

## Customer Relationship Management Practices in Insurance Sector

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### **Abstract**

Customer Relationship Management is becoming an important factor in Indian insurance sector. Now each and every insurance company is realizing the significance of relationship with customer to survive in the competitive world. This research is aimed to examine the customer relationship management based on demographic profile of the policy holders of Life Insurance Corporation of India in Chidambaram. Hence, descriptive research is applied. Primary data were collected from 120 policy holders by using convenience sampling method. t-test, Analysis of variance and Chi square test are the tools used by the SPSS for data analysis. From this study, it is found that the demographic profile of the policy holders have significant influence on customer relationship management in LIC of India. The results of this study will help to the Life Insurance Corporation of India to take measures in improving their relationship with policy holders.

**Keywords:** Customer Relationship Management, Life insurance, LIC of India, Policy holders

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### **Introduction**

Customer Relationship Management (CRM) is one of the most talked and emerging concept recently in Insurance sector. It is mostly concentrated about needs and behaviours of the customers in order to develop stronger relationship with them. The concept of customer relationship management has been a core concept which has attracted all facets of business. CRM has relevant and demanding applications in service marketing. Insurance sectors have also not been an exception to this phenomenon. CRM is an integration of business processes and technologies employed to satisfy the needs of a customer during any given interaction. The concept of CRM involves acquisition, analysis and use of knowledge about the customers with a view to effectively sell more and more goods and services. The implementation of a customer centered strategy and reengineering the current customer interaction of the process of the organization will help in retaining the existing customers and attracting new ones. Kotler and Keller defines CRM is the process of carefully managing detailed information about individual customers and all customer “touch points” to maximize loyalty.

### Advantages of CRM

- Reduces advertising costs.
- Makes it easier to target specific customers by focusing on their needs
- Makes it easier to track the effectiveness of a given campaign.
- Allows organization to compete for customer based service, not prices.
- Prevents overspending on low-value clients or under-spending on high value ones.
- Speeds up the time to develop and market a product.
- Improves the use of the customer channel, thus making the most of each contact with a customer.

### CRM in LIC

LIC which was once upon a time put customers through a lot of hardships now with the advent of private life insurance companies has reinvented itself in terms of Customer Relationship Management. Customization of life insurance products have enabled customers to choose among variety of life insurance products that are need based and customer centric. This culture was not prevalent in LIC when it was the sole Life Insurance provider in the country till year 2000. The company now provides online services for customers regarding policy status, online payment, new plans and brochures, policy guidelines, tax benefits, fund performance and SMS enquiry. It also provides premium calculator and multiple premium payment options. It was found that LIC had the most number of channels for customers to pay their premiums both online and offline when compared to private life insurance companies.

### Literature Review

Arulsuresh (2011) found most insurance companies are not adequately equipped to help their agents deal with customer centered problems CRM insurance enables insurance organizations to survive in a tough economic climate by using the data the insurance company has on the existing customers and then use it to increase the level of profitability. Agariya and Singh (2012) identified the critical factors in CRM in Indian Insurance Sector are claim payment security, knowledge about products, personalization, transparency in product selling and service quality. Pappeswari and Rajalakshmi (2013) suggested that insurer must build up unique imagery appeal for their insurance products through creative advertisement. Kuldeep Chaudhary et. al., (2014) recommended that LIC should think strategically to improve its customer services on selected dimensions of service quality so that the status of market leader can be maintained. Durai Kannan and Vikkraman (2016) found that customers' perspective

towards implementation of CRM processes by the Private Life Insurance players is higher than by the Public sector Life Insurance Player.

### Scope of the Study

In today's competitive world all the companies are mostly concentrate more on their customers rather than their business profit. Due to this reason companies are coming up with many marketing strategies to attract their valuable customers. So that the companies implementing Customer Relationship Management practices in order to develop stronger relationship with their customers. Almost every company feels the need for CRM to meet their customer demands and provide them the best of the services. CRM has emerged as an essential tool in handling an organizations customer and it has gaining a lot of importance in modern scenario.

