

Customer Service Relationship in Indian Life Insurance Sector : Growth and Performance of LIC and Private Insurance Companies

Dr. SK Muktar¹, Dr. Ranjit Kumar Singh²

¹Assistant Professor in Finance, Vaishali Institute of Business & Rural Management, Muzaffarpur, India

²Associated Professor in Finance, Vaishali Institute of Business & Rural Management, Muzaffarpur, India

ABSTRACT

Article Info

Volume 9, Issue 5

Publication Issue

September-October-2022

Pages : 652-659

Article History

Accepted : 10 Oct 2022

Published : 30 Oct 2022

Customer service relationship is an old concept. It's all about how you treat your customer after the sale. Businesses that handle well succeed referrals and repeat sales are the lifeblood of business. They are also direct result of effective customer service relationship. Financial Services industry is part of an economy & successful operation of the industry sets impetus for other industries and development of an economy. This article focuses related to customer relationship building especially for retail investors from life insurance sector and its management in general, based on the principles of Relationship management in service organizations and impact of Private insurance companies in LIC. Identifying the managerial practices and measures for relationship building for effective and efficient business is the epitome of this article. Right from basic concept of CSR, its strategy & technique formulation to evaluation of CSR, various aspects of customer service relationship are covered in this article.

Keywords : Financial Services, Economy, CSR, Retail Investor.

I. INTRODUCTION

Good customer relationship is the key to business success. In today's information age the concept of customer relationship leverages the presence of advanced, state of art, accurate and efficient technologies. CSR may be understood as a strategy used to learn more on customer's needs and behaviors with a view to develop stronger relationships with them. Good relation with the customer helps in business sustainability as well business expansion." Customer is the king" – This approach of marketing is called customer centric. Customer Service Relationship helps much in customer centric approach right from acquisition to retention of

customers, bringing more revenue and increasing the number of customers.

The word Customer is derived from the word 'custom' which means 'habit'. Customer tend to have a habit of purchase and because of this attribute they may also be related to a particular brand or selling group. Hence Customer relationship offers a definite advantage. In today's era of 'customer is king' the importance to the customers offers edge to the business entities.

Customer Service Relationship system may be described as a mechanism to develop better relationships with customers in order to sustain and expand their businesses and satisfy the need of customers in time..CSR may also be understood as a

business system that consists of enterprise goals, business strategies, business processes and enterprise information systems.

Insurance is a contract between two parties, the insurer or the insurance company, and the insured, the person seeking the cover. Within this contract, the insurer agrees to pay the insured for financial losses arising out of any unforeseen events or risk in return for a regular payment of premium. to get compensate for losses that occur uncertainly through accident, illness, theft, natural disaster.. The Government of India has offered tax incentives to life insurance product.

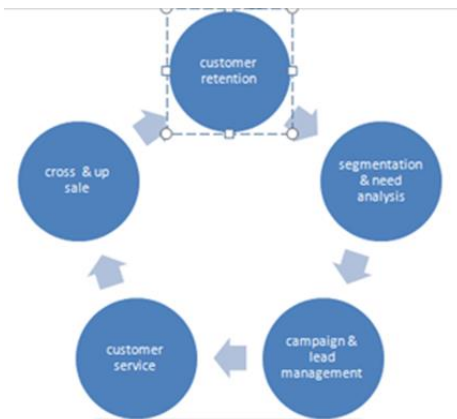
In India, life insurance premiums account to 2.5% of India's GDP. The Indian Insurance sector has gone through several phases and changes, especially after 1999, when the Govt. of India opened up the insurance sector for private companies to solicit insurance, allowing FDI up to 26%. Now it is increased to 74%.The Insurance sector in India is considered as a flourishing market amongst global insurance companies. **Life Insurance Corporation of India** – Life Insurance Corporation of India (LIC) is a Government of India enterprise, and is the largest life insurance company. LIC had been established in 1956, after the Life Insurance Corporation Act had been passed by the Parliament of India in the same year. It is the largest investor in the Indian market. **LIC continues to be the best insurance company in India** just because of its track record and the high trust it is held in

New technologies have enabled firms to implement CSR by:

- a. Providing greater individual customer insight.
- B.Allowing firms to effectively respond to individual requirements.
- c. Integrating the business processes of the firm around individual customers.

