

THE PARTICULARITIES OF INSURANCE MARKETING IN THE CONTEXT OF SUSTAINABLE ECONOMIC DEVELOPMENT

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Abstract:

Improving the professionalism and competitiveness of insurance companies depends largely on the improvement and future development of insurance marketing. The main functions of insurance marketing are taken into account and its specificity, the development of insurance marketing at the current stage is evaluated. The current state of the insurance market is analyzed and the main trends in insurance marketing in the Republic of Moldova are highlighted. Also defined the ways how to increase the effectiveness of marketing activities of insurance companies.

Keywords: *insurance, marketing, insurance market, insurance marketing trends, insurer's marketing strategy.*

JEL Classification: *M31, G22*

Introduction

Under modern economic conditions, the central figure of the insurance market is the insured, whose interests and needs in the field of insurance protection determine the activities of any insurer. Insurance companies spend large amounts of money to improve the organization of sales of insurance policies, improve the quality of customer services and maintain their image. Therefore, it is fair to say that increasing the professionalism and competitiveness of insurance companies is largely dependent on the improvement and future development of insurance marketing.

Distinctive features of consumer behavior in the current stage are the lack of confidence in the insurance market and the poor awareness of the need for insurance in enterprises and population. The main difficulties of marketing the insurance products are solving the problems of building and improving the relations between the insurance company and the customer using the proposed insurance product. The contact points between these relationships appear when the insurance market is formed and require a general structural adjustment of the insurance company, so that the activities of all structures are oriented to the client's interests. To achieve this, a marketing approach is required in the management of the insurance company's activities.

The experience of using marketing in the market activities of foreign insurance companies shows that the marketing process includes a series of actions that can be reduced to two main functions: generating demand for insurance services and satisfying insurance interests.

Description of the problem

From the point of view of economic theory, the formation of the demand represents an effect oriented on the potential buyers to increase the current level of the demand to the desired level, approaching the offer of this company. From the point of view of marketing in relation to the insurance market, this function includes, first and foremost, a series of measures to attract customers to the services of this insurance company.

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Another main function of marketing is to satisfy insurance interests. The implementation of this function through a high culture of insurance services is the key to the availability of demand for insurance services.

As a concept, insurance marketing was founded in the 70's of the 20th century, with a model reflected in Figure 1.

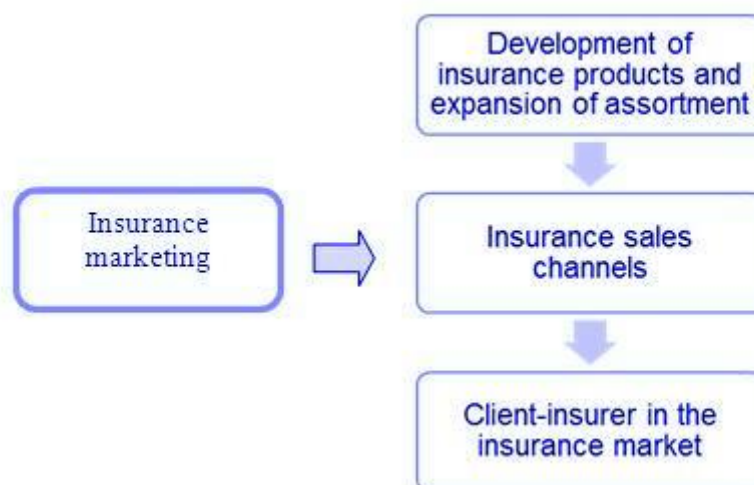


Figure 1. Insurance Marketing Model in the 1970s

Source: adapted by the author after Crosby L.A., Stephens N.

The objectives of insurance marketing are: training and stimulating the demand, ensuring the solidity of the decisions and management plans of the insurance company, as well as expanding the volume of services, market share and increasing the profit.

A real assessment of the needs of the insurance market and the ability to provide the clients with the insurance services they need now play a major role in the internal insurance market. A strong influence on changing the attitude towards the insurance marketing system is exerted by the expectations of a massive entry on the national market of Western insurance and financial companies.

