

Chapter 5

THE SELLING OF INSURANCE PRODUCTS

In this module we will learn about various types of life insurance products available in Indian Insurance market offered by various Life Insurers

Learning Outcomes:

1. Art of prospecting
2. Ethical selling
3. Communications skills
4. Importance of after sales service
5. Customer loyalty building for persisting
6. Do's and Don'ts for POS-Person
7. Grievance Redressal Mechanism
8. AML/KYC Guidelines



1. ART OF PROSPECTING

Prospecting is the art of finding out probable buyers of insurance. It is a major activity, which leads to insurance selling. It is not that everybody whom POS-Person meets will take insurance. Out of 20 people met in a few, say 8 to 10 may show interest in buying insurance. Out of those even few, say 2 or 3 may go in for actual buying.

1.1 Who is the prospect?

Prospects are people who can pay for insurance. A person with no income is not a prospect.

Prospects must have a need (one or many) for insurance. Cattle owners are prospects for cattle insurance. Poultry farm owners are looking for poultry insurance. A person with responsibilities of family needs of Life Insurance. Health insurance is needed by everybody.

They should be able to pass the requirements of underwriting fixed by the insurance company. Finally, the POS-Person should be able to approach them.

1.2 They should first of all find out the prospects to which he can approach and try for their insurance. He has to prepare a list of such.

To prepare the list of prospects, following methods can be utilized

- References: A relative, a friend or an existing policy holder. These people may provide reference to them, if asked for.
- Centre of influence: These are important persons in an area through whom others can be approached. For example: Sarpanch of the village, Manager of the Gramin bank, Headmaster of a school, etc.
- Nests: These are the large groups like employees of a bank, members of gram sabha etc. Once they get entry into their circle, selling becomes easy.
- Cold canvassing: This is meeting a person whom the POS-Person does not know and with whom he does not have an introduction or any meeting in the past. This is a technique which is effective; it helps in increasing the customer base.
- Policy holders: Existing policyholders to whom they have sold insurance in the past can be approached for few products/enhanced cover.

1.3 Pre approach: After classification of prospects the POS-Person should prepare for meeting them personally. But before meeting them he should collect the maximum information about the prospects through various sources and prepare himself mentally as to what he will be trying to convince them to go in for particular insurance policies.

1.4 Meeting with prospect: In meeting with prospects the POS-person should present a policy which suits the requirements of the prospects. During discussion prospects should be told about various advantages and deficiencies of the product.

2. ETHICAL SELLING

In selling insurance, POS-Persons' main concern should be to sell products which are appropriate for the needs of the customers. Need Gap and advising suitable solutions to prospects is important for them.

Every person should follow ethical standards when working as a POS-Person. Ethical standard depending upon the actions of selling and servicing of insurance products, they relate to best and right practices.

While selling insurance, we have to behave in an ethical manner. This means that he should not suggest products which are not useful or harmful to the clients.



Examples of unethical behaviour:

- i) Projecting very high benefits under a plan: telling the prospect that his investment in a life policy will become double or five times in 3 years period.
- ii) Not making complete and true disclosures about the product and its features: tell the client that everything is covered. Like for house insurance say that it will cover all the losses including collapse under a fire policy, when it is excluded.
- iii) Offer a rebate or inducement in return to purchase a policy: parting with part of a commission or paying the first premium under the life policy are prohibited under Insurance Act 1938 and are punishable with fine of Rs. 500/-
- iv) Unethical behaviour is reflected in overselling of insurance; giving clients policies of higher amounts on which he cannot pay premium for the full term.
- v) Under insurance: Not insuring client's requirement fully, just to show him less premium is payable. For example, issuing only a fire policy but not giving him an earthquake prone area.
- vi) Churning: In churning clients are advised to cancel the old policy and go in for a new plan. This may earn high commission for intermediaries but policyholder losses heavily or cancellation of policies or surrendering them.

Use of unethical means in the sale of insurance is called mis-selling and results in rejection, delay in settlement of claim or client losing money because of false promises. Misselling may be beneficial for a short term but in the long term it damages not only the image and reputation of the POS-person but also the insurance company with whom he is connected.

3. COMMUNICATION SKILLS

3.1 What is communication?

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

Communication takes several forms – oral, written, non-verbal and 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 that whatever the receiver has understood is the same which the sender wanted to send.