Eight building blocks of CSR are: 1. CSR Vision 2.CSR strategy 3. Value Customer Experience 4.

Organizational Collaboration 5.CSR procession 6. CSR information 7.CSR technology 8. CSR matrices. The factors affect the strength of relationship are Relationship market, Customer market, Referral market, Supplier market, Employee market, Influencer market and Internal market.



CSR Life Cycle

The above diagram shows how CSR works in the market.

The benefits of CSR depends on Branding & marketing,marketing and advertising effectiveness, customers buying trends, customer buying cycles,total customer value,phone system integration,customer retention, business plans etc.

CSR can become a complicated exercise including:

- **Marketing:** Modules for Customer segmentation, List management, Campaign management, Lead management, Loyalty management and other marketing tasks
- **Sales:** Modules for Sales forecasting, Sales performance management, Territory management, Commission management and other selling routines
- **Service:** Installations & Maintenance, Customer service and support, Field service management,

OBJECTIVE:-

The objective of study is to focus on customer relationship building especially for retail investors from life insurance sector and its management in general, based on the principles of Relationship management in service organizations and impact of Private insurance companies in LIC.

II. RESEARCH METHODOLOGY

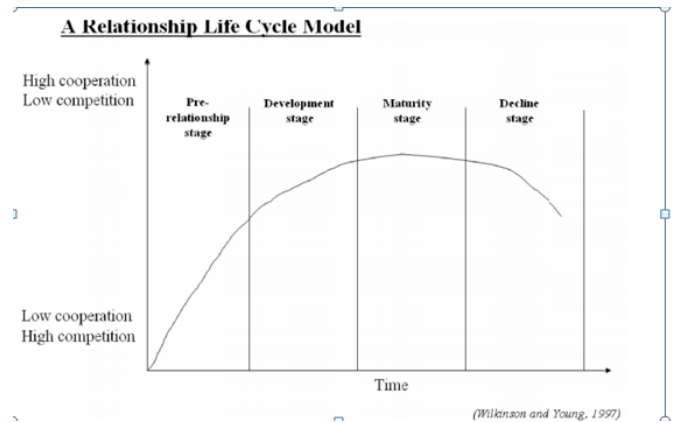
Methodology is the science dealing with principles of procedure in research and study. Research methodology deals with the definition of the research problems, research design, and method of data collection, sample design, statistical tools employed and interpretation of data. The primary and secondary data are used with the study with the help of questionnaire, journal, magazine and financial report of LIC and other private life insurance companies.

Determinants of CSR

Trust: The willingness to rely on the ability, integrity, and motivation of one company to serve the needs of the other company as agreed upon implicitly and explicitly

Value The ability of a selling organization to satisfy the needs of the customer at a comparatively lower cost or higher benefit than that offered by competitors and measured in monetary, temporal, functional and psychological terms. In addition to trust and value, salespeople must: Understand customer needs and problems; Meet their commitments; Provide superior after sales support; Make sure that the customer is always told the truth (must be honest); and Have a passionate interest in establishing and retaining a long-term relationship (e.g., have long-term perspective), See Diagram 1. for more details. Stages in the development of a Customer Relationship:

