

CHAPTER 2

CUSTOMER SERVICE

Chapter Introduction

In this chapter you will learn the importance of customer service. You will learn the role of agents in providing service to customers. You will learn different grievances redressal mechanisms available for Insurance policyholders. You will also learn how to communicate and relate with customer.

Learning Outcomes

- A. Customer service - General concepts
- B. Insurance agent's role in providing great customer service
- C. Grievance redressal
- D. Communication process
- E. Non-verbal communication
- F. Ethical behaviour

After studying this chapter, you should be able to:

1. Illustrate the importance of customer services
2. Describe quality of service
3. Examine importance of service in the insurance industry
4. Discuss the role of an insurance agent in providing good service
5. Review grievance redressal mechanism in insurance
6. Explain the process of communication
7. Demonstrate the importance of non-verbal communication
8. Recommend ethical behaviour

A. Customer service - General concepts

1. Why Customer Service?

Customers provide the bread and butter of a business and no enterprise can afford to treat them indifferently. The role of customer service and relationships is far more critical in the case of insurance than in other products.

This is because insurance is a service and very different from real goods.

Let us examine how buying insurance differs from purchasing a car.

A Car	Insurance of the car
It is a tangible good, that can be seen, test driven and experienced.	It is a contract to compensate against loss or damage to the car due to an unforeseen accident in future. One cannot see or touch or experience the insurance benefit till the unfortunate event occurs.
The buyer of the car has an expectation of some pleasure at the time of purchase. The experience is real and easy to understand.	The purchase of insurance is not based on expectation of immediate pleasure, but fear/anxiety about a possible tragedy. It is unlikely that any insurance customer would look forward to a situation where the benefit becomes payable.
A car is produced in a factory assembly line, sold in a showroom and used on the road. The three processes of making, selling and using take place at three different times and places.	In case of insurance it can be seen that production and consumption happen simultaneously. This simultaneity of <i>production and consumption</i> is a distinctive feature of all services.

What the customer really derives is a service experience. If this is less than satisfactory, it causes dissatisfaction. If the service exceeds expectations, the customer would be delighted. The goal of every enterprise should thus be to delight its customers.

2. Quality of service

It is necessary for insurance companies and their personnel, which includes their agents, to render high quality service and delight the customer.

But what is high quality service? What are its attributes?

A well-known model on service quality [named “**SERVQUAL**’] would give us some insights. It highlights five major indicators of service quality:

- a) **Reliability:** the ability to perform the promised service dependably and accurately. Most customers regard reliability as being the most important of the five dimensions of service quality. It is the foundation on which trust is built.
- b) **Responsiveness:** refers to the willingness and ability of service personnel to help customers and provide prompt response to the customer's needs. It may be measured by indicators like speed, accuracy, and attitude while giving the service.
- c) **Assurance:** refers to the knowledge, competence and courtesy of service providers and their ability to convey trust and confidence. It is given by the customer's evaluation of how well the service employee has understood needs and is capable of meeting them.
- d) **Empathy:** is described as the human touch. It is reflected in the caring attitude and individualised attention provided to customers.
- e) **Tangibles:** represent the physical environmental factors that the customer can see, hear and touch. For instance the location, the layout and cleanliness and the sense of order and professionalism that one gets when visiting an insurance company's office can make a great impression on the customer. The physical ambience becomes especially important because it creates first and lasting impressions, before and after the actual service is experienced.

3. Customer service and insurance

Ask any leading sales producers in the insurance industry about how they managed to reach the top and stay there. You are likely to get a common answer, that it was the patronage and support of their existing clients that helped them build their business.

You would also learn that a large part of their income comes from the commissions for renewal of the contracts. Their clients are also the source for acquiring new customers.

What is the secret of their success?

The answer, most likely is, **commitment to serving their customers.**

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

It consists of three parts:

Historical value

Premiums and other revenues that have been received in the past from customer

Present value

Future premiums that may be expected to be received if existing business is retained

Potential value

The value of premiums that could be derived by persuading the customer to buy additional products

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

Test Yourself 1

What is meant by customer lifetime value?

- I. Sum of costs incurred while servicing the customer over his lifetime
 - II. Rank given to customer based on business generated
 - III. Sum of economic benefits that can be achieved by building a long term relationship with the customer
 - IV. Maximum insurance that can be attributed to the customer
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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.

In India, motor insurance against third party is compulsory under the law. In that case, the debate about whether one needs insurance or not is irrelevant.

One must purchase third party insurance if he owns a vehicle because it is mandatory if one wants to drive on a public road. At the same time it would be prudent to cover the possibility of loss of own damage to the car which is not mandatory.

In case a portion of the possible loss can be borne by oneself, it would be economical for the insured to opt for a **deductible**. A corporate customer may have varied needs, right from the coverage of factory, people, cars, liability exposures etc. She needs the right advice for the coverage and policies to be taken.