### Statement of the Problem

The present situation in the Insurance Industry is complex and competitive environment tinged with little stability. The major problem in the industry faces acquisition of new customers and it has become difficulty in insurance sector to gain profile while. It has become difficult for this sector to getting profits while acquisitions, mergers have all contributed to the difficulty insurance agents and other professionals from this industry face. Few years back selling insurance policies only restricted to insurance companies, but in the modern scenario banks also selling insurance policies to its customers. This resulted in increased as well as unwelcome competition to the insurance companies and the customers also confused in selecting the right source to purchasing the insurance policies. In addition to this the internet has increased the pressure for insurance companies in capturing the market. All the above said reasons make insurance industry become more complicated. The insurers now required database of information about customers who hold insurance policies choosing a customer centric strategy can go a long way in achieving this CRM helps the insurers to ensure that the customer is understood better. Right now the insurers can achieve excellent policy administration, good billing systems and the like but fall short on the customer front. However this alone is insufficient to survive in industry. Insurers have now realized that CRM is essential if they want to deliver high quality services since it satisfies current customers and gains new ones. This is because policies get sold only if relationship are built. Customer Relationship Management solves the problems with its user friendly web based CRM tools that increase sales opportunities.

### Objective of the Study

To examine the factors which influence the customer relationship management with reference to Life Insurance Corporation of India in Chidambaram.

**Methodology**

The purpose of this research is to examine the customer relationship management from policy holders’ point of view. This study is confined to LIC of India, Chidambaram, Cuddalore District, Tamilnadu, India. Descriptive research as a methodology is particularly suited to explore questions regarding customer relationship management. Primary data were collected from the policy holders of LIC of India in

Chidambaram. Data were collected from 120 policy holders by using convenience sampling method. Structured questionnaire was used for primary data collection. Secondary data was collected from earlier research work, various published journals, magazines, websites and online articles. Frequency analysis, t-test, Analysis of variance and Chi square test are the tools used by the SPSS 20 for data analysis.

**Analysis and Interpretation**

**Table 1: Demographic profile of the policy holders**

S. No	Demographic Profile		Frequency	Percent
1	Age	Below 35 years	52	43.3
		35- 45 years	32	26.7
		Above 45 years	36	30.0
2	Gender	Male	80	66.7
		Female	40	33.3
3	Occupation	Employees (Govt./Pvt.)	49	40.8
		Business	38	31.7
		Others	33	27.5
4	Educational Qualification	HSC & below	40	33.3
		UG/PG	54	45.0
		Others	26	21.7
5	Annual Income	Below 2 Lakhs	74	61.7
		2-4 Lakhs	36	30.0
		Above 4 Lakhs	10	8.3
6	Experience in investment	Below 5 years	54	45.0
		5-10 years	52	43.3
		Above 10 years	14	11.7

Source: Primary data computed;

Table 1 shows that 43.3% of the respondents belong to the age group of below 35 years and 26.7% of the respondents belong to the age group of 35-45 years. 66.7% of the respondents are male and 33.3% of the respondents are female. 40.8% of the respondents are employees and 27.5% of the respondents have some other occupations like self employment, professionals, etc. 45% of the respondents have completed UG/ PG and 21.7% of the respondents have

completed some other qualifications like ITI, Diploma, professional degree, etc. 61.7% of the respondents' annual income falls under the category of below 2 lakhs and 8.3% of the respondents' annual income falls under the category of above 4 lakhs. 45% of the respondents have below 5 years of experience in investment with LIC and 11.7% of the respondents have above 10 years of experience in investment with LIC.

**Table 2: Customer Relationship Management**

S. No	Factors	Level of Opinion	Frequency	Percent
1	Good quality of service	Strongly agree	46	38.3
		Agree	49	40.8
		Neutral	12	10.0
		Disagree	6	5.0
		Strongly disagree	7	5.8
2	Better service after sales	Strongly agree	15	12.5
		Agree	42	35.0
		Neutral	37	30.8
		Disagree	19	15.8
		Strongly disagree	7	5.8

