“Background of insurance service and strategy for particular customer circles”

AUTHORS	Maxim Korneyev https://orcid.org/0000-0002-4005-5335 http://www.researcherid.com/rid/B-7032-2018 German Stoianov Anton Grytsenko

ARTICLE INFO	Maxim Korneyev, German Stoianov and Anton Grytsenko (2017). Background of insurance service and strategy for particular customer circles. *Geopolitics under Globalization*, *1*(1), 30-35. doi:https://doi.org/10.21511/gg.01(1).2017.04
DOI	https://doi.org/10.21511/gg.01(1).2017.04

LICENSE	This work is licensed under a Creative Commons Attribution-NonCommercial 4.0 International License

JOURNAL	"Geopolitics under Globalization"
ISSN PRINT	2543-5493
PUBLISHER	Sp. z o.o. Kozmenko Science Publishing
FOUNDER	Sp. z o.o. Kozmenko Science Publishing

NUMBER OF REFERENCES	NUMBER OF FIGURES	NUMBER OF TABLES
20	2	0

© The author(s) 2026. This publication is an open access article.

Maksim Korneyev (Ukraine), German Stoianov (Ukraine), Anton Grytsenko (Ukraine)

Background of insurance service and strategy for particular customer circles

Abstract

The article is dedicated to the development of services and conditions of cooperation directed to insurance in the premium circle of clients under globalization. The circle of premium customers in addition to their requirements was described. Extended types of insurance are disposed in the article in order to develop the relationship between customer and insurer for most efficient partnership. The main reasons which caused the low level of insurance market development in Ukraine were proposed both with theoretical variety of their decisions. Proposals about methodical necessity of separating life and non-life insurance companies in the domestic market are disposed due to recommendations of the strategical development of insurance company. Methodological approach to the customer attraction procedure is represented for insurance sales management improvement.

Keywords: particular customer circle, premium client, affluent client, extended types of insurance, staff qualification, insurer strategy of development, customer attraction.
JEL Classification: F360, L220.

Introduction

Today practically every scope of activity connected with finance (private business, stock market, trust, investment or loan industry) is also associated with insurance covering in dependence of the current operation risk level. Trading relationship is overloaded with substandard situations which can also cause loss or damage and must be protected by the suitable insurance program.

According to insurance type and additional conditions the customers – representatives of premium level can be easily recognized. Experienced analytics or even sale managers can offer simple variety of insurance products which can hedge every shaky step in possible start-up business project which is very actual now in post-soviet countries among which is Ukraine with its unstable economics and currency exchange rate. So realizing their present needs and priority insurance products is basic activity for every kind of insurer which want to communicate with premium segment of customers.

The ways of extension of insurance programs in domestic market need to be searched especially in contests of premium customer, which has unique requests and service standards. From other side the strategical basis and competitive edges for the insurance company should be described for the effective management solutions.

Problem definition. Principles of insurance companies' activity in the questions of improving their services and development their strategy in the financial market researched in the world and Ukrainian scientific literature. A significant contribution in the development of the theoretical and practical aspects of financial strategy and services directed to the affluent customers segment are made by such foreign scientists and practitioners: J. Boyd, L. Van den Berghe, R. Voutilainen, J.-P. Daniel, S. Davis, I. Rokas, J. Johnson, R. Durand, N. Genetay, G. Garcia, M. Cristea, G. Crooks, S. Lumpkin, Ch. Marjorie, E. Marsiglia, S. Staikouras, D. Harold, I. Falautano, etc.

The main target of the research is development of the practical recommendations to the improvement of insurers' activity connected with the premium segment services and their attraction.

Problem solution. The efficient satisfaction of customer – representative of particular circle, demands shall be researched in the correct way and also normalized up to the duties and knowledge of its staff, its strategy background, types of activity and market positions development as well.

The improvement of organization structure for life insurance and non-life insurance companies in environment of premium insurance customers need to be separated and satisfy individual requests such a way that the general procedure of attracting customers will be provided with maximum efficiency.

