, employee training, marketing, systems and information management, CRM systems are integrated end to end across marketing, sales and customer service.

A CRM system should be aimed to:

- Identify factors important to clients
- Promote a customer oriented philosophy.
- Adopt customer based measures
- Develop end-to end processes to serve customers
- Provide successful customer support
- Handle customer complaints
- Track all aspects of sales.
- Create a holistic view of customers' sales and services information.

In its broadest sense, CRM covers all interaction and business with customers. A good CRM program allows a business to acquire customers, provide customer services and retain valued customers.

Thus, the emphasis of CRM is on the customer services. The management of customer services will influence the relations between the business organization and its customers and thereby affect its performance.

Keeping the above background in view the present paper aims to examine the Customer Relationship Management in the life insurance sector with reference to customer services and customer complaints. It focuses on the growth of life insurance business, customer services, status of complaints, disposal of complaints, methods of disposal, role of IRDA, functioning of ombudsmen in insurance sector, consumer grievances redressal system. The data for the analysis of customer's complaints collected from the annual reports of IRDA.

Customer Services

Insurers have taken initiatives by adopting technology to improve their services to the policy holders in achieving lower turnaround time for issuance of policies, customer 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 are also relying on bancassurance to drive their operations and have taken initiatives to set up seamless integration of their offices with the bank branches to achieve smooth distribution of policies.

Insurers have set up their websites for disseminating timely and complete information to the policy holders 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 to provide a forum for registering/seeking redressal of policy servicing related issues. Insurers have implemented facilities to pay premium through non-conventional channels such as credit cards, ATMs, on line payments, standing instructions etc., in order to provide hassle-free models 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 ware -houses to facilitate their operations.

Automated complaints management processes, from lodging of customer complaints and tracking them till redressal, has been put in place by the insurers to handle any delay in the settlement of claims. Toll free numbers and call centres have been put in place for better customer reach. Insurers have also taken initiatives in developing Customer Relationship Management (CRM) systems to streamline their grievances management process.

With a view to facilitating servicing of the customer, insurers have commenced generating reports through IT-based platforms on such aspects as policy issuance, claims reported, claims paid, claims outstanding, claims disposal ratio, non-suit claims disposal ratio, premium refund, endorsements and grievance redressal ratio. Insurers keep checks on own performance against the benchmarks established in house, have taken up customer relationship management projects for their customer service centres which have been set up at various locations throughout the country, and have set up call centres to cater to the varied needs of the policyholders, in addition to imparting information on various products, some companies have also started providing mobile claim service. Insurers have also set up grievance cells and the performance of these cells is closely monitored on a regular basis. "May I help you" and information facilitation counters have also been established. With the insurance industry fast emerging as a buyer's market, insurers would have to gear themselves up to provide quality customer service and information technology would continue to play a crucial role. Those insurers who are capable of responding to the needs of customers in terms of both products offered and servicing thereafter shall emerge as leaders in the evolving competitive environment.

Customers Complaints

In the case of life policies, complaints pertained to issues relating to surrender value, pension, maturity value, extra premium, agent related, product related, policy servicing, non-receipt of policy bond, death claim, lapsed policy, proposal stage, transfer policy, annuity payment rider benefit, revival of policy, advertisement related, refund of premium / deposit/cooling off cancellation. The status of complaints in life insurance business is shown in Table – I. It shows that the total numbers of complaints were increased from 2481 in 2002-03 to 11905 in 2010-11 and during the same period the complaints resolved were increased from 1917 to 9551. As on 31st March, 2011 total pending complaints were 2354 and related to (i) death claims, (ii) Agent related, (iii) Policy servicing, (iv) others. During the year 2010-11, 10051 complaints including outstanding claims at the beginning of the year have been received by IRDA of which 2738 complaints were about LIC and 7313 about private life insurers. The increase in complaints may be attributed to awareness among the policy holders regarding their rights facilitated through publicity campaigns.

Role of IRDA

The mission statement of the Authority begins with "To protect the interest of and secure fair treatment to policy holder's, a role which the regulator attaches considerable importance to as its foremost responsibility, and the entire regulatory framework focuses on achieving this objective. In conformity with this objective, a Consumer Grievance Cell (CGC) was constituted in November, 2002. The Cell receives complaints from the insurance customers- irrespective of the nature of the complaints - and forwards them to the insurance companies to ensure early resolution of the public grievances. The insurance companies were advised about the formation of the CGC and the need for the companies to resolve the disputes on a priority basis. As part of its efforts to protect the interests of the policy holders, the authority launched an awareness campaign through the electronic and print media. The campaign which commenced in December, 2002 is an ongoing exercise and has created considerable consciousness amongst the policy holders about their rights and privileges and the avenues available to seek redressal. The authority has been advising the insurance companies to set up cells to handle the public grievances. The grievances handling cells are operating at various levels (branch/divisional level) within the offices of each insurer. The authority has been reiterating the need for strengthening the grievances settlement mechanism and to comply with the provisions of the regulations framed for the protection of interests of the policy holders.

