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Case Study: Provide A Solution, Not A Product

Human life is the most important asset of a human being. Insurance of one's life is, therefore, an essential type of "assurance" that provides some measure of financial protection to the insured person and his family due to the uncertain risk or damage to life. Life insurance provides both safety and security to individuals and encourages and spurs savings among people. However, as the financial services sector has become highly competitive, financial institutions need to strengthen the relationships with their existing customers and defend their market share. The strategic dimension of marketing should focus on the direction an organization should take to a specific market segment or a set of needs to achieve the specified set of organizational objectives. In order to achieve the set objective, insurance companies adopt different strategies to achieve the "magic number" of the target. Some adopt ethical ways, while others mis-sell products and 'miss the bus'.

This case study is designed to evaluate the marketing methods and sales strategies of the life insurance service sector, how these strategies boost sales and study the marketability of a product which ultimately should lead to customer satisfaction. The insurance scenario faces multiple challenges such as increased costs of operation, regulatory pressures and stiff peer competition. With the help of this case study, an attempt is made to indicate the different strategies of sales adopted by two sales executives - Sonam and Sukumar - and the consequences they face.

Key words: Insurance - Life insurance - Marketing - Sales -, Business ethics – Mis-selling - Customer satisfaction

Prologue

Nimai Chandra Das, aged 58 years, was distraught; he had undergone many hardships in bringing up his four children, three daughters and one son, with the meagre income as a

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carpenter. He himself could not complete his school education. Dire financial situation restricted his children's education as well. Only his son – Sukumar – had the privilege to go to a private school and college, while the daughters went to a government school. In order to supplement the financial needs of the family, his eldest daughter, Tania, was frantically looking for a job. The saving grace was that Sukumar, had completed his BBA in marketing and was hunting for a job. The other two daughters, Maya and Mukti, were still in school.

Sukumar landed a job as a sales executive in a private insurance company – Good Health Insurance Private Limited (GHIPL). He was posted at the head office of the Company in the city of Kolkata. Nimai was very happy and felt relieved that his son got a job; so he distributed sweets and other savouries to the neighbours in the locality.

Breaking New Ground

For Sukumar, life as a sales executive in an insurance company was a voyage of self-discovery. He was very nervous on the day he reported to the office. Alone and quiet, he kept staring at the long corridor and was lost in thought regarding the future uncertainties and challenges.

After brief deliberation with Sukumar, the sales head advised him to take up the position of sales officer in the ‘Life Insurance’ division of the company's Kolkata North Circle office.

Sukumar had not receive any formal training. However, his father's confidence encouraged him to face any challenges patiently and with determination.

Sukumar started off by reading the Company's product profile and the Kolkata office's performance report. The target set for the life insurance division was Rs. 280 crore for the Kolkata North circle office against which the actual performance was Rs. 105 crores as of August of the reporting financial year.

At 10.30 AM, all the sales officers headed to the conference room for a briefing. One by one, all the officers made brief presentations of their expected objectives, and then Mr. Yatharth (Territory Head) set forth his target; he was quick and to the point. – "I want numbers, not excuses, I want figures, not fancies, I want to see our territory at the top of the three performance charts. Every sales officer will be issued a monthly target sheet, and the best performer of each month will be rewarded with a trophy and an incentive." The words of Mr. Yatharth reverberated in the ears of Sukumar for hours. He was anxious to know about his monthly target. He was given a target of Rs. 50 lakh (premium amount)

for the month of September. The average sales targets for other sales officers were Rs. 1.50 crore.

Sukumar did not worry about achieving his target since he had a large friends' circle; he thought he could generate sales without much difficulty. He convinced some of his friends to purchase the insurance products but could achieve only a total of Rs. 12 lakh worth of premium in September.

Natasha topped the team that month by achieving the highest sales in the entire circle. She threw a party for the whole group. While everyone was enjoying, Sukumar kept worrying and sat alone looking glum in one corner of the hall. Natasha, the topper and host, went up to him to have chat and also to cheer him up.

