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# To Bring That Smile

— Consumer care as a competitive tool

The consumer is King and it pays for the insurer to treat him as such, observes  
V. Ramakrishna, providing guidelines to achieve customer satisfaction.

Consumer Protection. The very phrase implies an adversarial relationship between the producer and the consumer – as if the former is a voracious predator and the latter, a feeble, helpless victim. It does not at all convey the symbiotic relationship that ought to exist between the two. Why is this so?

The need for consumer protection stems from the unequal bargaining power of the two sides – while the producer is typically a large organisation, fully aware and informed, the consumer is equally typically an individual, with little or no awareness of his rights. Be that as it may, there is a need to correct this sub-conscious positioning – maybe by re-christening it as 'consumer care' (or "consumer sensitivity", if you will!)

Consumer care is a recent concept in India. After all, it is only recently that we started the journey from a controlled to a liberalised economy. Consumer care is all about choices and the need to keep the consumer happy – both of which were absent in the pre-liberalised economy.

## Consumer care in insurance industry

The Indian insurance industry has been a monopoly/ oligopoly for several decades. It has, however, undergone a metamorphosis in recent years. With the IRDA coming into existence in 1999, the private players entering the field in the year 2000 and insurance intermediaries in the year 2002-2003, we are finally looking at multiple choices for the consumer.

With all this, have we been able to bring a smile on the consumer's face? Is it too early to aspire for best practices in the insurance industry? Is the premium-paying customer getting all that has been promised to him? Is he getting a fair deal? What happens to him

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in the unfortunate event of a claim? Is he left running from pillar to post? Do insurers give him a patient hearing or do they turn a deaf ear and get away with it? Does the consumer know his rights?

Before we answer the above questions and more, it may be a good idea to define what we believe is being fair to the consumer or taking adequate "care" of him.

Give him what he has paid for: Ensure that the product provided is exactly what he has applied for. As insurance is not a tangible product, ensure that *his understanding* of what he has purchased and *the reality* of the product he is buying are the same. It would be appropriate for the insurer to clearly explain policy coverage and exclusions, and either ensure that the customer has understood and accepted

their implications or offer an alternative policy better suited to his needs.

Do not take advantage of the customer: Avoid 'pushy' sales tactics. Avoid selling products which, due to lack of understanding on the consumer's part, are either not what he needs or is in some way inappropriate to his needs or expectations.

Offer the customer the best product you can: The 'best product' in this instance is the best product that the insurer has available in its current range.

Do your best to resolve mistakes as quickly as possible: Whether the mistake is the insurer's or the customer's, every effort should be made to resolve it; greater willingness is required on the part of insurers to acknowledge mistakes or errors and, where appropriate, to compensate the customer.

Show flexibility, empathy and consideration in dealing with customers: Where customers have made 'honest' mistakes, a degree of discretion should be used and each situation judged separately; the provider should err on the side of generosity, giving the customer the benefit of the doubt.

Exhibit clarity in all customer dealings: Terms and conditions should be as clear and easy to understand as possible; changes or new features should be spelt out and explained; messages should be consistent across all channels; and language which could potentially mislead should be avoided.

**Possible hurdles**

- 1) The client holding an insurance policy is certainly not in the driver's seat today, thanks to these factors: The complicated language used in the policy makes it impossible for him to understand the policy wordings – most customers would not be able to explain what exactly they are covered for and what is excluded.
- 2) Style and presentation make it difficult for the customer to read and comprehend the policy. Significant and unusual exclusions are not mentioned prominently in the policy.
- 3) An insurance policy is typically an off-the-shelf product and not client specific.
- 4) There are barely any new products in the market.

Each of us can take steps to improve the consumer care scenario. These include:

**Consumer education and empowerment**

All the stakeholders – IRDA, insurers, intermediaries, surveyors and TPAs – should first appreciate that consumer education and empowerment is what drives consumer care. We should launch industry-wide programmes to educate consumers.

**Undoing the complicated policy wordings**

Insurers and the Regulator could get together and overhaul policy wordings in line with the Plain English movement. Provide summaries with every policy document, with coverages and exclusions clearly spelt out in simple language.

