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Solutions to Improve Customer Service at Life Insurance Businesses

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Abstract

The research objective of the article is to assess the customer care situation at life insurance businesses. Contract cancellation and violations in business operations and communication with customers. From these shortcomings, the article proposed measures to improve customer service at life insurance businesses. The proposed solutions such as: Building a code of conduct in customer care activities such as always being sincere, sharing, and open with customers; Completing the recruitment of sales staff at all life insurance companies; Clearly identifying and thoroughly informing member life insurance companies of the recruitment of sales staff according to quality, not quantity; Improve the quality of training and fostering of business officials and staff; Building professional ethical standards and behavior of sales staff.

1. Problem

A life insurance business is a service business, but because life insurance products have unique characteristics compared to other products and services, they dominate most of the business processes of insurance companies. Life insurance products have common characteristics of service products as "intangible, inseparable and non-scoreable". In addition, this type of product has its characteristics, which are very different from all other types of products and services, of which "surprise" is one of the distinguishing features. This means that life insurance products are products to sell, not to buy. Or to be more precise, for most life insurance products, even if customers buy them, they don't want the risk to become a reality and the life insurance company has to pay for the insurance. Because once a risk occurs, it means that the insured is sick, has an accident, or dies, the amount paid by the life insurance company can only cover the damage. Financially but mentally, nothing can make up for it. It is this feature that makes it extremely difficult to launch life insurance products, but it is even more difficult to retain customers while maintaining and increasing the market share of insurance companies. Therefore, the continuous improvement of the quality of customer care and support services is highly appreciated by all life insurance companies, whether newly established or existing.

2. Research overview

Trung's research (2006) on improving the quality of insurance services in Bao Vietnam. Based on the theoretical basis of service and service quality, qualitative research methods and quantitative research methods, the author has built a research model that serves as a basis for assessing the current situation and proposing solutions to improve the quality of insurance services of Bao Vietnam in the future. Preliminary research results through qualitative research methods with hand-to-hand discussion techniques, the author has identified a research model consisting of 6 factors affecting the quality of insurance services (Product quality; price quality; quality of assessment work, compensation; quality of sales staff; distribution channel quality; quality of customer policies and quality of propaganda and advertising work). At the same time, an experimental scale of insurance service quality with 25 observation variables is developed. The results of the formal research step using quantitative research methods, using questionnaires to survey customers' opinions. Through data processing techniques by SPSS software to evaluate the scale, test the research model and form the official scale of insurance service quality, as a basis for analyzing and assessing the current status of service quality of Bao Vietnam. The model inspection results excluded two variables: Competitive premiums and the financial capacity of insurers and one factor: The service capacity of insurers from the study model. From there, identify five factors affecting the quality of insurance services: How convenient it is for

customers to access services; the degree to which customer needs are met; the attractiveness of the service; the problem-solving capacity of insurers, and the reliability of services. From identifying the strengths and existing aspects affecting the quality of insurance services in Bao Vietnam, the author has proposed practical solutions and recommendations to improve the quality of insurance services in Bao Vietnam [1]. Research by author Dinh (2009) on some solutions to improve the quality of customer service in life insurance businesses. In this study, the author has theorized about products and services, service quality, insurance customer service theory, a theory about risk assessment of insurance customers along factors to improve the quality of insurance services. On that basis, the article offers three solutions to solve some limitations to improve the quality of customer service, the first is: Improving the quality-of-life insurance policies; the second is: Improving the quality of insurance benefit settlement for customers; the third is: Diversify and combine many product packages to meet the maximum needs of customers. However, with the use of research methods: Experience statistics, comparison, analysis of data collected by businesses without exploration, and receiving feedback and evaluation from customers participating in Life Insurance, the solutions proposed by the author are not practical, low generalization ability [2].

Research by Neetu Bala & Naresh (2011) on measuring life insurance service quality: An empirical assessment of Servqual Instrument at life insurance companies of India. This study was conducted among clients in major cities such as Amritsar, Jalandhar, and Ludhiana of Punjab with an initial study score of 450, after removing invalid samples, the number of samples used for analysis purposes was 337 samples. This study used a 7-factor SERVQUAL model with 29 observed variables: (1) Operability, (2) Reliability; (3) Safety and operational efficiency; (4) The process and purpose of service delivery; (5) Material and ethical superiority; (6) Communication and presentations; (7) Employee proficiency. The study used SPSS 11.5 software for reliability testing, factor analysis, weighted average scores, and multiplicity regression analysis. The study was conducted in major cities, so it is inconclusive for the entire life insurance industry [3].