This situation with ordinary consulting can be realized in such a way in the mass target client, but for affluent customer circle everything goes very complicated. Affluent clients have higher requirements and education as usual, so their service

© Maksim Korneyev, German Stoianov, Anton Grytsenko, 2017.
Maksim Korneyev, Doctor of Economic Sciences, Associate Professor, University of Customs and Finance, Ukraine.
German Stoianov, Head of branch in "JSCB Concord Bank", Ukraine.
Anton Grytsenko, Associate, University of Customs and Finance, Ukraine.

must have additional technical, psychological and consulting approach in order to satisfy their needs. From the other side particular customer circle consists of:

- affluent client;
- extremely-affluent client;
- top-management and transnational Business groups founders;
- wealth famous client (royal court, rich dynasties);
- broker players and investors;
- public figures (sportsperson, artists).

One of the most important factors of particular customers circle development is the total sum of their regular payments and in some cases can reach level till 35% from general volume of the market. This unique segment of customers always makes deal only with checked companies and can ask about recommendations.

The problematic of the question which is going to be described in the article is complex methods of insurance service improvement for affluent clients: both retail and corporate (Garcia, G.G., 2002).

Generally Ukrainian insurance market is rather backward in comparison with European or American countries, which have high state and legal support for every group of clients. Variety of insurance products for affluent and wealth groups of clients in Ukraine is very limited today, so it should be completed by the most unique worlds' practical insurance products. Otherwise, the governmental insurance support programs should contain additional guarantees for the particular customers who can hold on till 30% of all the market cause of significant payment level.

All particular insurance circles of customers can be called premium customers circle and have the necessity of representative services and individual conditions for the financial products with high-level support.

Liability insurance and especially third part liability insurance which is necessary on the legal level, are the most relevant types for Ukrainian customer.

International insurance type classification is considered to make out life insurance and non-life insurance companies which have legal background and separated field of activity.

Classification of insurance types must be performed in order to realize features which occur while service of affluent customer. As shown in Figure 1 that displays the types of insurance.

