

Evolving customer centric strategy in general insurance

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Abstract

This paper analyzes the causes, importance and effect of paradigm shift in general insurance sector from 'policy-centric' to 'customer-centric' and eventually the gradual penetration of 'Customer Centric Business Strategy' in the mentioned sector. The main motto is to present some innovative strategic ideas, implementation of which can bring in positive impact in real-life scenario. Background considered is Indian general insurance in the discussion. Emphasis is mainly given on Customer Relationship Management.

Keywords: General insurance sector in India, Customer centricity, Customer Lifetime Value, Carriers, Customer Relationship Management, Analytics.

Introduction

[1.A] Stand Point of Insurance in Indian Economy

The Indian Economy continues to outperform expectations and has recently joined the trillion dollar club to \$1.01 trillion, making it the 11th largest economy in the world in nominal dollar terms. The service sector has remained the main engine of the growth, contributing more than 55% of the GDP (Gross Domestic Product). Insurance is considered as one of the mainline financial services and it occupies an important position in the financial sector of Indian Economy. It contributes to economic development through risk management, protection of assets and mobilization of savings, leading to capital formation in the country. In context of General Insurance, the topic under discussion, its premium accounts to 0.65% of India's GDP.

[1.B] Some Phase-Shifts in General Insurance in Post-Liberalized Era

The Passage of IRDA Act (Insurance Regulatory and Development Authority Act) of 1999 completely liberalized the Indian insurance market. That Act was the first one to represent the Indian Government's unanimous agreement, after years of deliberation, that opening the market to both Indian and foreign private companies could help the economy to meet its growing insurance needs and to spark insurance growth in rural areas. Changes which crept in are:

(i). **Restructuring-** After the passage of General Insurance Business Amendment Act in 2002, the four public sector units for general insurance viz. National Insurance Co. Ltd., United India Insurance Co. Ltd., New India Assurance Co. Ltd., Oriental Insurance Co. Ltd. did no longer remain under GIC (General Insurance Corporation) umbrella. Those four PSUs started to handle the general insurance business independently.

(ii). **Innovation and Expansion** - After the opening of the sector to private players, several new products were introduced. They included products liability, corporate cover, professional indemnity policies, burglary cover, individual and group health policies, weather insurance, credit insurance, travel insurance and so on. Areas in the country which were previously

uninsured were gradually started to go in for insurance cover, and eventually, the general insurance market in India expanded.

(iii). **Free Price (De-Tariff) Regime** - Another major factor that provided an impetus to the non-life sector is the gradual introduction of free-pricing regime. A Tariff Advisory Committee (TAC) was set up to specify tariffs for products offered by various companies. The IRDA set in motion the first phase of de-tariffing by withdrawing the administered pricing mechanism (effectively de-tariffing regime) in respect of fire, engineering and motor insurance in 2007. The free-price regime has led to a reduction in cross-subsidisation between tariff and profitable portfolios like fire insurance and non-tariff lines like health insurance. The new regime is also partly responsible for inducing general insurers to design new, innovative and suitable products for different sets of customers.

[1.C]. Outcome of the Reforms: Change of Course - `Policy Centric` to `Customer Centric

After the major revolution marked by the ending of Govt. Monopoly and entrance of the private players in market, new vistas were opened in generation of intensely competitive environment in general insurance industry. The wind of globalization brought substantial changes in the business environment, managing strategies, service quality provided to customers and the advancement in information technology front. The industry witnessed a discernable shift from the sellers' to the buyers' market. The reformed insurance industry has offered a plethora of new customer-friendly products, new delivery channels like: bancassurance, corporate agents, brokers, direct selling through internet incorporating greater use of computerization and IT. The accelerating flow of competition has placed the customer at the centre of focus. Judging from this perspective, a customer has now increased his status by many folds, because he has lot many options before him these days. And in case of General Insurance policies, they are up for grabs every twelve months. The challenge therefore is not only to get new customers, but also to retain an existing one. Retaining their loyalty is more expensive. So the organization needs to understand what is going into the mind of

the customer and how it is going to reflect through his behaviour.

Multiple initiatives have been taken by the public sector general insurance companies to compete with private sector companies, but despite all that, their market share is declining. Statistics shows that the market share of public sector has decreased from 90.92% to 66.65%, whereas that of private sector has increased from 9.08% to 33.35% during post-liberalization period. Thus the productivity trend in general insurance industry reveals that private sector companies are more cost-effective as compared to public sector companies.

[1.D]. Urgency to Bring "Customers" at Focus in General Insurance Market

"Your most unhappy customers are your great source of learning." - Bill Gates

Hyper competition has resulted in plethora of products and services, which in turn has led to crowning the customers as `King`. The purpose of business somewhat took a shift. As Peter Drucker aptly said, "The purpose of a business is to create a satisfied customer. And profit is not the objective, but the reward.". The changing circumstances are exerting pressure on existing players in the industry to provide better operational results. And since customer has come into the focus now, it has become the issue of prime concern to understand the targeted customers and to serve them better by rewriting the strategies and policies in a way that they can raise the level of customer services becoming more market savvy. On a global note, a study published in Harvard Business. Review concluded, "Some companies can boost profits by almost 100% by retaining 5% more of their customers". Some reasons led to put the customers in focus in Indian market are:

- (1) Direct interaction between producers and consumers
- (2) Industrial era of mass production (identical products started to be produced in bulks)
- (3) Middleman concept (unnecessary headache of hiring middlemen for establishing link between producers and consumers)
- (4) De-intermediation (concept of e-shopping prevailed) Vigorous growth of service economy
- (5) System selling approach (integration of suppliers and sellers; sellers started to sell augmented products and this was appreciated by the customers)
- (6) Rapid increase in customer expectation (fuelled by new technology and growing availability of knowledge to the customers)

2. Building Blocks of Customer-Centric Organization and Concept of Customer Lifetime Value (CLV)

(i) Customer Life-Cycle View: Some companies have little insights into what actually motivates customers to buy their products and they have little information about customers' need and aspirations for moving forward. To guess what more a customer may want and to increase penetration, companies default to more product push in the form of cross-selling, which, if done blindly, is not an efficient way to satisfy customers. Truly customer-centric organizations use customers' past purchases and analyze their browsing behaviour. They also analyze purchases of similar customers to tailor recommendations to each customer's distinct preferences. That is customer-life-cycle-marketing.