Most non-life insurance policies broadly fall in two categories:

- ✓ Named peril policies
- ✓ All risk policies

The latter are costlier as they cover all losses which are specifically not excluded under the policy. Hence opting for 'named peril' policies where the most probable causes of loss are covered by the perils named in the policy may be more beneficial, as such a step could save premiums and provide need based cover to the insured.

The agent really begins to earn her commission when she renders best advice on the matter. It would be worthwhile for the agent to remember that while one may view insurance as the standard approach for dealing with the risk, there are other techniques like risk retention or loss prevention that are available as options for reducing the cost of insurance.

From the standpoint of an insured the relevant questions for instance may be:

- ✓ How much premium will be saved by considering deductibles?
- ✓ How much would a loss prevention activity result in reduction in premiums?

When approaching the customer as a non-life insurance sales person the question an agent needs to ask herself is about her role vis-à-vis the customer. Is she going there just to get a sale or to relate to the customer as a coach and partner who would help him to manage his risks more effectively?

The customer's angle is different. He is not so much concerned with getting maximum insurance per rupee spent, but rather in **reducing the cost of handling risk**. The concern would be thus on identifying those risks which customer cannot retain and hence must be insured.

In other words the role of an insurance agent is more than that of a mere sales person. She also **needs to be a risk assessor, underwriter, risk management counsellor, designer of customised solutions and a relationship builder who thrives on building trust and long-term relationships**, all rolled into one.

2. The proposal stage

The agent has to support the customer in filling out the proposal for insurance. The insured is required to take responsibility for the statements made therein. The salient aspects of a proposal form have been discussed in chapter 5.

It is very important that the agent should explain and clarify to proposer the details to be filled as answer to each of questions in the proposal form. In the event of a claim, a failure to give proper and complete information can jeopardise the customer's claim.

Sometimes there may be additional information that may be required to complete the policy. In such cases the company may inform the customer directly or through the agent / advisor. In either case, it becomes necessary to

help the customer complete all the required formalities and even explain to him or her why these are necessary.

In View of Insurance Regulatory and Development Authority of India (I.R.D.A.I.) (Issuance of e-Insurance Policies) Regulations, 2016, which have come into Force, from **1st October, 2016**:

“Every Insurer, soliciting Insurance-Business through Electronic-Mode, shall create an e-Proposal-Form, Similar to the Physical Proposal-Form, Approved by the Authority; and such Form should enable Capture-of-Information in Electronic-Form, that would enable Easy Processing and Servicing.”

“e-Proposal-Form shall have a Provision to Capture the electronic-Insurance-Account (e-I-A) Number of the Prospect, and the Insurer shall facilitate its Creation, whenever the electronic-Insurance-Policy is proposed to be issued through the Insurance Repository System.”

“The Prospect should have Own electronic-Signature, while furnishing the Details in e-Proposal-Form.”

Here, the Agent can help the Customer to open an e-Insurance Account (e-I-A), if required, through the Registered Insurance Repository.

3. Acceptance stage

a) Cover note

The cover note has been discussed in chapter ‘5’. It is the agent’s responsibility to ensure that the cover note is issued by the company, where applicable, to the insured. Promptness in this regard communicates to the client that his interests are safe in the hands of the agent and the company.

b) Delivery of the policy document

Delivery of the policy is another major opportunity that an agent gets to make contact with the customer. If company rules permit a policy document being delivered in person, it may be a good idea to collect it and present the document to the customer.

If the policy is being sent directly by mail, one must contact the customer, once it is known that the policy document has been sent. This is an opportunity to visit the customer and explain anything that is unclear in the document received. This is also an occasion to clarify various kinds of policy provisions, and the policy holder’s rights and privileges that the customer can avail of. This act demonstrates a willingness to provide a level of service beyond the sale.

This meeting is also an occasion to pledge the agent's commitment to serving the customer and communicating full support.

In View of Insurance Regulatory and Development Authority of India (I.R.D.A.I.) (Issuance of e-Insurance Policies) Regulations, 2016, which have come into Force, from **1st October, 2016**:

*“Every Insurer shall issue Electronic Insurance-Policies, in Case of: All Motor Retail Insurance and Individual Travel (Over-Seas) Insurance, and the Policies that fulfil the Criteria, in Terms of Sum-Assured {**Rupees 10 Lakhs** in Case of Pure Term-Assurance [excluding, Term-Assurance with Return-of-Premium(s)] and All Retail General Insurance except Motor Insurance, and Individual Personal Accident (P.A.) Insurance and Domestic Travel Insurance, and **Rupees 1 Lakh** in Case of Other Than Pure Term-Assurance [including, Term-Assurance with Return-of-Premium(s)], and **Rupees 5 Lakhs** in Case of Individual Health-Insurance} or Premium {Single or Annual, Equal To or Exceeding **Rupees 10,000/-** [**Rupees 5,000/-** in Case of All Retail General Insurance Policies except Motor Insurance]}, or, Pension-Per-Annum {**Rupees 10,000/-** in Case of Immediate Annuities}.”*

Here, the Agent can help the Customer to open an e-Insurance Account (e-I-A), through the Registered Insurance Repository.

