



VILNIAUS GEDIMINO TECHNIKOS UNIVERSITETAS

VERSLO VADYBOS FAKULTETAS

TARPTAUTINĖS EKONOMIKOS IR VADYBOS KATEDRA

Jolanta Vinclovaite

**TARPTAUTINIS DRAUDIMO VERSLAS: SANTYKIŲ MARKETINGO
MODELIAI**

**INTERNATIONAL INSURANCE BUSINESS: THE MODELS OF CUSTOMER
RELATIONSHIP MANAGEMENT**

Baigiamasis magistro darbas

Verslo vadyba, valstybinis kodas 62403S121

Tarptautinis verslas

Vadyba ir verslo administravimas

Vilnius, 2008

VILNIAUS GEDIMINO TECHNIKOS UNIVERSITETAS
VERSLO VADYBOS FAKULTETAS
TARPTAUTINĖS EKONOMIKOS IR VADYBOS KATEDRA

TVIRTINU
Katedros vedėjas

(Parašas)

B. Melnikas
(Vardas, pavardė)

(Data)

Jolanta Vinclovaitė

**TARPTAUTINIS DRAUDIMO VERSLAS: SANTYKIŲ MARKETINGO
MODELIAI**

**INTERNATIONAL INSURANCE BUSINESS: THE MODELS OF CUSTOMER
RELATIONSHIP MANAGEMENT**

Baigiamasis magistro darbas

Verslo vadyba, valstybinis kodas 62403S121

Tarptautinis verslas

Vadyba ir verslo administravimas

Vadovas doc. dr. Rasa Smaliukienė

(Moksl. laipsnis, vardas, pavardė)

(Parašas)

(Data)

Vilnius, 2008

Vilniaus Gedimino technikos universitetas
Verslo vadybos fakultetas
Tarptautinės ekonomikos ir vadybos katedra

ISBN ISSN
Egz. sk.
Data 2008-05-

Verslo vadybos studijų programos baigiamasis magistro darbas

Tarptautinis draudimo verslas: santykių marketingo modeliai

Autorius **Jolanta Vinclovaite**

Vadovas doc. dr. **R. Smaliukienė**

Kalba

☐

lietuvių

☒

užsienio

Anotacija

Baigiamajame magistro darbe „Tarptautinis draudimo verslas: santykių marketingo modeliai“ nagrinėjamas santykių marketingas draudimo versle, santykių marketingo diegimo etapai draudimo įmonėje, pasiūlyti santykių marketingo diegimo modeliai Baltijos šalims: Lietuvai, Latvijai, Estijai.

Pirmoje darbo dalyje analizuojamas draudimo verslo plėtros tendencijos pasaulyje, Europoje, Lietuvoje, išskiriamos pagrindinės draudimo verslo plėtros problemos. Analizuojama santykių marketingo svarba draudimo verslui.

Antroje darbo dalyje apibendrinta literatūra santykių marketingo bei draudimo klausimais, pateikti santykių marketingo diegimo draudimo versle teoriniai aspektai.

Trečioje dalyje atlikta draudimo sektoriaus aplinkos analizė Europoje ir Lietuvoje. Taikant koreliacinę analizę nustatyta bendrojo vidaus produkto priklausomybė nuo draudimo įmokų ir negyvybės draudimo rinkos augimo. Pateikta draudimo verslo teisinės aplinkos analizė naudojant Content analizės metodą. Atlikta santykių marketingo analizė Delphi metodu: apklausti draudimo verslo ekspertai Lietuvoje. Susistemintus atsakymus, atlikta Latvijos, Estijos, Lietuvos draudimo ekspertų anketinė apklausa. Susisteminti respondentų atsakymai ir pateikta apklausos metu gautų rezultatų analizė.

Ketvirtoje dalyje apibendrinus literatūrą ir gautus tyrimo rezultatus, pateiktas santykių marketingo diegimo draudimo versle modelis, pasiūlyti santykių marketingo modeliai Lietuvos, Latvijos, Estijos draudimo įmonėms.

Darbo pabaigoje pateiktos išvados ir suformuluoti pasiūlymai.

Darbą sudaro 4 dalys: įvadas, probleminė, teorinė, empirinių tyrimų, projektinė dalys, išvados ir siūlymai, literatūros sąrašas.

Darbo apimtis – 79 p. teksto be priedų, 32 iliustr., 1 lent., 45 bibliografiniai šaltiniai.

Atskirai pridedami darbo priedai.

Reikšminiai žodžiai: draudimas, draudimo verslas, santykių marketingas, santykių marketingo modeliai.

