

**Zoran T. Ćirić<sup>1</sup>**

## **THE IMPORTANCE OF CUSTOMER COMMUNICATION IN INSURANCE ACTIVITIES**

INFORMATIVE CONTRIBUTION

### **Abstract**

In the traditional insurance business, customers usually only hear or see their insurer when they take out a policy or renew an existing one. However, as other industries have put the customer at the center and customers have become accustomed to this type of relationship, this approach is no longer sufficient to maintain business communication. As the financial sector becomes increasingly complex and comprehensive, insurers are also expected to improve their communication skills. Above all, the constant exchange of information with customers will help them to better understand the financial services provided by the insurance industry. This in turn will influence the development of their awareness of the risks that surround us and the need to manage these risks properly. In addition, all insurance industry representatives will cite the lack of customer awareness of the importance of insurance as one of the biggest problems or the major problem for the development and improvement of the sector. They will also emphasize that it is the responsibility of all market participants to work on educating customers and service users.

**Keywords:** *communication, communication skills, insurance, loyalty*

### **Introduction**

The environment in which we live and work is characterized by speed and networking, especially thanks to the Internet and modern means of communication.

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<sup>1</sup> Association of Serbian Insurers, Marketing and PR Expert, zoran.ciric@uos.rs  
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Effective communication is the key to any successful business, and the insurance industry is no exception. Strong communication skills are crucial to building trust and maintaining relationships between the insurance company and the customer. Effective communication plays an irreplaceable role in building trust. By providing information in a clear, concise and accurate manner, we give our customers the opportunity to better understand complex insurance policies, the terms under which they are covered and how they can make a claim. Through accuracy and transparency in business, we build trust, foster long-term relationships and create a loyal customer base. In this article, the author looks at the fundamentals and benefits of effective communication in the insurance industry.

Uncertainties and risks that threaten health, property and life are an integral part of our daily lives. While risky events cannot be prevented, insurance can help us reduce losses or, in some cases, eliminate their effects. However, from an individual's perspective, choosing insurance is a complex and difficult task. Due to the lack of awareness about the importance and benefits of insurance, people are often skeptical and consider taking out a policy as an unnecessary expense. This is especially true in underdeveloped insurance markets such as Serbia.

## **I. Public Relations**

Before we can even talk about communication strategies and methods for building and maintaining customer relationships, we need to briefly discuss public relations, its definition and its importance. What exactly is public relations? A frequently quoted definition from the Institute of Public Relations in the UK is as follows: „It is the planned and sustained effort to establish and maintain goodwill and mutual understanding between an organization and its publics.”<sup>2</sup> While there are many definitions of public relations, they all boil down to communication. This is the essence of PR (public relations). When we talk about “mutual understanding” or use a similar term, we are referring to the results of communication, the outcomes.

Public relations thus enable a company to formulate its message in the desired way and disseminate it to its target group and influence their opinion. It is a two-way form of communication, as public relations also enable messages to be received from the target audience. Obtaining feedback creates a continuous communication process between the company and its environment or target audience. Therefore, public relations cannot be ignored, because a company must communicate with the public.<sup>3</sup> Many instruments are used to achieve the desired effects of public relations. Among the most important are advertising and press releases, corporate

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<sup>2</sup> Anthony Davis, *Sve što treba da znate o odnosima s javnošću*, Velika Britanija, 2003, p. 14

<sup>3</sup> Goran Pejaković, „Oblici odnosa s javnošću u suvremenom poslovanju”, 2015, <https://hrcak.srce.hr/file/233386> datum pristupa 09.02.2024, p. 128.

advertising, publications, video and film, special events and sponsorship, lobbying, fundraising, meetings and social activities.<sup>4</sup> The development of the internet has helped to expand the range of communication tools and online tools have become particularly important. Today, it is unthinkable not to be present on social media if you want to publicize your work and/or products or encourage communication with customers. Social media platforms have become such an integral part of life that we can freely say that if you are not there, you practically do not exist.

