



Received: 10-12-2023
Accepted: 20-01-2024

International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

The Importance of Customer Service in the Life Insurance Business

¹ Thi Huu Ai Nguyen, ² Nguyen Zen Nguyen
^{1,2} University of Labour and Social Affairs, Vietnam

Corresponding Author: **Thi Huu Ai Nguyen**

Abstract

In the context of increasingly fierce competition in the life insurance market. Insurers increasingly focus on customer service. They consider this activity to be a decisive factor in the success of the business. When insurance products are highly competitive, customers who buy insurance products feel that they have achieved all the benefits of the product,

the starting point for them to choose one business over another is the specialty and interest of insurance businesses in customer care for them. Therefore, this article has given reasons to prove that improving the quality of customer service and maximizing customer benefits is a very important task for every insurance business.

Keywords: Customer Service, Insurer, Efficiency, Importance

1. Introduction

According to the Law on Insurance Business, Law No. 08/2022/QH15 "Insurance business is the activity of insurance enterprises, branches of foreign non-life insurance enterprises, mutual organizations providing microinsurance that accept the risks of the insured, on the basis that the policyholder pays premiums for the insurer, branches of foreign non-life insurance enterprises, mutual organizations providing indemnity microinsurance, paying insurance premiums when insurance events occur as agreed upon in the insurance contract" ^[1]. Customer service is all activities that the life insurance company and its employees undertake in order to satisfy customers so that these customers continue to do business with the company while positively introducing the company to other potential customers. Providing Customer Service involves finding out what a customer wants and taking reasonable steps to satisfy that desire.

Customer service is not only a healthy business but also a way to fulfill commitments in insurance policies. For example, insurance policies often contain a provision about the policyholder's rights regarding changes in the policy. An insurer must be able to fulfill such commitments in the contract with the insured. Any employee of the insurance company when interacting with customers must be responsible for serving customers. Any connection a customer has with an insurer contributes to its image. Therefore, practically all employees of the insurance business must always be responsible for Customer Service.

For enterprises producing and trading common goods products, their customer care service is the warranty, repair, and periodic product inspection. As for insurance companies, this service is performed after entering into insurance contracts and it is done through visits, gifts during holidays, birthdays, in counseling to prevent and limit losses ^[2]. Although very simple, it plays a great role in making the relationship between customers and insurance businesses closer, closer and closer. Their satisfaction will definitely add credibility to the insurance business, helping it attract new customers. They are even bolder and more open in giving feedback to insurers on the limitations of insurance products and services, and insurance agents.

2. Customers

"Simply put, customers are individuals or organizations that businesses are trying to market towards. They are the purchasing decision-makers. Customers inherit the quality characteristics of products and services" ^[3]. In the conditions of economic development, the competition is increasingly fierce, customers play a very important role for each business. Customers are the decisive factor in the success or failure of the business because they are the ones who bring revenue and profit for the business to maintain and pay for all activities in production and business. In order to develop and expand the market share of the insurance business, insurance businesses through many forms of customer search such as advertising, direct consultation by phone or support, consulting, and completing procedures and documents to buy insurance at home for customers. Customers are identified from two sources, external customers, and internal customers.

External customers are those who conduct transactions with insurance companies in many forms such as face-to-face meetings with consultants, insurance agents, telephone transactions or online transactions. This is the traditional way of understanding customers, without customers like this, insurance businesses cannot exist. Customers who buy insurance and feel satisfied with the products and care services provided by the insurer will be loyal and loyal to the business. Because customers have the right to choose, they will choose another insurance product provider if your products and services do not satisfy them. Then businesses will suffer losses because of loss of customers, loss of revenue, and the ability to maintain operations. Satisfied customers are also the source of profit for the business, and they are the ones who create the success of the business. The customer is the boss of the business, they are the ones who pay the salary of the business by spending their money when using the products and services of the business.

Internal customers are understood as employees working at insurance companies. They can be salespeople, agents, insurance brokers in the business, and employees who are also guests. For example, HR managers can purchase insurance products from employees who are insurance agents. On the business side, they must respond to the needs of employees, and have policies to promote employee loyalty. Besides, between employees, there should also be attention and help each other at work. With the concept of customer understood in a broad sense, businesses will be able to create a more perfect service because only when businesses care about employees, build loyalty from their own employees. At the same time, employees in the enterprise have the ability to work together, care to respond to needs and satisfy colleagues, they will have a good working spirit and can serve external customers of the business effectively and consistently.

