i-notes
Newsletter from India's Leading Insurance Broking House
January 06

Summary

India Insure
The risk managers

Special Issue : Celebrating 3 years of Insurance Broking in India

Message from the Editor

Dear Readers,

2005 has flown by (it always seems so on New Year's day) and 2006 is already a fortnight old as we go to press. Let me, therefore, wish all our readers and well-wishers a **very happy, healthy and prosperous 2006**.

The current issue is a Special one – it commemorates the completion of 3 years of Licensed Insurance Broking. As the holder of the first Licence and as a pioneer in the insurance broking market, we felt it was appropriate to present a Progress report on the industry - our achievements, failures, constraints, and the way forward as we see it. We are happy that, in 3 years, this group of 200+ brokers has managed to corner around 15% of the direct General Insurance premium market – not taking into account the substantial volumes of re-insurance premium being placed alongside. There are challenges ahead – but with a steady acceptance and the players riding the learning curve and getting their act together, we see a good future ahead for the serious ones among us.

Moving on to India Insure, in keeping with our professional commitment to the insurance industry, we recently conducted a series of 3 seminars across Mumbai, Chennai and New Delhi – "***Navigating your way through the Claims Labyrinth***" – with senior Surveyors and Insurers guiding Corporate clients on how to handle their policy wordings and documentation for hassle-free claim settlements. The seminars proved timely (especially in view of the recent spate of flood-related losses) and were well-received. We have identified six centres for the next round of seminars which would be completed by early March.

We enter the last quarter of the financial year – a normally hectic period for all. We wish you all success and growth in this closing quarter.

V Ramakrishna
Editor – ***i-notes*** & Managing Director, India Insure

3 Years of Insurance Broking in India - a progress report

Birth of an Industry:

It was exactly 3 years ago to this very month, that the Insurance broking Industry was born in India when the IRDA licensed the first set of **INSURANCE BROKERS**. The Indian Insurance industry was liberalised in October 2000, but broking regulations were framed only in late-2002 and the first set of aspirants were licensed in January 2003.

Expectations were naturally high – a paradigm shift was expected in the way Insurance was being bought and sold. In a country used to dealing with the ubiquitous "agent" (who by definition is *an agent of* and *represented* the insurer's interests), here was a sophisticated, knowledgeable alternative - a person who worked on behalf of his clients.

3 years hence, with the first set of licences already falling due for renewal, what progress have brokers made? Has the industry seen an explosion in business volumes? Have the expectations of insurers, clients and the regulator been met? What lessons have been learnt? Where do we go from here and how do we ensure a healthy growth?

In this special issue, i-notes attempts a Report Card on the broking industry – a sort of reality check, if you may!

The Insurance Broking Industry – a unique business model

The insurance broking industry follows a unique and unparalleled business model. As we know, the broker is an "agent" of the client, but is remunerated by the insurer - a peculiar tri-partite equation. Although there are other examples of "client-agents", nowhere else does the "agent" get paid by someone other than the "principal".

Further, a broking business is an interesting mix of "*sales*" and "*consultancy*". A broker is both an "intermediary" working for a commission and a "professional consultant" giving technical advice (like a doctor or lawyer) and seeking "professional indemnity" protection.

The Indian Insurance broking industry is well-regulated. Entry barriers like paid-up capital (Rs 50 Lacs to Rs 250 Lacs), compulsory training, minimum infrastructure etc filter out casual aspirants. In addition, there is regular monitoring by IRDA (through compulsory quarterly returns and the right to inspect) and every broker has to buy Professional Indemnity insurance cover to the minimum extent of 3 times of his last audited annual income.

Progress Report – the statistics

IRDA carries the complete list (and some basic details) of Licensed Brokers on their website. ***i-notes*** used this and other information gathered from market sources (including the broking companies themselves) to compile some rough statistics on the status of the Industry.

- **Licences**: As per the website, IRDA has licensed around **212** brokers till date.
  - of these **181** are for Direct Broking, **4** for Re-insurance and **27** for Composite.
  - Over the past 3 years, the number of licences per year has steadily declined from **138** (2003) to **48** (2004) to **26** (2005). This is due to 2 reasons - a steady drop in the number of aspirants and a progressively stricter screening process being followed by IRDA.