## **II. Communication Strategy**

A communication strategy is set for a specific period of time. During this period, marketing and PR activities are carried out to promote insurance, especially insurance policies, and their benefits to citizens and businesses. A mandatory part of the communication strategy is the media strategy, which aims to engage with the market, i.e., the users of the services.<sup>5</sup>

The main objectives of a communication strategy should be:<sup>6</sup>

- promote insurance/specific services;
- raising awareness of the importance of insurance – this should be part of every insurance company's campaign, and has a long-term impact;
- increase the number of insurance customers.

In this context, the author believes that the following should be done:

- continuous information and education about all the important details when deciding for or against the insurance;
- direct communication with the core message that everyone must take care of themselves, their health and their property;
- build mutual trust between the insurance company and its customers;
- highlight the benefits of a particular insurance policy clearly, simply and precisely.

Such clear and continuous communication should form the basis of a good relationship and mutual trust with insurance customers and foster a partnership. The public shapes its image and perception of insurance (and insurance companies) in two ways: directly through personal contact and indirectly through the image conveyed to customers, e.g., via the media.

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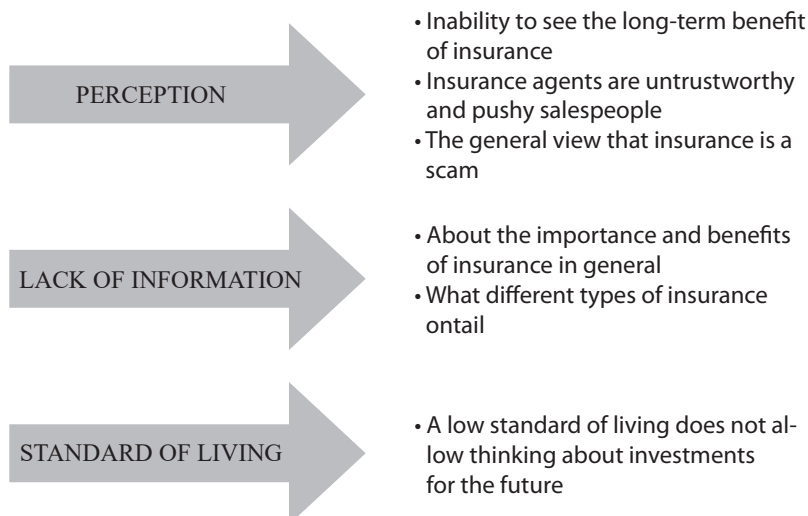
<sup>4</sup> Brkić, N. (2003), *Upravljanje marketing komuniciranjem*, treće izdanje, Sarajevo, Faculty of Economics in Sarajevo, p. 377.

<sup>5</sup> „Osiguranje nije trošak – komunikaciona strategija“, Association of Serbian Insurers (UOS), 2016, p. 2

<sup>6</sup> „Osiguranje nije trošak – komunikaciona strategija“, UOS 2016, p. 2

### III. Communication Problems

## THE MOST IMPORTANT PROBLEMS



Source: Author

Lack of awareness, mistrust of scams and the perception of insurance as a cost that is only required for critical cover, combined with a low standard of living and limited purchasing power, are the biggest barriers to successful communication with potential policyholders. Insurance companies cannot directly influence the last two elements (standard of living and purchasing power), but they can certainly address the first three. This should be a key focus for the industry.

Another internal challenge for customer communication arises from the company's priorities. Insurance companies, especially their management, often focus on statistical data such as premiums and profitability. Employee performance is often evaluated based on these metrics. However, this fragmented approach leads to short-term benefits and neglects the importance of communication in building long-term customer relationships.

Can this approach be changed and how? The answer is simple: yes. But only if you integrate communication, which is primarily relevant and beneficial to customers, into daily operations.