Natasha: Sukumar, why don't you come and join the others on the dance floor?

Sukumar: Thanks Natasha, but I am not in a mood to dance.

Natasha: If you don't mind, would you share your worries with me?

Sukumar: This job is crucial for my family; my father has pinned high hopes on me. I tried my best to achieve the target, but I failed. How will I achieve the target of Rs 75.00 lacs for the ensuing month? If I lose my job, my father would be devastated. I am the only earning member of my family.

Natasha: Don't be so disheartened. You are a newbie now; you will improve your performance in the coming days and months. If you are committed to the profession, there is every possibility of generating more sales. Also, selling requires good marketing skills; the success rate increases when we mix talent and hard work, she encouraged him.

Natasha managed to motivate Sukumar. He started visiting people in the town and tried to explain the concept of life insurance to them. If they showed any interest or asked any further questions about the products, he would talk about the company and suggest the products that would suit them best. Despite his best efforts, Sukumar could generate a business of Rs. 14 lacs only in October. Natasha was again announced as the best sales agent.

Yatharth called Sukumar to discuss his challenges and limitations. He advised Sukumar to "ask for business" from existing clients and generate new business leads from the market. Sukumar explained that all his efforts and initiatives had failed to convince the set target. Yatharth gave an ultimatum to Sukumar that if he could not canvass business worth Rs. 50 lakhs in November he would be terminated!

Sukumar was aghast. With a sense of anguish and a feeling of defeat he left for home. He

told his father of the challenges and his limitations, but a patient Nimai advised him to continue to work with utmost honesty and not to enter into any mis-selling activity out of pressure to achieve the target. Despite his poor financial position, Nimai never compromised with his ethical standards. He had earned much respect in society as an honest and trustworthy man.

On the following day Sukumar reached the office early; he discussed the matter with his colleague – Sonam, who had been canvassing a good volume of business every month. Sonam confided to him that he had been selling insurance policies through HR heads of several companies against a cut-back arrangement. He told Sukumar that he had generated a network of HR executives and gave them 2% of the total premium amount sourced through them. These HR professionals made it mandatory for the new employees to buy the insurance policies, adopt corporate tie-up schemes and offer bulk business against the commission. Sonam also offered rich gifts to CFOs and financial managers of corporate houses to crack business deals. In the past, he had sold insurance by misguiding the customers and that the average return on the policy is 5% more than the interest rate of a bank fixed deposit.

Sukumar was shocked to hear of such unethical practices. Sonam told Sukumar that insurance is a very competitive industry. If anyone tries to sell it ethically, he would not achieve the target, and he lured Sukumar to be his accomplice.

Sukumar was at crossroads – business and ethics. On one hand, he was reeling under the pressure of the target and on the other hand, he did not want to opt for corrupt practices against the moral standards his father instilled in him.

Against the background of the dilemma:

1. What are the different ways of mis-selling of insurance policies? What are the factors that lead to the mis-selling of insurance policies? What are the consequences of misselling/ forced selling of insurance policies?
2. How can Sukumar sell the insurance adhering to fair practices?

Teaching notes

Synopsis

This case study discusses the factors that lead to the mis-selling of insurance products, how misselling is done and the consequences. After briefly introducing Mr. Sukumar (the sales officer), and the case profiles and the challenges he faces in selling the insurance

and the fact of he being lured by his colleague, Sonam (sales executive), to adopt unfair practices to achieve the target is presented.

The fact is that Sonam did not wish to compromise his ethical values; and with hard work and strong determination, eventually he improved his performance phenomenally and continued to achieve his targets. But Sonam, on the other hand, was found guilty of fraudulent activity and was suspended from service.