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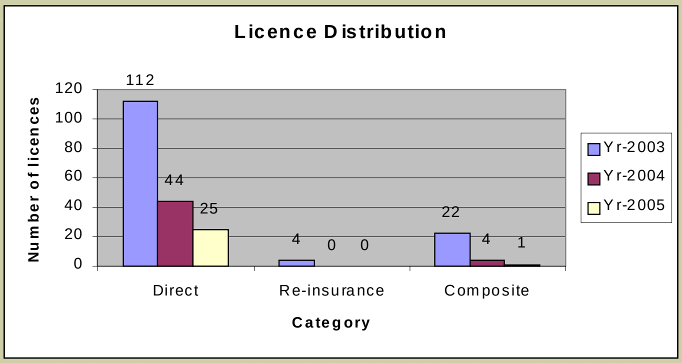
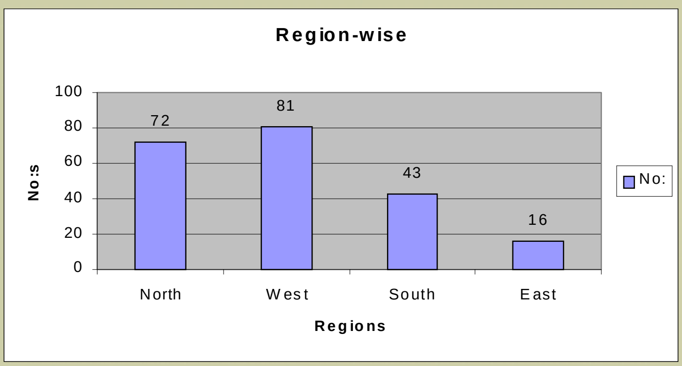
- Interestingly, no re-insurance licence has been issued after 2003. Even composite licences have been few and far between – 22 in 2003, 4 in 2004 and only 1 in 2005.

- **Region-wise analysis** of licensed brokers (based on head offices), reveals an expected pattern – West leads with 81 licences, North is close with 72 and South and East have 43 and 16 respectively.





- **Ownership Classification**: We also did a classification (based on ownership) into 3 categories – "**MNC**", "**Indian - Group company**" and "**Indian-other**". Indian group-companies have been defined as those floated by an existing well-known industrial or financial services group (eg: Birla, Karvy etc).

  We found **6 MNCs, 16 Indian Group companies** and **190 "Indian-other"** brokers.

- **"Non"-active Brokers**: – it is interesting to note that, despite recent whispers that many small brokers are dormant and on the exit-path, almost all brokers (barring a few suspended licences) are operational and submitting their quarterly income returns to IRDA (from the market we could gather the names of only around 10 "non-active" brokers).

- **Branch Network**: We classified brokers into 3 categories based on their existing branch network (non-active brokers excluded)
  - Local (single branch or limited presence in satellite areas) – **around 125**
  - Regional (multiple branches in the same state or nearby states) – **around 50**
  - National (multiple branches in at least 3 different states) – **around 30**.

- **Business Focus**: While brokers world-wide are known to focus mainly on commercial non-life business, with "retail" and "life" left to agents or their equivalents, in India the trend is mixed. We found that most brokers were dabbling in "retail" and "life" too to some extent (the degree of involvement varied, of course!).
  - Corporate-business-only: 70; Retail-only: 40; Both: 90
  - Non-Life only (including Group Life): 90; Life only: around 5; Both: 80

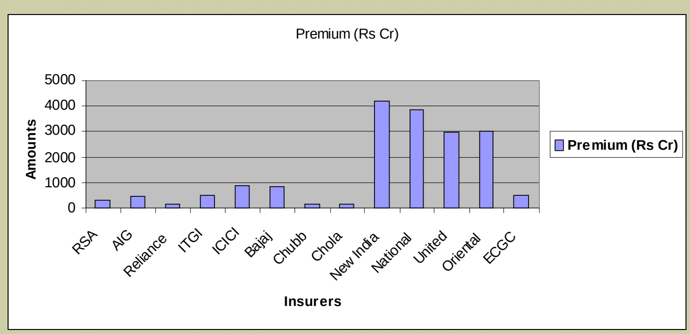
    (note: the Re-insurance brokers and some of the Composite brokers are focused mainly on re-insurance business).

  This anomaly could be because of the presence of tariffs and the consequent slower penetration of the corporate market by brokers and the more attractive, highly under-insured retail market in India.

