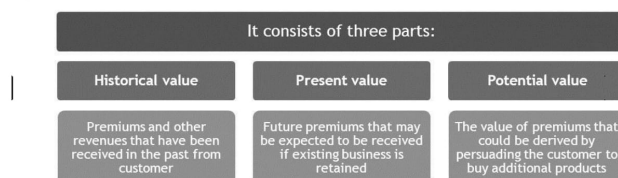


How does keeping a customer happy benefit the agent and the company?

To answer this question, it would be useful to look at customer's lifetime value.

Customer lifetime value may be defined as the sum of economic benefits that can be derived from building a sound relationship with a customer over a long period of time.

Diagram 1: Customer Lifetime Value



An agent who renders service and builds close relationships with her customers, builds goodwill and brand value, which helps in expanding the business.

B. Insurance agent's role in providing great customer service

Let us now consider how an agent can render great service to the customer. The role begins at the stage of sale and continues through the duration of the contract, and includes the following steps. Let us look at some of the milestones in a contract and the role played at each step.

1. The Point of Sale - Best advice

The first point for service is the point of sale. One of the critical issues involved in purchase of non-life Insurance is to determine the **amount of coverage [Sum Insured] to be bought**.

Here it is important to keep a basic percept in mind - Do not recommend insuring where the risk can be managed otherwise. The insured needs to make sure that the expected loss involved is greater than the cost of insurance. If the premium payments are high compared to the loss involved, it may be advisable to just bear the risk.

On the other hand, if the occurrence of any contingency would lead to financial burden, it is wise to insure against such contingency.

Whether insurance is needed or not, depends on the circumstances. If the probability of loss or damage to an asset due to a peril is negligible, one may retain the risk rather than insure it. Similarly if an item has insignificant value, one may not insure it.

Example

To a homeowner living in a flood prone area, purchasing cover against floods would prove to be helpful.

On the other hand, if the home owner owns a home at a place where the risk of floods is negligible it may not be necessary to obtain cover.