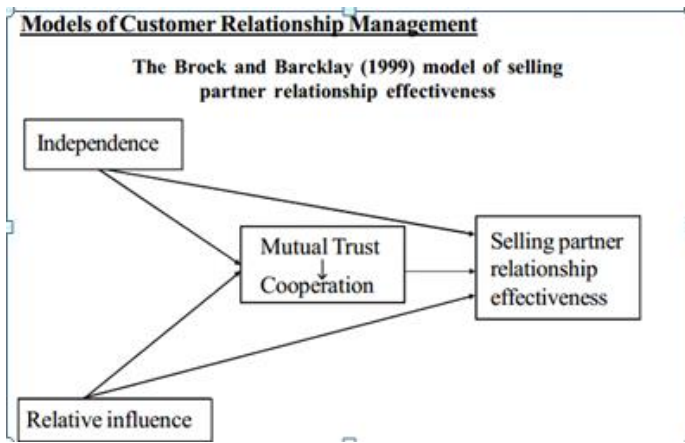
(Shown by Diagram)



- The Pre-relationship Stage The event that triggers a buyer to seek a new business partner.
- The Early Stage Experience is accumulated between the buyer and seller although a great degree of uncertainty and distance exists.
- The Development Stage Increased levels of transactions lead to a higher degree of commitment and the distance is reduced to a social exchange.
- The Long-term Stage Characterised by the companies' mutual importance to each other.
- The Final Stage The interaction between the companies becomes institutionalize

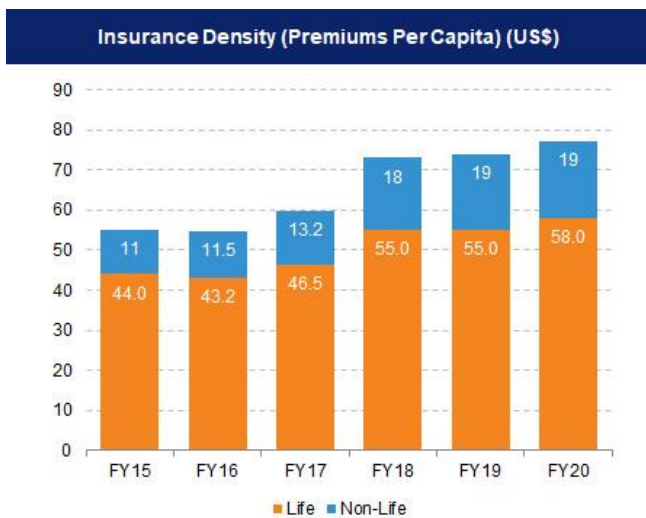
Managing Customer Relationships

The global salesperson must be involved in the following activities in order to initiate, develop and enhance the process that is aimed at building trust and commitment with the customer. Initiating the relationship engage in strategic prospecting and qualifying; Gather and study pre-call information; Identify buying influences; Plan the initial sales call; Demonstrate an understanding of the customers needs; Identify opportunities to build a relationship; and Illustrate the value of a relationship with the customer



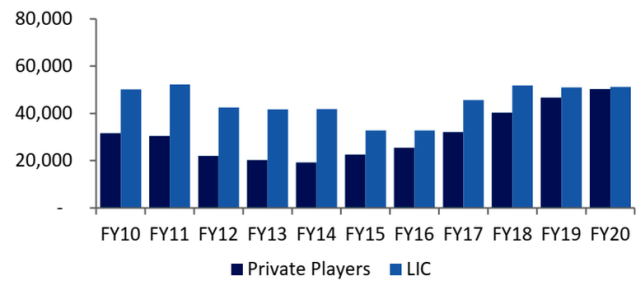
- Developing the relationship Select an appropriate offering customize the relationship; Link the solutions with the customer's needs; Discuss customer concerns; Summarize the solution to confirm benefits; and Secure commitment.