Case Positioning and Setting:

This case study can be effectively utilized for building the capacity of the participants in the following training programs both in the classroom and virtual programs:

- Sales executives development program
- Leadership and soft skill development
- Wealth management
- Certificate program in insurance sales and service management
- Training program on financial products and markets

The Objectives of the Case Study:

- Role of sales executives in the development of business
- Importance of customer relationship management
- Understanding the skills required for business development
- Understanding the consequence of misselling

Teaching Plan	
Discussion points	Time (in Minutes)
Introduction	10
Question 1	15
Question 2	15
Debriefing and Conclusion	20

Teaching Methodology:

The class can be divided into groups. Then brainstorming can be done on the actions that Subhash can carry out to improve the performance of the branch. The suggestions can be discussed in detail along with the solutions given below.

Suggested Answers

Answer 1:

Mis-selling refers to the deliberate, reckless, or negligent sale of products or services in circumstances where the contract is either misrepresented or the product or service is unsuitable for the customers' needs. For example, selling life insurance to someone who has no dependents is regarded as mis-selling.

Some of the methods of mis-selling are:

- Exclusions 'are the part that agents don't explain to buyers. This part describes the conditions in which the insurer does not provide protection.
- The practice of luring customers with a range of attractive but unrealistic promises.
- Skipping the compulsory requirements of obtaining medical reports since it leads to delay in buying. It is to be remembered that this lapse directly impacts the claim settlement process later.
- Luring customers with attractive but unrealistic gifts.
- Concealing (negative) published statements about past or future trends of return from the scheme from the policyholders.
- Selling insurance policies to (unwary) policyholders with false assurances of good future returns. [A common malpractice in this regard is where the agent sells a policy promising a single premium mode, or a limited-term policy, but it turns out to be a regular premium mode.]
- Tampering with, forgery of the proposal and other related documents of the policy.
- Splitting of policies wherein multiple policies are issued to the same proposer at the same time.
- Charges under the policy and lock-in period are not correctly explained while selling Unit Linked Insurance Policies.
- Selling insurance policies to clients who are not present in India at the time of sale, along with premium being funded, without customer consent, through their bank accounts in India.

Factors Leading to Mis-selling of Insurance Policies

Due to the multiplicity and complexity of insurance products and information asymmetry between the insured and the insurance agent leads to gross mis-selling. Generally, the policy documents are lengthy and contain technical terms (in small print), which make it difficult for the insured to grasp the details, understand the real (hidden) meaning and make informed decisions.

Lack of Awareness:

Being literate and understanding the basics of finance are two different aspects of education. In our country, a large segment of the population is not financial-savvy. People don't have a financial goal, and, they are not able to analyze their own needs, hence, they tend to buy products which are not suitable for them.

Lack of Expertise:

In most cases, the insurance agent lacks the competencies to deal with the clients professionally. Once the policy is sold, the customer becomes an "orphan". The salesperson is under severe pressure to show numbers; they fail to maintain and nurture relationships with their clients.

Lack of Patience:

Generally, after customers agree to buy policies, they do not read the relevant literature carefully. They don't even study the features properly but hurry to wrap up the procedure. The agent should produce all the relevant aspects of the policy and clarify all the doubts patiently and correctly and satisfactorily. The insured is also liable to check what s/he has purchased. Prompt inspection can lead to good utilization of the "free-look period" and promptly clear any lapses in real time and in the better manner possible.

Consequences

Lapse of insurance policy:

Generally, once the policy is accepted by the life insurance company, the insurer incurs administrative costs – processing charges, agent's commission and medical check-up charges – which often ends up exhausting almost the whole of the first year's premium as well as a major portion of second-year's premium collected. After incurring all these expenses, an early lapse in the policy poses a major financial loss to the insurer. A major reason for lapsed policies is the lack of communication between the insured person and insurance agent after the policy sale, leading to strained relationships.

IRDA's annual report for the FY 2020-21 revealed that life insurance claims worth Rs. 1,29,416.88 crore was paid out due to surrender of policies against the income of Rs. 1,17,265.24 crore for the FY 2019-2020.

Mismatch of Objective:

In most of the cases, the aims of the insurance seller and the buyer appear to be different. Insured's primary goal may be to save taxes or build up a corpus rather than life protection, whereas the agent may push for a policy that would help him reach his target faster. This misalignment of objectives in the initial stage of the policy itself will create mistrust between the two parties. The “felt-cheated” customer may not feel comfortable in approaching the “target-seeking” salesperson again, however beneficial the policy is for the insured.