It is observed that the disposal of complaints by private insurers (Table–III) is faster as they are relatively new and do not have many complaints as the number of policies issued by them are also comparatively low. Another reason could be that underwriting of policies and claims settlement are centralized at the corporate offices resulting in a lesser run time and faster disposal of complaints. Overall, the number of complaints pending for resolution has been slowly and steadily going down when compared to the previous year because of intervention by the authority through writing/over telephone/through e-mail. In addition, review meetings with the insurers involving face to face interaction with their customer services/grievances redressal departments has helped to put pressure on the insurers to increase their disposal ratio and reduce the time lag involved in disposal.

Functioning of Ombudsmen

The institution of insurance ombudsman (in 1999-2000) has great importance and relevance for the protection of interests of policy holders and also to build up their confidence in the system. This institution has helped to generate and sustain the faith and confidence amongst the customers in insurers, the insurance council, which is the administrative body, has appointed twelve ombudsmen across the country (Table–IV) and has equipped them with the necessary infrastructure. All insurers are required to honour the awards passed by an ombudsman, within a period of three months of

the order. The awards are binding on the insurance companies, the customer, however, can opt out, in which case other avenues for grievance settlement can be explored by the aggrieved party. An ombudsman, under the rules, has been entrusted with two functions, viz., conciliation and award making.

The details of the complaints handled by the ombudsmen are shown in Table-II. The total number of complaints during the year 2010-11 including the outstanding carried forward was 11905 as against 2481 in 2002-03 recording an increase of about five times. The disposal rate was 80.22% in 2010-11 and the highest ever achieved rate is 93.68% in 2007-08 since the inception of ombudsman scheme in 1999-2000. The high disposal rate in 2007-08 was possible due to posting of ombudsmen in all the 12 centres. In 2010-11, 11017 complaints were received during the year, in addition to 888 which were outstanding at the beginning of the year, 9551 complaints were disposed off by the ombudsmen and the disposal ratio was 80.22%. As against this, during the year 2002-03, 2481 complaints were received, of which 1917 were disposed off and the ratio of disposal was 77.27%.

Table-II shows the various ways/ methods followed in disposal of complaints by ombudsmen. It can be observed that more number of complaints in the life insurance sector is not entertainable (78.44%) in 2010-11 and the same is the case 73.81% in the year 2009-10. The methods of disposal includes recommendation, awards, settlement, dismissal, etc., the total number of complaints disposed in life insurance business were 9551 by the end of March, 2011.

Consumer Grievances Redressal System

The awareness amongst the insurance customers has been increasing about their rights and protecting their interests. The existing mechanism for redressal of the grievances of the policy holders provides for three different forums, viz., the in house grievance redressal cells of the insurers, the consumer courts which provide for a three tier approach in resolving consumer disputes, the district forum, the state forum and the national forum with different pecuniary jurisdictions and the civil courts. In addition, there is the mechanism of insurance ombudsman to deal with personal lines of complaints, up to claims of Rs. 20 lakhs. With a view to protecting the interests of the policy holders, the authority (IRDA) too, at its own initiative, has constituted the in-house consumer grievance cell (CGC), as a mechanism parallel to the regulations framed for protecting the interests of the policy holders.

Conclusions

The above discussion reveals that the life insurance sector is undergoing fast changes. The reforms process initiated in the insurance sector has enhanced competition, provided a wide choice to the customers, introduced innovative ways and means to carryout insurance activities, and improved the efficiency level of the industry. It is clear that the face of life

insurance business in India has been changing in terms of range of innovative products, customer service distribution network it also shows that the interests of policy holders are given priority in designing the insurers' policies and strategies for better customer relationship. The customers in insurance sector are provided various facilitating and convenience services. A regulatory frame work has been made available for resolving customer's complaints. Though the numbers of complaints from customers are increasing (11017 in 2010-11) but many of the complaints are not entertainable (78.44% in 2010-11) in the life insurance sector. Ombudsmen in life insurance sector are doing well as the complaints disposal rate is increasing year after year. The disposal rate is 80.22% in 2010-11 and the highest is 93.68% in 2007-08 since the inception of Ombudsman scheme in 1999-2000. There are 12 Ombudsmen centres in the country for the disposal of customers' complaints in the insurance sector. For redressal of customer's complaints/ grievances, insurers have provided grievance redressal cell in their offices. IRDA launched an awareness campaign through electronic and print media to protect the interest of the policy holders.