The next logical step would be to ask for the names and particulars of other individuals he knows who can possibly benefit from the agent's services. If the client can himself contact these people and introduce the agent to them, it would mean a great breakthrough in business.

c) Policy renewal

Non-life insurance policies have to be renewed each year and the customer has a choice at the time of each renewal, to continue insuring with the same company or switch to another company. This is a critical point where the goodwill and trust created by the agent and the company gets tested.

Although there is no legal obligation on the part of insurers to advise the insured that his policy is due to expire on a particular date, yet as a matter of courtesy and decidedly a healthy business practice, insurers issue a **“Renewal Notice”** one month in advance of the date of expiry, inviting renewal of the policy. The agent needs to be in touch with the customer well before the renewal due date to remind the latter about renewal so that he can make provision for the same.

The relationship gets strengthened by keeping in touch with the client from time to time, by greeting him on some occasion like a festival or a family event. Similarly when there is a moment of difficulty or sorrow by to offering assistance.

4. The claim stage

The agent has a crucial role to play at the time of claim settlement. It is her task to ensure that the incident giving rise to the claim is immediately informed to the insurer and that the customer carefully follows all the formalities and assists in all the investigations that may need to be done to assess the loss.

Test Yourself 2

Identify the scenario where a debate on the need for insurance is not required.

- I. Property insurance
 - II. Business liability insurance
 - III. Motor insurance for third party liability
 - IV. Fire insurance
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C. Grievance redressal

1. Overview

The time for high priority action is when the customer has a complaint. Remember that in the case of a complaint, the issue of service failure [it can range from delay in correcting the records of the insurer to a lack of promptness in settling a claim] which has aggrieved the customer is only a part of the story.

Customers get upset and infuriated a lot more because of their interpretations about such failure. There are two types of feelings and related emotions that arise with each service failure:

- ✓ Firstly there is a sense of unfairness, a feeling of being cheated
- ✓ The second feeling is one of hurt ego - of being made to look and feel small

A complaint is a crucial “**moment of truth**” in the customer relationship; if the company gets it right there is potential to actually improve customer loyalty. The human touch is critical in this; customers want to feel valued.

If you are a professional insurance advisor, you would not allow such a situation to happen in the first place. You would take the matter up with the appropriate officer of the company. **Remember, no one else in the company has ownership of the client’s problems as much as you do.**

Complaints / grievances provide us the opportunity to demonstrate how much we care for the customer’s interests. They are in fact the solid pillars on which an insurance agent’s goodwill and business is built. At the end of every policy document, the insurance companies have detailed the procedure of grievance redressal, which should be brought to the notice of the customers at the time of explaining the document provisions.

Word of mouth publicity (Good/Bad) has significant role in selling and servicing. Remember good service gets rewarded by 5 people being informed, where as bad service is passed on to 20 people.

The regulator provides that any grievance of a policy holder should be first referred to the insurer’s Grievance Cell. If no response/resolution or unsatisfactory resolution is provided, then the complainant may approach the Regulator through the Integrated Grievance Management System mentioned below.

2. Integrated Grievance Management System (IGMS)

IRDA has launched an Integrated Grievance Management System (IGMS) which acts as a central repository of insurance grievance data and as a tool for monitoring grievance redress in the industry.

Policyholders can register on this system with their policy details and lodge their complaints. Complaints are then forwarded to respective insurance company. IGMS tracks complaints and the time taken for redressal. The complaints can be registered at:

[http://www.policyholder.gov.in/Integrated Grievance Management.aspx](http://www.policyholder.gov.in/Integrated_Grievance_Management.aspx)

3. The Consumer Protection Act, 1986

This Act was passed “*to provide for better protection of the interest of consumers and to make provision for the establishment of consumer councils and other authorities for the settlement of consumer’s disputes.*” The Act has been amended by the Consumer Protection (Amendment) Act, 2002.

a) Definitions under the Act

Some definitions provided in the Act are as follows:

Definition

“Service” means service of any description which is made available to potential users and includes the provision of facilities in connection with banking, financing, insurance, transport, processing, supply of electrical or other energy, board or lodging or both, housing construction, entertainment, amusement or the purveying of news or other information. But it does not include the rendering of any service free of charge or under a contract of personal service.

Insurance is included as a service

“Consumer” means any person who:

- i. Buys any goods for a consideration and includes any user of such goods. But does not include a person who obtains such goods for resale or for any commercial purpose or
- ii. Hires or avails of any services for a consideration and includes beneficiary of such services.

'Defect' means any fault, imperfection, shortcoming inadequacy in the quality, nature and manner of performance which is required to be maintained by or under any law or has been undertaken to be performed by a person in pursuance of a contract or otherwise in relation to any service.