## 1. What Needs to Change?

Communication experts in the insurance field from the British *Modern Insurance Magazine*<sup>7</sup> recommend three strategic changes:

1. shift the focus to the customer / user of insurance services;
2. understanding customer's needs;
3. develop and utilize diverse technologies tailored to different customers.

While the barriers to effective communication may not be numerous, the path to change is neither simple nor immediate. The key principle to remember is that everything begins and ends with the insurance policyholder. Building a strong communication team focused on customer-centric approaches is crucial for achieving success.

Over the past few years, communication and communication skills have undergone significant advancements, impacting the financial sector, including insurance. The insurance industry heavily relies on effective communication with customers. Communication experts agree that specific crucial communication skills play a vital role in shaping customer relationships and their perception of the insurance company. Marius Dan Gavriletea from the Babes-Bolyai University, in his article<sup>8</sup> for *Journal of International Finance and Economic*, identifies the following key communication skills:

- verbal skills;
- nonverbal skills;
- written skills;
- listen skills;
- reporting building skills.

### 1.1 Policyholder Focus

There are numerous methods for communicating with insurance policyholders and users of services, ranging from: face-to-face interactions, phone calls and SMS messages, e-mail and other modern communication tools, and written documents. Beyond the communication method itself, the content is also crucial. The right message at the right time can capture someone's attention, potentially leading to acquiring a new customer or retaining an existing one.

Putting the policyholder at the center, in practice, would also entail aligning the company's organizational structure primarily with the customer and their

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<sup>7</sup> *Modern Insurance Magazine*, „Effective Communications in the Insurance Market“, <https://moderninsurancemagazine.co.uk/effective-communication-in-the-insurance-market/> accessed on: 8. 2. 2024

<sup>8</sup> Marius Dan Gavriletea „Communication in Insurance“ *Journal of International Finance and Economic*, June 2013, DOI: 10.18374/JIFE-13-2.2

needs, not just the service itself. This fosters effective communication that is unified throughout the entire company. Additionally, it becomes easier to standardize communication methods and ensure consistency across all levels of customer interaction.

The biggest challenge for all companies, regardless of the sector, is choosing the right communication tone because the “other side” has diverse and evolving needs and characteristics, which require careful consideration when communicating and promoting insurance services.

In the author’s opinion, the following elements can be helpful in establishing effective communication, building trust, and acquiring loyal customers:

- A user-friendly website: A step forward is offering calculators that allow customers to independently calculate costs for various insurance types, such as travel health insurance, car registration insurance when purchasing a motor insurance policy, property insurance, or voluntary health insurance. The website should be optimized for mobile devices and applications due to their growing prevalence.
- Customer obligation reminders: Top global companies successfully remind their customers about expiring insurance policies and the need for renewal. This can be done through SMS or simply a phone call.
- Tailoring the language used in communication: Sending the same message, using the same channels, and with the same language to different generations, like senior citizens, millennials, or Gen Z, is ineffective. While it might seem like millennials or Gen Z are currently uninterested in most messages companies send, that is not entirely accurate. They have their own needs and interests, but they prefer concise and quick messages – that is the time they have available to dedicate to it. Additionally, they are the future insurance customers, whether as individuals, parents, or company leaders. According to research by “Liberty Mutual’s Agent for the Future,” by next year (2025), 67% of the workforce is expected to be comprised of Generation Z individuals.<sup>9</sup> Therefore, communicating with them in a language they understand not only promotes your services but also educates them for the future.

## **1.2 Choosing the Right Media for Sending Messages and Simplifying Them**

The telephone and paper have long been surpassed but not forgotten as means of communication with customers. Today’s powerful tools, like the internet (most importantly) and mobile phones, have significantly accelerated communication

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<sup>9</sup> Agent for the Future, „Attracting and Retaining the Next Generation of Talent“, <https://www.agentforthe-future.com/topics/talent-culture/next-gen-hiring/attracting-retaining-next-generation/> datum pristupa 7. 2. 2024.