Duong's research (2012) on factors affecting the service quality of life insurance enterprises. The author has based on the theoretical basis of service quality, and theory of life insurance, applying qualitative research methods and quantitative research methods to build research models, as a basis for assessing the current situation and proposing

solutions to improve the service quality of life insurance enterprises in the next year. The author has identified a research model consisting of 5 factors affecting the quality-of-life insurance services at life insurance enterprises: Proficiency level of employees; communication and presentations; material superiority and professional ethics; process and purpose of service delivery; safety and operational efficiency; and level of reliability. At the same time, a draft scale of life insurance service quality with 29 observation variables is developed. The results of the formal research step using quantitative research methods, using questionnaires to survey customers' opinions. Through data processing techniques by SPSS software to evaluate the scale, test the research model and form the official scale of life insurance service quality, as a basis for analyzing and assessing the actual service quality status of life insurance enterprises. After removing the inappropriate variables, the author identified 5 factors that affect the quality of service [4].

The studies selected and presented in the overview are quite detailed and specific studies on the theoretical basis of service quality and customer care quality. However, the suggestions in these studies are not highly generalized and cannot be applied to businesses in the same industry. Therefore, researching solutions to improve the quality of customer care of life insurance enterprises is essential.

3. Current situation of customer care and cancellation of life insurance policies

As of November 30, 2023, the insurance market has 82 insurance businesses. Specifically, we have 31 non-life insurance enterprises, 19 life insurance enterprises, 02 reinsurance enterprises and 29 insurance brokerage enterprises and 01 branch of foreign non-life insurance enterprises. Total assets of the insurance market were estimated at VND 913,336 billion, up 11.12% over the same period last year. The insurance industry investment back into the economy was estimated at VND 762,580 billion, up 12.78% over the same period last year. Total equity capital was estimated at VND 190,227 billion, up 7.09% over the same period last year. The total premium revenue of the whole market is estimated at VND 227,596 billion, the non-life insurance market increased by 2%, and the life insurance market decreased by about 12.5% over the same period in 2022. Total insurance benefit payment value was estimated at VND 86,467 billion, up 31.1% over the same period last year.

Table 1: Numbers of life insurance policies - Reported on the basis of life products

Unit: Polices

Criteria	Reported period	Against the same period last years
I. New Mining Contract/New Business	3,414,405	96%
1. Term Insurance	1,010,482	96%
2. Pure Endowment	-	-
3. Mixed Insurance/Endowment	30,141	31%
4. Whole Life Insurance	24	-
5. Recurring Insurance/Annuity	-	-
6. Universal life insurance	1,242,167	80%
7. Unit link insurance	747,277	157%
8. Pension Insurance	890	60%
9. Health Insurance	383,424	104%
10. Group Insurance	827	215%
Total of main policies	3,414,405	96%
11. By-Products/Riders	4,875,490	90%

Total of main policies and riders	8,289,895	92%
II. In force at the end	13,921,675	105%
1. Term Insurance	1,548,334	100%
2. Pure Endowment	151	66%
3. Mixed Insurance/Endowment	3,251,421	93%
4. Whole Life Insurance	66,069	89%
5. Recurring Insurance/Annuity	8,814	87%
6. Universal life insurance	7,077,654	105%
7. Unit link insurance	1,466,001	167%
8. Pension Insurance	30,776	101%
9. Health Insurance	472,455	109%
10. Group Insurance	970	182%
Total of main policies	13,921,675	105%
11. By-Products/Riders	26,671,567	105%
Total of main policies and riders	40,593,242	105%

Source: Vietnam Insurance Association [5]

Looking at the insurance industry data, we see that the market shows steady growth. However, this is not the case. Information announced by the Ministry of Finance on the conclusion of the inspection of 4 life insurance companies (Prudential, MB Ageas, BIDV Metlife and Sunlife) on business activities through networks, branches, and banking transaction offices. Accordingly, the inspection found some typical violations such as: Salespeople did not directly advise customers; The salesperson did not fully guide the required dossier procedures according to the regulations of the enterprise; Salespeople do not ensure the quality of consulting on insurance products, leading to customers not understanding insurance products; Salespeople for other salespeople use sales rep numbers to instruct customers to enter information; The employee does not comply with the premium schedule approved by the Ministry of Finance. In the same conclusion, the inspection board also concluded that many customers buy insurance under duress, causing the cancellation rate in the first year of customers to be nearly 70% high [6]. These conclusions represent a series of doubts of customers and society about the transparency and quality of customer service of insurers.