Business Volumes

The most significant measure of any industry's growth and presence is the volume of business it has done. For insurance broking, we could look at aggregate premium placed (brokerage earned would be even better if statistics were available) as a benchmark.

On an aggregate market size of around **Rs 18000 crores** of Non-life Premium (we have ignored "Life" for this purpose), we can safely assume that brokers have placed premium aggregating Rs **2500-3000** crores (FY 2004-05) – marking a share of around **15**%. This does not include Re-insurance premium (as the aggregate market figure also does not include the same).



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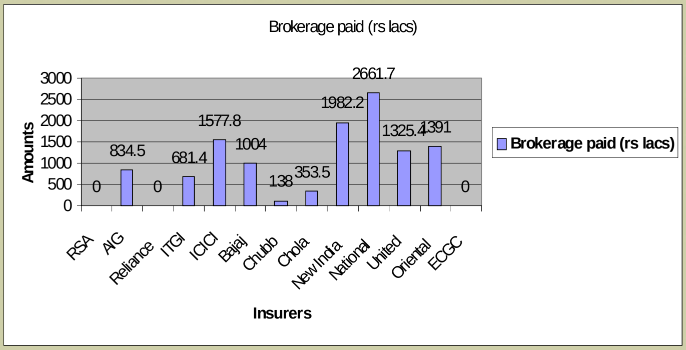
3 Years of Insurance Broking in India - a progress report....Contd... # 1



(Source : IBAI-details of 3 Insurers not available)*

While some would say this is small, it is important to note that:

- the broking industry is only 3 years old (in fact, the average age is closer to 2 years considering the range of licensing dates)
- effectively, this means around 1.5-2 years of actual operations – taking into account setting up time, acquiring manpower, training them and seeding the market.
- Tariff business accounts for around 70% of aggregate premium – with motor alone contributing 40%. Further, broker remuneration rules on tariff business have been unfavourable.
- Corporates have been dealing direct with Insurers for 30 years before brokers entered the picture. Gaining the trust of the client and overcoming the distrust of the insurer are twin challenges that take time to overcome.
- Private General Insurers notched up a market share of around 28% till date (IRDA Journal – December 2005)

  While direct broking has taken a while to settle down, Re-insurance brokers have done very well for themselves and have not only consolidated their position in Treaty business but have done large chunks of Facultative business too.

Achievements, Failures, Lessons Learnt.....

What were the main expectations from brokers? What did the regulator or corporate client or insurer expect from the broker fraternity? What did brokers expect to achieve?

From a client's perspective, the broker was expected to impart professional, unbiased risk management advice based on sound knowledge of the insurance product and the client's business. This, along with servicing the portfolio and managing claims.

The insurer expected the broker to widen the market and bring him additional business while ensuring profitability.

In every industry, there are pockets of excellence and large numbers of mediocre players – especially in the initial, pre-shake-out period. Insurance broking is no exception. If we were to draw up a quick balance sheet of the broking industry:

The "Assets" side:

- the single largest contribution of brokers has been increased awareness of and attention to the risk management process among medium to large corporates (the very large ones were already equipped). Where earlier, the CFO or the HR head would receive a renewal notice and automatically write out a cheque, today the process starts well in advance – with various options generated and debated.
- Although price still plays a very large role – risk awareness has increased among professionally managed companies thanks to brokers (and private insurers).
- Insurer complacency has more or less vanished – an incumbent insurer now knows that if his price, service and relationship are anything less than excellent, he runs the risk of exposure and loss of business through an over-zealous broker (or a competitor).
- Documentation, portfolio management and claims management have become more structured and predictable. Where claims were earlier settled (sometimes) on the strength of relationships, brokers have introduced proper documentation and process now – leading to faster claim settlements. Clients have started demanding and getting quicker (almost 24/7) service from the established brokers.
- Brokers have definitely assisted the private insurers in capturing market share – with their limited marketing firepower, private players were the first to nurture the broking channel.
- With tariff policies being out-of-reach, brokers contributed to the growth of Speciality insurance covers like Liability (Directors&Officers', Errors & Omissions, Product Liability, Clinical Trials, Crime), Multi-modal Transport, Weather Insurance, Credit insurance etc. Today this segment accounts for close to 5-6% of the Indian Insurance market.
- In Group Life insurance, brokers have opened up new options in the area of Group Gratuity, Group Term Life, Keyman insurance etc.
- The Insurance Brokers Association of India (**IBAI**), a Self-Regulatory Organisation, has been born and is actively promoting the interests of brokers and building a platform for industry growth.
- The broking industry (along with private insurers) has generated an exciting employment opportunity for the youth of India and created a large pool of trained insurance manpower virtually out of thin air. Colleges and insurance courses have sprung up to meet this demand.