The liberalization of the insurance market worldwide, generated in the middle of the 20th century discussions about the positive impact of the idea of the existence of insurance marketing. American professor G. Scriper says that due to the increase of the share of foreign participants in the internal insurance markets, there is a strong competition, there are reasons for improving the spectrum of insurance products, offering higher quality services and looking for cheaper marketing tools in customer service [1, pp. 405]. According to the American economists M. Gras and R. Klain, the quality of service is an area, which is currently gaining more attention, especially if it includes the activity of marketing the insurer in the field of marketing and further financial consulting [2].

American scientists R. Carter and Dj. Dichinson in his research states that the high level of foreign participation in the insurance market generates the improvement of the service and the importance of the client [2].

Methodology and data sources

Currently, insurances, which have shifted from the state insurance monopoly to the rebirth of the insurance market, remain behind the needs of the economy. On the market of the Republic of Moldova, this state of affairs is due to the reduced financial capacity of the national insurance companies to insure major risks, which is due to:

- poorly developed insurance infrastructure and methodology for calculating tariffs for non-standard risks;
- small amounts of authorized capital, insurance reserves of insurance companies;
- lack of experience in performing insurance (including insurance risk assessment, risk management, damage assessment).

The main criteria for the development of the insurance market are the increase of the incomes of the households, the increase of the solvency of the enterprises and the purchase by the population of some expensive properties (cars and real estate).

At present, there is an urgent need to transform the social relations existing in the insurance market.

Today, the insured acts initially as a "weak part", not having the possibility to influence the formation and execution of the insurance contract. Therefore, a transition from the seller's insurance market to the consumer insurance market is necessary, a possible transition through the implementation of insurance marketing.

Insurance marketing is a management system that includes:

- a reasonable choice of certain objectives and strategies for the operation and development of the insurance company as a whole, aimed at finding the most efficient combination of development of a new insurance product with existing or modernized types of insurance, as well as abandoning insurance without demand or processing substantial of them;
- an integrated approach of connecting the objectives with the capabilities of the insurance company, developing ways to achieve the objectives;
- identification of promising areas of insurance activity.

In terms of management activity, insurance marketing includes:

- the study of the demand for a certain insurance product;
- formation of a marketing program for insurance products;
- setting the upper and lower limits of the tariff rate, the estimated profitability;
- formation of the investment policy of the insurance company;
- clarification of the expected result of the economic activities of the insurance company.

It is worth noting, however, that the insurer that focuses on marketing in its activities must be aware of the following important idea. It offers not only insurance policies, but offers a solution to the specific problems of the insured who is bothering him at one point.

The strategic management of the insurance company is a certain succession of actions: identifying problems in the operation of the insurance company, determining the main mission and objectives, evaluating and analyzing the external and internal environment of the company, developing and analyzing the strategic alternatives, choosing a strategy and implementing it, evaluating and monitoring the implementation of the strategy.

In the process of identifying problems in the operation of the company, it is necessary to focus not on the symptoms, the manifestations, which lead to undesirable consequences for the company, but to identify the contradictions in the company's activities, which generates the main negative consequences on its activities.

The definition of the insurance company's mission is to establish the significance of the company's existence, its purpose, role and place in a market economy.

One of the criteria for evaluating the effectiveness of the insurance company's marketing strategy is to maximize the financial result, provided that the entire range of marketing tools is used. The reason for choosing one of the marketing tools is determined by the insurer's preferences for the remaining components of the marketing policy. For example, choosing a marketing system depends on the characteristics of the insurance product and the nature of the insurance risk cover and also affects the insurer's pricing policy. It is also necessary to take into account the dynamics of the development of the insurance products and services market, which are the key elements of the insurance companies' marketing strategy.

The main elements of the marketing strategy of the insurance company are:

- positioning the company's insurance products and services, by identifying the potential geographic, social, demographic market segments of the company, to which the insurer intends to direct your efforts;
- creation of promising and sought after insurance products and services;
- formation of a program to stimulate the sale of insurance products and services;
- development of the life cycle of insurance products and services;
- assessing the prospects for developing potential markets and the effectiveness of marketing activities in the insurance market.