Table 2: Canceled policies in free-look period in 1st year - Reported on basis of life products

Unit: Millions VND

Criteria	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	2,027	49%	612,409	93%	4,102	67%
Individual Policies	2,026	49%	612,282	93%	4,100	67%
Group Policies	1	-	127	-	2	4%
2.Pure Endowment	0	-	0	-	0	-
Individual Policies	0	-	0	-	0	-
Group Policies	0	-	0	-	0	-
3.Endowment	2,391	21%	703,206	25%	40,326	43%
Individual Policies	2,391	21%	703,206	25%	40,326	43%
Group Policies	0	-	0	-	0	-
4.Whole Life	0	0%	0	0%	0	0%
Individual Policies	0	0%	0	0%	0	0%
Group Policies	0	-	0	-	0	-
5. Annuity	0	-	0	-	0	-
Individual Policies	0	-	0	-	0	-
Group Policies	0	-	0	-	0	-
6. Universal life	58,772	67%	37,857,749	68%	2,557,782	263%
Individual Policies	58,772	67%	37,857,749	68%	2,557,782	263%
Group Policies	0	-	0	-	0	-
7. Unit link	84,663	161%	87,723,997	116%	2,361,534	356%
Individual Policies	84,663	161%	87,723,997	116%	2,361,534	356%
Group Policies	0	-	0	-	0	-
8. Pension Insurance	5	500%	850	1700%	84	350%
Individual Policies	4	400%	750	1500%	84	350%
Group Policies	1	-	100	-	0	-
9.Health Insurance	6,922	93%	1,805,786	106%	16,738	193%
Individual Policies	6,922	93%	1,805,786	106%	16,738	193%
Group Policies	0	-	0	-	0	-
10. Group Insurance	2	-	227	-	2	4%
11. Riders	205,792	102%	30,371,154	99%	2,192,037	1060%
Individual Policies	205,792	102%	30,371,154	99%	2,192,037	1060%
Group Policies	0	-	0	-	0	-
Total of main policies	154,780	95%	128,703,997	94%	4,980,566	285%
Total of main policies and riders	360,572	99%	159,075,152	95%	7,172,603	367%

Source: Vietnam Insurance Association [5]

4. Solutions to improve customer service quality
4.1 Formulate policies, remuneration and sanctions for sales staff

Ensure reasonable income for sales staff: As analyzed above, the traditional payment method that insurers are using is the "First Year Focused Commission Policy" - in which the commission rate of the first year is quite high and in the remaining years, the payout ratio is lower and only pays for the remaining policies Stay in effect. The role of the first-year commission is to encourage sales staff to exploit new contracts, while periodic commissions in the following years have the effect of encouraging sales staff to improve the quality of exploitation as well as enhance customer care services during the contract validity. Therefore, it is recommended that insurers should improve the way they pay commissions to sales staff, emphasizing the role of maintaining contracts. The first improvement is to use a leveled commission schedule with a fixed commission rate in the first and subsequent years to incentivize salespeople not only to exploit new contracts but also to increase the retention of existing contracts.

Remuneration and social welfare regimes for sales staff need to be flexible and timely: In addition to commissions as the main income of sales staff, insurers should flexibly provide subsidies for disadvantaged salespeople or entry-level salespeople. To be entitled to these benefits, Insurers should provide specific criteria that harmonize the interests between the two parties such as: Minimum exploitation revenue, number of exploitable contracts, contract retention rate, and customer feedback.

Insurers need to have a timely reward mechanism, honor excellent sales staff, or emulation programs to motivate sales employees to stick with the insurer for a long time. Develop promotion regulations suitable to the characteristics of each member company and thereby create motivation for development for the Head of Department, Team Leader, and sales staff.

Develop specific sanctions depending on the level of violations of sales staff applicable throughout enterprises: Compliance violations of sales staff are issues that insurers also regularly face. Most of these cases are related to insurers to customers. Suppose this situation is not handled decisively and thoroughly. In that case, it will significantly affect the interests of customers, thereby affecting the reputation of the insurance business in the minds of customers. Therefore, it is necessary for insurers to soon develop specific sanctions depending on the seriousness of the case such as: Suspension of payment of income; suspend the examination of reward and promotion competitions for sales employees showing signs of violations; for commissions; immediately stop distributing prints that only collect money to salesmen; narrow the scope of authorization or terminate the sales staff contract if deemed necessary; blacklisted by the Vietnam Insurance Association. Along with the sanctions against internal sales staff, insurers may apply sanctions to sanction sales employees according to criminal procedures for cases where sales employees misappropriate large amounts of money, show signs of defrauding customers, failure, or delay in remediation. These sanctions should be clearly stated in the sales staff contract and require the salesperson to take it seriously.

4.2 Formulation of regulations on customer care activities

Regularly organize mass activities, and movements: Stemming from the characteristics of the work of sales staff is quite active in hours, less subject to management and constraints from the company. Therefore, their free time is sometimes wasted. Therefore, in order to encourage sales employees to stick with their jobs and agencies, and effectively use idle time, insurance enterprises should organize movement activities, and create conditions for sales employees to participate in mass organizational activities at the unit, thereby helping sales staff get closer to each other; exchange and help each other at work.