Data Analysis:



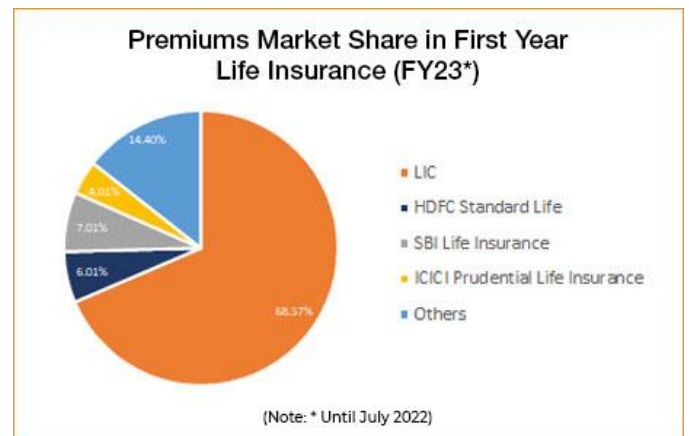
From the above data it is observed that India is lag in life insurance business from the rest of the world. So, there is huge area to do the business in our country and it will give the benefit to the society and help the standard of living in our country. But it is growing rapidly with the help of private company and CSR services.

Movement in Individual First Year Premium

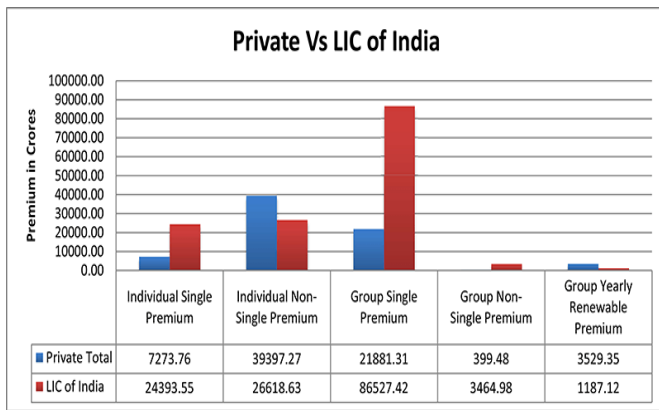


Source: IRDAI

It is observed from the above data that market share of LIC is decreased from the previous year. But market share of private insurance companies are increased. It is generally happened due to high completion in the market and awareness of the people in our country and customer is being dissatisfied from the LIC after selling the product. So, good customer relationship is required to improve the business.



From the above figure it is known that total premium is more in LIC but total premium of private insurance companies is gradually increasing with the help good customer service relationship and new technology. so at present CSR plays an important role for survival and growth of the business.



From the above figure it is observed that new policies are increased in LIC than private insurance companies as LIC has taken some steps to improve the business with the help of customer service relation, new business plans and making confidence in the customers. LIC of India is leading in three categories namely Individual Single Premium, Group Single Premium, and Group Non-Single premium. On the other hand, Private total is higher in **Individual Non-Single premium** and **Group-Yearly-Renewable premium**.

The Report Card

- Market Share** - Life Insurance Corporation (LIC) currently holds 71.81% of the total Indian Life Insurance market as against 28.19% held by all the 23 private players for the year 2016-2017. LIC's share has decreased from its previous holding of 72.61% in 2015-16, the private insurers have made a gain of 0.8%. The premium underwritten in the year 2016-17 stands at Rs. 4,18,476.62 crores, from the previous year's Rs. 3,66,943.23 crores, a clear growth of 14.04%.
- Customer Base** - During the year 2016-17, all the life insurers of India issued 264.56 lakh new policies. Out of these, Life Insurance Corporation (LIC) alone has issued 201.32 lakh policies (76.1%) on the other hand, all the private life insurers combined together have issued just 63.24 lakh policies (23.9%). However, private players have registered a

growth of 2.13% against the previous year, whereas, LIC has registered a decline of 2.02%.