Reputational Loss:

Mis-selling leads to reputational loss for the insurance company. A dissatisfied customer means losing the prospect of doing further business with him and his close acquaintances in the future.

Answer 2

- 1. Know Your Target Group:** The potential buyer must match the USP of the product to be sold. It is essential to obtain the personal details of the potential client, viz. the age, dependents, educational qualification, source/s of income, financial goals and so on... To advise the potential buyers, it is essential to know their actual needs. It may happen that the prospective client wants to buy a life insurance policy to meet his financial needs in case of an eventuality, while another client may be simply wanting to leave a positive contribution to his family and leave fond memories behind, when alive.
- 2. Where to Find Potential Customers? :** It is crucial to analyze the data available with the company to know about the existing customers, past customers, the unconverted leads, because each one of them could be a potential buyer; even if they did not buy earlier, and they could even be a potential influencer of future customer/s.
- 3. Strong Relationship:** One of the effective ways of strengthening the association is to send educational messages touching upon their needs. The more useful and meaningful the communication is the better will be the client-relationship. Conversation must bring transformation in the minds of the buyer.

- 4. Thanksgiving:** A letter of thanks giving to appreciate the client for availing of the service and becoming member of the Company's family will positively impact and cement the relationship. It is equally essential to emphasize that the client's security and well-being is the insurer's interest and responsibility.
- 5. Knowledge about the Industry:** While dealing with clients, it is essential to emphasize that diversification is crucial to investing. It is always important to constantly review and reset the avenues available for investments. The salesperson must have a comparative study chart as a handout with the average returns on fixed deposits, liquid funds, debt funds, equity and mutual funds, etc., to convince the client to close a potential deal.
- 6. Guidance:** The salesperson must prove to be the one stop solution for his/her existing client-base and must be capable of resolving their issues quickly and efficiently. The agent must also provide consultation and guidance about the investment options to the clients to win their confidence. With the clients' patronage, and good will it will become easier to generate quality business leads.
- 7. Creating an Environment "To Buy":** Desperate selling by being pushy with clients will make a wrong impression and cause irreparable damage. It is vital to create an environment where the customer would be led to "buy" by helping them make decisions and provide honest and unique solutions. It should be a "driven selling" with a passion for solving their problems. It is essential to guide and influence clients rather than resorting to manipulation and unethical practices.
- 8. Ask for a Referral:** Never let a sales opportunity go without asking for a referral from your clients.
- 9. Commitment:** Credibility is critical for a salesperson. If you promise something and don't deliver you stand to lose the opportunity. Not only will you lose it with that customer, but with everyone else, he or she talks to about you.
- 10. Don't Ignore Small Leads:** Every customer is essential, It may be challenging to work hard for small-ticket leads, which won't make much profit, but such customers might purchase in the future or give reference to other potential clients.
- 11. Handling Dissatisfied Customers:** If you avoid the people who aren't happy with you, you're losing the opportunity to build loyalty in those customers. Look at dissatisfaction as your opportunity to go above and beyond. Do everything you can do to make it right with those customers and you'll encourage loyalty that will stay with you for years.

12. Cross-selling: According to the report of Capgemini, over 71% of the insured surveyed do not interact with the salesperson or have interacted only once in a year. As a result, insurance companies lose sales because they're not able to assist the customer during the vital points in their hour of decision-making process.

What had Happened to the Actors of the Case study?

Yatharath was transferred on promotion, and, Mr. Ramprasad took over the charge. He was selected due to his years of experience in the industry. He was an amicable and diligent person. He knew that expectations from his higher authorities were sky high, and they wanted a considerable commitment from him. He was unequivocal that he would do fair business without mis-selling. He always emphasized that the customer is the asset of a business.