Mining sales staff must have a minimum number of customer visits during the year. The duration of the visit can be on the anniversary of the contract, the end of the year, or the anniversary of the customer's birthday. During customer visits, sales staff are responsible for delivering the company's gifts to customers, answering customers' questions, acknowledging their comments and providing them with some positive information about the company. Doing so will increase customer satisfaction with the company. Establish a team of staff to regularly monitor the performance of tasks of sales staff and appoint the head of the supervisory committee to give general direction and assess the level of compliance in the practice process of sales staff. Classify the organization of seminars and seminars with customers according to certain criteria combined with topics that create interest for customers. For example, organizing a customer seminar with office workers combines the topic of learning about the current stock market, and fluctuations of gold prices while housewives should combine the topic of introduction and instructions on how to cook a new dish, the art of flower arrangement, the secret to preserving family happiness... By doing so, the insurer will succeed in creating excitement for customers, thereby indirectly helping customers stick with the company for a long time and motivating them action of buying more or introducing new customers to the company.

Insurers' salespeople must be aware of the problem for themselves: Finding a new customer is much more difficult and expensive than maintaining a relationship with an old one. As practice shows, in Vietnam's life insurance market, the fastest and most effective way to market today is direct marketing. Each salesperson must be responsible for communicating to his customers about the noble meaning of insurance against risks of life insurance products, carefully analyzing for customers to understand the importance of insurance without being afraid to mention risks but avoiding mentioning them.

4.3 Capacity building for sales staff

Promulgate documents to develop the most suitable evaluation criteria for recruitment. Priority is given to middle-aged recruits who have been or are doing professional jobs, specializing in community communication activities. These are potential and practical candidates who have excellently proven success with the profession and their mining productivity is always higher than others.

Develop a policy "Sales staff recruit sales staff" in all member life insurance companies because this is the most

effective recruitment method. To do this, insurers need to guide the organization of training courses at member units on recruitment topics to provide the Head of Department and Team Leader with effective recruitment skills and recruitment process. At the same time, it is necessary to have a worthy recruitment remuneration policy for recruiters and referrals. Reasonable and attractive remuneration will encourage old employees to introduce recruits and attract new ones while motivating them in their jobs. This is an important condition to attract recruiters when in the current labor market, the competition for human resources is increasingly fierce.

Orientation for member life insurance companies to focus on training and maximize the role of participating in the training of the Head of Department and Team Leader. Because the Heads and Team Leaders themselves are also directly exploited, they understand the necessary skills to equip a new salesperson, as well as have a lot of useful and practical experience to pass on to other salespeople.

Insurers should soon issue a handbook specifying what to do and what not to do, what virtues to cultivate and habits to eliminate, clearly defining what is ethical and what is unethical behavior to disseminate to all member life insurance companies. These principles will guide how members behave with each other, as well as in their relationships and dealings with customers (advising customers when buying insurance and dealing with customers who refuse to buy). In particular, special attention is paid to the following issues: Clearly explaining insurance terms, not exaggerating or misinterpreting to deceive customers in the process of insurance exploitation; acts of misappropriation of customers' premiums; acts of causing difficulties or colluding with customers for insurance profiteering.

4.4 Improve customer support

In addition to perfecting existing products, the product development department needs to actively survey and solicit customer opinions to capture the needs of customers so that they can come up with new product ideas and design new suitable and quality products, respond in the best way to the diverse needs of customers. It is possible to modify products with similar characteristics to competitors' products to give that product a competitive advantage and increase its sales power in the market. For example, providing better insurance benefits, increasing the sum insured, and fixing a fixed annual interest rate instead of the current assumed interest rate to create peace of mind for customers about inflation, currency depreciation, and more attractive policy designs.

Insurers and partner banks need to actively build specific marketing strategies in Bancassurance aimed at customers through websites and on the Internet. Points of sale, branches and transaction offices of banks should have information and images that create brand awareness of both parties and information about insurance distribution at the bank for customers to know.

Selling insurance via the Internet: Insurers need to soon improve the current website to diversify utilities, making it not only a referral and advertising tool but also a distribution channel, transactions with customers such as: Online sales, receiving and responding to feedback, customer complaints.

5. Conclusions

The paper presented a research overview and found research gaps. The results of the article have made suggestions to improve the quality of customer service. Pay closer attention to the activities of sales staff, especially focusing on mentoring and supporting newly recruited sales staff. In addition, develop a code of conduct in customer care activities such as always being sincere, sharing, and open with customers. Complete the recruitment of sales staff at all life insurance companies. Clearly define and thoroughly inform member life insurance companies of the recruitment of sales staff according to quality, not quantity. Improve the quality of training and fostering of business officials and staff. Develop professional ethical standards and behavior of sales employees. Finally, insurers need to diversify new sales and distribution channels and promote support and promotion activities for customers.

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