3	Correct responsiveness on time	Strongly agree	24	20.0
		Agree	52	43.3
		Neutral	28	23.3
		Disagree	10	8.3
		Strongly disagree	6	5.0
4	Polite and friendly service	Strongly agree	42	35.0
		Agree	52	43.3
		Neutral	13	10.8
		Disagree	7	5.8
		Strongly disagree	6	5.0
5	Remembrance about policy due dates	Strongly agree	10	8.3
		Agree	33	27.5
		Neutral	42	35.0
		Disagree	24	20.0
		Strongly disagree	11	9.2
6	Transparent policy documentation	Strongly agree	15	12.5
		Agree	51	42.5
		Neutral	36	30.0
		Disagree	12	10.0
		Strongly disagree	6	5.0
7	Explanation about policy terms & conditions	Strongly agree	26	21.7
		Agree	62	51.7
		Neutral	19	15.8
		Disagree	6	5.0
		Strongly disagree	7	5.8
8	Money is growing in LIC	Strongly agree	24	20.0
		Agree	59	49.2
		Neutral	21	17.5
		Disagree	10	8.3
		Strongly disagree	6	5.0
9	Feel secured about investment in LIC	Strongly agree	36	30.0
		Agree	46	38.3
		Neutral	21	17.5
		Disagree	7	5.8
		Strongly disagree	10	8.3
10	Friendly interaction by LIC agents/employees	Strongly agree	12	10.0
		Agree	41	34.2
		Neutral	49	40.8
		Disagree	10	8.3
		Strongly disagree	8	6.7
11	Attending customer interaction camp	Strongly agree	22	18.3
		Agree	50	41.7
		Neutral	20	16.7
		Disagree	22	18.3
		Strongly disagree	6	5.0
12	Funding for future goals through life insurance plans	Strongly agree	39	32.5
		Agree	48	40.0
		Neutral	18	15.0
		Disagree	6	5.0
		Strongly disagree	9	7.5
13	Better tax benefits schemes	Strongly agree	7	5.8
		Agree	34	28.3
		Neutral	49	40.8
		Disagree	22	18.3
		Strongly disagree	8	6.7

14	Policy holders are satisfied with LIC plans and policies	Strongly agree	16	13.3
		Agree	51	42.5
		Neutral	36	30.0
		Disagree	9	7.5
		Strongly disagree	8	6.7
15	Recommend LIC policy to friends & relatives	Strongly agree	18	15.0
		Agree	48	40.0
		Neutral	23	19.2
		Disagree	22	18.3
		Strongly disagree	9	7.5
16	Policy holders are satisfied with overall services	Strongly agree	20	16.7
		Agree	69	57.5
		Neutral	16	13.3
		Disagree	7	5.8
		Strongly disagree	8	6.7

Source: Primary data computed;

Table 2 shows that 40.8% of the respondents agree that LIC providing good quality of service to them and 5% of the respondents disagree that LIC providing good quality of service to them. 35% of the respondents agree that LIC providing better service after sales and 5.8% of the respondents strongly disagree that LIC providing better service after sales. 43.3% of the respondents agree that LIC offering correct responsiveness on time and 5% of the respondents strongly disagree that LIC offering correct responsiveness on time. 43.3% of the respondents agree that LIC employees/agents providing polite and friendly service to them and 5% of the respondents strongly disagree that LIC employees/agents providing polite and friendly service to them. 35% of the respondents have neutral mindset about remembrance of due dates and 8.3% of the respondents strongly agree that LIC employees/agents remember about policy due dates. 42.5% of the respondents agree that LIC always have transparent policy documentation and 5% of the respondents strongly disagree that LIC always have transparent policy documentation. 51.7% of the respondents agree that LIC employees/agents are clearly explain about terms and conditions of policy and 5% of the respondents disagree that LIC employees/agents are clearly explain about terms and conditions of policy. 49.2% of the respondents agree that their money is growing in LIC and 5% of the respondents strongly disagree that their money is growing in LIC. 38.3% of the respondents agree that they

feel secured about their investment in LIC and 5.8% of the respondents disagree that they feel secured about their investment in LIC. 40.8% of the respondents have neutral mindset about friendly interaction by LIC employees/agents and 6.7% of the respondents strongly disagree that LIC agents/employees always have friendly interaction with them. 41.7% of the respondents agree that they attending customer interaction camp where new investment plans are presented and 5% of the respondents strongly disagree that they attending customer interaction camp where new investment plans are presented. 40% of the respondents agree that LIC is funding for their future goals through life insurance plans and 5% of the respondents disagree that LIC is funding for their future goals through life insurance plans. 40.8% of the respondents have neutral mindset about tax benefits and 5.8% of the respondents strongly agree that LIC offering better tax benefits schemes. 42.5% of the respondents agree that they are satisfied with LIC plans and policies and 6.7% of the respondents strongly disagree that they are satisfied with LIC plans and policies. 40% of the respondents agree that they highly recommend LIC policies to their friends & relatives and 7.5% of the respondents strongly disagree that they highly recommend LIC policy to their friends & relatives. 57.5% of the respondents agree that they are satisfied with overall services provided by the LIC and 5.8% of the respondents disagree that they are satisfied with overall services provided by the LIC.