3. Customer Service

Products of insurance enterprises are special products and services. It is different from conventional products and is an unexpected product. Meanwhile, the Vietnamese concept is to avoid thinking about bad things that can happen to themselves or their relatives, so consulting to sell insurance products (which are products of risk) is also more difficult than many other conventional products. Recognizing this, insurers consider customer service to be a primary concern in their business processes. These care activities are partly carried out in accordance with the provisions in the insurance business law on the rights and obligations of insurers and insurance customers, and the other part is the care services of each enterprise exclusively for their customers. Concrete:

In the insurer's obligation to provide information, "When entering into an insurance contract, the insurer and branches of foreign non-life insurance enterprises are responsible for providing full and accurate information related to the insurance contract, explaining the conditions, insurance terms for the policyholder; The policyholder is responsible for providing full and truthful information related to the insured object to the insurer and branches of foreign non-life insurance enterprises" ^[1].

To comply with this regulation, all sales staff of the insurer must provide clear specific information and advice for customers to understand the product. Provide the policyholder with insurance claims, questionnaires related to insured risks, insured objects, rules, conditions and terms of insurance; Clearly and fully explain to the policyholder about insurance benefits, exclusion clauses, rights and obligations of the policyholder when entering into insurance contracts; Provide the policyholder with evidence of entering into an insurance contract specified in Article 18 of this Law; Issue premium collection invoices to the policyholder as agreed upon in the insurance contract and relevant laws; Indemnify and pay insurance premiums when insurance events occur; Explain in writing the reasons for refusing to pay compensation or insurance premiums; Coordinate with the policyholder to settle claims of third parties claiming compensation for damages under insurance liability when insurance events occur; Keep insurance contract records in accordance with the provisions of law; Confidentiality of information provided by the policyholder or insured, except for cases at the request of a competent state agency or with the consent of the policyholder or insured; Other obligations as prescribed by law.

When an insurance event occurs, the insurer must provide and support services for customers to enjoy insurance benefits. An insurance event is an objective event agreed upon by the parties or prescribed by law that when such an event occurs, the insurance enterprise, branches of foreign non-life insurance enterprises, and mutual organizations providing microinsurance must pay compensation and insurance premiums as agreed upon in the insurance contract. According to regulations, insurance claim settlement support activities are activities that assist insurance buyers, insureds, beneficiaries or insurance enterprises, reinsurance enterprises, foreign branches in Vietnam, and mutual organizations providing microinsurance to carry out claim settlement procedures and pay for insurance. The accompanying customer service activities when settling compensation are sales staff who will visit, encourage, and meet customers at risk to assist with regulatory documents and procedures.

Table 1: Illustration of Termination, cancellation, maturity and insurance payouts by policy year

Unit: Millions VND

Companies	1st Year			2nd Year		
	Number policies	Sum Insured	B. Insurance payouts/ C. Cash surrender value/ D. Matured/ E. Other	Number policies	Sum Insured	B. Insurance payouts/ C. Cash surrender value/ D. Matured/ E. Other
AIA	9,710	10,776,729	838,087	5,583	5,365,755	296,747
MVI	2,214	644,646	12,538	27,709	12,892,281	129,443
Bao Viet Life	17,297	5,881,115	225,885	39,371	16,213,226	152,035
BIDV Metlife	9,064	5,596,702	48,119	3,166	2,159,391	86,486
Cathay Life	864	224,934	10,949	409	119,558	17,460
Chubb Life	4,736	7,467,944	78,459	30,026	36,310,784	156,310
Dai-ichi Life	60,487	38,691,818	377,685	144,937	227,770,010	427,761
Fubon Life	2,575	1,503,210	95	313	93,793	1,424
FWD	66,295	8,914,555	201,596	110,099	60,057,822	159,918
Generali	41,766	69,290,012	275,821	8,378	5,371,099	153,546
Hanwha Life	2,041	4,636,832	58,009	26,539	27,156,396	72,271
Manulife	220,407	95,417,816	1,889,010	23,079	18,899,236	1,180,074
MB Ageas	8,670	7,353,425	880,287	196,027	7,580,131	532,116
Phu Hung Life	12,842	7,564,231	21,372	1,706	958,418	26,171
Mirae Asset Prevoir	68,219	4,341,149	139,308	37	33,486	2,164
Prudential	39,185	27,697,328	442,983	63,675	24,361,520	582,746
Sun Life Vietnam	46,179	45,747,764	86,951	5,714	6,560,781	25,491
FWD Assurance	22	8,146	194	237	14,951	5,676
Shinhan Life	73	14,397	38	0	0	0
Total	612,646	341,772,753	5,587,388	687,005	451,918,637	4,007,837