'Complaint' means any allegation in writing made by a complainant that:

- i. An unfair trade practice or restrictive trade practice has been adopted
 - ii. The goods bought by him suffer from one or more defects
 - iii. The services hired or availed of by him suffer from deficiency in any respect
 - iv. Price charged is in excess of that fixed by law or displayed on package
- Goods which will be hazardous to life and safety when used are being offered for sale to the public in contravention of the provisions of any law requiring trader to display information in regard to the contents, manner

and effect of use of such goods

'Consumer dispute' means a dispute where the person against whom a complaint has been made, denies and disputes the allegations contained in the complaint.

b) Consumer disputes redressal agencies

Consumer disputes redressal agencies are established in each district and state and at national level.

- i. **District Forum:** The forum has jurisdiction to entertain complaints, where value of the goods or services and the compensation claimed is up to Rs. 20 lakhs. The District Forum is empowered to send its order/decreed for execution to appropriate Civil Court.
- ii. **State Commission:** This redressal authority has original, appellate and supervisory jurisdiction. It entertains appeals from the District Forum. It also has original jurisdiction to entertain complaints where the value of goods/service and compensation, if any claimed exceeds Rs. 20 lakhs but does not exceed Rs. 100 lakhs. Other powers and authority are similar to those of the District Forum.
- iii. **National Commission:** The final authority established under the Act is the National Commission. It has original; appellate as well as supervisory jurisdiction. It can hear the appeals from the order passed by the State Commission and in its original jurisdiction it will entertain disputes, where goods/services and the compensation claimed exceeds Rs.100 lakhs. It has supervisory jurisdiction over State Commission.

All the three agencies have powers of a Civil Court.

c) Procedure for filing a complaint

The procedure for filing a complaint for the three redressal agencies mentioned above is very simple. There is no fee for filing a complaint or filing an appeal whether before the State Commission or National Commission.

The complaint can be filed by the complainant himself or by his authorised agent. It can be filed personally or can even be sent by post. It may be noted that no advocate is necessary for the purpose of filing a complaint.

d) Consumer Forum orders

If the forum is satisfied that the goods complained against suffer from any of the defects specified in the complaint or that any of the allegations contained in the complaint about the services are proved, the forum can

issue an order directing the opposite party to do one or more of the following namely,

- i. To **return** to the complainant **the price**, [or premium in case of insurance], the charges paid by the complainant
- ii. To award such amount as **compensation** to the consumers for any loss or injury suffered by the consumer due to negligence of the opposite party
- iii. To **remove** the defects or **deficiencies** in the services in question
- iv. To **discontinue the unfair trade practice** or the restrictive trade practice or not to repeat them
- v. To provide for **adequate costs** to parties

e) Consumer disputes categories

The majority of consumer disputes with the three forums fall in the following main categories, as far as the insurance business is concerned:

- i. **Delay in settlement of claims**
- ii. **Non-settlement of claims**
- iii. **Repudiation of claims**
- iv. **Quantum of loss**
- v. **Policy terms, conditions etc**

4. The Insurance Ombudsman

The Central Government under the powers of the Insurance Act 1938 and Insurance Regulatory and Development Authority Act 1999(41 of 1999), made **Insurance Ombudsman Rules 2017** by a notification published in the official gazette on 25th April,2017. These rules apply to all insurers and their agents and intermediaries in respect of complaints of all personal lines of insurances, that is, insurances taken in an individual capacity.

The objective of these rules is to resolve all complaints of all personal lines of insurance, group insurance policies, policies issued to sole proprietorship and micro enterprises on the part of insurance companies and their agents and intermediaries in a cost effective, and impartial manner

The Ombudsman, by mutual agreement of the insured and the insurer can act as a mediator and counsellor within the terms of reference.

The decision of the Ombudsman, whether to accept or reject the complaint, is final.

a) Complaint to the Ombudsman

Any complaint made to the Ombudsman should be in writing, signed by the insured or his legal heirs, nominee or assignee addressed to an Ombudsman within whose jurisdiction, the insurer has a branch / office, the facts giving rise to the complaint supported by documents, the nature and extent of loss caused to the complainant and the relief sought.

Complaints can be made to the Ombudsman if:

- i. The complainant had made a previous written representation to the insurance company and the insurance company had:
 - ✓ Rejected the complaint or
 - ✓ The complainant had not received any reply within one month after receipt of the complaint by the insurer
 - ✓ The complainant is not satisfied with the reply given by the insurer.
- ii. The complaint is made within one year from the date of rejection by the insurance company.
- iii. The complaint is not pending in any Court or Consumer Forum or in arbitration.

b) Recommendations by the Ombudsman

There are certain duties/protocols that the Ombudsman is expected to follow:

- i. Recommendations should be made within one month of the receipt of such a complaint
- ii. The copies should be sent to both the complainant and the insurance company
- iii. Recommendations have to be accepted in writing by the complainant within 15 days of receipt of such recommendation
- iv. A copy of acceptance letter by the insured should be sent to the insurer and his written confirmation sought within 15 days of his receiving such acceptance letter

