

A STUDY AND IMPORTANCE OF CRM IN LIFE INSURANCE

*Amit Nautiyal

Abstract

The dynamic nature of business world has given ample scope and has broadened the horizons of service sector. Be it liberalization of Indian markets in early 90's, privatization and globalization; each has a significant contribution in the boom of the service domain. The opening of Indian insurance market for the foreign players has been a bone of contention for a very long time. To maintain competitive edge and viability, insurance companies are focusing intently on delivering superior customer service and making the customer relationship strong with best facility.

Keywords: - Privatization and Globalization, Indian Insurance Market, Service Domain.

Introduction

Contribution of service sector in our economic development is significant and worthwhile. The dynamic nature of business world has given ample scope and has broadened the horizons of service sector. Be it liberalization of Indian markets in early 90's, privatization and globalization; each has a significant contribution in the boom of the service domain. Today we have many national and international players in the insurance arena.

The birth of IRDA in 2000 has ensured growth and transformation of Indian Insurance Sector. Liberalisation and privatisation of insurance industry has given pace for industry to grow and as result with a one-player market to 24 in 15 years, the industry has seen the phases of rapid growth along with intensifying competition.

Indian Insurance sector is on verge of a make over/in dire need of a make over. The opening of Indian insurance market for the foreign players has been a bone of contention for a very long time. The dilemma for the insurance policy makers to choose between a competitive open market or letting the substantial premiums to leak out of India, looms large. In the national interest, planner are taking conscious step of opening for foreign participation in this sector. The changes in the regulatory environment has given chance for consumer to select one product out of many and thus increased competition among the players and in turn also had a path-breaking impact on the development of the industry.

Financial awareness and literacy has been recognised as the prime mover and deciding factor in the success of a policy. Thus the people at planning level as well individual sellers are focusing their attention on financial literacy to mobilize investments. The sustenance and increase in investment flow in insurance depends highly in the level of education and awareness among masses; that is why the increasing stress and investment in financial education programs by government and private firms is being witnessed. With the present level of awakening after many fall outs we see a increased frenzy in the area of financial literary research.

Financial Literacy includes skills and knowledge to assess various financial products, concepts, institutions and alternatives available to sustain a balanced portfolio for future after calculating the

current and forecasted economic trends for efficient money management/risk management.

Review of Literature

Financial education and awareness programs may have dual benefits for both the insurance providers as well as the individual retail investors. As an informed and aware customer retail buyers may plan better savings and will confidently participate in the investment and security market. The knowledge of their rights and responsibilities will lead to better decision making and greater wealth accumulation. It all will lead to substantial and sustainable growth for the insurance sector also.

Insurance education can be considered as a range of approaches. On one end, purely educational programs teach risk management and insurance concepts to encourage communities to adopt proactive risk management strategies. On the other, commercial marketing schemes designed to sell insurance policies focus mainly on specific product details. Research shows that financial education can lead to financial knowledge and positive changes in attitudes, motivation and planned behavior (Eikmeier, 2007).

The advertising and promotion of financial literacy in developing countries is timely and can be a win-win situation for poor people as well as for financial service provider. It can help consumer to build assets and create wealth. Financial literacy skills can be applied in managing a wide range of individual, household, business, and community resources and future security, raising livelihood and better lifestyle in olden day. A large number of studies project that better financial literacy lead to more number of takers for various financial products and policies, better retirement planning; thus greater domestic well being and raised standards of living. Similar independent studies in developing nations project a positive correlation between the levels of financial education and better use of financial products and services.

In line with this, Honohan and King (2009) in his study show a positive relationship between financial knowledge and the use of financial products and services in Africa. Likewise, in Colombia and Mexico, Bruhn and Reddy (2014) find that higher financial capability is related to a higher probability of using formal financial products (bank accounts, credit cards, or bank loans).

A research titled Effect of Demographical factors in consumer buying behavior: A study with specific reference to Indian Life Insurance Industry (Shrivastava Amit, Shrivastava Bhuwan and

Agrawal Ravikant) suggests that demographical factor has the major effect in the purchase decision of the customer. The study reveals that LIC is market leader in insurance sector and market of insurance is still open for heavy competition. Author suggests that companies dealing in insurance should give emphasis on demographic elements to take opportunity available in this sector.

It is being seen that insurance decisions focuses on purely monetary decisions. When making a decision to purchase insurance services as a monetary transaction, consumers tend to incline their decisions on cost-benefit analysis. The goal of such decisions is usually to get fairly regular financial returns rather than the overall goal of protection. Krantz and Kunreuther (2007) state that the ability to be reimbursed, irregularly but frequently, may be perceived as a dividend stream. When the investments to purely-risk based insurance are related to the consumers' expectations of getting some kind of financial return, this possibly also points to the fact that such consumers lack a proper understanding of the insurance concept where "the best return on an insurance policy is no return at all".

The demographic factors dependency ratios, adult literate population, life expectancy and adult literate population are considered and in line with earlier studies we expect these to be significant in explaining life insurance demand. It is expected that Young dependency will be negatively related and the rest three demographic variables are expected to have a positive relation.