Source: Insurance Association of Vietnam (2022) [4]

4. The importance of customer service in insurance business

Every business provides customer service, but the quality is completely different. Businesses that do it best reap a lot of benefits. In a highly competitive environment such as a life insurance business, products launched in the market are not protected by copyright, so price and service are the two main reasons for customers to choose their own insurance company. However, lowering fees too low affects the solvency of insurers. Therefore, Customer Service becomes one of the biggest differentiators among insurance businesses. Thus, if insurers provide quality customer service, they will receive key benefits such as:

Build long-term customer loyalty: Satisfied customers tend to keep doing business. Insurers find that the cost of finding a new customer is five to six times greater than the cost of keeping an old one. This is a summary of some major life insurance companies in the world that have more than 100 years of experience such as Prudential, AIA, and Bao Viet.

Attracting new customers: An insurance business that is reputable and does a good job of service, and customer care will be easy, to approach and attract new customers. Today, people's intellectual levels and people's lives are enhanced. Corresponding to it, customers who intend to participate in insurance also have a higher education, are better informed, and are more financially savvy. Therefore, they look forward to providing higher-quality services. In fact, before choosing an insurance product provider, many customers often compare the customer care policies of different insurance companies before they decide to buy.

Attracting and retaining insurance distributors: Distributors such as banks, and brokerage firms. Distributors

with a fixed number of customers, and a wide and quality distribution system tend to cooperate with reputable insurance companies and do good customer service. These insurers are good, this will make it easier for their distributors to distribute insurance products and operate more stably. At the same time, it also enhances the reputation of insurance sales staff in the distribution system of insurance products and services.

Attract and retain qualified insurance salespeople: Many insurance salespeople such as insurance agents always have the desire to work at businesses that are highly valued for good quality customer service. This has always been very evident in the Vietnamese insurance market over the years. Specifically, agents who are good at exploiting insurance often join reputable insurance companies and do good customer service. Thereby enabling them to easily consult and exploit new customers and maintain traditional ones... If the insurer fails to maintain this work, they may leave and abandon the business.

Improve the productivity and productivity of insurance agents: When the quality of customer service of insurance companies improves, employees can increase their work intensity because they spend less time dealing with problems arising from poor customer service.

Increase profitability: By attracting and retaining loyal customers, distributors, and quality employees, an insurance company can increase revenue from its insurance business and increase its profitability.

All the above benefits show that the provision of quality customer service becomes especially important in the life insurance business - a specific type of business with a long-term term for each policy, mostly all 5 years or more [5].

Table 2: Illustration of Termination, cancellation of policies due to other reasons

Criteria	1st Year					
	Number policies	Against the same period last year	Sum Insured	Against the same period last year	A. Premium Refund/ B. Insurance payouts/ C. Cash surrender value/ D. Matured/ E. Other	Against the same period last year
1. Term Insurance	50,384	82%	9,019,847	91%	-19	-1%
Individual Policies	50,384	82%	9,019,847	91%	-19	-1%
2. Pure Endowment	0	-	0	-	0	-
3. Endowment	240	118%	64,058	180%	11,961	65%
Individual Policies	240	118%	64,058	180%	11,961	65%
Group Policies	0	-	0	-	0	-
4. Whole Life	0	-	0	-	0	-
5. Annuity	0	-	0	-	0	-
6. Universal life	4,860	69%	2,395,021	84%	241,553	178%
Individual Policies	4,860	69%	2,395,021	84%	241,549	178%
Group Policies	0	-	0	-	4	-
7. Unit link	24,003	150%	23,083,358	181%	376,497	277%
Individual Policies	24,003	150%	23,083,358	181%	376,497	277%
Group Policies	0	-	0	-	0	-
8. Pension Insurance	0	0%	300	35%	538	27%
Individual Policies	0	0%	300	35%	538	27%
Group Policies	0	-	0	-	0	-
9. Health Insurance	65,527	32121%	3,631,349	61072%	48,354	3701%
Individual Policies	65,527	32121%	3,631,349	61072%	48,354	3701%
Group Policies	0	-	0	-	0	-
10. Group Insurance	0	-	0	-	4	60%
11. Riders	105,277	153%	21,778,648	141%	986,577	261%
Total of main policies	145,014	170%	38,193,932	149%	678,884	230%