If the dispute is not settled by intermediation, the Ombudsman will pass award based on the pleadings and evidence brought on record. It shall be in writing and state the reasons upon which the award is based.

c) Awards by Ombudsman

The awards by Ombudsman are governed by the following rules:

- i. The award should not be in excess of the loss suffered by the complainant or should not be more than Rs. 30 lakh (including relevant expenses, if any).
- ii. The award should be made within a period of 3 months from the date of receipt of all requirements from the complainant and a copy of the award should be sent to the complainant and the insurer.
- iii. The insurer shall comply with the award within 30 days of the receipt of the award and intimate compliance to the complainant. The complainant shall be entitled to such interest at a rate per annum as specified in the regulations framed under the IRDA Act 1999 from the date the claim ought to have been settled under regulations, till the date of payment of the award. The award is binding on insurers.

Test Yourself 3

As per the Consumer Protection Act, 1986, who cannot be classified as a consumer?

- I. Hires goods / services for personal use
 - II. A person who buys goods for resale purpose
 - III. Buys goods and services for a consideration and uses them
 - IV. Uses the services of another for a consideration
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D. Communication process

Communication skills in customer service

One of the most important set of skills that an agent or service employee needs to possess, for effective performance in the work place, is **soft skills**.

Unlike hard skills - which deal with an individual's ability to perform a certain type of task or activity, **soft skills relate to one's ability to interact effectively with other workers and customers, both at work and outside. Communication skills are one of the most important of these soft skills.**

1. Communication and customer relationships

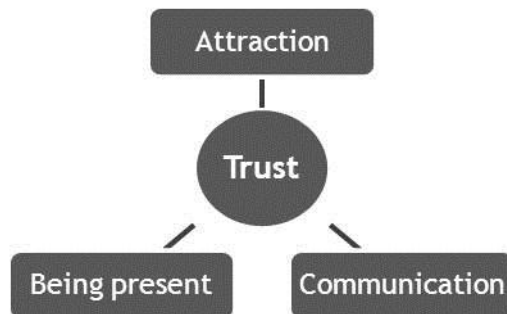
Customer service is one of the key elements in creating satisfied and loyal customers. But it is not enough. Customers are human beings with whom the company needs to build a strong relationship.

It is both the service and the relationship experience that ultimately shapes how the customer would look at the company.

What goes to make a healthy relationship?

At its heart, of course, there is trust. At the same time there are other elements, which reinforce and promote that trust. Let us illustrate some of the elements

Diagram 2: Elements for Trust



- i. Every relationship begins with **attraction**:

One needs to be simply liked and must be able to build a rapport with the customer. Attraction is very often the result of first impressions that are derived when a customer comes in touch with the organisation or its representatives. Attraction is the first key to unlocking every heart. Without it a relationship is hardly possible. Consider a sales person who is not liked. Do you really think she will be able to make much headway in the sales career?

- ii. The second element of a relationship is one's **presence** - being there when needed:

The best example is perhaps that of a marriage. Is it important for the husband to be available when the wife needs him? Similarly in a customer relationship, the issue is whether and how the company or its representative is available when needed. Is she or he fully present and listening to the customer's needs?

There may be instances when one is not fully present and do justice to all the expectations of one's customers. **One can still maintain a strong relationship if one can speak to the customer, in a manner that is assuring, full of empathy and conveys a sense of responsibility.**

All of the above points like:

- ✓ The impression one creates or
- ✓ The way one is present and listens or
- ✓ The message one sends across to another

are dimensions of communication and call for discipline and skills. In a sense what one communicates is ultimately a function of how one thinks and sees.

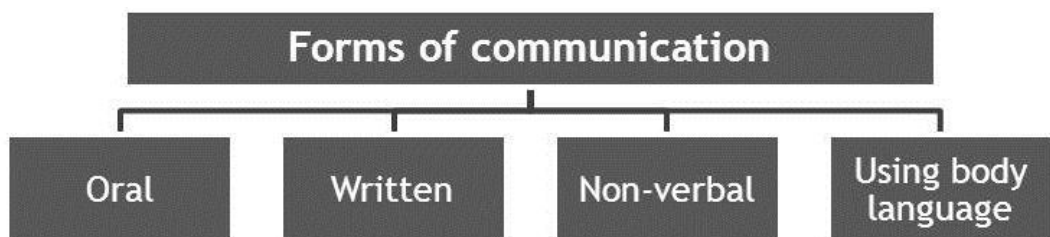
The companies emphasise a lot on customer relationship management as the cost of retaining a customer is far lower than acquiring a new customer. The customer relation occurs across many touch points e.g. while understanding customers insurance needs, explaining coverage's, handing over forms. So, there are many opportunities for the agent to strengthen the relation at each of these points.

2. Process of communication

What is communication?

All communications require a sender, who transmits a message, and a recipient of that message. The process is complete once the receiver has understood the message of the sender.