He was not only the leader but was also an excellent mentor. He shared his experiences with his team every day and motivated them to perform better. He always protected his team from undue pressure from higher authorities. He never passed on the heat of poor performances to the staff. He was very empathetic; whenever any of the staff or their family members were sick, he would voluntarily advise them to leave the office early.

He was regularly interacting with the staff members to know how and what they were doing, what problems they faced and also tried to inculcate the sense of loyalty to the organization among the staff members by making them feel important. During the interaction sessions, he understood the limitations of the staff and encouraged them to overcome them with counselling and training.

Sukumar really felt extremely comfortable and confident working with Mr. Ramprasad and on his advice, adopted the following strategies to achieve the targets set for him:

- He collected the data of the clients who had surrendered their policies in the last 6 to 12 months. He read their profiles/checked their social media interactions to understand them better. He called on those clients and successfully sold the policies to some of them.
- He checked the grievances portal of the company and personally volunteered to resolve the pending issues of the customers thus winning over their confidence and acquiring more business for his company.
- He also collected the list of potential clients (who had enquired about the life insurance products of the company) in social media, websites and through email and contacted them.

- He prepared a list of top 50 clients and developed liaisons with them. He informed them on a timely basis about the new products and resolved their issues on time.
- Whenever any client informed him about the engagement/marriage in the family, he would send a congratulatory mail and a box of sweets and request them to buy a policy.
- He would request all happy customers to refer to "two potential leads" as a return gift.
- He informed clients about the renewal and also encouraged them to avail top-up plans.
- He sent greetings/flower bouquets to customers on their birthdays.
- He created a WhatsApp group for premium customers and regularly interacted with them.
- He pitched customer-oriented and tailored products
- He never criticized other products in the market, instead meticulously highlighted the USPs of his company's products.
- He was active in social media and promoted the products of the company constantly.
- He always kept his promises and delivered them on time.
- He sent a letter of thanks to all the clients after the deals were successfully closed.

Sonam closed corporate deals frequently; he was on cloud nine, he felt jealous of the progress of Sukumar and never left any opportunity to demean him. During the company's annual audit, the auditors observed the following irregularities about the deals canvassed by Sonam.

1. Several of his clients had complained that they were the victims of mis-selling.
2. Many (55%) of the policies were not renewed on time and lapsed.
3. Several financial transactions were between Sonam and the HR executives of the corporate entities whose staff had availed the policies through him.
4. Additional coverage was included in the policy without the knowledge of the insured and the extra charges were included in the premium.
5. He fraudulently replaced existing policies with new ones in order to earn a higher commission.

6. He misguided clients to buy additional insurance at no cost by using the built-up value in their current policies.

An investigation was initiated against Sonam, and he was terminated. The Company compensated the clients for their losses incurred due to the unethical business practices devised by Sonam.

Impact Analysis

Sukumar became the top sales executive of the territory for three consecutive periods during the financial year. He was successful in developing a pool of satisfied clients. He created a brand for himself as “honest and diligent sales executive”. He was awarded as “best salesmen of the year” (new employee category).

Epilogue

A function was organized by the company for Sukumar and his team for excellent performance. Sukumar credited his boss and mentor Mr. Ramprasad, for his leadership, and, his father, Nimai Chandra Das, who instilled in him the spirit of service and honesty and encouraged him to stick to strict business ethics and insisted on his son to follow the path of good morals even when the going was tough.

Sukumar was promoted to the Rank of Area Sales Manager within three years of his service. Both his sisters were happily married; his father was enjoying a cushy and peaceful retired life.

Reference:

Balla Randhir (2021). 6 Secrets of selling 100 Cr insurance to HNIs with Ease.

Suggested additional reading:

(Participants are advised to read the below-mentioned books after the case study discussion for an in-depth understanding of the concept of team work)

1. Frank V. Cespedes - *Sales Management That Works: How to Sell in a World that Never Stops Changing*
2. Paul Cherry - *The Ultimate Sales Pro: What the Best Salespeople Do Differently*
3. Brain Tracy - *The Psychology of Selling: Increase Your Sales Faster and Easier Than You Ever Thought Possible*