**Recourse in case of dissatisfaction in claim settlement**

Make it mandatory to attach a document to each policy giving tips on what to look for in a policy, how to approach the Insurance Ombudsman / Consumer Protection Cell in case of any injustice meted out to them (similar to a statutory warning in the tobacco industry).

**IRDA's role in consumer awareness**

IRDA, which has already taken the lead in consumer awareness programmes, could follow the UK model,

*As insurance is not a tangible product, ensure that his understanding of what he has purchased and the reality of the product he is buying are the same.*



where the Financial Services Authority (FSA), the umbrella regulator, carries out a full-fledged consumer information campaign on its web site. Consumers will feel comfortable reading insurance jargon, simple concepts, FAQs, guide to insurance buyers, etc. on a neutral platform like IRDA.

Insurers to enhance their roles: Insurance players could form self-regulatory bodies (like the Insurance Brokers Association of India and the Third Party Administrators Association of India) to exchange ideas and implement best-practices.

**Training in customer sensitivity**

Insurers, both public and private, and brokers/ TPAs should train their staff in customer sensitivity.

**Clarity in escalation mechanism**

The escalation mechanism should be clearly defined – all issues should not land up at the Ombudsman's door. Most should be resolved at the insurer level itself.

**Clarity of products**

Provide consumers with simple, clear and understandable information about products

**Develop customer-specific products**

Develop customer specific, world class products.

**Entering into Service Level Agreements**

Enter into Service Level Agreement with the client on inception of policy, giving timelines to be met with regard to the various servicing aspects including claims and renewals.

**Standardise formats**

IRDA should move to standardise all formats related to policy servicing, including claim forms, TPA enrolment forms, etc. When a claim is partially disallowed or repudiated, the consumer should be given clear, written reasons for the same.

**Customer seminars**

Brokers and agents should educate their clients through seminars and workshops.

**Non-renewal notice to customers**

In case the customer fails to renew a policy, he/of she should be given sufficient notice about it.

**Risk warnings**

Introduce some new pre- and post-sale information requirements and risk warnings to help consumers make informed choices about the type of product and amount of cover they need.

### Customer feedback

To collect feedback from consumers on their changing needs and grievances, if any.

### Reinsurer rating

In case of reinsurance driven policies, the client may be informed of the rating of the reinsurer.

### Customer protection against intermediary / agent fraud

In case of intermediary / agent driven policies, where the premium amount is not deposited, the protection for the customer is to be specified.

### Customer protection against insurer insolvency

A separate fund can be set up by the Regulator to take care of an eventuality like the insolvency of any of the insurers.

### Clarity in penalty

Penalty to the insurer to be spelt out clearly in case of non-compliance of service levels / delayed claim settlement.

### Examples from across the world

A look at how consumer protection has shaped up in various countries will provide guidelines on how the Indian industry can go about it.

### United Kingdom

The FSA is the independent watchdog set up by the government under the Financial Services and Markets Act, 2000 to regulate financial services in the UK, and protect the rights of retail customers. It aims to promote efficient, orderly and fair markets and help retail consumers achieve a fair deal.

### United States

The National Association of Insurance Commissioners has been set up to assist all the state insurance regulators, individually and collectively, in serving the public interest and achieving insurance regulatory goals. It facilitates the fair and equitable treatment of insurance consumers.

### South East Asia

The South East Asian countries have consumer protection laws that are the only course of redressal for aggrieved customers.

In India, the Consumer Protection Act, which came into existence in 1986, and the creation of the Insurance Ombudsman by the Regulator are the

only sources of recourse for a consumer who has faced injustice by an insurer.

Consumer protection is like corporate governance – regulation or policing can only set the tone and agenda; practising it in spirit has to come from within. Treating customers fairly needs to be embedded into the culture of a firm at all levels, so that over time it becomes business as usual.

In the final analysis, it is clear that firms will only practise what they believe is crucial for their survival and growth. Therefore, the best way to ensure that consumer protection becomes a rule and not an exception is to open up the market fully to competition – let the consumer vote with his feet and teach the errant companies a lesson; the survivors will be twice as careful with their “kings”.

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