Source: Insurance Association of Vietnam (2022) ^[4]

5. Criteria for evaluating the quality of effective customer service

Depending on each person's point of view, Customer Service is understood in different ways. Still, for life insurance companies in general, Customer Service is considered effective if it meets the following criteria:

Promptness: Customer service is considered prompt if it is done promptly. Customers always want insurers to quickly resolve their benefits and problems when an insurance event occurs. Procrastination is what makes customers feel uncomfortable, frustrated, and frustrated. They may not continue to enter into a new contract, reduce the amount insured, cancel the policy, and even sue the company before the law. A customer who waits for a response to a loan request from a contract or waits for information to respond to a contractual benefit settlement for too long will easily get irritated. Many companies have had to guard against consequences like this by being ready to provide customer service at any time.

Politeness and courtesy: Customer Service staff must always be courteous and considerate to any attitude of customers and in any circumstances. Politeness and courtesy increase customers' trust in the company. And also, employees who always know how to feel customers and try their best to handle their requests politely and professionally, will make customers participating in insurance keep a good impression of the company for a long time.

Completeness: Providing complete customer service is a real challenge, especially when a customer's request always requires multiple parts of the company to be involved, or it is too complex and special. The specific information of each transaction can help the company provide complete customer care and bring satisfaction to the requester. At the same time, it saves time for customers, insurance agents,

and customer service staff and reduces costs for the company by avoiding repeated correspondence and transactions.

Accuracy: Accurate, appropriate service is important because inappropriate information, figures, explanations, or mistakes lead to bad customer decisions later. For example, a customer service agent mistakenly reports that a certain policyholder has applied to change the beneficiary of the insurance benefit. The agent administering that policy will continue to do wrong to the extent that it may cause the customer to feel offended when the procedure for settling beneficiary benefits is completely improper. Transactions related to payment and payment require higher accuracy. Most insurance companies build mechanisms to provide accurate assurance services with checklists, archival software, and complete procedural guidance for their customer service staff through each step of the workflow. In addition, the insurance company requires customer service staff to make notes on customer care history.

Confidentiality: The security of customer information is especially important for Customer Service. Information about the insurance policy of the insured must be kept strictly confidential by the insurance company. That contract is part of the customer's own life. The customer service officer must keep in mind that only the insured and the legal representative of the insurance company are the parties to such a policy. Any other person, including the beneficiary of the contract, is not allowed to find out information about the contract. The insured is the only person entitled to receive information related to the policy from the insurance company - any information, including information about the validity of the policy, the date of payment of the fee, the loan from the policy, and the beneficiary of the policy. Some countries' laws also specify what information can be provided. Insurers often prepare guidelines that outline what

information can be allowed to be provided to whom. A small mistake by the manual or by a customer service representative can adversely affect a customer's long-standing reputation and trust^[5].

Thus, customer service in the life insurance business plays many roles in the insurance business and is important in protecting the development and increasing benefits for businesses. An insurance company that builds a successful customer service system understands the needs and desires of customers. Satisfying external customers and employee customers makes the reputation and commercial position of the business grow. Good customer service helps businesses retain customers and create their loyalty. Good customer service helps businesses attract new customers, retain personnel, and recruit high-quality personnel.

6. References

1. Law on Insurance Business. No. 08/2022/QH15, National Assembly, Hanoi, Vietnam, 2022.
2. Nguyen Van Dinh. Insurance Business Administration Textbook, Publishing House. Statistics, Hanoi, 2003.
3. Section ND. Su, Dan. Quality Management Textbook, National Economics University Press, 2013.
4. Insurance Association of Vietnam. Insurance Fact Book 2022, Insurance Association of Vietnam, Hanoi, Vietnam, 2022.
5. Bao Viet Training Center. Life Insurance Management, Statistics Publishing House, Hanoi, 2006.