As the insurance sector is fast emerging as a buyers' market, insurance companies have to gear themselves up to provide quality customer service and manage the services and complaints effectively. The success of an insurer depends on the effective management of customer relationship. For maintaining better relationship with customers, insurers should have a thorough understanding on the changing requirements of policy holders, their problems, should provide improved services and should early resolve their complaints.

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Table – I
Status and Disposal of complaints

Year	Total no. Of complaints	Total no. Of complaints disposed	Ratio of complaints disposed	Pending at the end of the year
2002-03	2481	1917	77.27	564
2003-04	3968	3289	82.89	679
2004-05	5567	5020	90.17	547
2005-06	5526	4925	89.12	601
2006-07	6021	5418	89.98	603
2007-08	6168	5778	93.68	390
2008-09	6143	5586	90.93	557
2009-10	9524	8636	90.67	888
2010-11	11905	9551	80.22	2354
Average	6367	5567	87.43	800

Source: Annual reports of IRDA

TABLE – II
Ways / Methods of complaints disposal

Year	Total Number of complaints	Recommendations/ Awards (1)	Withdrawals/ Settlements (2)	Dismissal (3)	Non-acceptance/ Not-Entertainable (4)	Total No. of complaints disposed
2002-03	2481	603 (31.45)	594 (30.98)	188 (9.80)	532 (27.75)	1917 (77.27)
2003-04	3968	486 (14.77)	684 (20.80)	339 (10.31)	1780 (54.12)	3289 (82.89)
2004-05	5567	1098 (21.87)	1080 (21.51)	448 (8.92)	2394 (47.69)	5020 (90.17)
2005-06	5526	671 (13.62)	1265 (25.69)	400 (8.12)	2589 (52.57)	4925 (89.12)
2006-07	6021	782 (14.43)	1351 (24.94)	404 (7.46)	2881 (53.17)	5418 (89.99)
2007-08	6168	1090 (18.86)	722 (12.50)	481 (8.32)	3485 (60.31)	5778 (93.68)
2008-09	6143	1031 (18.45)	499 (8.93)	546 (9.77)	3510 (62.83)	5586 (90.93)
2009-10	9524	1209 (14.00)	481 (5.81)	572 (6.62)	6374 (73.81)	8636 (90.67)
2010-11	11905	846 (8.85)	586 (6.14)	627 (6.56)	7492 (78.44)	9551 (80.23)
Average	6367	868 (17.37)	806 (17.47)	445 (8.43)	3448 (56.74)	9560 (87.22)

Source: Annual Reports of IRDA

Note: Figures in brackets are percentages.

TABLE – III
Status of Complaints – Company wise
(Average figures during the period from 2006-07 to 2010-11)

Sl.No.	Insurer	Reported	Resolved	% Resolved	pending
1	Aviva	236	227	96.18	9
2	Bajaj Allianz	357	342	95.80	15
3	Birla Sunlife	184	170	92.40	14
4	HDFC Standard	201	181	90.05	20
5	ICICI Prudential	440	424	96.36	16
6	ING Vysya	46	39	84.78	7
7	Kotak Mahindra	227	209	92.07	18
8	LIC	1003	906	90.32	97
9	Max New York	194	185	95.36	9
10	Met Life	87	83	95.40	4
11	Reliance	188	178	94.68	10
12	Sahara	4	3	75.00	1
13	SBI Life	125	113	90.40	12
14	Shriram	10	9	90.00	1

TABLE – IV
PERFORMANCE OF OMBUDSMEN AT DIFFERENT CENTRES (LIFE INSURANCE)
(Complaints disposal for the year ending 31st March, 2011)

Name of the Centre	Total No. of Complaints			No. of complaints disposed by way of				
	O/s as on 31 st March 2010	Received during 2010-11	Total	(I)	(II)	(III)	(IV)	TOTAL
Ahmedabad	7	485	492	6	3	23	178	210
Bhopal	38	210	248	0	0	0	121	121
Bhubaneswar	33	238	271	127	28	4	68	227
Chandigarh	284	1268	1552	24	160	13	429	626
Chennai	2	933	935	42	27	33	826	928
Delhi	244	1445	1689	223	17	103	1035	1378
Guwahati	8	280	288	85	3	1	134	223
Hyderabad	13	1388	1401	31	22	51	1220	1324
Kochi	36	515	551	50	24	83	284	441
Kolkata	195	1392	1587	116	168	269	931	1484
Lucknow	0	1448	1448	75	134	47	932	1188
Mumbai	28	1415	1443	67	0	0	1334	1401
Total	888	11017	11905	846	586	627	7492	9551

Notes:

O/S: Outstanding

(I) Recommendations / Awards

(II) Withdrawl/Settlement

(III) Dismissal

(IV) Non – Acceptance / Not-entertainable

Source: Annual report of IRDA 2010-11