

Research on the Life Insurant's Behavior during the Current Economic and Financial Crisis

Nicoleta Grideanu¹

¹Spiru Haret' University, Faculty of Management, Brasov, Romania

Abstract

The paper considers that the life insurance sector has been really affected by the financial crisis, the factors that favored this decrease being higher unemployment and the insurants' lower income. We thought that one of the factors that had a significant impact on this sector was the psychological one, so we carried out some research. Since the beginning of the financial crisis, the customers' and the insurants' fears and the uncertainty of the financial security have led to an increase in the number of the repurchased contracts and in the intention of postponing the signing of an insurance policy.

Keywords: Financial safety, insurant, life insurance, marketing research, customer's behavior

1. Introduction

Whatever the nature of its activity, any insurance company lives on selling its services. Therefore, in order to be competitive on the market, they need strong policies and strategies in marketing, which are based on the findings of some market research.

For a life insurance company, the lack of information may lead to not knowing the customers' behavior, the competition's position and the changes taking place in this area. The marketing research helps the company, being a way to study,

understand and explain the complex phenomena from the market. [1]

2. The main information needed to study the life insurant's behavior

The information needed to study the life insurant's behavior can be classified into the following categories: information regarding the insurant's external features, information on the insurant's actual behavior, information on the insurant's planned (future) behavior, information regarding the attitudes and information regarding the motivations of a purchase.

The methods used to research the consumers' behavior are complex and diverse – from investigating statistical sources to using quantitative and qualitative direct research methods. In many cases the marketing research that aims at studying the consumers' behavior has two stages: the former is a qualitative research – to distinguish the consumers' different mechanisms of behavior, and the latter is a quantitative study – to effectively measure the factors identified in the previous stage.

2.1. The insurant's external features

The first step in understanding the life insurants' behavior involves gathering some information regarding their number and geographical distribution.

If the individual insurants are being taken into account, the insurance company needs the socio-demographic and eco-

conomic characteristics of them and of their families and their households (data on distribution by gender, by age, by occupation, by income classes, information regarding their training, data about family size, etc.).

If talking about corporate insurers, the insurance company needs information about their business area, their size (turnover, number of employees), and the technologies used, etc.

This information can sometimes be obtained using documentary research, but surveys are also needed.

2.2. Actual behavior

The most studied actual behaviors are:

- the behaviors of consume and use: Who is insured? How is insurance used? (for instance, the insurance used as securities for a credit) What is 'consumed': insurance brands or types of insurance?
- the purchasing behavior: Who buys insurance? Where do people buy insurance from? How do people buy insurance? When do people buy insurance? How often are insurance contracts signed?
- the behaviors related to informing the potential insurer: to identify the best ways for the insurance company's messages to reach the target audience it is necessary to know the consumers' habits: What newspapers do they read? What radio stations do they listen to? What TV channels do they watch? How often? etc.

2.3. Scheduled (future) behavior

In order to delineate the consumer's future behavior the marketers seek answers to questions such as: What buying intentions exist? How likely are they? What types of insurance are preferred? Where from? etc.

2.4. Consumers' attitudes regarding insurance

Attitudes are mental predispositions to evaluate, in a certain way, an object, an idea or a brand. To what types of insurance do people have favorable attitudes? How were they formed? What are the negative attitudes and what caused them? etc. These are the questions to which marketers must find the answer.

They should also study the attitude towards risk, because it is an important factor behind the decision for or against insurance and consequently the demand for insurance.

2.5. Motivation for purchasing or not purchasing

The marketing research attempts to identify the motivations and the impulses that cause an individual to buy insurance policies and to identify the brakes, i.e. the reasons which prevent the buying.

Motivational research was first developed in the 1950s as an attempt to apply Freudian ideas [2]. This type of research uses the in-depth interview technique.

3. Our marketing research

We carried out some qualitative research on the topic 'Behaviors of people from Brasov (Romania) and their opinions about purchasing a life insurance policy' in order to understand the motivations that lead to the purchase of a life insurance policy. We also wanted to put forward such issues as:

- What makes the people from Brasov sign a life insurance policy during the current economic crisis?
- What are the main reasons of the people from Brasov for not signing a life insurance policy?
- How is insurance seen during the current period in Romania?