Communication can get distorted because of the following reasons:

- Impression about the sender, there are some persons about whom everybody believes that whatever they are saying is not true.
- The message has been poorly designed, the different messages being sent through verbal, written and non-verbal forms.
- Too much or too little has been conveyed; a lot of noise, too little substance.
- The sender has not understood the receiver's culture. Difference due to use of different language, body language.

The real challenge is to overcome these barriers.

Another important aspect of communication is one needs to be aware about the importance of listening skills. This follows from a well-known principle that it is important 'first to understand before being understood'.

How well you listen has a major impact on your effectiveness, and on the quality of your relationships with others.

Active Listening: The most important aspect of listening is active listening where we consciously try to hear and also, more important, try to understand the complete message being sent.

Active listening consists of:

- Paying attention to the speaker
- Show him by your gestures that you are listening
- Provide feedback

During the active listening stage it is important to allow the speaker to finish each point before asking questions.

Responding Appropriately: Active listening implies much more than, just hearing what a speaker saying. The discussion can be completed only when the listener responds in some way through word or action.

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 good 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.

4. IMPORTANCE OF AFTER SALES SERVICE

4.1. Selling insurance is like selling a price of paper of trust. Building trust is a continuous process. Post-sales service is an opportunity to consolidate and build that trust.

Insurance is a service industry, it's not a one-time sale of a product but it is a continuous process. If you provide good service without asking, the policyholder may refer your name to others for their insurance needs.

Insurance business about building relationships and keeping them. Maintaining a good relationship is more important than just getting business from a customer. That is why it is very important to provide good after sales service.

After sale service in insurance includes the followings:

- Delivering premium receipts and policies.
- Reminding policyholders about the due date of payment of renewal premium.
- Helping policyholders in making payment to insurers by educating him the methods and options of payments available with him.
- Informing policyholders about launching a new insurance product that may be suitable for the client.
- Advising policyholders about informing changes in risk to insurers and educating them about the procedures to be followed in affecting the change.

Example: Procedure for change in nomination under life policy. In case of house insurance change in occupation of the building.

- In case of claim, advise the client or his legal heir (in case of death claims) about the procedure to be followed, forms to be filled up and documents to be collected and submitted to insurers. If there is a need to intimidate other authorities like police, fire brigade, local authority etc. policyholders should be guided about.
- Follow up claims with insurers for faster settlements.

THE FOUR P COMPONENTS OF THE MARKETING MIX

PRODUCTS	PRICE
<ul style="list-style-type: none">• Product variety• Quilt• Design• Features• Brand name• Packaging• Sizes• Services• Warranties• Returns	<ul style="list-style-type: none">• List price• Discounts• Allowances• Payment Period• Credit limits

TARGET MARKET

PLACE	PROMOTION
<ul style="list-style-type: none">• Channels• Coverage• Assortments• Locations• Inventory• Transport	<ul style="list-style-type: none">• Sales Promotion• Advertising• Sales force• Public relations• Direct marketing

5. CUSTOMER LOYALTY BUILDING FOR PERSISTENCY

Customer loyalty is very important in insurance. If a customer remains with a POS-Person or with the company for which he works it helps in growth of the company and also of the POS-person. There is no sense of bringing in more customers and losing old ones, because more time, effort and expenses are required to bring in a new customer but to retain an old one it is not so.

Instead of always targeting new customers it is advisable to target changed needs of old customers. This will automatically help in growth of the business and at the same time customer confidence. Because of this increased confidence and trust arising out of long term relationships the client may refer to the POS-person name to his other friends and relatives.

In both branches life and non-life insurance, it is important to retain customers. It is more important in life insurance where for a new policy the expenses and efforts are relatively higher compared to renewals.

5.1 Efforts of loss of old customers:

- i) If old customers are lost the POS-Person and insurer both lose financially due to reduction in business.
- ii) Policyholder loss benefits of insurance covers, if they do not renew their insurances or terminate before term by surrender, cancellation etc. For them it amounts to loss of commission income

5.2 Benefits of persistency:

- a) Achievements of business targets for insurer and also for the POS-Person
- b) The income of the insurer and the POS-person increases as in addition to new business renewals are also part of the business income.
- c) Costs of acquiring new business is much more than acquiring renewals.
- d) Customer is satisfied because over a period of time he achieves what he had planned at the time of taking insurance otherwise when insurance protection/money is needed it is not there.

5.3 High level of persistency can be achieved by:

- 1) Need based selling: Always sell appropriate policies designed for the customers' needs. Number one cause of policyholder leaving is when he feels that the policy which has been sold to him does not fulfil his need.
- 2) Continues right advice: The policyholder must be advised throughout the life. For achieving this it is essential that the POS-person must remain in touch with him. The

Person must remind him about all insurance related information; including premium payment.

