

Changing Scenario of Indian Insurance Sector: A Study on Service to Sales Method of Life Insurance Companies in India

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ABSTRACT: *Since 1956, The Government of India issued an Ordinance on 19 January 1956 nationalising the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The Life Insurance Corporation (LIC) absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. In 1972 with the General Insurance Business (Nationalisation) Act was passed by the Indian Parliament. The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector. Before that, the industry consisted of only two state insurers: Life Insurers (Life Insurance Corporation of India, LIC) and General Insurers (General Insurance Corporation of India, GIC). In 1993 Government of India started liberalization and economic reforms with a view of bringing about substantial economic growth, customer satisfaction and move towards The globalization. As a part of this liberalization process, the Government set up a committee under the chairmanship of R N Malhotra, the former Governor of RBI, to make recommendations for the reform of the insurance sector. In its report in 1994 following the recommendations of the Malhotra Committee report, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body in 1999 to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April 2000. The insurance sector was opened to private companies. Foreign companies were also allowed to participate in the Indian insurance market through joint ventures (JVs) with Indian companies. Under current regulations the foreign partner cannot hold more than a 26% stake in the joint venture. Then many private insurance companies came into existence with new concept of sales i.e. service to sales. Since the Max Life Insurance Co. Ltd, HDFC Life, Bharti AXA Life has started working on the same concept they were able to increase their sales and renewals through different department from its agency and these companies starts believing that service to sales department should maintain in the organisation.*

I. INTRODUCTION

India is the market for insurance which covers both the state and private sector organisations. It is listed in the Constitution of India on the Union list in the Seventh Schedule that means it can only be legislated by the central government. In the present time 24 life insurance companies (both public and private) playing in Indian insurance market where LIC dominating the market since it was established and it is the synonyms of Insurance in India. As a common people if we are talking about the insurance the first thought will come into our mind is LIC and the reason being its monopoly from 1956 to 2000 in India. LIC continues to be the dominant life insurer even in the liberalized scenario of Indian insurance and is moving fast on a new growth trajectory surpassing its own past records. LIC has issued over one crore policies during the current year. It has crossed the milestone of issuing 1,01,32,955 new policies by 15th Oct, 2005, posting a healthy growth rate of 16.67% over the corresponding period of the previous year.

According to IRDA “the main role of agent is to recommend to clients the right products that address the clients’ needs” and the clients’ need should be evaluated with specific technique of evaluation (i.e. HLV need evaluation, financial future needs estimation method etc.). But before and after liberalisation there are *n* numbers of agents were came into the market and making the sales through their relatives only without any fact finding or estimating their HLV or financial needs to earn high amount of commissions on sales of such policies. Conceptually or formally we can say that all sales of policies is as per the code of conduct of the agent but is not. There is many customers who are not satisfy with their insurance product their terms and final maturity amount. Some of them claim that his/her advisor did not clear the paying & maturity term of the policy and advantages of the policies and they only told that you have to pay for 3 years and after that you can easily withdraw the full amount of policy with bonuses and that is the reason why so many customer feels fraud with themselves and losing faith with insurance companies. At that time the need of some regulatory body for such fraud activity and to protect policy holder interest was feel and in 1999 the IRDA was came into effect with recommendation of Malhotra Committee report to ensure speedy settlement of genuine claims, to prevent

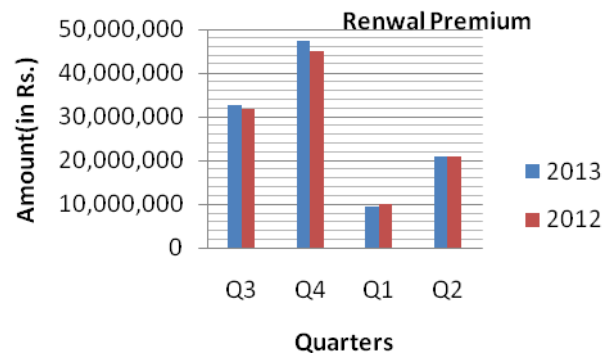
insurance frauds and other malpractices and put in place effective grievance redressal machinery and with other objects. But after framing IRDA some agents continuously are doing mis-selling and these are some companies which compensating these activities by service to sales concept by inviting feedback from customers regularly contacting with them through calling. .

II. METHODOLOGY

For this research i have collected data related to Indian insurance sector through different secondary sources of information i.e. company’s quarterly and annually published reports, books, internet websites, newspapers, journals etc.