Our qualitative research aimed to identify the opinions, behaviors and motives

that lead the people from Brasov to sign a life insurance policy. It took the form of a focus group on two interview groups of subjects selected from the adult population of Brasov. This qualitative research method was chosen because the focus group's discussions are characterized by a great flexibility, generating new ideas and the answers to the given questions are spontaneous and less conventional. In group discussions the members can stimulate and support each other, so that you can obtain synergistic effects embodied in a wide variety of information, feedback and ideas [3].

The participants' recruitment was conducted with the help of a questionnaire that allowed the selection of those individuals who met the terms of some predetermined criteria. The recruitment questionnaire included questions on all the characteristics considered important (age, sex, occupation, education, average monthly personal income).

The sampling was done on the basis of the available database consisting of the Brasov population's telephone numbers taken from the telephone directory, selecting a random page number to look for the potential interviewees and applying a search algorithm previously established.

In order to have the sample, we used the systematic random method as a sampling method and the mechanical step (statistically) was 'from 6 to 6 persons', the population taken into account being the one from Brasov, Romania.

In forming the two groups we took into account the established criteria, so that no more than 30% of the people with higher education were included in the sample.

Within the qualitative research we analyzed two groups with different features for this market segment. The former was composed of 10 members, men and women, aged between 18 and 40. The latter consisted also of 10 members, aged between 41 and 60.

The research team (the moderators) was made up of a marketing specialist and a sociologist-psychologist, being reviewed all the steps for implementing a professional focus group. The focus group research was held in a room with electronic equipment for recording the discussions, in order to create an appropriate atmosphere.

4. Results and conclusions of the marketing research

The results obtained revealed that both the young people, less than 40, and those over 40 save money in different ways to improve their everyday life, being careful to their purchases, to the prices on the shelf in order to choose the more affordable products or give up many things that they would have consider necessary. These saving methods are practiced every time they go shopping. Other ways of saving would be: saving in a bank deposit or purchasing stocks, so the money set aside is protected against daily temptations. It follows that, in the current period, the Romanians rarely buy insurance policies with the savings component.

The Romanian citizens have at least an insurance policy. The insurance policies signed so far by the participants are for buildings, homes, private cars [4]. The first words that the interviewees thought of when they heard life insurance were 'protection', 'money', 'death', 'safety', 'installments', 'savings', 'a way to protect yourself, your family and the loved ones in case of an accident'.

The young participants feel it is better to have a life insurance, although it is expensive. In their view only those with higher incomes can afford such services. Most agree with the fact that generally people are not open to life insurance because they are not well informed about this type of insurance and for many it is a 'luxury', not having money to pay

the installments especially during this economic and financial crisis. For the elderly it is a very expensive service, even a 'luxury', because they do not earn enough to support these charges.

Most of the respondents have as the main source of information on life insurance the television, the internet, the newspapers, friends, radio and insurance advisers. The information and promotion actions are not really effective, the basic idea is that they make you aware of the existence of these services, but do not give you enough information; for it a person must ask an insurance adviser.

The focus group research revealed the attributes an insurance company should have during the crisis and not only: stability, reliability, safety, professional advisers, competent staff, financial strength, reputation, professionalism, competitiveness, credibility, market needs oriented, reputation, quality, experience, innovation. A financial advisor should be competent, smart, understanding, sociable, kind, professional, patient, caring, good speaker, communicative, serious, with good manners. Those who will resort to these services say that they will do this after 2 – 6 months, even a year or two. The types of insurance they will have are: accident and death insurance, private pension, sickness insurance, financial plans for children. Anyone wishing to sign an insurance policy soon have already had discussions with insurance advisers, surfed the Internet, and consulted with their family or with insured persons.

In conclusion, young people want to sign a life insurance during this crisis, but they cannot afford this, because they cannot pay the installments. Although they are aware of the benefits of such insurance, the daily living expenses cover most of the monthly income so they cannot benefit from these services.

5. Conclusions

The conclusions of this study can be a starting point in defining the goals and establishing the strategies of the insurance companies in Romania during the current crisis. The synthesis of all information obtained from research developed and allowed the formulation of some proposals and suggestions which, enacted by the insurance companies' decision makers, may reduce the number of cancellations of insurance policies, and may increase loyalty and retaining customers, even attracting new customers. The insurance companies that want to survive in an increasingly difficult competitive environment must offer their customers the services they need. In this respect we would like to underline one of the conclusions of our study: it is necessary to know very well the consumers and their buying and consumption habits.

6. References

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