(ii) Solution Mindset: Becoming a customer-centric organization presupposes a fundamental shift in mindset from merely selling products to solving problems. Solutions replace products as the basic element of the customer value proposition. In line with this concept, companies in many industries have migrated from selling "off-the-shelf" products to customizing solutions. The objective is to design a suite of modular product bundles that, when occupied with an advisory relationship, can deliver cost-effective tailored solutions to clients' specific problems. The challenge is to make money doing it. Truly customer-centric companies regularly open their minds (and their addressable market) to working with competitors to fulfil customer needs.

(iii) Advice Bundling: To develop customer intuition and to offer them relevant advice, customer-centric companies engage in a continuing dialogue with customers that starts long before a product or service is purchased and continues long after the sale. The trick is to do this cost-effectively. Financial services have historically restricted this sort of tailored, advisory relationship to high net-worth individuals.

(iv) `Can-Do` Customer Interface: Customer insights and intelligence invariably dwell where the customers are on the front-line. So the retail distribution channels should be armed with the skills and the authority to tailor solutions at the point of contact. However, too frequently customer management, pricing, marketing and innovation are dictated from top-to-down, relegating the sales-force to the status of order takers. Of course, not every decision and customer interaction need happen at the physical point of contact that would likely be cost-prohibitive. Instead, winning companies strive to offer customers an integrated, multi-channel experience in which the retail outlet serves as the hub. Self-service channels (website, telephone etc.) efficiently handle routine servicing needs, while skilled sales and customer care personal deal with more complex sales and consultative transactions. Hitting the sweet spot between personal service and administrative scale is one of the secrets to a successful customer-centric strategy.

(v) Fit-for-Purpose Business Processes: The prime reason for most of the companies failing in their effort to shift from a product to a customer focus is the cost of the organizational complexity. Too often, companies try to customize by layering one-off workarounds on top of old product-focused processes, which drive up costs. A successful technique for avoiding this trap is Tailored Business Streams (TBS). Using TBS, companies flow their most basic and stable products and services through the most efficient, least expensive business streams. More complicated and less predictable elements of offerings are diverted to more customized streams. This technique isolates complexity within the system and minimizes its costs. As client experience shows, this modular approach can ensure cost-effective delivery of a unique experience. If successfully approached, it can halve the total implementation time and can double the customer satisfaction.

(vi) Collective, Cross-Functional Effort: Finally, a customer-centric organization demands a new culture of collaboration. The product-oriented sales structure of old was, by definition, territorial with little sharing across organization silos. It is not so in customer-centric organization. Tailoring solutions to customers' ever-changing needs requires a level of co-operation across functions, across product and service lines, and across company boundaries that is unprecedented and not a little uncomfortable. To develop the necessary esprit de corps,

companies must build linkages across their organizations. Key financial and operating metrics will change. Employees at every level in every division will also need to deeply understand customer needs to make the end-to-end client experience streamlined and satisfying. Simulating the right attitude and creating cross-functional teams will require full-scale change management program, one that motivates participants at a basic human level to invest in a customer-centric future.

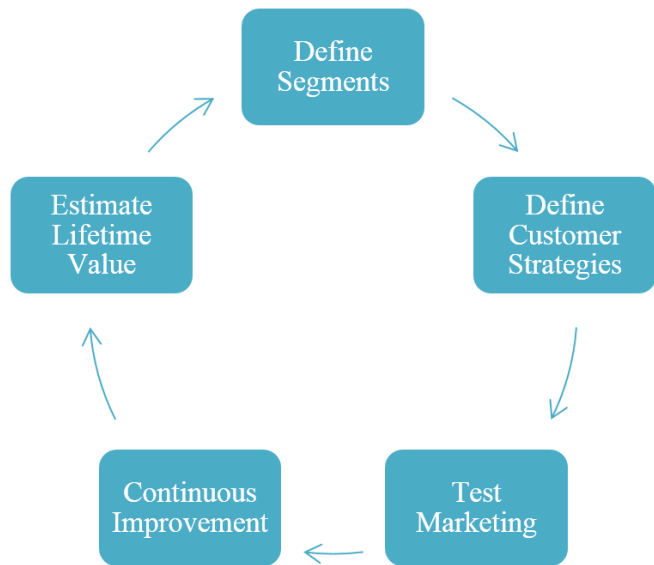


Fig 1: Customer Life-Cycle

Customer Life Time Value (CLV) is the amount of money a customer spends while doing business with the company in his entire lifetime. CLV is calculated as the net present value of the profit the company will earn from all of a customer's purchase over time.

