

# Insurance Marketing

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**Abstract-** Insurance is a form of financial service that entails a collection of public savings with the aim of providing risk coverage. It comes under service sector where companies are obliged to offer protection against probable changes that generate losses. They eradicate miseries and worries resulting from uncertainties associated with death, theft, and property destruction, which are not controlled by an individual or a company. This work was aimed at focusing on the concept of insurance marketing indicating various aspects that are important for enhancing the business profitability levels. The research also pointed out the loopholes that exist in the environment of insurance marketing. It will indicate various ways that are important for reducing this gap in order to improve long-term profitability of the insurance companies

**Keywords-** vigorous; clarification; schemes; installments; illiteracy.

## 1. INTRODUCTION

As a financial intermediary, provider of indemnification and risk transferor, marketing insurance enhances economic growth by offering efficient and effective mechanisms to manage risk. In addition, this activity encourages mobilization of domestic savings, thus transforming them into productive investments and at the same time accumulating new capital. Bluhm (2012)[2] indicates existence of a vigorous causal relationship between economic growth and insurance marketing activities. Insurance marketing contributes to economic growth in various ways such as assisting in mitigation of losses, encouraging effective allocation and distribution of domestic capital, mobilization and deployment of domestic savings, boosting capital accumulation, facilitating commerce and trade and enhancing financial stability (Shashidhran, 2010)[7].

The importance of insurance marketing has been well documented over a long period of time. However, despite its increased significance, many insurance organizations have not fully embraced maximum application of strategies meant to facilitate marketing of insurance policies. Therefore, this research will focus on identifying various techniques or strategies that every service industry needs to apply in order to remain competitive.

## 2. Research Method

This work aims at marketing of the insurance policies. The research was performed within a group of people who included the actual or real customers of insurance, personnel of various insurance companies, and non-users. For every group, there was the sample selection that represented the whole population. Each sample contained 15 members. The data needed for the purpose of this research was considered qualitative because this would

imply in-depth and rich understanding. To acquire the data, several techniques were applied, for example direct observation methods of data collection and face-to-face interviews. Questions, clarification, and language differences led the team to deliberate face-to – face interview as the most appropriate data collection technique for this research.

## 3. Insurance Marketing

This activity includes marketing the services rendered by insurance company with the aim of attracting customers and generating profits through maximum customer satisfaction.



Main Model of Insurance Marketing

It concentrates on formulating an ideal blend for insurance business so that the company can thrive and survive in the correct perspective. It involves balancing of various disciplines, which include determining the client's needs while choosing appropriate and safe products and services (Eckardt, 2007)[4]. Thus, conceptual development is required in the area of service industry such as insurance since financial market forms an important part of a dynamic commercial environment.

### 3.1 Insurance Marketing Mix

This refers to the combination of various activities within the market in which an organization engages. It aims at meeting the market needs in the best way possible. Insurance companies are engaged in sale of services and thus efficient application of marketing mix is very important. This mix comprises 7p's of marketing practices, which include the product, physical distribution, price, process, people, promotion, and place (Verma, 2012)[9]. All these aspects are applied in the course of insurance marketing as explained in this work.

The creation of product mix for insurance companies makes it significant to focus on schemes and services of insurance bodies. The concerned individual must be conversant with the processes involved in formulation of this package and product portfolio (Plunkett, 2008)[6]. The main objective of insurance marketing is investments channelization and savings mobilization. Thus in the context of product mix creation, insurance companies must promote innovation as well as enhance product portfolio through inclusion of those schemes and services that are likely to respond positively in future (Gillies & Selvadurai, 2008)[5].

### 3.2 Formulating Marketing Mix

According to Birds (2010)[1], product mix formulation should look like inventive product strategy. While introducing innovative processes, the strategies applied by private and foreign insurance organizations must be considered. The formulation of such strategies, schemes, and policies should greatly focus on rural setup so that neglected and backward areas of the country get attention, at the same time minimizing regional imbalances. It is also important to integrate policies, which are part of the weaker societal sections. Concurrently, there ought to be a proper identification of tapped, totally untapped, and partially tapped market segments to allow the insurer carry out profit forecasting.

### 3.3 Price Mix

In any insurance business, pricing decision largely concern the amount of premium charged against interest charged because of defaulting payments on consultancy service, underwriting commission and credit and premium facilities. Tatom (2010)[8] gives an example of the third world countries where the levels of disposable income among prospects is quite low. In such cases, heightening inflammatory force acts as an instrument towards contracting the available discretionary income. Thus, the

resulting increased consumerism impacts negatively on the masses saving potential. In such occurrences, it is relevant that insurance companies adopt the pricing strategies, which turn it into a motivation tool that at the end results in the increase of insurance business. With an opinion of influencing the desired market or prospect, the creation of pricing strategy emerges as one important factor. In an insurance setup, an insurer expresses pricing in terms of premium rates (Cummins & Venard, 2007)[3].

While dealing with tangible products, production cost forms the basis of fixing prices. In an insurance company, this factor appears as a dominating base forming a vital part of consideration. It makes insurance cost a decisive factor that is vital while charging premium. In cases where life insurance applies, three factors determine the premium rate. They include interest, expense, and mortality (Shashidharan, 2010)[7]. While deciding on pricing strategy, the insurer should consider the average mortality rate. In this case, mortality table assists in predicting future mortality rate as well as determining the current death rate. Focusing on expenses, the overall costs of registration; reinsuring, processing and commission to agents are all integrated into cost of premium sum and installments, thus forming the fundamental portion of pricing strategy. On the other hand, interest rate is an important factor that determines people's ability to invest in an insurance company. When the perceived returns accruing from insurance premiums are much lower than the interests provided by banks and other financial instruments, individuals will not be willing to invest or put their funds in an insurance company. Thus, revision of the premium rates only takes place because of significant change among these factors (Birds, 2010)[1].

