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Portability is a New Dimension in the Service Sector: Case of Insurance Sector

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ABSTRACT

News in early October has reported that the portability implementation has come to India. They referred to the 'portability' of health insurance, an option which would subsequently be expanded to general insurance policies too. This means that the insurance holder—who in an erstwhile process was stuck to one company for his/her life span—could now choose to switch between companies if he/she finds the offerings or service levels better at a different company. This has multiple implications across different levels in the insurance sector. There is an argument that it would benefit the policy holder. But there are also challenges that such a change—like portability in this case—can pose to the operations of the industry. This paper explores what exactly 'portability' brings in to the insurance sector. In the process, the authors try to identify if this 'portability' in insurance sector has any similarity with 'portability' of mobile numbers in the telecom sector, exploring if there are any lessons to be learnt. Perhaps, portability itself is a new dimension in the service sector.

Keywords: anecdotal study, change management, insurance, portability, service sector.

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INTRODUCTION

Health insurance portability (HIP) [2, 3] seems to be the new fad. Amidst many expectations, the policy which has long been debated has come into implementation on 1 November 2011. There are discussions that this initiative will increase the intensity of competition in the insurance sector, because customers now have the freedom of switching their insurance provider. But does it mean wholesome freedom of choice?

It turns out that the freedom is conditional. Before talking about health insurance, one could perhaps do better by taking a look into what happened with a similar concept, mobile number portability (MNP) [1, 4]. Not long ago, only in January 2011, has come into implementation. While it was surrounded with many expectations, all fuss about the concept subsided with the simultaneous promotion of 3G. But that is industry, where shelf-life of a product in less than six months. However, in insurance sector, and with health insurance products, the issue is more complicated, though the operational difficulties are more or less alike[7] [8]. Unlike mobile numbers which do not yield, health insurance products are expected to yield. They accrue benefits over long term based on the conditions in which they are bought. As a customer one would want to imagine that the health insurance was bought at the right time at a low premium cost, but with maximum benefits over the long term. Insurance providers too promise long-term benefits to customers, since there is an expectation that the customer would *continue* paying premiums that would serve as capital for investment to

insurance provider [9] [10]. The equation between insurance provider and customer was then simple and straight—continuity is the magic, and thus they are family by force. The portability option changes the dynamics of family game now!

In the further sections, the process of insurance portability, the constraints on insurance providers and customers are discussed considering lessons from MNP. Also, another section looks into what might be the case with insurance portability in the near future.

Process of Porting Insurance

Where it was mobile numbers and phones, technology-enabled data sharing and change of service provider over a few instructions that could be operated through the phone. Usually, the documentation in this change process is nominal, and technology is reasonably similar across service providers posing least technical challenges in operationalizing the idea of portability. At best, the initiative could have forced the service providers to make a couple of changes to their transactional databases, as the fear of losing customers could have also smitten them hard at the strategic level [4] [5] [6]. However, when it becomes a matter of policy, service providers seldom have choice, for policies are for the benefit of the larger section, customers.

But when it comes to the insurance sector, the amount of documentation that happens before the customer and insurance provider enter into a contract is humongous in comparison to what happens in the case of MNP. Additionally, each of the insurance providers, based on the original dynamics of the industry could have designed their operations to suit the needs of their niches—niches could be the right word, understanding that LIC alone holds more than 70% of the insurance market. To add more complexity, the insurance sector has come out with more product options than an actuary expert could make sense of. Lack of awareness in customers on how these contracts bind them, what they offer, and what they don't seem to have added only another dimension to a fully grown monster. As if it is easy to break through the brick walls every insurance provider has built around herself, IRDA has come out with a bureaucratic process that has more of a market appeal, and less potential to address the concerns of customers interested in venturing into the new initiative.

In short, the process includes the following steps:

- Customer choosing to switch shall file an application form with the new insurance provider, at least 45 days before their policy expires.
- The new insurance provider, on receiving this application, sends a portability form and a proposal form, along with a catalog of services she provides to the customer.
- Customer then chooses a product that he sees fit to his requirement and sends the forms back to the new insurance provider.
- On receiving the filled in forms from customer, the new insurance provider shall contact the old insurance provider seeking details of the customer, including medical records and history if any.
- The old insurance provider, on receiving this request from the new insurance provider, should respond within seven days.
- After receiving the response from the old insurance provider, the new insurance provider should communicate her decision to accept the customer or reject his application in at most 15 days, failing which she shall be deemed to take the customer's application as accepted.