Calculation

The determining parameters are:

- Gross Sales per year per customer = Average Sale x (Total number of sales transactions/ Total number of customers)
- Gross sales over life per customer = Gross Sales per year per customer x Number of year an average customer buy from the company
- Referrals who become customer = Number of peoples informed about product by each customer x Percentage of no. of people actually become the company's customer
- Gross sales from referrals = Gross sales over life per customer x Referrals who become customer

Total value of satisfied customer = (Gross sales over life per customer + Gross sales from referrals)

The above parameters show how important customer interaction (Policy agent personally collecting premiums, easy instalment facility, drop boxes; on-line facility for renewals, claims, tax benefits etc.) and customer contact points (In-person: Policy agents approaching customers; Telephone: reminders about policy premiums, maturity any modification or alteration in schemes; Internet: On-line support for customers; Financial Assistance: Loan facility on policy, easy instalment schemes) are in terms of earning profit in general insurance.

3. Division of Customers into Segments Based on Shared Needs in General Insurance Market

To become customer-centric, it is necessary to understand customer needs, divide customers into segments based on shared needs, and finally create general insurance product and service offerings that focus on each segment. Before one can do this, however, one needs to correctly define the customer and ensure that all relevant customer attributes are captured and understood. In insurance terms, the failure to adequately understand and define the customer will cause the carrier to lack awareness of possible insurable assets, exposures and perils. Over time, this may lead to underwriting losses and stunt premium growth based on product and coverage extensions.

(i). Personal Line Carriers

A personal lines carrier may define "customer" as an individual. This definition works only in limited circumstances, most often where single people require coverage. However, when an individual gets married or begins to share a residence with someone, the definition of customer ostensibly changes to "family-unit" or "household-unit". To revisit the earlier example, a couple insured by the same carrier that receives two bills for auto insurance may no longer find this acceptable. As such, a customer-centric carrier would do well to support a "consolidate billing" transaction, something which may be foreign to a policy-centric worldview. Divorces or other breakups as well may cause the customers (now plural) to ask their carrier to segregate the consolidated bill into two, mandating a "split billing" or a "split policy" transaction. Further, considering the person who also maintains a trust for the benefit of his children that owns some of that person's insurable assets (eg: a vacation home), the personal lines carrier has to deal with an additional complication in accounting for an entity - the trust in this case - as part of the customer definition. Additionally, we have issues of family hierarchies. A teenage child who leaves home and goes off to college with the family car introduces yet another complication. While at some level, the student is covered by policies of the parent household, she may need to eventually split off and become a new, although related, household. Finally, we have the fact that families may own a wide variety of assets that require insurance. These include the usual homes and cars, and also include exotica such as collectible cars, RVs, mobile homes, boats, etc. As such, when selling a liability policy to a customer, it is recommended that the insurance company be aware of these assets. Based on the above, we can identify several customer-based processes that can be initiated both by the customer and the carrier:

- *Child leaves for college* - implies potential out of state auto coverage, either through the parents' carrier, or through a partner that writes in the state where the child is moving. This presents an opportunity to market apartment rental coverage as well as health coverage to supplement the university health plan, again by the same carrier or a partner. The key here is to make this easy for the customer.
- *Family moves* - implies changing the address and risk locations which triggers the creation of appropriate endorsements. Moves also present an opportunity to insure the family's possessions during the move. Again, the key is to make this process easy for the customer, as well as the agent or broker who represents the customer.
- *Family buys a home* - this is an opportunity to sell not only homeowner's, but also title and other types of insurance.

Additionally, there are many insurance opportunities in the renovations that most families perform on the homes they buy.

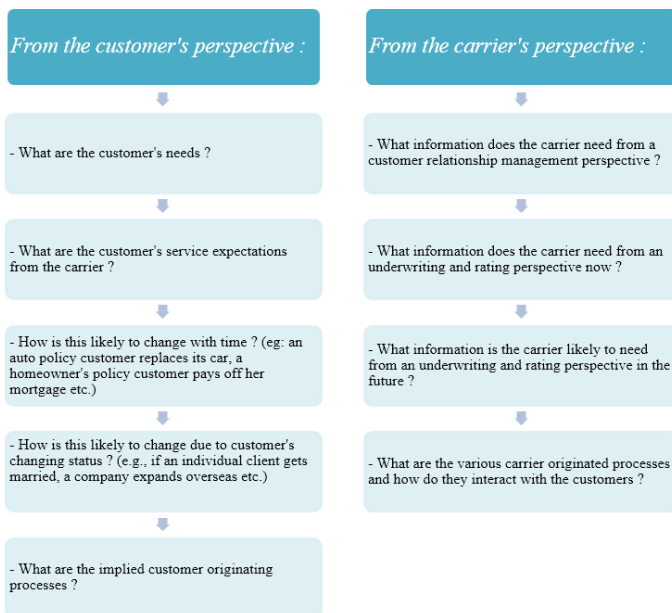
(ii). Commercial Line Carriers:

In addition to the ownership, hierarchy and asset issues of personal lines, commercial lines also add the complexity of business entity to the mix. Businesses can take many forms. Sole proprietorship, partnerships, limited liability companies and corporations are just a few number of examples. The assets of a business entity, particularly the larger ones, tend to be more complex than those covered by personal lines. In addition, the activities of a company are far more diverse and risk-laden than those of individuals. As a result, the customer definition becomes substantially more complex, since these activities, while creating new exposures and perils, also provide opportunities to provide coverage.

(iii). Personal and Commercial Line Carriers

If the carriers that offer both personal and commercial lines are considered, the definition of a customer becomes even more complex, since an individual may be part of a household that is the owner of several personal lines policies. However, the individual may also be the owner, partner, or significant shareholder of a business that has an additional set of commercial lines policies. Unfortunately, personal and commercial lines systems tend to operate independently. No matter how comprehensive the definitions of personal and commercial customers, the lack of connectivity between these systems complicates the policy administration process considerably for individuals requiring personal and commercial lines coverage.