The "Liabilities" side:

- brokers are accused of being unprofessional and unethical – adding little value and acting as "routing agents" for the corporates and insurers.

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- A corollary of the above is the alleged lack of technical knowledge and expertise to handle complex risk management situations.
- While corporates see some brokers as marketing agents for the private insurers, insurers complain of brokers cannibalizing their existing business and not expanding the overall premium market as they were expected to.
- Yet another criticism is that brokers are focusing on the "top of the pyramid" and not contributing to the growth of the SME and the rural market.

  While some of this is obviously true, it is not really representative of the entire industry. There are several brokers with a Pan-India presence, experienced manpower, a professional operating set-up, clearly laid down operating procedures, and a focus on the client's risk management needs.

Challenges faced by brokers:

While it is true that some brokers may have a short-term outlook, a large number of them have a professional business plan and long-term outlook, but are not able to achieve their ends due to various challenges:

- Constraints imposed by tariffs – when all rates and clauses/ coverages are frozen, very little value-add is possible by the broker
- Limitations placed on broker's jurisdiction and compensation
  - PSU clients can appoint brokers only for certain policies.
  - Brokerage is payable / not payable for tariff policies depending upon clients paidup capital.
- Regulatory flip-flops relating to the brokers' compensation structure – abolition and subsequent re-introduction of 5% Special Discount in 2003.
- Direct "pay-outs" to corporates by some insurers, and
- Absence of trained manpower

The Way Forward:

What should we brokers do to ensure faster growth, respectability and long-term stability for the industry?

For one, we should all realize that this is a 5-day test match and not a 1-day international. There are no quick bucks to be made. Corporates and insurers will take time to accept a "foreign body" in their system.

There is also no point complaining about unethical practices or "direct" dealings by insurers. The only way to handle this is to keep adding value to the client till we become indispensable. He should be convinced that what he gains through a broker's services is commercially more valuable than what he is giving up otherwise.

The route to healthy growth:

- invest in people, knowledge, process and technology.
  - We need to train our employees in Insurance knowledge as well as client relationship and marketing skills.
  - Processes need to be laid down (and followed) for all client and insurer interfaces – after all, a single Professional Indemnity claim from an aggrieved client could spell disaster for the whole industry.
  - Technology is not an option any longer – it is absolutely essential.
- Prepare for de-tariffing – the broker fraternity can be used more actively by IRDA to collect data for de-tariffing
- Apart from traditional covers, focus on non-conventional areas like employee benefits, enterprise-wide risk management and liability insurance.
- On the retail front, brokers should focus on complete financial planning for individuals
- Catalyse product innovation by understanding the client's immediate and latent needs and guiding the insurers accordingly.
- **IBAI** can also become far more active and visible in championing the cause through
  - Workshops to evangelise risk management and loss reduction through better claims management (as opposed to mere "premium reduction").
  - Having a representative on the Insurance committees of CII, FICCI and ASSOCHAM
  - Tie-ups with National Insurance Accademy etc to design and conduct nation-wide training classes (short 1-day sessions) on various policies exclusively for employees of broking firms.

Conclusion:

A shake-out is imminent. As it happened earlier with merchant bankers, NBFCs, stock-brokers etc. There will be consolidation – perhaps some acquisitions too.

However, the fundamentally strong, professionally organized brokers have only reasons to smile. 3 years is but a short period in the life span of an industry segment (the broking industry is 70-80 years old in the western market and still going strong). And, as they say, Rome was anyway not built in a day (nor was it insured during its construction phase).

Weather Insurance

Introduction

Wouldn't it be nice if it were as simple as saying "Rain, rain go away, come again another day" and the weather Gods heeded? ……well, though the wish is not entirely fulfilled, now at least the damage caused by the rains or any other adverse weather conditions could be insured against. Well, that's almost all that weather insurance is about.