**Table 3: t-test showing the mean difference between gender and friendly interaction by LIC agents/employees**

Gender	N	Mean	S.D	t-test Result	
				t-value	P-value
Male	80	2.60	1.086	10.861	0.001
Female	40	2.83	0.781		

Source: Primary data computed;

Table 3 shows that there is a mean difference between gender and friendly interaction by LIC agents/ employees. Hence the P-value is less than 0.05 (0.001). It is found that

gender wise policy holders have difference of opinion towards friendly interaction by LIC agents/ employees.

**Table 4: Analysis of variance between age and polite & friendly service by LIC employees/agents**

Age	N	Mean	S.D	ANOVA Result	
				F-value	P-value
Below 35 years	52	1.75	0.837	3.189	0.045
35- 45 years	32	2.19	1.148		
Above 45 years	36	2.28	1.233		

Source: Primary data computed;

Table 4 shows that there is a mean difference between age and polite & friendly service by LIC employees/agents. Hence the P-value is less than 0.05 (0.045). It is found that

polite & friendly service by LIC employees/ agents are differed on the basis of age of the policy holders.

**Table 5: Analysis of variance between age and future funding by life insurance plans**

Age	N	Mean	S.D	ANOVA Result	
				F-value	P-value
Below 35 years	52	2.37	1.268	6.813	0.002
35- 45 years	32	2.44	1.190		
Above 45 years	36	1.58	0.692		

Source: Primary data computed;

Table 5 shows that there is a mean difference between age and LIC is funding for future. Hence the P-value is less than

0.05 (0.002). It is found that future funding by life insurance plans are differed on the basis of age of the policy holders.

**Table 6: Analysis of variance between occupation and satisfaction with overall services provided by the LIC**

Occupation	N	Mean	S.D	ANOVA Result	
				F-value	P-value
Employees (Govt./Pvt.)	49	2.16	0.965	3.307	0.040
Business	38	2.11	0.831		
Others	33	2.67	1.242		

Source: Primary data computed;

Table 6 shows that there is a mean difference between occupation and satisfaction with overall services. Hence the P-value is less than 0.05 (0.040). It is found that overall

service satisfaction is differed on the basis of occupation of policy holders.

**Table 7: Analysis of variance between qualification and quality of service by LIC**

Qualification	N	Mean	S.D	ANOVA Result	
				F-value	P-value
HSC & below	40	1.70	0.758	3.527	0.033
UG/PG	54	2.00	1.133		
Others	26	2.42	1.362		

Source: Primary data computed;

Table 7 shows that there is a mean difference between qualification and quality of service by LIC. Hence the P-value is less than 0.05 (0.033). It is found that quality of

service is differed on the basis of qualification of the policy holders.

**Table 8: Analysis of variance between annual income and better service after sales**

Income	N	Mean	S.D	ANOVA Result	
				F-value	P-value
Below 2 Lakhs	74	2.93	1.051	6.083	0.003
2-4 Lakhs	36	2.28	0.779		
Above 4 Lakhs	10	2.20	1.549		

Source: Primary data computed;

Table 8 shows that there is a mean difference between annual income and after sales and service. Hence the P-value is less

than 0.05 (0.003). It is found that after sales and service by LIC is differed on the basis of policy holders' annual income.

**Table 9: Analysis of variance between annual income and attending customer interaction camp for new plans**

Income	N	Mean	S.D	ANOVA Result	
				F-value	P-value
Below 2 Lakhs	74	2.81	1.167	9.081	0.001
2-4 Lakhs	36	1.89	0.747		
Above 4 Lakhs	10	2.40	1.265		

Source: Primary data computed;

Table 9 shows that there is a mean difference between annual income and attending customer interaction camp. Hence the P-value is less than 0.05 (0.001). It is found that policy

holders have difference of opinion towards attending customers' interaction camp based on their annual income.

**Table 10: Analysis of variance between experience in investment and correct responsiveness by LIC employees/agents**

Experience in investment	N	Mean	S.D	ANOVA Result	
				F-value	P-value
Below 5 years	54	2.07	0.887	8.368	0.001
5-10 years	52	2.38	1.087		
Above 10 years	14	3.29	0.994		

Source: Primary data computed;

Table 10 shows that there is a mean difference between experience in investment and correct responsiveness by LIC. Hence the P-value is less than 0.05 (0.001). It is found

that responsiveness by LIC agents/employees are differed on the basis of investment experience of the policy holders.