The definition of the customer is perhaps the most important decision that process designers at insurance companies can make. It is advisable to consider the following criteria:



Based on the questions posed above, it should be clear that the customer definition for a carrier that sells travel insurance will be very different from one that sells life insurance, which in turn will vary from a broad-based personal lines carrier. The same is true for a group health carrier catering to the commercial space, a workers' compensation carrier or a broad-based commercial

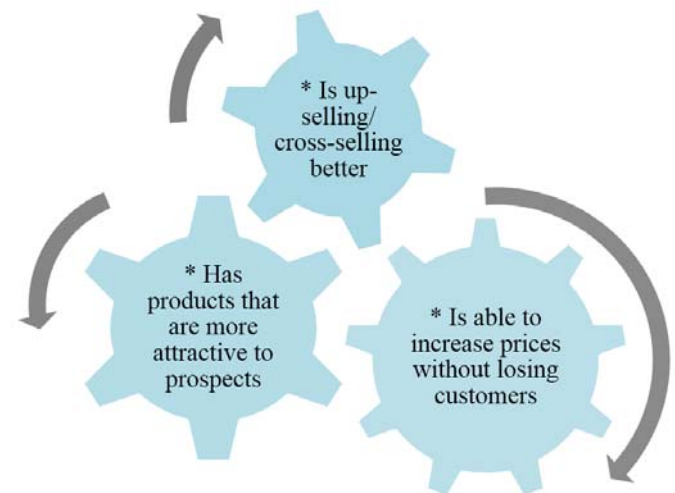
line carriers. There is no single solution that will work for everyone.

4. Increasing the Likelihood of Success in Focus-Shift from Policy-Centric to Customer-Centric:

To increase the likelihood of success, the suggested approach for achieving a transition to customer-centric operations mandates attention to the following areas:

(i). Culture & organization structure: This is a prerequisite to everything else, since the acceptance of change is highly dependent on a set of competent and motivated staff that is correctly aligned with organizational objectives.

(ii). Customer definition: A definition of "customer" that incorporates desirable consumers, their attributes and means for measuring how they perceive the insurance company's offering and processes. To evaluate the ratio of premium to the number of defined customers (an increase in revenue per customer) essentially means that the company:



Other process- and customer satisfaction-based metrics include:

* Call Volume	* Response Time	* Process Automation
•Number of customer support calls per customer, number of broker calls per customer, where more calls may equate to poorer service (and lower profitability) as something about the carrier's processes causes customers or brokers to call frequently.	•Time to quote, time to issue as a way of measuring the responsiveness of the underwriting process.	•Ratio of straight-through processed transactions to total transactions to measure the level to which the process has been made automated.

(iii). Product gap analysis: A definition of how a carrier's products (or their packaging) might be enhanced to make them more attractive to customers.

(iv). Process gap analysis: Defining the gap between existing processes and the processes needed to sell and service insurance to customers, to ensure that customers are satisfied by the outcome of these processes.

(v). Systems gap analysis: Defining the gap between the services provided by existing systems and those needed to adequately support the processes defined above.

(vi). Process/systems conversion: Migrating existing processes and systems to the new model.

5. Emergence of Customer Relationship Management (CRM) and its Penetration into General Insurance Sector

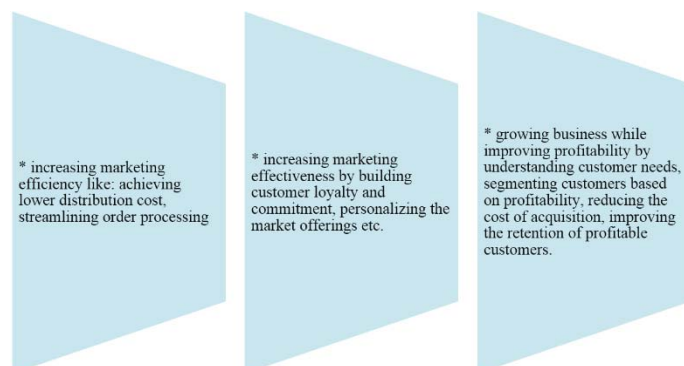
In today's dynamic market, one factor that is contributing to the overall performance of an insurance player is Customer Relationship Management (CRM). CRM's application being diverse in nature has made it one of the fastest growing customer-centric strategies of the decade. Its diverse applicability has increased its appeal. Each insurance sector is parading its own its own leverages in the field and highlighting the importance attached to customer service in the organization. CRM is basically an organizational strategy to develop mutually profitable lifelong relationship with the customers. The primary objective of CRM is to build and maintain a base of committed customers who are profitable for the organization. To achieve these objectives, the firm should focus on attraction for new customers, retention of existing customers, and enhancement of overall customer relationship. A typical insurance company has a huge customer base, varied product lines, multiple distribution channels and a wide market with geographical spread. To effectively interact with customers and design suitable products or policies, the insurers' CRM strategy has to fully utilize the potential of Information Technology (IT). CRM principally revolves around marketing. It involves integrating information gathered from all the distribution channels and analyzing the data, with the help of IT (generally Business Intelligence tools are employed for this purpose, of late, Big Data and Hadoop's predictive analytics are playing a great role in it), to understand customer behaviour. The continuous analysis and improvements over a long period of time should result in enhancing customer's lifetime value with the firm.

Some other challenges in current general insurance market except competition are:

(1) Demise of tariff has brought price-war. To maintain price which is fair to both insurance companies and customers is a difficult challenge. De-tariffing is not all about rate cutting alone.

Product development and innovation is a challenge of PSUs since this was a neglected area because of tariff regime. Private companies will bring tested and tried products from their foreign partners.