- And so the story ends… or begins

In the spiciest case, a porting request begins just before 45e days from the expiry of policy, with the old insurance provider having 7 days to delay the request of new insurance provider, and the new insurance provider having 15 days to decide if he wants to pursue the customer's request. Considering filing of papers and that there are six communication transactions, it becomes reasonable to leave out another six days worst case for communication itself. All in all, it leaves the customer with 45 days window to keep track of his request, while on 28 days he need not even ask questions about it. It speaks a lot about some sad state of affairs to be seen—discussed in the next section.

Constraints and Opportunities

The seemingly transparent porting process in unintelligible for various reasons.

Old insurance provider is always in a fear of losing her niche market, due to the new option (weapon perhaps would be a right word) given to the customer. And as such she does not want the customer to leave. The option of giving them seven days to fetch and share a customer's records, with the new insurance company, reflects a few things: first, it must be pointing to the technological difficulties in integrating the data across various insurance providers, otherwise the activity could be a few clicks away; second, it gives an opportunity to the old insurance provider to delay the communication by six days assuming data retrieval is not demanding, which in itself indicates that the initiative is allowed to be pacified.

The new insurance provider is always looking out for the new customers coming in. This might happen better when the products she offers have better range of services compared to others. While on one hand, this increases the service quality, one should also be cautious of the kinds of promises made and the twists and turns in the binding contract documents. The fact that they have the discretion to decide against an application gives them the magic wand to make the customer run around them, for the customer who chose to port cannot afford to leave the application hanging. What happens if this discretion is used is that the customer can request the old insurance provider to keep his policy alive for one more month. However, going back to the spiciest case again, if a customer files for a switch somewhere around two months before the expiry of a policy, and gets a rejection from the new insurance provider, it seems currently that the customer is ending in a dead-lock situation.

Add to all this, the six (or more) communication transactions which give scope for reasoning a delay at any point in the process. And add to it, the documentation that goes through in the process and the editions that may be required. The picture suddenly becomes that of a customer carrying a massive earthly burden in the form of a few papers.

As the hidden risks are unfolding, it is suggestible to recognize that these characters called *old insurance provider* and *new insurance provider* are simultaneously played by all the insurance providers currently in the market. That itself inflates the burden on improving the service offerings and service quality, which most market experts suspect would be coming only at a higher cost. There are thus speculations that the insurance providers might charge for porting in the name of service charges, and worse that as new insurance providers they might be able to charge higher premiums for a similar set of benefits. The fear of losing accrued benefits might push the customer

into a zone of concern, however, concrete the rest of the IRDA regulations are.

Blame for the pessimistic approach taken thus far, but it comes from the lessons learnt from MNP and what customers experienced through it. For a snippet, read the excerpt below, which comes from a website called *Youth ki Awaaz*.

I have been using Loop Mobile (erstwhile BPL) since last 6 years now. Till now I was contemplating change of service provider. However, today I received an SMS from Loop saying that I being an old customer am eligible for 1000 free SMS every month for a year and for that I need send an OK SMS to get registered. The moment I did so, they sent me another SMS saying "Your request has been registered. The contractual period of this offer is 1 year". This was not disclosed in the previous SMS. So, I called to ask the implication of the same and was told that I couldn't opt for MNP for a year now. Obviously I got the same cancelled. But the audacity of the operator is unbelievable for having tried such cheap tricks to retain customers. For this reason alone I would now really consider moving away from Loop Mobile. Also, how do I lodge a complaint against this unfair practice by Loop Mobile to TRAI?

Organizations do tend to resort to means, fair and unfair, acceptable and unacceptable, ethical and unethical, when it comes to doing business. It is as inevitable as the business executives maintaining double standards giving lectures on corporate governance and sustainability. Does it mean there is no other way of making this initiative work in the right direction?

Hopefully, there are! While MNP has not hit the mass sentiments, it still serves a purpose staying in the market. So, one cannot rule out any initiative that gives back the power of choice to the customer. However, such initiatives can work better if their implementation too is driven by a policy and is backed up by investment in technology that can plug the gaps in the conceived process. Even in the case of HIP, as this paper is discussing, an investment in technology to integrate the customers' data and operationalize data sharing between service providers, the constraint of 45 days could come down to a week if not a day or a few clicks. And then, it is imperative to understand that 'adding power to both sides only intensifies conflict but does not promote cooperation, for that is the nature of power'. Thus, it could do well to consider limiting the discretion of insurance providers on deciding which porting to accept and how to process.

CONCLUSION

Portability makes the markets more fluid. They tilt the power of decision-making toward customers. Policy-making bodies, such as IRDA, should do good to recognize that they are to work on the side of the larger community, and may it be customers. Bureaucratic processes are not the best way of kick off the implementation of an initiative that has to go far. But since it has come, and as it works to give out its worst, we hope that there is a purposeful investment in technology that can enable better servicing of customers. What more! The initiative could be extended to other kinds of insurance products, life insurance including. That must be the happy news that each one of us should await.

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