In a world that insures itself relentlessly against any unpleasantness, weather insurance has been a bit slow to catch on. Until recently, because of the unpredictability of weather patterns, it has been a widely held notion that weather is unreliable, and hence uninsurable. But isn't the weather's very unreliability a better reason why one should insure against it, than why one should not?

What exactly is weather insurance

Standard property insurance typically covers income losses only when they result from direct physical damage to insured property by a covered peril. Weather insurance fills a gap by providing coverage when weather causes a loss in income or increase in expenses, but with no attendant physical damage.

The weather underwriting industry is one which is dedicated to insuring all other industries against nature's little (and big) surprises. The weather underwriting industry issues a valued-at policy which would insure the customer for the entire sum (full-value) if a threshold of for example, rainfall, is passed. Alternatively, a non-valued policy is also issued, in which the customer must prove the loss up to a certain limit, or a limit for the insurance company to pay.

Yet another type of weather insurance is business interruption coverage. For example, when a cyclone hits an offshore oil terminal, and high winds and seas force a shutdown, the business interruption coverage will indemnify against loss of income or cost that would result from the inability to move the product. This type of coverage is also extremely valuable to utilities or customers of these utilities who incur extra bills due to a bitterly cold one. The weather insurance industry will cover both types of crises.

Example of a claim: A sport event getting cancelled because of the rains, loss of revenue due to refund of tickets would be paid if the organizer had taken a weather insurance policy covering the risk of the event getting cancelled in the event of rains.

Who needs weather insurance?

Once thought of as solely for outdoor events, weather insurance now is used by every type of business – power generating units, manufacturers, retailers, construction and most other industries to minimize the financial impact of weather on their operations. The entertainment industry is still the most frequent purchaser of weather insurance, since fair, festival and concert organizers/ promoters have a limited opportunity for their events and need protection against the most uncontrollable aspect, the weather. Sporting events, including major and minor league baseball, fall under the entertainment umbrella, since they risk lost ticket sales or lower concession sales from diminished attendance because of the weather. Weather insurance is available for a wide range of applications. Individuals can purchase coverage for losses in the event a wedding must be postponed, and organizations can purchase coverage for income lost in the event that bad weather forces cancellation of a sales promotion or special event.

Weather Insurance overseas

Weather insurance in the west has gained immense popularity with almost every corporate looking for the impact that weather has on its cash flows

Currently, breweries, food industries, wind parks, sugar mills and processing companies have been looking towards opting for weather derivatives. Such products are gaining popularity in Europe, United States, Australia and New Zealand. But they are not that well-sought in Asia due to the continent's overall fair weather condition. There is, however, demand in Japan, which faces weather extremities. In the United States, Europe and Australia, temperature, especially snow and frost, and rainfall are the key conditions for which corporates buy weather derivatives.

Entities such as cold drink manufacturers, ice-cream dealers, breweries, wind farms, and a host of other corporates are exposed to weather risk. For example, a vineyard in New Zealand was able to tide over frost attack by flying a helicopter over the fields before the grapes could suffer from the cold. They were adequately compensated as the temperature fell. This gives corporates an incentive to invest in their businesses.

The industries opting for weather derivatives extensively in the US include agriculture, agrochemical, energy, viticulture, brewing, clothing, construction, theme parks, retail food and drink as well as travel

Weather insurance in India

With the Private Insurers entering the market, weather insurance has slowly begun to catch up in India. Presently the more common ones have a weather-derived insurance product that would compensate farmers if rains fall short of normal.

Hydel Power projects have gone ahead in taking a policy against reduction in power generation due to less than a threshold limit of precipitation during the year.

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Recently one of the airlines was approached by an insurer with an offer to insure financial losses caused by fog-related delays. Weather insurance, will also cover losses due to the vagaries of nature, such as problems arising from heavy rainfall.

WHAT DOES PRICING DEPEND UPON?

The premiums for weather insurance, are based on the history of weather patterns. For an event, to calculate that premium, the weather underwriter would require the date(s) and hours of requested coverage, and the location of the event. For example, if the customer wants to insure a concert in Delhi that will occur between the hours of six and nine p.m. on December 31st, the insurer will search its database for the eve of December 31st (plus several days before and after) in the past 10 years at least and find out how many times, and how much, it rained between the hours of six and nine p.m. It then computes the chances, based on the weather history at that location, for a certain amount of rain to fall again at the specified time. The weather underwriter then uses this percentage to arrive at an agreeable premium.