(2) Companies may face difficulty in placing re-insurance if the direct underwriting rate goes too low because of price-war. Main purpose of CRM to meet the challenges faced by the general insurance industry for coping up with the heat of competition:



In order to meet the challenges, CRM initiatives are taken through which these four key customer-centric areas are benefited:

(i). Unified/Holistic/360 Degree Customer View

Insurance companies find themselves with a complex ecosystem of fragmented data either as a result of their own legacy systems or systems inherited through mergers and acquisitions. They have a wealth of customer data which is little coherent and not readily available as well. Because of increasing customer expectations, customer service representatives (CSRs) serve a crucial role of the front lines to deliver top-notch support, but their inability to access customer data impacts their effectiveness. Failure to anticipate and address customer needs risks the future of long-term, profitable relationships. CSRs with real-time access to customer information can confidently make cross-sell and up-sell offers as well as provides more personalized service to individual customers. For example, if a customer calls a toll-free support number to update their homeowner's policy and the CSR, while handling the call, has visibility to all of this customer's policies. They notice that the customer currently does not have an automotive policy with them. The CSR takes the opportunity during the call to talk to the customer about their automotive insurance needs. Thus by unifying customer information obtained from disparate systems, the organization can gain customer relationship improvements. For further leverage of this information, CRM analytic solutions can help by integrating enterprise-wide data. Mainly BI tools are employed for this purpose. Relying on dated reports from disconnected legacy systems clouds an already unclear picture. Management, brokers, agents, and customer service representatives can better gauge performance and make more intelligent decisions based on a real-time enterprise view of the business. Insurance executives need these tools to better understand their distribution channels, products, and customers to effectively manage lines of business. Through advanced analytic capabilities like: executive dashboards and key performance indicators, insurance employees can access the most relevant and timely information. Similarly, brokers and agents in the field can manage their relationships more successfully by better understanding each policyholder and each account. By combining CRM analytics and data mining, customer base can be well segmented; and the brokers and agents can be provided with models that predict customer behaviour. Behaviour such as a customer's propensity to respond to a particular offer or the probability that the insured will renew their policy or the likelihood that they will switch insurers provides the organization with the information that supports profitable business decisions.

(ii). Integrated Multi-Channel Customer Sales and Service

Heightened competition from other financial institutions has forced the insurance industry to implement multi-channel customer sales and service systems just to hold par. When the Gramm-Leach-Bliley Finance Services Modernization Act was signed into law in 1999, banks and brokerages entered the insurance market. They started selling insurance products in alliance with and in direct competition with traditional insurers with the vision of becoming "one-stop shops" for all financial services needs. Today, customers have more information and choices than ever before and are willing to comparison those

options by their own. In a survey by Gomez Inc., 28.9% told that they had sought information about personal vehicle insurance online. Customers will freely switch to products and services from competitors if the price is right. While price is a key driver, customers are also expecting better service as they become better educated about the products and services offered to them. Now, more than ever before, insurers must be easy to do business with and exceed their customers' service expectations, because banks and brokerages have invested more heavily in automated customer-centric systems. To reduce operating expenses related to customer service while at the same time setting a goal to increase customer satisfaction, many insurers are investigating multichannel customer interaction systems. It is imperative that customers receive options on how to interact with insurers because contented policyholders stay loyal and are more profitable. Existing channels such as phone, fax, and interactive voice response (IVR) need to be properly integrated with newer channels such as email, web-based self-service, and live, web-based chat. Traditional insurance service centres need to transform into multichannel customer interaction centres to be able to consistently assess, resolve, track and measure all customer interactions regardless of the channel. A web-based, self-service channel can support a number of customer transactions. Prospective and current customers can research products, access FAQs and submit applications online. Policyholders, beneficiaries, or covered individuals can check claims status, modify account information, submit complaints/issues and file loss reports through web-based service systems. These self-service systems can also enhance the user experience with personalized content based on customer history and preferences.

(iii). Targeted Marketing for Expansions and Loyalty Campaigns

In this challenging economy, insurance companies are constantly seeking ways to increase the product portfolios held by existing customers and to prevent customer churn. CRM solutions that support intelligent automated business processes can help insurers identify opportunities to cross-sell and up-sell additional products. CRM solutions can also alert the organization to customers who are likely to switch to another insurance carrier or financial institution, enabling the company to take proactive steps to implement programs to prevent churn before it happens. Rather than blanketing a customer base with generic messages and offers, an effective CRM solution can improve marketing communications by ensuring that only relevant, personalized messages reach appropriate audiences and by measuring campaign effectiveness. Some insurers have begun experimenting with event marketing campaigns geared towards targeting relevant offers to customers at particular stages. These campaigns require a comprehensive understanding of your customer. In organizations where disparate, non-integrated systems are relied on to provide customer information, event marketing is virtually impossible. To make the most of the company's customer information, seamless integration among all the customer systems is essential. Executing expansion, loyalty, or life-event campaigns and measuring their effectiveness requires a comprehensive CRM infrastructure. This infrastructure is necessary to handle all the challenges of outbound marketing via email, telemarketing as well as inbound marketing on the web and from within the call centre. Comprehensive marketing

automation lets insurers take advantage of market analysis, campaign management, campaign execution and performance measurement features in a synchronized manner.

(iv). Efficient Management of Distribution Channels

Historically, many insurers focused their online initiatives on selling their policies directly to the customers. While the insurer could detail and generate their initial quotes online, customers still had to be contacted by agents to initiate a policy. In spite of these limitations, the first companies to offer insurance online made bold statements about "eliminating the middleman" and "cutting out the agent". However, most customers were not ready to complete the purchase of insurance online, but instead used the web to compare companies and policies before purchasing insurance through

Traditional channels such as: agents, brokers and call centre agents. With this realization, online initiatives over the past 24 months have shifted towards complementing rather than displacing the current distribution model, while simultaneously enabling customers to self-serve through the web.