III. MAX LIFE INSURANCE CO. LTD.-CAT DEPARTMENT

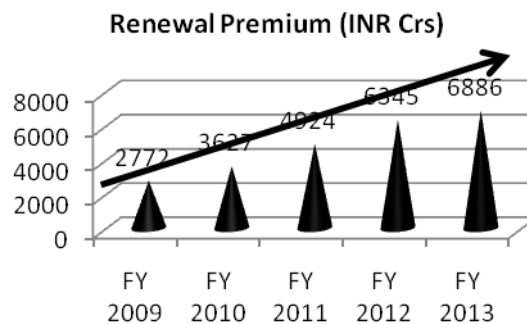
Max Life Insurance Co. Ltd which was earlier known as Max New York Life insurance has established the new department in the organisation called Customer Advisory Team(CAT)which is responsible to do service to sales concept and retrieving the faith of existing customers in the company. Presently, the employees of this department is responsible for taking lapsed policy renewal and taking care of orphan customers (orphan customers means whose agent left or terminated by the company) taking client’s feedback about their products and all. This department has working on 4S phenomena (Secure, Serve, and Strengthen and Sell).Firstly, they made customer to feel secure by listening & knowing their complains and explaining the advantages of client’s existing MLIC policy then they serve customer through collecting premium cheque from their offices/home and then giving them premium receipts after that they try to strengthen the relation and when this relationship becomes so strong then they try to make cross sale or up sale and this phenomena of MLIC-CAT is seems to be successful because the renewal ratio of the company is going upward and the total sales of MLIC products has big contribution from CAT department. With the help of such department the Gross written Premium of the Company grew by 4% , the renewal premium to 0.29%, the net retention ratio



to 99% and the persistency ratio to 23% for the last 61 month.

IV. HDFC LIFE-DIRECT SALES TEAM (DST)

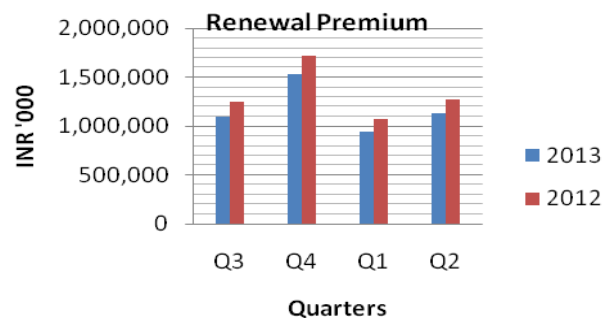
HDFC Life is a joint venture between Housing Development Finance Corporation Limited (HDFC), India's leading housing finance institution and Standard Life plc, the leading provider of financial services in the United Kingdom. HDFC Ltd. holds 72.37% and Standard Life (Mauritius Holding) Ltd. holds 26.00% of equity in the joint venture, while the rest is held by others.



The HDFC Life-DST is older than the MLIC-CAT but somewhere has a same working as CAT but in different ways. The member of DST is making sales and recovery calls on clients' places and making clients' to pay renewal premium of their existing policies. After having some satisfaction with the existing policy DST financial planner recommend customers to buy another policy to protect their family or having some more secure investment to protect their future income. With the help of such departments HDFC Life continuously able to accelerate their renewal premium and CAGR to 26% and ready to making boom in year 2014.

V. BHARTI AXA=CLAIM HANDLER TEAM

Bharti AXA came with a new concept in their organisation with claim handler team who are directly helping those customers who was earlier facing various problems in maturing or claiming death claim of their policy in insurer company. Bharti AXA claim handler team providing services to those customers whose policy matured and helping them to complete all paper formalities to claim the policy amount on clients' places. But still orphan customers whose service agent is no longer working with the company has to self serve for their policy and somewhere that is one of the reason that Bharti AXA does not have increasing renewal premium rate



when we comparing it with the previous year as MLIC-CAT and HDFC Life-DST

VI. FINDINGS AND CONCLUSIONS

By comparing the current year's renewal premium with previous year's renewal premium of three companies (i.e. MLIC, HDFC Life and Bharti AXA) we come to the fact that in today's scenario of Indian life insurance sector to grab the customers trust and satisfaction with their existing policy insurer companies has to serve them to build long term relationship with the existing clients and also has to re-explain all the terms and advantages of policy to the clients then customer can have trust and ready to pay further premium of existing policy like MLIC and HDFC does the same thing by their different channels. In the same market some companies not following the same concept and that is why they are facing various problems like policy lapsed. So, its better to serve for generating new sales opportunities and building long term relationship with the existing clients.

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