Effective marketing strategies give insurance companies the opportunity to choose the most promising target segments and to develop an appropriate marketing mix for them.

Figure 2 shows the modern model of insurance marketing.

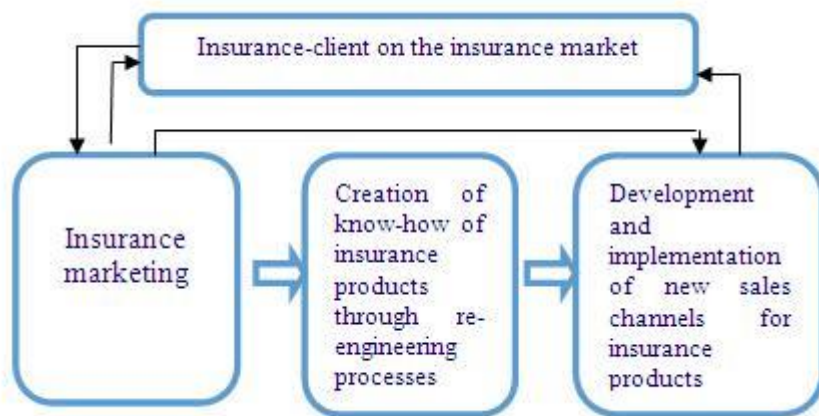


Figure 2. The modern model of insurance marketing

Source: adapted by the author after Ryals L.

The practical marketing of the insurance company is based on the following basic principles:

- rapid response to insurers' requests;
- implementation of innovations;
- an in-depth and multilateral analysis of the insurance market conditions, as well as consumer demand and needs;
- the impact on consumer demand formation, for which production is interested.

Studies of foreign authors rely on the following "Sustainable Insurance is a strategic approach where all activities in the insurance value chain, including interactions with stakeholders, are done in a responsible and forward-looking way by identifying, assessing, managing and monitoring risks and opportunities associated with environmental, social and governance issues. Sustainable insurance aims to reduce risk, develop innovative solutions, improve business performance, and contribute to environmental, social and economic sustainability" [4, p. 3].

Principle 1: We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

Principle 2: We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

Principle 3: We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

Principle 4: We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles. Source: UNEP [4, pp. 4–5].

In terms of engagement with regulators, these possible actions are stated under Principles 3 and 4 [4, p. 5]:

"Support prudential policy, regulatory and legal frameworks that enable risk reduction, innovation and better management of environmental, social and governance issues"

"Dialogue with governments and regulators to develop integrated risk management approaches and risk transfer solutions"

"Dialogue with clients, regulators, rating agencies and other stakeholders to gain mutual understanding on the value of disclosure through the Principles" [4, p. 6].

Results obtained

Insurance marketing includes the implementation of the sales policy, which involves determining the order, systems and methods of promoting the insurance product, calculating possible advertising costs, training agents, etc.

The factors that have led to the rapid growth of the insurance and reinsurance activity on the international insurance market are:

- The unprecedented economic growth of the industrialized countries after the Second World War, the technical progress and the socio-human development under all the aspects that made new needs appear;

- Changes in the structure of insurance markets in many parts of the world, determined by the measures adopted in some countries, in order to exclude or limit the activity of foreign insurance companies in their territory;
- Improving the climate in the field of direct business;
- Globalization of financial services in general and insurance services in particular.

The planning of marketing strategies and tactics has the task of not only capturing the insurance market, but also implementing constant control over demand formation to restructure strategic programs and competitive tactics in the right direction at the right time. In the last years before the onset of the crisis in our country, there was a significant increase in the interest for insurance. The consequence of this was the increased competition in the insurance market, which gave impetus to the development and improvement of insurance marketing.

Conclusions

Assessing the evolution of insurance marketing in the current state as a whole, it should be noted that, although insurance activity has registered a significant development in recent years, insurance marketing in our country is still insufficiently developed compared to the advanced foreign countries.

The low level of insurance culture in most of the country's population, the lack of confidence of the insurers in the domestic insurers, the limited demand for insurance services - all this is largely due to an insufficient organization of insurance marketing and poor advertising on the insurance market.

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