Because of the web's ease of use, convenience, control, and personalization, these recent online initiatives have received wide acceptance from agents, brokers, CSRs, and customers.

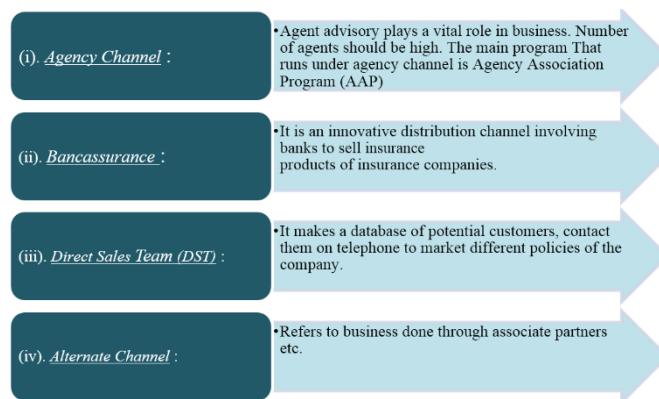


Fig: Different Channels of Distribution

CRM systems geared for sophisticated broker and agent management improve the sales productivity of captive agents, in addition to independent brokers and agents. Many insurers are implementing CRM modules like: sales force automation and campaign management for their premium lines of business. Besides gaining the business benefits of CRM, they can foster deeper customers' relationships through their broker and agent channels. In contrast, CRM initiatives targeting commodity lines of business drive direct sales activity through lower cost channels such as call centres and web-based self-service. In this way insurers can drive their customer acquisition costs down by selling to customer segments through the most cost-effective channels. In fact, current insurance industry estimates put traditional sales and administration origination costs at 25 percent of total premiums, while the efficiency of the online channel is predicted to be half that amount. As a direct result of CRM implementations, agents and brokers can spend more time developing, managing and closing sales opportunities and advising customers, instead of shuffling papers or performing data entry. Sharing information between the insurer and its intermediaries is at the heart of successful CRM strategies. CRM agent and broker management improves information

sharing by providing transparency and immediacy to each interaction. It also eliminates the bottle necks and reduces errors. This win-win relationship helps to generate new insight into the customer and fosters a deeper understanding of the problems that both intermediaries and customers face, ultimately improving agent and broker satisfaction and loyalty.

(v). Benefits of CRM Implementation

- Decreases the time required to make product changes
- Depicts an integrated customer view
- Targeted marketing and customer-retention (endeavours to upgrade the entire marketing process)
- Streamlines sales (increases growth, policy sales and insurance market share)
- Provides more efficient distribution on channels which are secured
- Reduces operating expenses and overall costs as well (assists remarkably in reducing costs and aiding marketing)
- More effective communication with customers (aids call-centre activities)
- Improves response-time; reduces policy mailing time
- Achieves fast customer satisfaction since insurance application queries/ claim status queries can be answered sooner
- Guarantees lead management (improves cross-selling and hangs on to sales leads)
- Contributes to overall organization efficiency and profitability

(vi). Different Types of CRM Initiatives Taken

As of now, basically three types of CRM initiatives have been taken

[vi.i]. Operational CRM

This part of CRM is meant for bringing up operational facilities focused on customer convenience. It can be used in general insurance industry in the areas of - integrating customer information from multiple channels; sales automation i.e. web-based sales which eventually results in reducing the transaction cost of business; better claim management and grievance handling by hosting special portals or providing claim/grievance status on website

[vi.ii]. Analytical CRM

This part of CRM is meant to analyze the data created/gathered through the operation side of CRM. It can be used in : cross-selling and up-selling capability to provide market opportunities within an existing customer database; predictive capability to determine customer behaviour; information regarding customer retention / attrition helps to determine the likelihood of policy lapses and helps to identify customers worth targeting for retention campaigns; customer segmentation that leverages data to create accurate categories for use in marketing strategies; market automation that combines analytics with campaign management functionality to help drive a more efficient and effective marketing campaign (marketing opportunity within an existing customer database); portfolio analysis to know how various portfolios are behaving and to take corrective steps; pricing. Bigdata and Hadoop play a great role in dealing with this kind of CRM.

[vi.iii]. Collaborative CRM

The collaborative CRM is not necessary to use always. It is required to use in case of large organizations only. They are

used to establish a kind of integration among sales, services, marketing which in turn foster the easy flow of data among them. This is more like building bridges between internal departments. It reaches across customer touch-points, it is the communication centre (the reminder for policy-renewals, top-up facility, bonus coverage's, tax benefits etc.)

(vii). Stages of CRM in Insurance Sector:

1. **Pre-Sale** :Customer research; Pre-sale transactions
2. **Sales** :Sales transactions
3. **Post-Sale** : Routine post sales transactions; Non-routine post sales transactions