Weather contracts are based more on forecasting than on mathematical derivation; it is the meteorologist who holds the sway and not the mathematician. Information on past weather behaviour and an understanding of the dynamics of the environment is essential

Examples of some industries which can benefit....

Enumerated below are cases how various industries could use weather insurance / derivatives to hedge themselves from the games that nature plays.

Agriculture

Weather remains a major risk for agriculture. From sowing through to harvest; sunshine hours, temperature, precipitation and wind can all affect the quality and quantity of a crop.

The relationship between weather and crop yield is often complex in nature; for example, drought impacts heavily upon water-dependent crops, but at the other end of the spectrum, excessive precipitation can result in flooding and ponding of the soil, leading to a restricted oxygen supply to the roots and a higher incidence of disease.

Agrochemical

Fungicides play a vital role in guarding against damage to crops and for the agrochemical industry, wet years result in higher revenues. This is because spores find it easier to survive in wet or humid conditions, so greater quantities of fungicides are sold.

The use of pesticides also varies greatly with climatic conditions. One example of a weather sensitive pest is the cotton boll weevil. The numbers of weevils differs each year, largely due to the severity of the winter, and in extremely cold winters their numbers plummet, directly affecting the bottom line of an agrochemical company.

Viticulture

The viticultural industry is extremely sensitive to the weather. Lack of sunshine exposure and cool temperatures during the stages between pre-bloom and maturation can significantly affect the quality of grapes, and consequently the vintage of the resulting wine. Higher than average rainfall during the summer months can also be very expensive for winemakers as this leads to the grapes rotting on the vines and delays the harvest.

Brewing

Sales of beer drop during cooler than normal summers, and although it is possible to estimate seasonal trading patterns, long-term forecasts are still notoriously unreliable. Apart from the reduced sales, brewers also suffer from cool summers because beer that they cannot sell must be stored at considerable expense. In extreme cases the beer must actually be disposed of, as there is no room to store any more.

Clothing

Fashion may determine what clothing retailers stock in their stores, but the weather strongly influences what consumers actually buy. If a store is full of beachwear and summer shorts then a cool wet, summer can drastically reduce profits. The converse is true of a mild winter, when the shops are stocking overcoats and thick jumpers. There is no way to guarantee that the seasons arrive on time, but a weather derivative can be structured to offset this risk.

Construction

The construction industry is highly prone to weather risk. Heavy financial penalties can be imposed for work that runs over schedule, and delays can also cause projects to run over budget. Concrete needs to set at a certain rate to obtain its maximum strength, but if the temperature is too hot or too cold then it sets too quickly or too slowly respectively. High winds mean that labourers cannot work at heights and crane use is suspended due to safety regulations. But perhaps the biggest threat to the construction industry is rainfall followed by freezing temperatures. If water becomes trapped in materials and then freezes it can lead to cracking and the quality of the structure as a whole is greatly reduced.

Theme Parks

In many countries theme parks are open all year round, yet by far their busiest periods are the summer months. Attendance figures are closely correlated with fine weather, where even the lightest drizzle can deter some customers. Those traveling to the park from very long distances may still make their planned journey, but a large percentage of visitors coming from within a certain radius of the park will postpone their visit if the weather is deemed too inclement.

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Retail Food and Drink

The soft drinks industry has a history of sales predictions based on the weather. Some drinks are more dependent on the climate than others, but in general, hot summers mean increased sales.

Conclusion

Realistically, any weather insurance policy, that indemnifies a client against weather-related loss can be the bridge that will assuage a client's anxieties and expand the growth of the weather insurance industry. All in all, with the superior computer firepower that the weather insurance industry has at its disposal, it makes more sense to take out a policy for those weather-sensitive events, products, or crops, than it does to let Mother Nature do what she will.

Humour

The statements below are taken from actual insurance accident claims forms. They are real, true (you can't make up this kind of stuff). Read 'em and laugh and be glad it wasn't you.

Who is to Blame?