**Table 11: Analysis of variance between experience in investment and transparent policy documentation**

Experience	N	Mean	S.D	ANOVA Result	
				F-value	P-value
Below 5 years	54	2.31	0.886	4.109	0.019
5-10 years	52	2.58	1.036		
Above 10 years	14	3.14	1.099		

Source: Primary data computed;

Table 11 shows that there is a mean difference between experience in investment and transparent policy documentation. Hence the P-value is less than 0.05 (0.019).

It is found that transparency in policy documentation is differed on the basis of investment experience of policy holders.

**Table 12: Chi square test showing the association between educational qualification and explanation about policy terms & conditions**

Opinion	Educational Qualification			Total	$\chi^2$ value	P-value
	HSC & below	UG/PG	Others			
Strongly agree	3	20	3	26	23.144	0.003
Agree	28	22	12	62		
Neutral	6	7	6	19		
Disagree	3	2	1	6		
Strongly disagree	0	3	4	7		
Total	40	54	26	120		

Source: Primary data computed;

Table 12 shows that there is an association between educational qualification and explanation about terms and conditions of policy. Hence the P-value is less than 0.05

(0.003). It is found that explanation about policy terms and conditions by agents/employees are influenced by educational qualification of the policy holders.

**Table 13: Chi square test showing the association between annual income and tax benefits schemes**

Opinion	Annual income			Total	$\chi^2$ value	P-value
	Below 2 Lakhs	2-4 Lakhs	Above 4 Lakhs			
Strongly agree	4	1	2	7	24.940	0.002
Agree	12	16	6	34		
Neutral	32	15	2	49		
Disagree	20	2	0	22		
Strongly disagree	6	2	0	8		
Total	74	36	10	120		

Source: Primary data computed;

Table 13 shows that there is an association between annual income and tax benefits schemes. Hence the P-value is less than 0.05 (0.002). It is found that annual income has the influence on tax benefits schemes.

**Table 14: Chi square test showing the association between experience in investment and growth of money in LIC**

Opinion	Experience in investment			Total	$\chi^2$ value	P-value
	Below 5 years	5-10 years	Above 10 years			
Strongly agree	2	18	4	24	25.168	0.001
Agree	33	20	6	59		
Neutral	12	9	0	21		
Disagree	6	2	2	10		
Strongly disagree	1	3	2	6		
Total	54	52	14	120		

Source: Primary data computed;

Table 14 shows that there is an association between experience in investment and growth of money in LIC. Hence the P-value is less than 0.05 (0.001). It is found that years of investment has the influence on growth of money.

### Managerial implications

The Life insurance Corporation of India should have friendly interaction with their policy holders irrespective of their gender. Since, opinion towards friendly interaction is differed on the basis of gender of the policy holders. The LIC of India should provide polite & friendly service to its customers and also it should ensure future funding by life insurance plans irrespective of age of the policy holders. The LIC of India should provide better service after sales of the insurance policies to all policy holders, because income wise respondents have difference of opinion towards service after sales. So the LIC of India should concentrate more on after sales service. It will help to retain the existing customer and also acquisition of new customers. The LIC of India should create awareness about attending customer interaction camp where new plans and policies are discussed. The LIC of India should offer correct responsiveness on time to all policy holders, because respondents have difference of opinion about responsiveness based on their investment experience. The LIC of India should remember to the policy holders about their due dates, it will helps to reduce the discontinuation of

policies. The LIC of India should create awareness about their plans and policies to its policy holders and also the employees should have friendly interaction with the policy holders. The employees/agents of LIC of India should explain about the terms and conditions of policy to all customers, whether they are educated or illiterate. The employees/agents should be polite in nature. Then only the policy holders will interact with them without any hesitation. The LIC of India may advise to their policy holders that their money will grow in any insurance plans when they will wait for a long time.

### Conclusion

Customer relationship management plays a vital role in success of organizations particularly insurance companies. When the insurance sector grows larger and larger, complexity increases in controlling potential customers. Implementing systematic and well structured customer relationship management systems help to understanding and analysing the key success factors. This research is aimed to examine the customer relationship management in LIC of India. It is found that demographic profile of the policy holders such as gender, age, qualification, occupation, income and investment experience have significant influence on CRM practices. So the policy makers should concentrate more on individual factors. Further it is suggested that the LIC of India may concentrate more on



better tax benefits, correct responsiveness, transparent policy documentation, explanation of terms & conditions of policy, funding for future goals, better service after sales, customer interaction camp and friendly interaction by employees/agents which are helps to build the strong relationship with the customers. It concludes that the LIC of India is providing better services to its policy holders, since majority of the policy holders are satisfied with overall services provided by LIC of India.

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