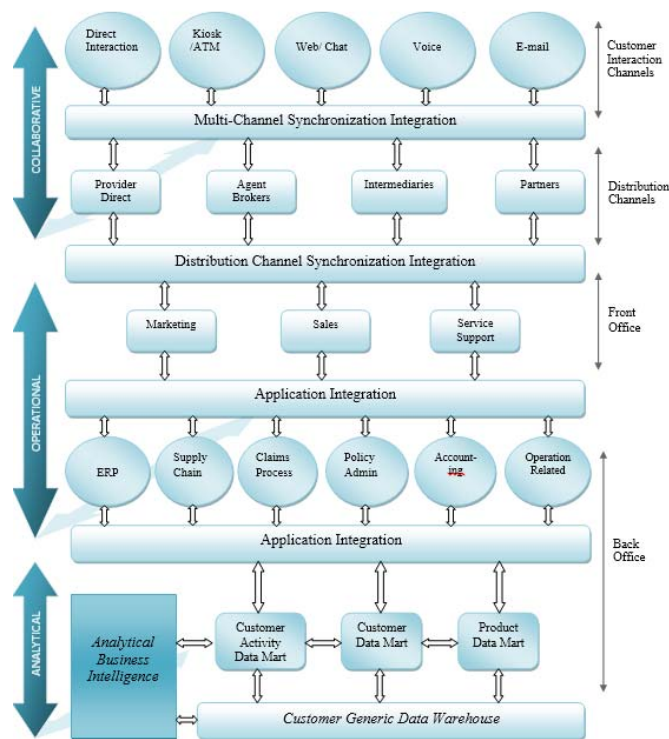


Fig: View of CRM in Insurance Industry

(viii). Steps of CRM Implementation:

- Make CRM an enterprise-wide strategic initiative: Teamwork between IT and the business units - such as, sales, marketing, call centre - is critical to success. All groups must work together to define and agree upon goals, objectives, timelines, and success measurements.
- Take ownership of customer data: To gain the maximum benefits of a total view of the customer, company needs to capture and combine customer information obtained from agent/broker and call centre interactions along with customer data from company's legacy systems.
- Identify the primary customer: Who is the primary customer? Is it the policyholder, the insured, the agent, or the broker? Insurers must first ask themselves this question when developing a CRM strategy, because the answer can have a significant impact on how they design and implement their strategies. The most common industry answer is the policyholder - the individual or company covered by the insurance policy.
- Develop a definitive ROI strategy: Metrics that can be used to measure CRM success include: Customer satisfaction

ratings; Number of customer complaints; Mean time to resolve issues; Percentage of one contact/call resolutions; Response times - for example, email response or length of time in call centre queue; Customer attrition; Number of closed sales/cross-sales; Customer profitability; Cost to service.

- Create a realistic budget and timeline.
- Seek experienced resources: Company should be sure of its IT vendor that it has the technical proficiency and experience to develop and implement a CRM solution. Technological challenges, such as integrating existing IT systems with customer-facing solutions may create challenges for insurance deployments. Because of the complexities associated with transforming an existing infrastructure into a customer-centric model, seeking the assistance of consultants should be considered who can provide experience and guidance in developing an enterprise CRM strategy that best fits the company's unique insurance business requirements.

(ix). Specifically Required Modules of CRM for General Insurance Sector

Enterprise CRMA relationship marketing Vertical CRM solutions business intelligence E-business Content management Customer analytics data-mining Email marketing Employee relationship management

ERP (Enterprise Resource Planning) knowledge management Partner relationship management sales automation

(x) CRM Technology Components

- **CRM Engine:** This could include basic stuff such as name, address, phone number & date of birth, policy taken, medical history (if any), claim history (if any), loan facility, tenure of policy, nominees.
- **Front - Office Solution:** On-line help for policy holders, different schemes, benefit claims, tax benefits, different products.
- **Back - Office Maintenance:** To entertain the claims, train policy agents, handle queries.
- **Enterprise Application Integration (EAI) for CRM:** EAIs provide the messaging services like reminder about policy premiums, maturity, new schemes and changes in terms & conditions.
- **Data-Mapping Services:** These allow one system to communicate with other system regardless of formatting to handle the claims and to check the authenticity and validity of the policy.

(xi). CRM Software Providers

Oracle CRM; Siebel CRM; SAP CRM; SAS tools (Customer Intelligence Software); SaaS (Software as a Service); Goldmine; HEAT Software; Terrasoft; Netsuite; Sage CRM; Salesforce.com. Other Supporting Tools include: Dataflux dfPower Studio (Master Data Management tool); Oracle Discoverer (BI tool)

(xii). Understanding the CRM Landscape

- With so many CRM products to choose from, it is tough to decide which one is the best for customer servicing applications. And CRM landscape seems to be changing, almost daily, with all sorts of recent merger and acquisition activity. For eg: Janna acquired by Siebel systems, ServisSoft bought by Broadbase, Avaya acquired Quintus, Nortel Networks acquired Clarify.

- CRM is gaining favour not just as a standalone technology category, but as one of the strategic infrastructure layers needed for successful e-business. (like ERP systems have evolved into primary layers of back-office applications). Already we have seen some convergence in CRM and ERP arenas, as PeopleSoft and Oracle added offerings to their ERP suites.
- For insurance companies looking at CRM tools for their customer service applications, the key is to get a firm grasp of the business needs. If one simply wants to capture customer contact information from multiple channels, then if channel capture is the priority, most of the CRMs can easily handle it. However, such an approach will limit the company's ability to provide its customers with more value through content access and self-service.
- If one looks for more advanced capabilities, such as: content publishing, personalized presentation, and the ability to give users self-service access to a common repository with library services, then it is required to plan on integrating a third-party content management solution with the CRM product. As of now, most CRM products don't offer the level of sophistication offered by leading content management products. CRM vendors (now) are more focused on adding support for new channels, such as wireless, than on content management.
- If a carrier is serious about integrating customer service into its e-business strategy, it should be prepared to integrate separate technologies with its CRM solution. For eg: e-commerce systems, content management systems (CMS), and enterprise application integration (EAI) - all represent important pieces of an e-business architecture. While CRM packages do not provide this range of capabilities, many are beefing up their functions in these areas. Over the next 18 months, the result will be an e-business technology crowded before the winners emerge.