- 3) Good servicing: The intermediary should be available to policyholders at all time for any type of insurance related service; including claim.

6. DO'S AND DON'T FOR POS-PERSON

6.1. Do's for POS-Person

- a) Person has to conduct business with utmost good faith and integrity, with due care and diligence.
- b) Identify himself as a POS-LI Person, and show the licence if a prospect demands it.
- c) He has to provide information about insurance products on sale. While advising the prospect to purchase a specific insurance policy, he has to take into account the needs of the prospect.
- d) He has to keep all information given by the prospect, confidential.
- e) He has to disclose the commission he earns, if asked by prospect.
- f) He has to indicate a premium that will be charged by the insurer.
- g) He has to explain the prospect, the information and other details, and its importance that will be required for insurance.
- h) He has to inform the insurance company about any adverse health conditions, personal habits or income inconsistencies of prospects in a confidential report, along with every proposal.
- i) He has to inform the prospect of the consequences of non-disclosure and inaccuracies.
- j) He has to communicate promptly to prospect about acceptance/rejection of a proposal.
- k) He has to advise policyholders to effect nomination or assignment or change of address or exercise of option, as the case may be, and provide necessary assistance in these matters.
- l) He has to provide assistance to the policyholder/claimants/beneficiaries in submitting requirements for the settlement of claims to the insurance company from the proposal.
- m) He has to forward the information received from the policyholder regarding claim or any event likely to cause claim, without delay.
- n) He has to communicate the insurance companies' decision regarding claim to the claimant without delay. He has to provide all reasonable assistance to claimants in purchasing the claim.



- o) He has to ensure that the statements made to customers regarding policies are neither misleading nor extravagant.
- p) He has to ensure compliance of
 - a) Section 64-VB of Insurance Act 1938
 - b) Section 41 of the Insurance Act 1938, by drawing attention of the prospect
 - c) Anti Money Laundering (AML) and Know Your Customer (KYC) guidelines.

6.2. Don't for POS-person

- a) **Do not** to solicit or accept any insurance business without a valid license.
- b) **Do not** induce prospect to omit any material information in the proposal form.
- c) **Do not** induce prospect to submit wrong information in the proposal form or documents submitted to insurance company for acceptance of proposal.
- d) **Do not** behave in discourteous manner with the prospect, the policyholder or the claimant.
- e) **Do not** interfere with proposals brought by others.
- f) **Do not** offer different rates and terms than those offered by insurers.
- g) **Do not** demand or receive benefit/share out of insurance money paid to the beneficiary.
- h) **Do not** force policy holders to terminate existing and to effect a new policy within three years from the date of such termination.



7. GRIEVANCE REDRESSAL MECHANISM

For any organization, customer service and customer satisfaction are the prime concerns. A prompt and efficient service is required not only to attract new customers but also to retain the existing customers. So, every organization has put in place a grievance redressal system to provide proper service delivery and identify the shortcomings.

Some of the noted principles on Grievance Redressal mechanism are as follows:

- Customers are treated fairly all the time
- Complaints raised by customers are dealt with an open mind, with courtesy and on time
- Ease of registering of complaints with the insurer, which will be handled by the concerned committee or an experience and informed person

8. AML/KYC GUIDELINES

IRDA issues Anti-Money Laundering (AML) and Know Your Customer (KYC) guidelines which every insurer has to comply with.

KYC

- Details of the person who funds/pays for an insurance contract, either as beneficial owner or otherwise is relevant and important
- At any point of time during the contract period, where an insurance company is no longer satisfied that it knows the true identity of the customer, an STR should be filed with FIU-IND

Due Diligence

- More frequent reviews of the customer activities/ profile/ transactions
- Application of additional measures like gathering information from publicly available sources or otherwise

Establish Sources of Funds

- Review of the proposal/contract by a senior official of the insurance company etc
Income proof doesn't constitute establishing a 'source of funds'. Insurers should take appropriate measures commensurate with the assessed risk of customer and product profile as part of their due diligence measures which may include:
- conducting independent enquiries on the details collected on/ provided by the customer where required
- consulting a credible database public or other etc

FATF (Financial Action Task Force)

- Special attention should be paid to business relationships and transactions, especially those which do not have apparent economic or visible lawful purpose
- It is imperative to conduct detailed due diligence while taking insurance risk exposure to individuals/entities connected with countries which do not, or insufficiently apply, the FATF recommendations