Diagram 3: Forms of communication



Communication may take place several forms

- ✓ Oral
- ✓ Written
- ✓ Non-verbal
- ✓ Using body language

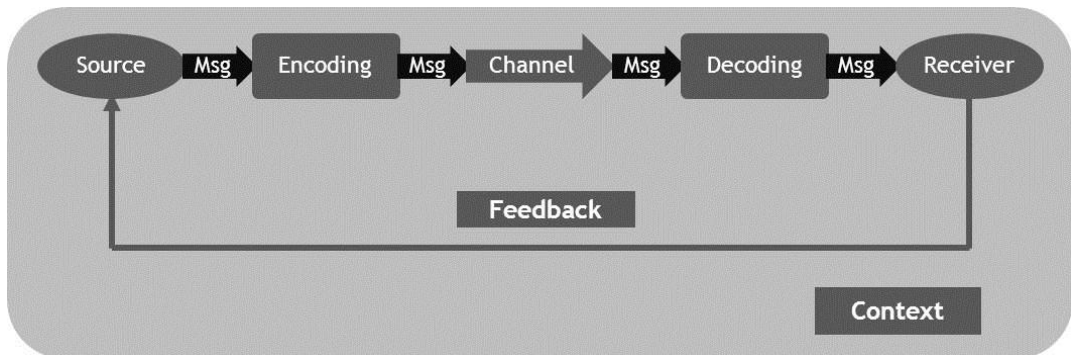
It may be face to face, over the phone, or by mail or internet. It may be formal or informal. Whatever the content or form of the message or the media used, the essence of communication is given by what the recipient has understood as being communicated.

It is important for a business to choose how and when it will send messages to intended receivers.

The communication process is illustrated below.

Let us define the terms in the diagram:

Diagram 4: Communication process



Definition

- i. **Source:** As the source of the message, the agent must be clear about why she is communicating, and what she wants to communicate, and confident that the information being communicated is useful and accurate.
- ii. **Message** is the information that one wants to communicate.
- iii. **Encoding** is the process of transferring the information one wants to communicate into a form that can be sent and correctly decoded at the other end. Success in encoding depends on how well one is able to convey information and eliminate sources of confusion. For this it is necessary to know one's audience. Failure to do so can result in delivering messages that are misunderstood.
- iv. A Message is conveyed through a **channel**, which has to be selected for the purpose. The channel may be verbal including personal face-to-face

meetings, telephone and videoconferencing; or it may be written including letters, emails, memos, and reports.

- v. **Decoding** is the step wherein the information gets received, interpreted and understood in a certain way, at its destination. It can be seen that decoding [or how one receives a message] is as important as encoding [how one conveys it].
 - vi. **Receiver:** Finally there is the receiver, the individual or individuals [the audience] to whom the message is sent. Each member of this audience has his own ideas, beliefs and feelings and these would influence how the message has been received and acted upon. The sender obviously needs to consider these factors when deciding what message to send.
 - vii. **Feedback:** Even as the message is being sent and received, the receiver is likely to send feedback in the form of verbal and non-verbal messages to the sender. The latter needs to look for such feedback and carefully understand these reactions as it would help to determine how the message has been received and acted upon. If necessary the message could be changed or rephrased.
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3. Barriers to effective communication

Barriers to effective communication can arise at each step in the above process. Communication can get distorted because of the impression created about the sender, or because the message has been poorly designed, or because too much or too little has been conveyed, or because the sender has not understood the receiver's culture. The challenge is to remove all these barriers.

Test Yourself 4

What does not go on to make a healthy relationship?

- I. Attraction
 - II. Trust
 - III. Communication
 - IV. Scepticism
-

E. Non-verbal communication

Let us now look at some concepts that the agent needs to understand.

Important

Making a great first impression

We have already seen that attraction is the first pillar of any relationship. You can hardly expect to get business from a customer who does not like you. In fact many individuals need just a quick glance, of maybe a few seconds, to judge and evaluate you when you meet for the first time. Their opinion about you gets based on your appearance, your body language, your mannerisms, and how you are dressed and speak. Remember that first impressions last for long. Some useful tips for making a good first impression are:

- i. **Be on time always.** Plan to arrive a few minutes early, allowing flexibility for all kinds of possible delays.
 - ii. **Present yourself appropriately.** Your prospect, whom you are meeting for the first time, does not know you and your appearance is usually the first clue he or she has to go on.
 - ✓ Is your appearance helping to create the right first impression?
 - ✓ Is the way you dress appropriate for the meeting or occasion?
 - ✓ Is your grooming clean and tidy - with good haircut and shave, clean and tidy clothes, neat and tidy make up?
 - iii. **A warm, confident and winning smile** puts you and your audience immediately at ease with one another.
 - iv. **Being open, confident and positive**
 - ✓ Does your body language project confidence and self-assurance?
 - ✓ Do you stand tall, smile, make eye contact, greet with a firm handshake?
 - ✓ Do you remain positive even in the face of some criticism or when the meeting is not going as well as expected?
 - v. **Interest in the other person** - The most important thing is about being genuinely interested in the other person.
 - ✓ Do you take some time to find out about the customer as a person?
 - ✓ Are you caring and attentive to what he or she says?
 - ✓ Are you totally present and available to your customer or is your mobile phone engaging you during half your interview?
-

1. Body language

Body language refers to movements, gestures, facial expressions. The way we talk, walk, sit and stand, all says something about us, and what is happening inside us.