### 3.4 Place

This element of insurance marketing consists of two important aspects, which include location of a branch and insurance workforce management. It focuses on delivering services to the end users by bridging up the gap that exists between the services offered and services promised (Vijayakumar, 2009)[10]. Individuals, who take part in bridging the gap existing between the insurance company and the customer, include majority of the insurance branch managers, front-line staff, career agents based in rural areas and other agents.

The creation of actual policyholders from the potential policyholders is a challenging duty that is very dependent on the professional excellence of insurance personnel. The improper insurance personnel management would result in insensitivity of all the efforts within the organization. These individuals must visit various regions including rural areas in order to reach more customers (Plunkett, 2008)[6]. It is therefore, important for insurance marketers to orient themselves around different environmental setups at the same time trying to understand the users' lifestyle or future prospects. In the process of recruiting insurance agents or marketers, branch managers should give more preference to local people. They should also emphasize

continues refresher courses in order to comprehend the arising trends and preferences relating to the prospects or users.

### 3.5 Product

This refers to anything that has undergone production process. It can be tangible concerning goods or intangible concerning services. Insurance company deals with services, which involve selling its policies (Gillies & Selvadurai, 2008)[5]. There are two forms of services rendered by insurance bodies. These include life insurance and general insurance services. Besides this, the organizations also offer consulting and underwriting services. When an organization or an individual purchases insurance policy, additional services are offered that include compensation and claims facilities, prestige associated with the insurance company, advice and assistance offered by the agents. In reality, customers expect a realistic return from their investment; on the other hand, insurance company wants maximum profits from the sale of its policies. Thus, when deciding the product mix or the product portfolio, the schemes or services should be very motivational.

### 3.6 People

Clear understanding of service or product end user allows proper products and services designing. Being in the service industry that incorporates a high level of individual interaction, it is very essential to utilize this resource effectively and efficiently in order to achieve maximum customer satisfaction (Verma, 2012)[9]. Resilient relationship with the available intermediaries within the marketing channel, development, and training are the major areas that require serious consideration.

Another key area to emphasize is employees training and empowerment in order to increase productivity and profit margins (Shashidhran, 2010)[7]. Another factor is proper and efficient application of Information and Technology at both agent and staff level. Human resources development occurs through psychology tests, training, and education. In addition, incentives can also induce efficiency, thus motivating individuals towards qualitative and productive work. Thus, it is clear that people form the most essential part of insurance marketing and any other industry. Additionally, professional requirements keep changing with technology evolution and development. The wide use of intranet services, emailing, sophisticated phones, fax machines, computers, and microcomputers have brought a major influence on individual's perception of the quality of services rendered. Therefore, this necessitates considering the staff development concerning adoption, development, and application of information technologies.

### 3.7 Promotion

Marketing of insurance services largely depends on promotional measures that are efficient and effective. In countries where illiteracy level is high, with rural economy being over- dominant in the national economy, it is important to have both impersonal and personal promotion

strategies (Bluhm, 2012)[2]. In promotion and marketing of insurance business, branch managers, agents, frontline staff, and agents play a vital role. Thus, due care should be taken while selecting promotion tools to be used by these individuals. In order to create impulse buying environment, these individuals should also get equipped with proper and adequate training. Various forms of impersonal communication techniques that are necessary in marketing include providing incentives for policyholders, organization of seminars and conferences, publicity and advertising. The arrangement of mobile vans, wall paintings, participation in festivals, fairs and exhibitions are additional techniques incorporated in creation of impulse buying and transforming prospects into actual policyholders.

### 3.8 Process

This important aspect must be customer friendly within the insurance industry. Accuracy, accountability and speed of payment are very necessary. The method applied should be convenient and easily understandable by the customer. In addition, the insurance companies should cater for the dynamic customer demands through streamlining installment schemes, acquired by proper application of Data Warehousing and IT skills to smoothen the overall flow of the insurance process (Verma, 2012)[9].

Information technology will assist in servicing a huge number of customers effectively and at the same time reducing overhead costs. Technology can either supplement or complement network of distribution cost successfully while improving the levels of customer service. Application of data mining and management assists in establishing profitability levels and potential product segment.

### 3.9 Physical Distribution

This is an essential element of any prosperous insurance company. Initially, buyers preferred a face-to-face interaction with the service provider. At the same time, they placed high premium on the brand name and its reliability. Insurance appeared as a multifaceted product with high degree of service component and advice. However, due to increased awareness, sale of insurance products and services has emerged to be a simplified activity where several intermediaries, who are not essentially insurance companies, engage in sale of insurance. Birds (2010)[1] gives an example of Marks & Spencer, the retailers based in the United Kingdom, that sell insurance products. Various insurance companies are successfully utilizing distribution channels like internet and telephone to reduce overhead costs, intermediaries and reaching out more customers.

## 4. CONCLUSION

In conclusion, there is evidence that tactically applied marketing strategies provide increased profit resulting from marketing insurance policies, and at the same time offer insurance company viable solutions when faced with market challenges. If managed in the best way, adoption



and implementation of 7Ps have every opportunity to become a primary factor that contributes towards success and survival of any insurance company (Shashidhran, 2010)[7]. What is the most essential in insurance marketing is appropriate appreciation of consumers' needs and wants, training the insurance personnel and delivery of services that satisfy these wants. This should occur in a way that renders maximization of company's profits in the long term rather than concentrating on short- term sales.

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