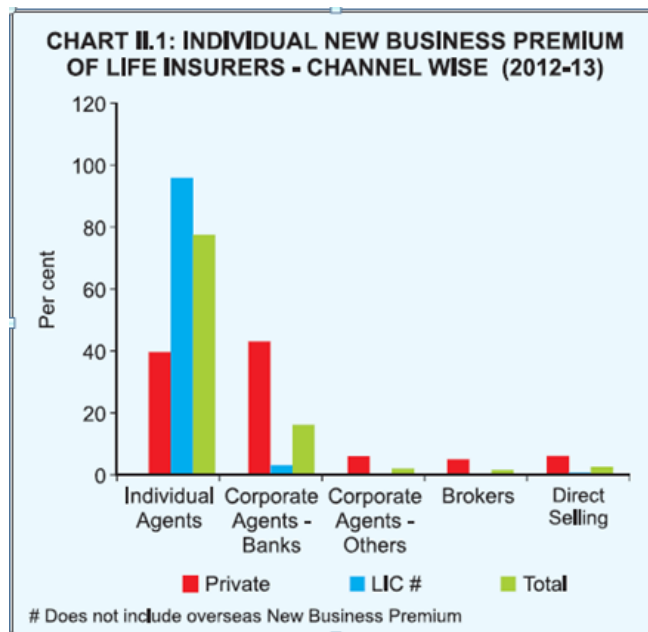
Claim settlement Ratio - The one thing that every individual looks before buying a life insurance plan is the claim settlement reputation of the insurer. The claim settlement ratio for 2016 -17 stands at 98.31% for LIC and 93.72% for the private players

Difference between LIC and private insurance players

- Compare** - In order to choose the best product, customers need to then stack features offered under the same plan by all the insurers, be it LIC or private players, check their credibility through the solvency ratio maintained by them, their past track-record and price of the product. Today we have to look at which product is satisfying my needs and can be customized according to my needs.
- Innovation** - Life Insurance Corporation though has many advantages, it has been lagging behind in the terms of being the trendsetter for innovative products. Private Players have always been first in introducing innovative products like ULIPs, Cancer and Heart Insurance Plans.
- Online Presence** - In today's digital world where online sales are increasing exponentially, private players are taking advantage of this platform by launching more and more products on their online platform. Whereas, although LIC has entered the online market space, its portfolio of products on this platform is limited.
- Sales Channels** - Private Players have been increasingly experimenting and implementing new sales channels like Bancassurance, Point of Sale Agents, Agency Partner Channel (APC), Web Aggregators and others. LIC still continues relying heavily on its traditional approach of

sales through agents than focusing more on other channels.

The traditionally insurance business of LIC is better than private insurance companies because of old business and trust of customer about LIC. But in case of Unit linked insurance the private companies have performed better than LIC because of better planning and apply the new technology and management. So, LIC must take suitable act to improve this business.



The business from individual agent is better than private companies because of maximum number of agents all over the India and experienced about it. But, corporate agents and other business's is better in private companies than LIC as they have utilized their old business areas to increase the life insurance business aid.

All data is taken from annual report of IRD.

SWOT ANALYSIS OF LIC

A proper SWOT analysis of LIC has also been conducted to know better the position, growth and upcoming future and prospective of the company

Strength

- LIC is on 1st rank among insurance players.
- Long term plans of LIC are the main strength.
- After sales service is good.
- Products

cost are very low.5.Customer has little belief on private companies

Weakness

- Low interest rate
- The administrative staff in LIC is in deep slumber
- Lacking in effective leadership
- Branches are not systematically located
- Policy holder's still face problem in revival of their policy

Opportunities

- Good brand promotion
- Low area are covered for insurance

Threat

- Competitors
- Entry of private insurance banks

SWOT analysis of ICICI PRUDENTIAL LIFE INSURANCE

Strength

- Brand name of the parent company.
- Well trained and educated advisors
- Well trained and educated advisors
- Experience in the riskful insurance and financial market
- Experienced management higherarchy

Weakness

- Price sensitive consumers
- Shortage of capital

Opportunities

- Government move to FDI in the sector by 49%
- Booming capital market and share market.

Treats

- Not reliability like LIC
- Tough competition.

Technique for CSR

One of the best marketing techniques for customer service relationship is one-on-one interaction with the customer, In order to have a high level of customer retention, the customers must be happy with the level of satisfaction they receive with the company's ability to meet or exceed their needs. Besides meeting or exceeding their needs, an important aspect of customer satisfaction is perception. If the customer perceives that a company truly cares about their needs, they will continue to patronize a business.