It is often said that people listen to only a small percentage of what is actually said. What we don't say speaks a lot more and a lot louder. Obviously, one needs to be very careful about one's body language.

a) Confidence

Here are a few tips about how to appear confident and self-assured, giving the impression of someone to be seriously listened to:

- ✓ Posture - standing tall with shoulders held back.
- ✓ Solid eye contact - with a "smiling" face
- ✓ Purposeful and deliberate gestures

b) Trust

Quite often, a sales person's words fall on deaf ears because the audience does not trust her - her body language does not give the assurance that she is sincere about what she says. It is very important to be aware of some of the typical signs that may indicate when one is not honest and believable and be on guard against them as listed below:

- ✓ Eyes maintaining little or no eye contact, or rapid eye movements
- ✓ Hand or fingers are in front of one's mouth when speaking
- ✓ One's body is physically turned away from the other
- ✓ One's breathing rate increases
- ✓ Complexion changes colour; red in face or neck area
- ✓ Perspiration increases
- ✓ Voice changes such as change in pitch, stammering, throat clearing
- ✓ Speech - slow and clear with tone of voice kept moderate to low

Some body movements that indicate defensiveness and non-receptivity include:

- ✓ Hand/arm gestures are small and close to one's body
- ✓ Facial expressions are minimal
- ✓ Body is physically turned away from you
- ✓ Arms are crossed in front of body
- ✓ Eyes maintain little contact, or are downcast

If your customer expresses any of these, perhaps it is time you checked yourself and paid more attention to what is going on in the customer's mind.

2. Listening skills

The third set of communication skills that one needs to be aware about and cultivate are listening skills. These follow from a well-known principle of personal effectiveness - 'first to understand before being understood'.

How well you listen has a major impact on your job effectiveness, and on the quality of your relationships with others. Let us look at some listening tips.

a) Active listening:

It is where we consciously try to hear not only the words but also, more importantly, try to understand the complete message being sent by another.

Let us look at some of the elements of active listening. They are:-

i. Paying attention

We need to give the speaker our undivided attention, and acknowledge the message. Note, non-verbal communication also "speaks" loudly. Some aspects of paying attention are as follows:

- ✓ Look at the speaker directly
- ✓ Put aside distracting thoughts
- ✓ Don't mentally prepare a rebuttal
- ✓ Avoid all external distractions [for instance, keep your mobile on silent mode]
- ✓ "Listen" to the speaker's body language

ii. Demonstrating that you are listening:

Use of body language plays an important role here. For instance one may:

- ✓ Give an occasional nod and smile
- ✓ Adopt a posture that is open and draws out the other to speak freely
- ✓ Have small verbal comments like yes and uh huh.

iii. Provide feedback:

A lot of what we hear may get distorted by our personal filters, like the assumptions, judgments, and beliefs we carry. As a listener, we need to be aware of these filters and try to understand what really is being said.

- ✓ This may require you to reflect on the message and ask questions to clarify what was said
- ✓ Another important way to provide feedback is to paraphrase the speaker's words
- ✓ Yet a third way is to periodically stop the speaker and make a summary of what the speaker has said and repeat it back to him or her.

Example

Asking for clarity - From what I have heard, am I right in assuming, that you have issues about the benefits of some of our health plans, could you be more specific?

Paraphrasing the speaker's exact words - So you are saying that 'our health plans are not providing benefits that are attractive enough' - have I understood you correctly?

iv. Not being judgemental:

One of the biggest hurdles to active listening is our **tendency to be judgmental and biased about the speaker**. The result is that the listener may hear what the speaker says but listens according to her own biased interpretation of what the speaker might be saying.

Such judgmental approach can result in the listener being unwilling to allow the speaker to continue speaking, considering it a waste of time. It can also result in interrupting the speaker and rebutting the speaker with counter arguments, even before he or she has been able to convey the message in full.

This will only frustrate the speaker and limits full understanding of the message. Active listening calls for:

- ✓ Allowing the speaker to finish each point before asking questions
- ✓ Not interrupting the speaker with any counter arguments

v. Responding appropriately:

Active listening implies much more than just hearing what a speaker says. The communication can be completed only when the listener responds in some way, through word or action. Certain rules need to be followed for ensuring that the speaker is not put down but treated with respect and deference. These include:

- ✓ Being candid, open, and honest in your response
- ✓ Asserting one's opinions respectfully
- ✓ Treating another person in a way you would like to be treated yourself

vi. Empathetic listening:

Being empathetic literally means putting yourself in the other person's shoes and feeling his or her experience as he or she would feel it.