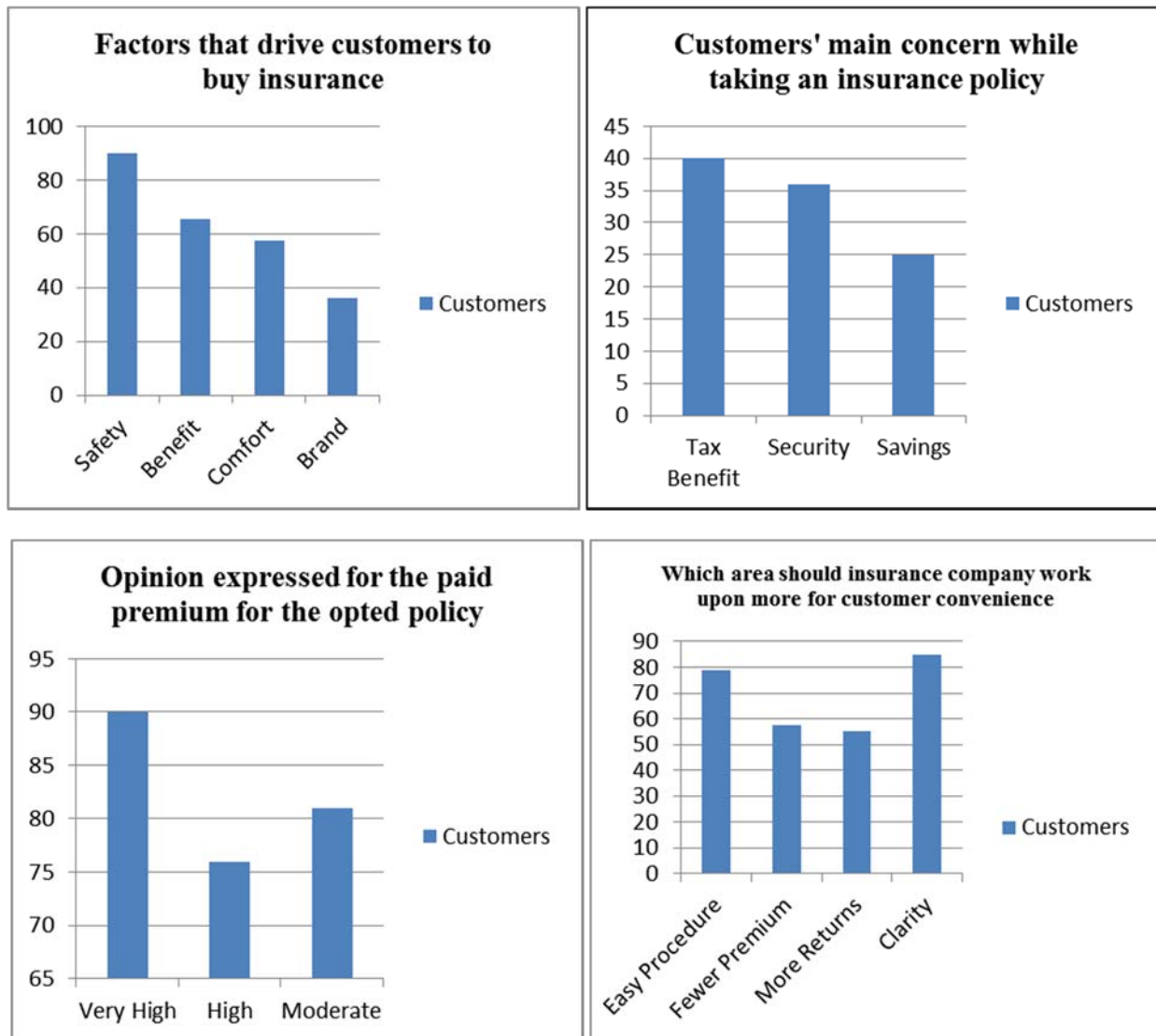
(xiii). Some steps to strengthen CRM

1. Introduction to IVR (Interactive Voice Response) service in different languages. The leap is in a bid to enhance and improve organization's customer and distributor experience by availing the customer service in their own language.
2. Databases, Data-warehousing and Data-mining at Organization: Organization should organize their information through these databases - Customer Databases; Product Databases; Salesperson Databases. The most important one among these three is customer database, where the profile and contact information of the customers are saved. Customer database may even include the demographics and psychographics (activities, interests, opinions) according to which a customized policy is formulated for his/her needs.
3. "Carpet-Bombing" is also being done to target the random customers in order to spread awareness and market the policies at a large scale.

6. Statistical Data Obtained Through Survey to Receive Customer-Input

Customer needs should be checked again and again through surveys so that company can receive required feedbacks to take corrective measures or changes if necessary. Data Analysis and

Presentation of a survey conducted by ICICI Lombard General Insurance Company reveals:



7. Assessment

Despite all these new things happening around the world, some companies are too orthodox to incorporate anything new in them. Many carriers continue to operate using a policy-centric model. The probable reason is, on balance, these carriers have higher operating costs, lower revenue per customer and are likely to have lower growth rates than their customer-centric compatriots. The customer-centric model is tried and tested in many industries, most notably, in banking and consumer finance. There are tangible benefits associated with a customer-centric model, particularly for multi-line carriers. To realize these benefits, carriers need to take a hard look at existing organizational structures, processes, and systems and the cultures in which they dwell. This is no easy task, not even in today's date when everything stays in the "cloud" (if you know what cloud computing is), nor is it certain that when they are done, they will be substantially better off than before. However, the cost of not attempting this transformation may be result in an increasing lack of ability to compete or maintain the loyalty of hard-won customers. Implemented well, on the other hand, the customer-centric model results in substantially lower costs,

the ability to significantly grow revenue and profit and a loyal, committed and ultimately satisfied customer base.

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