The following points should be kept in mind while going for a CSR proposal.

1. A clear understanding about CSR should be spread.
2. A Strategic Planning for the CSR project is a prerequisite.
3. A roadmap to get the expected results is necessary.
4. All involved should be included as CSR projects are team effort.
5. All the tiers of the organization should be aware of the mission and the upcoming benefits in proper manner, it is good to have a clear understanding on what is expected and why.
6. A core CSR team should be formed, which in addition to IT, draws participation from Top Management, Senior Executives of sales, Marketing and customer service departments and finally the end-users.
7. End users must be educated to understand that CSR is going to help them.
8. Clearly defined processes and their enforcement are critical to the success of any CSR rollout.
9. The privacy and legitimate use of data with CSR systems is critical issue in using CSR systems.
10. The Total Cost of Ownership (TCO) should always be calculated when assessing the investments etc.

Discussion & Conclusions

Customer service relationship (CSR) is the key for success of organizations. When the organizations grow larger and larger, complexity increases in controlling potential customers. Establishing systematic and well organized CSR systems calls for understanding and analyzing the key success factors. CSR is a new business philosophy based on trust and value; The core function of CSR is the value creation process; Customer relationships develop overtime; The role of global salespeople in the process is that of both relationship builders and relationship promoters; and The basic premise of CSR is to offer superior value to customers in an effort to turn prospects into customers, customers into loyal customers, and loyal customers into partners. Life Insurance companies want intermediaries who can deliver solutions to customers, not simply products. They need intermediaries with technical knowledge

and skills. They need people with relationship, communication, and negotiation skills & Customer Relationship Building skills. Improving CSR is an important part of the financial Sector especially in life insurance sector. This can be measuring of customer satisfaction, Making customer satisfaction targets part of the individual performance report, Extra focus on complaint management and solving client problems, installing product approval processes (including compliance and risk management) that guarantee careful information to the client. To become more customer-centric and optimize customer lifetime value, financial services providers need to consider the following five variables that create mutual value to the customer and the services provider: 5C's Coverage, Cost, Convenience, and Care & Compliance. To serve as a practical tool for managing customer relationships, the lifetime value optimization we have to adopt these 5C's. The results of customer value optimization can be highly rewarding. Life Insurance companies that have adopted this approach have been able to achieve business growth and profitability in competitive environment.

III. REFERENCES

- [1]. David Schapiro The Five C's of Insurance Customer Value Optimization-Published in Insurance & Technology
- [2]. Customer Relationship Management – Integrating Marketing Strategy and Information Technology: William G. Zikmund, Raymond McLeod Jr; Faye W. Gilbert. John Wiley & Sons (Asia) PTE Limited, 2004
- [3]. The CRM Handbook—A Business Guide to Customer service relationship: Jill Dyche. Pearson Education—Eighth Indian Reprint, 2005
- [4]. Marketing CIF, Bank Systems & Equipment, VOL. 25, ISS. 4, April, PP. 62-65.
- [5]. Kotler, P : Marketing Management. 11TH ED. Delhi: Pearson Publishers, 2003.

- [6]. Philip Kotler, Performance Management in Insurance Corporation-Journal of Business Administration Online-Spring 2006, Vol.5 No.1.
- [7]. Theodore, L. (1974). "Marketing for Business Growth", McGraw Hill.
- [8]. www.CRM2001online.com
- [9]. www.destinationCRM.com
- [10].www.dsstar.com

Cite this article as :

Dr. SK Muktar, Dr. Ranjit Kumar Singh, "Customer Service Relationship in Indian Life Insurance Sector : Growth and Performance of LICI and Private Insurance Companies", International Journal of Scientific Research in Science and Technology (IJSRST), Online ISSN : 2395-602X, Print ISSN : 2395-6011, Volume 9 Issue 5, pp. 652-659, September-October 2022.

Journal URL : <https://ijsrst.com/IJSRST52411146>