and enabled targeted approaches based on the audience. Social media is another powerful tool for sending messages to specific groups. Platforms like Facebook, X network (formerly Twitter), LinkedIn, Instagram, TikTok, and others attract large audiences, but each has its own rules. For older generations, the communication strategy might include using brochures, TV and radio commercials, print media, and billboards to promote services. You can also contact them via phone, email, and text messages. For younger generations, social media channels and online media platforms are the most effective platforms for promoting your message and brand. Utilizing social media allows you to reach a broad audience, especially younger generations.<sup>10</sup>

When choosing media channels for sending messages with the aim of retaining existing customers and attracting new ones, do not forget to include some form of customer support. For most customers, insurance is a complex subject. Without a support system, you will not achieve successful communication with users of your services. In this case, successful communication means being ready and able to answer all questions and provide relevant information. Once again, it is advisable to eliminate jargon from your vocabulary. No one will understand it, let alone make an effort to decipher those terms. Use simple words, short and concise sentences.

## **2. Make an Effort to Understand the Needs of the Customer/Service User**

Gathering information about customers is only the first step in understanding their needs. More important than gathering information itself is understanding that information and making changes to truly understand that person and their changing needs. What insurance do they need? What is their budget? Do you have the service they need or something similar? Do many people understand the insurance and the benefits the policy brings, and how? What is their main means of communication? These are the questions you need to answer. The answers to these questions give you the opportunity to personalize your messages and ensure they are useful, understandable and engaging. Communication that includes knowing your customers is the key to building a lasting relationship.

## **3. Prepare and Utilize Various Technologies Tailored to Each Customer**

While digitalization has significantly improved and accelerated communication, the financial sector, particularly insurance, still maintains a personal element in the market. Technology should be used to make customers feel secure and satisfied, while also analyzing customer data and their needs. Here, again, it is important

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<sup>10</sup> Aubrey Moore, „4 communication strategies successful insurance companies use to connect with their target audience“, septembar 2022, <https://www.axiapr.com/blog/4-communication-strategies-successful-insurance-companies-use-to-connect-with-their-target-audience>.

to differentiate between whether the focus is on retaining existing customers or attracting new ones. Simply put, effective communication and building a strong relationship with customers lead to loyalty and revenue growth.

In any case, customers may want to interact through phone calls, emails, automated chat systems (Chatbots), other forms of text messages, or face-to-face meetings. A single method is not enough to retain existing customers or attract new ones. Therefore, the technology you choose should support multiple communication channels. This brings us to the process of digitalization and (in)sufficient investment, but that topic will not be covered in this text. It is enough to recall a study by the consulting firm McKinsey & Company, which found that nine out of ten insurance companies identified outdated software and infrastructure as barriers to digitalization and faster communication with customers.<sup>11</sup>

## **IV. Conclusion**

The reward for every successful communication is a market advantage for the company. Most importantly, customers understand the insurance services, buy them and trust the company they buy policies from. Over time, they become loyal customers. However, insurance companies need to improve the effectiveness of their communications and reward loyal relationships. This will reduce the “churn rate”, which is ultimately just as important as attracting new customers.

The insurance industry is a vibrant sector full of intelligent and talented people. Many of them have incredible ideas that have the potential to revolutionize the way insurance companies help people manage the risks that surround us. However, brilliant ideas are worthless if you can't effectively explain them to others and convince them of their potential success. Benjamin Franklin pioneered thinking about ways to mitigate the risk of fire in 1735. He developed reforms entitled On Protection of Towns from Fire, emphasizing the concept of prevention over cure. These reforms were implemented on a large scale, not because people perceived him as a genius or prominent leader (he was only 29 years old at the time), but because he wrote a persuasive letter to the Philadelphia Gazette explaining why his reforms would make the city safer.

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<sup>11</sup> *Modern Insurance Magazine*, „Effective Communications in the Insurance Market“, <https://moderninsurancemagazine.co.uk/effective-communication-in-the-insurance-market/> accessed on 8. 2. 2024



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Translated by: **Zorica Simović**