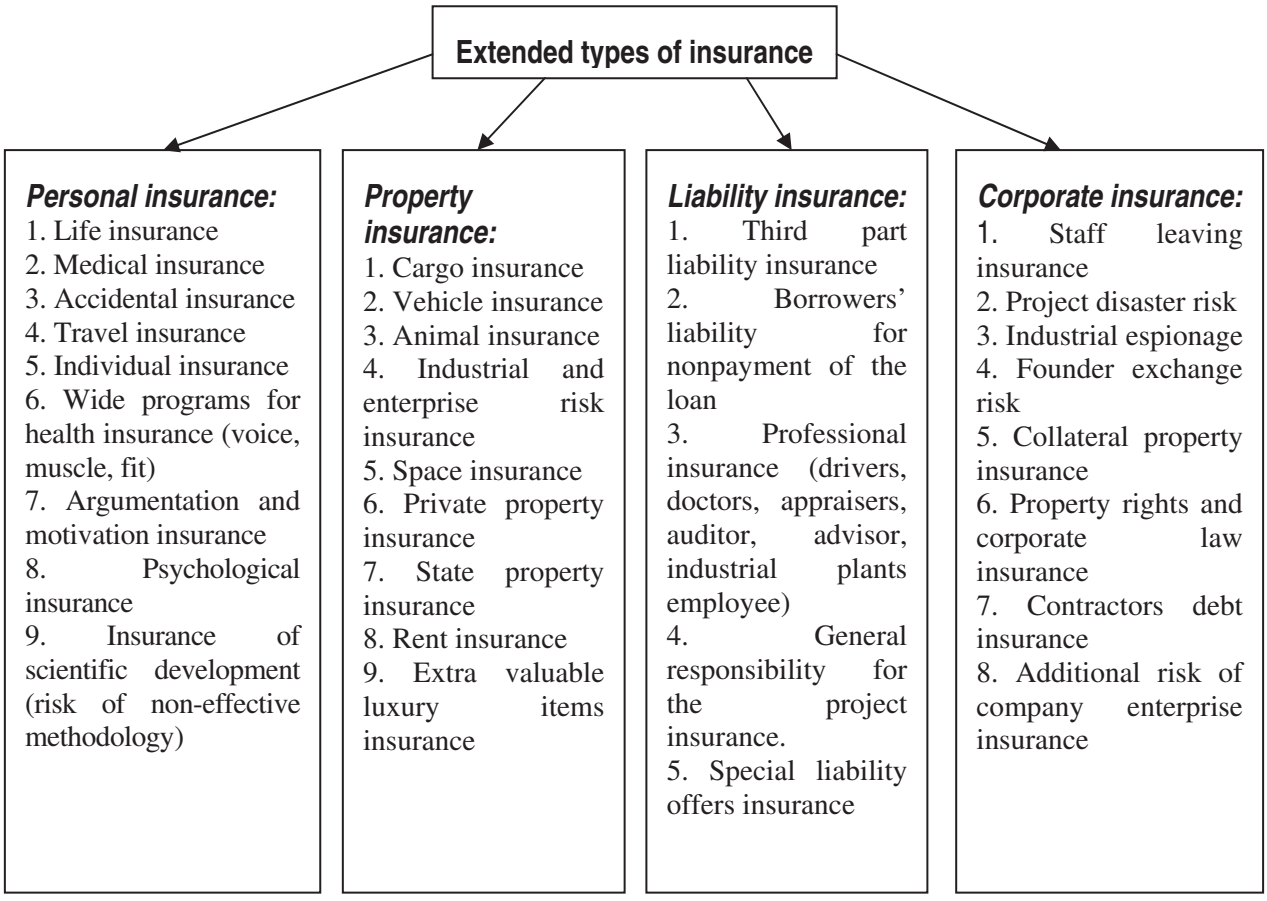

Fig. 1. Extended types of insurance for particular customers' circle

Strategical approach to formation of insurers' behavior on the market should be based on searching suitable insurance programs for the customer in order to get his trust and loyalty (Rokas, I., 2015).

Methodical approach specialized on the insurance development problems must include stop-factors, which caused the weak position of affluent insurance on the market.

The main reasons which caused the low level of insurance market development in Ukraine are:

- unstable economic and political situation;
- lack of governmental support for insurance;
- legal guarantee for insurance is out of productivity;
- low level of insurance payments is about 30-40 % instead of worlds' practice with the level 80 % plus;
- low level of qualification skills.

In Europe or America every insurance company which corresponds to requirements can contact the local authorities to consult them and support their starting in the most prosperous segments for them. It also can be tax vocation or even special offers for state enterprises protection.

The extension of the insurance product sales on the domestic market can be provided due to:

- direct sales channels (front office of the company);
- web sales (channels of IT development);
- partnership sales (banks, credit unions);
- investment programs;
- hospital sales;
- sales in circles of interests, rest, competitions, hobbies etc;
- other insurance agents.

The most efficient way of attracting customers for insurance services in Ukrainian domestic market conditions, on our mind, is synergy both of aggressive direct sales department and personal sales agents' introduction into most prosperous scopes of activities after highly competent education. The result will not take long to wait because the distinctive feature of the Ukrainian people is trusting dialogue and long-term communication (Legrand, C., 2008).

When it concerns the corporate clients it implies a number of negotiations with further consulting with only one aim – to take or refuse the company proposal according to the advantages which it can provide.

While choosing company's competition strategy it is necessary to investigate the necessities of insurance and make sure in that competitive edges which were attained and perceived by the circle of affluent clients. The most important advantage of competitive strategy is extremely high level of reputation (how many years an insurance company, level of actuarial calculations, staff experience, internal management, partner relationships with their customers).

These competitive edges have the long-term character and give an opportunity to achieve higher profits for the company. Quality advantages which are provided by innovations give an opportunity to realize unique competitive edges for and high demands of the circle of affluent clients and also increase services as well (Sharma, P., 2004).

Using of the cheap level of specialist in the process of insurance consulting for the circle of affluent clients is the way to lose customer in future.