- No one was to blame for the accident but it would never have happened if the other driver had been alert.
- I didn't think the speed limit applied after midnight.
- I had been shopping for plants all day and was on my way home. As I reached an intersection a hedge sprang up, obscuring my vision and I did not see the other car.
- On approach to the traffic lights the car in front suddenly broke.
- The accident was caused by me waving to the man I hit last week.
- Windshield broke. Cause unknown. Probably Voodoo.
- No witnesses would admit having seen the mishap until after it happened.
- I had been learning to drive with power steering. I turned the wheel to what I thought was enough and found myself in a different direction going the opposite way.
- The accident happened when the right front door of a car came round the corner without giving a signal.
- I had been driving for forty years when I fell asleep at the wheel and had an accident.
- I left for work this morning at 7am as usual when I collided straight into a bus. The bus was 5 minutes early.
- An invisible car came out of nowhere, struck my car and vanished.

Consumer Complaint Management

The way a company manages complaints is a reflection of the quality of its product or services, and if its desire to retain and satisfy its customers. As undesirable as complaints can be, they are a crucial communication tool between buyer and seller.

Complaints offer several opportunities, if handled in a professional manner. They represent opportunities for

- Correction of immediate problems
- Constructive ideas to improve products
- Adapting marketing practices
- Improving services
- Modifying promotional material and product information

Complaint management has the added benefit of saving a business other unwanted costs, in addition to reducing the potential for product liability claims of lawsuits. Adverse public opinion from dissatisfied customers can result in loss of market share. In addition to lost revenue, this will usually also result in additional advertising cost to attract new customers, on revision of current publications to correct misconceptions. *The complaint that goes unreported can be as costly as the one that is mismanaged or unresolved.*

Developing An Effective Complaint Management Process

Research indicates that only a small portion of dissatisfied customers register complaints. This is due in part to the perception that companies are unwilling or unable to make the corrections or resolve the problem. This perception emphasizes the need for an active, well-organized complaint management procedure that has the endorsement of senior management and is well publicized and easily accessible by all customers.

The complaint management policy should be in writing and should assign responsibility. In larger operations, this may involve the formation of a separate department or a committee that implements the policy and keeps senior management informed of events and actions. In smaller operations, a single individual, easily accessible to the public, could be assigned. Whoever is assigned the responsibility of handling customer concerns should have the attribute of patience, should be articulate, and should be able to fairly weigh the facts to resolve complaints in a manner that is satisfactory to both the buyer and to the company.

Complaint Management Should Be Specific to Your Operation

The degree of complaint management necessary for a company can vary depending on the size of the operation, the nature of the product or service, the purchase terms, the actual use by the customer, etc.

There is no single plan that will work for all situations. a formal complaint management program should be developed and

implemented to reduce the product liability loss exposure. *Taking no action will increase the potential for product claims or lawsuits.*

Outline of a Complaint Management Program

Location

Customers need to know where and how to register complaints, and must be able to do so easily, whether in person, by postal mail, or via e-mail or on your web site. Be sure that your employees know about those methods and can communicate them clearly to customers.

Record Keeping

Develop standardized forms to ensure consistent capture of essential information for all complaints. An additional benefit of a standardized form is the ease of categorizing the complaints for analysis. The recordkeeping system should include the following functions:

… Communication to top management

… Identification of and communication to responsible department, distributor, or regulatory agency

… Trending to develop marketing research

… Monitoring effectiveness and efficiency of the program

Processing

… Record all relevant complaint information, as reported by customer, in a log. These logs can be as simple as notebooks or as sophisticated as a computer database.

… Prompt handling by a designated employee.

… Forward to the next level of authority for resolution, if needed.

… *Be fair.* Get both sides of the story.

… Immediately notify the customer once resolution is reached.

Notification

Registering a complaint is time-consuming, inconvenient, often unpleasant, and sometimes expensive for the customer. When responding to the customer:

… Personalize the communication

… Communicate by phone or in person

… Use a mail or letter

… Work quickly, but do not make time a factor; complete the transaction to the customer's satisfaction,

… Use easily understood language (dialect and non-technical terms). avoid *"techno-talk"*.

Investigation and Analysis

… Investigate all complaints to determine validity and the conditions responsible

… Categorize complaints to identify trends; define distinct categorize.

… Trend complaints to determine areas that need further study

… Analyze complaints to identify high-frequency categories

… Develop action plans for complaint prevention

… Communicate analysis results and proposed action plans to senior management

Follow up

Find out if the customer is satisfied with the solution. *This may be the most important element!*

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