Listening with empathy is an important aspect of all great customer service. It becomes especially critical when the other person is a customer with a grievance and in a lot of pain.

Empathy implies hearing and listening patiently, and with full attention, to what the other person has to say, even when you do not agree with it. It is important to show the speaker acceptance, not necessarily agreement. One can do so by simply nodding or injecting phrases such as "I understand" or "I see."

Test Yourself 5

Which among the following is not an element of active listening?

- I. Paying good attention
 - II. Being extremely judgemental
 - III. Empathetic listening
 - IV. Responding appropriately
-

F. Ethical behaviour

1. Overview

Of late, serious concerns are voiced about the proprieties in business, because increasingly there are reports of improper behaviour. Some of the world's biggest companies have been found to have cheated through false accounts and dishonest audit certification. The funds of banks have been misused by their managements to bolster the greed of some friends. Officials have used their authority to promote personal benefits. Increasingly, people who are trusted by the community to perform their tasks are seen to have betrayed the trust. Personal aggrandisement and greed prevails.

Consequently, there is increasing discussion about accountability and corporate governance, all of which together can be called "Ethics" in business. **Acts like the 'Right to Information Act' and developments like 'Public Interest Litigation' have assumed considerable importance as instruments to achieve better accountability and governance.**

Ethical behaviour automatically leads to good governance. When one does her duty conscientiously and sincerely, there is good governance. Unethical behaviour shows little concern for others and high concern for self. When one tries to serve self-interest through one's official position, there is unethical behaviour. It is not wrong to look after one's interests. But it is wrong to do so at the cost of the interests of others.

Insurance is a business of trust. Issues of propriety and ethics are extremely important in this business of insurance. Breach of trust amounts to cheating and is wrong. Things go wrong when wrong information is given to the prospects tempting them to buy insurance or the plan of insurance suggested does not cater to all the needs of the prospect.

Unethical behaviour happens when the benefits of self are considered more important than of the other. The code of ethics spelt out by the IRDA in the various regulations is directed towards ethical behaviour.

While it is important to know every clause in the code of conduct to ensure that there is no violation of the code, compliance would be automatic if the insurer and its representatives always kept the interests of the prospect in mind. Things go wrong when the officers of insurers become concerned with the targets of business, rather than the benefits to the prospect.

2. Characteristics

Some characteristics of ethical behaviour are:

- a) Placing best interests of the client above one's own direct or indirect benefits
- b) Holding in strictest confidence and considering as privileged, all business and personal information pertaining to client's affairs
- c) Making full and adequate disclosure of all facts to enable clients make informed decisions

There could be a likelihood of ethics being compromised in the following situations:

- a) Having to choose between two plans, one giving much less premium or commission than the other
- b) Temptation to recommend discontinuance of an existing policy and taking out a new one
- c) Becoming aware of circumstances that, if known to the insurer, could adversely affect the interests of the client or the beneficiaries of the claim

Test Yourself 6

Which among the following is not a characteristic of ethical behaviour?

- I. Making adequate disclosures to enable the clients to make an informed decision
 - II. Maintaining confidentiality of client's business and personal information
 - III. Placing self-interest ahead of client's interests
 - IV. Placing client's interest ahead of self interest
-

Summary

- a) The role of customer service and relationships is far more critical in the case of insurance than in other products.
- b) Five major indicators of service quality include reliability, assurance, responsiveness, empathy and tangibles.
- c) 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.
- d) The role of an insurance agent in the area of customer service is absolutely critical.
- e) IRDA has launched an Integrated Grievance Management System (IGMS) which acts as a central repository of insurance grievance data and as a tool for monitoring grievance redress in the industry.
- f) The Ombudsman, by mutual agreement of the insured and the insurer can act as a mediator and counsellor within the terms of reference.
- g) Active listening involves paying attention, providing feedback and responding appropriately.
- h) Ethical behaviour involves placing the customer's interest before self.

Key terms

- a) Quality of service
- b) Empathy
- c) Integrated Grievance Management System (IGMS)
- d) Customer Protection Act, 1986
- e) District Consumer Forum
- f) Insurance Ombudsman
- g) Body language
- h) Active listening
- i) Ethical behaviour

Answers to Test Yourself

Answer 1

The correct option is III.

Sum of economic benefits that can be achieved by building a long term relationship with the customer is referred to as customer lifetime value.

Answer 2

The correct option is III.

Motor insurance for third party liability is mandatory by law and hence a debate on its need is not required.

Answer 3

The correct option is II.

As per the Consumer Protection Act, 1986, a person who buys goods for resale purpose cannot be classified as consumer.

Answer 4

The correct option is IV.

Scepticism does not go on to make a healthy relationship.

Answer 5

The correct option is II.

Being extremely judgemental is not an element of active listening.

Answer 6

The correct option is III.

Placing self-interest ahead of client's interests is not ethical behaviour.