Qualification and education of staff which is going to deal with the affluent customer circle must include such positions as:

- higher education in finance, banking, insurance (gives general knowledge in economic process and financial procedures);
- additional education in sales and cross-sales negotiating (target is to sell maximum number of services and products to one customer);
- psychological and behavioral skills in communication (helps to manage the dialogue and to work with contradictions);
- market overview and analysis skills (in order to give fulfilling consulting for each customer and to support substantial dialogue);
- accordance to the most of today's customer requirements (knowing the distinguish features of other market players services to use in disadvantage in personal sales management);
- team building courses (for the domestic strategy development of the company in order to realize their importance as the member of the team).

So, supplying services for the most prosperous and valuable circle of customers, the requirements to their educational and personal skills are rather high because they shows the real face of a company and make quick solutions while private communication.

Among the competition strategies used by insurance companies the most widespread are two basic approaches:

- strategy of zero charges (to render services in less charges, than for competitors);
- strategy of differentiation of services (insurance company provides the best of the consumer qualities of insurance services, than for competitors, at reasonably priced costs).

In the world or transnational market, which is characterized by the wide scope of territory, strategy of zero charges will be oriented to mass demand, but for the strategy of differentiation of differential services of insurance is concerned mostly to the affluent circle of customers and keep such companies as the leaders in quality and rates growth (Rokas, I.).

If a regional or domestic market is focused on affluent customers, strategic advantages can be provided by the cost cutting or on differentiation of insurance services.

The present situation in premium insurance providing contains long conversation and dispute among leading industrial countries of European Union and others as to the necessity separation life insurance companies from non-life insurance, and in some occurrence also from the retirement fund insurance companies.

The logic for the disagreement in favor of parting is obvious, firstly because it can supply extended services and customer circles as well. There is no dispute that some separation should exist in the insurance business between insurance for non-life and insurance for life. The dissimilarity between these two groups of insurances comes back to their character. In non-life insurance the premium is interested mostly in risks hedging and loss cover. While in life insurance, premium segment can be partly or completely interested in individual conditions for savings. Liabilities must be managed by the insurer in an attractive way, maybe more attractively than a simple contract in a company, which can be proposed for the mass client (Sharma, P., 2002).

So, it is comprehensible that a dissimilar protection should be arranged to those customers who entrust their savings to the insurer than from those persons who rely on the promises of the insurer to grant reliable coverage in the uncertain case of loss. It shows unlike ways of cooperation with premium and mass customers.

Part of premium customers consume percents by the expiry of the period of the insurance contract, whiles the another part of their circle has the nature of saving and expects in any case to be return their payments plus investment gain.

If in one commerce circle there is a combination of categories, the life commerce is exposed to the risks of the non-life business. Also, the non-life commerce cannot be compared with life from the point of view of the business-related risk that it is assumed. The life insurance business is steadier than non-life, with its plenty of ups and downs and dependence on feature that are hard to forecast (Lambin, J., 2007)

Another taking apart of risks could be non-life, life and pension insurance that is exclusively savings, which are sold to the customer as a special offers and sometimes they have the unique characteristics on the entire market.

However, in order to get agreement in the EU and responsibility for official separation for life and non-life insurers does not include pensions as a third category. On the other hand, in the EU it was legitimate to the insurance companies that provide both life and non-life (universal insurers) to continue working after the performance of their new separation directive on condition that they create effective parting in their commerce and accounting rehearsals.

So we can finally define the requirements of the affluent circle of clients: their personal conditions for service and focused financial products as the heaviest reasons of separating life and non-life insurers. It makes a necessity of creation such kind of specialized insurers directed on the premium or mass segment of customers.

In order to propose methodological features which can improve the process of attraction and service of the premium circle of customers we shall overview the features of premium service and its strategy development.

In modern scientific and educational literature five approaches to the creation of competitive edges directed on the premium customer's attraction were defined:

- leadership in charges (ambition to become the cheapest supplier and the most attractive for a client services saving afterwards saving high level of services);
- segregation or personalization (ambition to individualize insurance products in order to make them different from the products of competitors and this way to turn out to be more attractive for the particular circle of customers);
- concentration on a narrow market segment based on low charges;
- concentration on a narrow market segment on the basis of differentiation;
- the best cost (is suggestion to the customers of the greater real value with accenting of attention on connection of low charges and differentiation of quality. An aim consists in that, to get lower charges and prices, than the competitors can

provide for similar properties and quality) (Ronald, T., 2010).