A report titled "A Study on Attitudes of Indian Consumers towards Insurance Service" (Gautam V. and Kumar M) suggests that variables like economic conditions as well as the socio demographic attributes have far reaching impact on insurance buying attitude of an Indian Consumer. The authors have defined nine variables namely age, gender, education, marital status, monthly income, type of employment, property owned, professional inclination and owning an insurance policy significant to measure financial attitudes of individuals with variable grades.

A study conducted by Athma and Kumar (2007) explored the various product and non-product related factors and their impact on life insurance purchase decision-making. Based on the survey analysis; study revealed that urban market is more influenced with product based factors like risk coverage, tax benefits, return etc. Whereas rural population is influenced with non-product related factors such as: credibility of agent, company's reputation, trust, customer services. Company

goodwill and money back guarantee attracts many people for life insurance.

Rational of the Study

The consumer behaviour in the financial service sector is increasingly getting the focus of researchers. Both the empirical as well as theoretical studies on the subject reflects the gap between the number of takers in comparison to the growth of markets in India. Buying insurance policies involve risk. Common man hesitate to take risk owing to limited financial surplus available to invest; and a strong urge to protect his savings add fuel to the dilemma of choosing right option from the available financial products. This uncertainty widens owing to the lack of information, awareness and education required for financial planning and risk management. Educating the masses to create an informed pool of citizens has become the prime concern of the governmental and non governmental bodies for the good health of Indian economy. Government of India has already initiated by introducing several plans and programs for financial education of the general population. These programs include educating investors on how to plan, budget and buy financial products for their risk management. Efforts are appreciable but the reach is limited. The far flung areas of the country are yet to reap benefits from such awareness drives and programs. The agrigarian population of India is yet to come under the umbrella of financial security education drives. The population stationed in remote hilly areas are untouched by the favours of the governmental plans and even the private players have not been able to reach the far fetched areas like hills of Uttarakhand. The awareness should reach to one and all specifically to the agrigarian society that consists about 65% of our total population.

Importance of CRM in Insurance Sector

In today's dynamic environment the insurance industry has witnessed many spectacular changes in terms of advancement in technology, strengthening of the existing customer base and acquiring new customers. The life insurance sector has entered into new businesses and is bent on enhancing its market share, which can be achieved only if the industry is able to get new customers and retain old customers. Today relationships with customers have undergone a paradigm shift and all the private players are competing with each other to provide quality service to customers as customer satisfaction, customer loyalty and customer delight have become the success mantra of cut throat competitive scenario. Presently only those insurance companies can survive and sustain their

growth and profitable that believes in delivering the highest delivered value to the customers.

There was pure monopoly of Life Insurance Corporation (LIC) of India till 1999, and then the sector was opened to private players. The opening-up of the sector for private sector has brought in cut-throat competition). With the increase in the number of insurance companies in the market and consumers becoming more enlightened about various substitutes available and their rights as a consumer, insurers have realized the importance of customer relationship management. In today's competitive era where customer is treated as king it is very important for insurance company that they have to not only make new customers but also maintain the existing customer and encourage repeat purchase.

The insurance market in India has been going through a phase of transition. To keep pace with the changes, therefore, has become a daunting task. Customers today are more rational - they always look for maximizing value within the bounds and limitations of time, knowledge, search cost, mobility and of course disposable income. In today's scenario a customer makes value assessment in a very judicious manner. Retaining a customer, one must remember is always cheaper than attracting a new customer, service value gets a great impetus if personnel working in the insurance companies are wedded with the sense of empathy. In recent years thrust on efficient customer service has increased manifold in the services sector because of increased competition from private players, improved technologies, and growing customer awareness.

For insurance companies today, focusing on the customer is more important than ever. Getting closer to customers and effectively responding to their needs is a great way to boost their loyalty and encourage deeper business relationships and additional spending-and it is also a much more strategic route to success than cutting costs and improving efficiency. Today Insurance companies are providing more options and alternates to a customer. Products grow more complex; customers seek superior, personalized service more than ever. To maintain competitive edge and viability, insurance companies are focusing intently on delivering superior customer service and making the customer relationship strong with best facility.

References

1. Athma, P. and Kumar, R., 2007, An Explorative Study of Life Insurance Purchase Decision Making: Influence of Product and

- Non-Product Factors, ICFAI Journal of Risk & Insurance, Vol. IV, pp. 19-21.
2. Behrman, J., Mitchell, O., Soo, C., and Bravo, D., 2012, The Effects of Financial Education and Financial Literacy: How Financial Literacy Affects Household Wealth Accumulation, American Economic Review: Papers and Proceedings,, 102(3): pp. 300-304.
 3. Bruhn, M., and Reddy, R., How are Financial Capability and Financial Access Linked? Insights from Colombia and Mexico, All About Finance Blog, 04/07/2014.
 4. Cole, S., Sampson, T., and Zia, B., 2011, Price or Knowledge? What Drives Demand for Financial Services in Emerging Markets? The Journal of Finance, 66(6): pp.1933-1967.
 5. Gautam V. And Kumar M., 2012 A Study on Attitudes of Indian Consumers Towards Insurance Services Management Research and Practice, Vol 4, Issue 1, pp. 51-62.