Methodologically the whole process of attracting premium customer to the insurance company consists of next levels.

Client's stream forming is the aim of application of marketing methods of any company and depends on many factors. The basic method of expansion the client base in modern conditions is development of insurance representatives with equal standards of activity due to brand book. According to this distributional strategy, the variety of sale points are opened logistically and absolutely submitted to the main office as well (Berry, L., 1990).

The process of customer attraction consists of basic elements and procedures which can explain scientific approaches and recommendations on application of marketing methods in customer attraction procedure. A process of customers attracting is represented in figure 2.

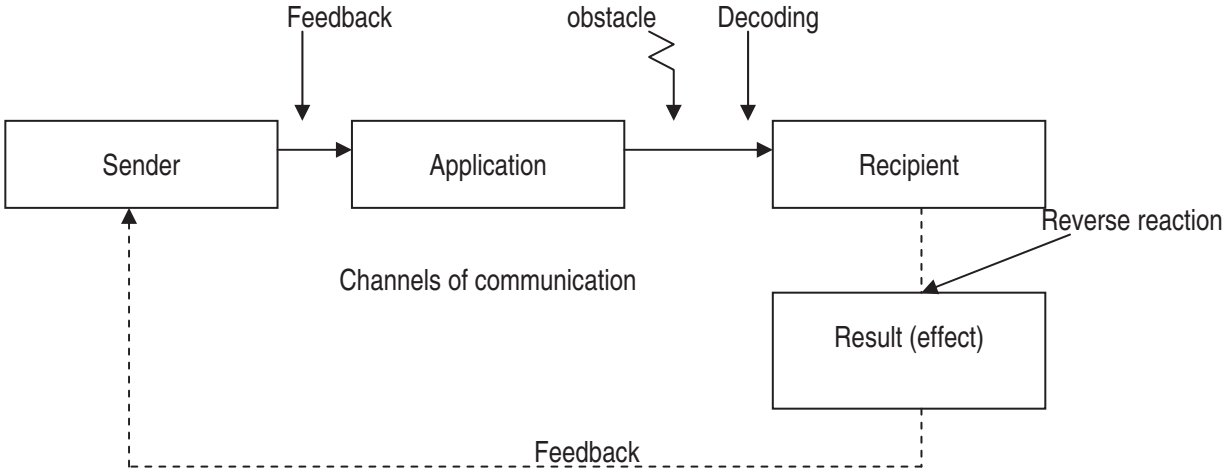

Fig. 2. Customer attraction layout procedure

Sender is insurer, on behalf of that an appeal is sent to the addressee. The sender determines way of communication channel and customer audience, after that specifies the expected reaction of addressee on an appeal.

Person responsible for coding process envisages presentation of reverse reaction of communication that passes to the addressee information as texts, symbols and characters. Usually such specialists work in the front office of insurance company (Ronald, T., 2010).

The information handler is prepared target audience of customers, presented in the form of a set of characters. That is why during the consultation, potential customers, specialists of insurer need to follow the unified standards, an integrated product policy and corporate ethics.

The feedback is that part of reverse reaction, which the recipient informs the sender about (request of additional information, implementation, testing). The result is after the interference in the communication process of environmental factors a plenty of obstacles can happen, like unplanned information curving, for example treatment of competitors of insurer. Representatives of the premium segment can give objections, building obstacles so that necessity of strong communicational skills is imperative.

Conclusion

The main scientific results of this article are directed to formation of the complex of practical and theoretical recommendations devoted to the attraction and service of premium customers circle.

The influence of such factors as educational and personal skill, strategical management, corporate culture and extended types of insurance usage are disposed in order to increase the development of services and conditions of cooperation with the premium circle of customers. The function of individual conditions and requirements suitable for the premium segment were discussed. Extended types of insurance are essential for successful partnership in this segment and can help to develop the relationship between customer and insurer.

The importance of affluent clients to the insurer was explained so, that the company is interested firstly on the large payments and the stable life position of the customers which usually use

insurance products as a habit. The main reasons which caused the low level of premium insurance market developments in Ukraine were described both with theoretical proposals of their decisions. Theoretical approach based on the strategy of competitive edges of the company was categorized due to its importance in modern activity of insurance company, cause it support marketing and product interest for the potential customers on high level.

Proposals about methodical necessity of separating life and non-life insurance companies in the domestic market are disposed due to recommendations of the strategical development of insurance company. Mass-volume customer should not get service nearby the premium client. Methodological approach to the customer attraction procedure was described in details as for insurance front office specialist's usage. The stages of customer attraction were disposed within layout procedure.

References

1. Berry, L. (1983). Relationship Marketing in Emerging Perspectives on Services Marketing [Text] / Leonard Berry. Chicago, p. 20.
2. Bank/Insurance mergers outside Canada: the lessons for public policy[Text] (2003). Davis International Banking Consultants. December, p. 29.
3. Bancassurance: tendance émergentes, opportunité et defies (2007). SIGMA Swiss Re, 5, p. 44. [Electronic resource]. Available at: http://www.swissre.com/resources/3295ee00473a10f39670fefbf51d1fb2-sigma_5_2007_f.pdf.
4. Garcia, G.G. (1999). Deposit Insurance a Survey of Actual and Best Practices [Text] / G. Garcia. IMF working paper, 99/54, p. 142.
5. Insurance Fraud (2007). Insurance Information Institute, 75 p.
6. Insurance guarantee schemes in EU. (2007). Comparative analysis of existing schemes, analysis of problems and evaluation of options [Electronic resource]. November, 2007. Available at: http://ec.europa.eu/internal_market /insurance/guarantee_en.htm.
7. Insurance Sector: a sector with possibilities (2009). Mardid Centro Financiero/Deloitte. [Electronic resource] Available at: www.madridfinancialcentre.org/.../ficha-xi-seguros-ingles-final-julio-09.doc.
8. Lambin, J-J. (1997). Strategic marketing management. Jean-Jacques Lambin, p. 506.
9. Legrand, C. (2008). European banc assurance benchmark [Electronic resource] / C. Legrand. Milliman Research Report. August, 20 p. Available at: http://it.milliman.com/Pubblicazioni/pdfs/european-bancassurance-benchmark-08-01-08.pdf.
10. Life insurance could cover overdrafts (2006). [Electronic resource] Mortgage Industry News: Endsleigh Insurance Services Limited. Available at: www.endsleigh.co.uk/media/industry/mortgages.
11. Liquidity Risk: Management and Supervisory Challenges (2008). [Text] Baseln Committee of Banking Supervision. February, 16 p.
12. National Association of Insurance Commissioners – Official Site [Electronic resource]. – Available at: http://www.naic.org.
13. Official site of National Organisation of Life and Health Insurance Guaranty Association [Electronic resource]. Available at: http://www.nolhga.com/ /factsandfigures.
14. Ronald, T. Rust. Service marketing [Text] T. Rust Ronald, J. Zahonk Anthony, L. Timothy. Keiningham. p. 85.
15. Rokas, I. (2015). Analytical survey of types of insurance classes in the EU [Text] Belgium, Brussels, p. 28.
16. Sharma, P. (2002). Prudential Supervision of Insurance undertakings [Text] P. Sharpa, Report prepared for the Conference of Insurance Supervisory Services of the Member States of the European Union, 54 p.
17. World insurance in 2006: Premiums came back to "life" (2007). [Electronic resource] Sigma, Swiss Re, *Economic Research & Consulting*, 4, 74 p. Available at: http://www.swissre.com.
18. World insurance in 2008: life premiums fall in the industrialised countries – strong growth in the emerging economies (2009). [Electronic resource] SIGMA Swiss Re, *Economic Research & Consulting*, 3, 46 p. Available at: http://www.swissre.com.
19. World insurance in 2009: premiums dipped, but industry capital improved (2010). [Electronic resource] Swiss Re, *Economic Research & Consulting*, 2, 44 p. Available at: http://www.swissre.com.
20. ICA Congress Plenary. Quebec City (1999). [Text]. Canada, pp. 1-34.