Vilniaus Gediminas technical university
Business Management Faculty
International Economics and Business Management

ISBN ISSN
Copies No.
Date 2008-05-

Business management study programme's master's final work

Title: **International insurance business: the models of Customer Relationship management**

Author: Jolanta Vinclovaite

Academic supervisor: doc. dr. R. Smaliukienė

Thesis language

☐

Lithuanian

☒

X

Foreign (English)

Annotation

The Customer Relationship management in insurance business and CRM adaptation process in insurance business are analyzed in the master thesis: "International insurance business: the models of customer relationship management". CRM models are suggested for Lithuania, Latvia and Estonia insurance companies.

The tendencies and problems of the development of the international insurance business in the world, Europe and Lithuania are analyzed in the first part of this paper. The importance of customer relationship management in insurance business is also carried out here.

In the second part of this paper the literature of CRM and insurance business has been generalized. The theoretical aspects of the CRM adaptation process in insurance business are presented here as well.

In the third part of this thesis the environment analysis of insurance business in Europe and Lithuania is presented. Gross National Product dependence from insurance premiums and non life insurance market share was determined through applying a correlation method. Using Content analysis method, the insurance law system in Baltic State countries is presented. CRM analysis in insurance business using Delphi method is presented: insurance business experts in Lithuania are interviewed. Their answers systemized, after that the research has been carried out through insurance business experts inquiry in Lithuania, Latvia and Estonia. Their answers have been systematized and comparative analysis has been presented.

Based on the results of the studies of literature and the research, which has been carried out, the CRM adaptation model in insurance business is presented. CRM models for Lithuania, Latvia, and Estonia insurance business are presented in the fourth part as well.

At the end of this work some findings and suggestions concerning the topic have been offered.

Structure: introduction, problematical, theoretical, empirical researches, project parts, conclusions and suggestions, references.

Thesis consists of: 79 p. text without extras, 32 pictures, 1 table, 45 bibliographical entries.

Appendixes included.

Keywords: insurance, insurance business, Customer Relationship management, models of CRM.

CONTENT

INTRODUCTION.....	8
1. THE PROBLEMS OF DEVELOPING INTERNATIONAL INSURANCE BUSINESS.....	11
1.1. Challenges in developing international insurance sector	11
1.2. Customer relationship management research priorities in developing insurance business	14
2. CUSTOMER RELATIONSHIP MANAGEMENT FOR INSURANCE BUSINESS: THEORETICAL PERSPECTIVE.....	19
2.1. CRM theoretical models in service sector.....	19
2.2. CRM content and its application for insurance business	21
2.3. Process of CRM Adaptability and Application in Insurance business	30
2. 4. Research methodology for CRM in developing International insurance business	35
3. CUSTOMER RELATIONSHIP MANAGEMENT FOR INSURANCE BUSINESS: EMPIRICAL STUDIES	39
3.1. Business environment analysis for insurance business development	39
3.1.1. The review of insurance business in Lithuania and other EU countries.....	39
3.1.2. GNP, non life insurance market share and insurance premium correlation analysis	47
3.2. Content analysis of the insurance law system in Baltic countries.....	49
3.3. CRM analysis in insurance business using Delphi method.....	56
3.4. CRM analysis in Lithuania, Latvia and Estonia using insurance business' experts' survey	58
4. CUSTOMER RELATIONSHIP MODELS FOR DEVELOPING INTERNATIONAL INSURANCE BUSINESS	67
CONCLUSIONS AND SUGGESTIONS.....	73
REFERENCES OF LITERATURE.....	77
APPENDIXES	80

THE LIST OF PICTURES

- Picture 1. Insurance – as an economical activity
- Picture 2. A Relationship management strength index
- Picture 3. Triangular nature of the insurance transaction
- Picture 4. The resource – oriented marketing perspective: a relationship marketing approach
- Picture 5. Insurance system elements
- Picture 6. The insurance system
- Picture 7. Growth of premiums written in European National Insurance market in 2006
- Picture 8. Dynamics of premiums written and claims paid (million Litas) and Premiums Growth rate (%)
- Picture 9. Insurance branches distribution according signed insurance premiums (%)
- Picture 10. Breakdown of insurance branches in Lithuania and other countries (%)
- Picture 11. Structure of non life insurance
- Picture 12. Non life insurance companies' distribution according to signed premiums in 2007
- Picture 13. Life insurance companies' distribution according to signed premiums in 2007
- Picture 14. Correlation analysis between GNP and Non life insurance market share
- Picture 15. Correlation analysis between GNP and Insurance premiums
- Picture 16. Correlation analysis between Non life insurance market share and Insurance premiums
- Picture 17. Years of working in insurance business (n=55)
- Picture 18. The country of respondent (n=55)
- Picture 19. The insurance business sector the respondents are working in (n=55)
- Picture 20. The distribution of respondents according are they heard about CRM (n=55)
- Picture 21. What are the reasons for understanding CRM in many different ways (n=55)
- Picture 22. How does false perception of CRM strategy influence insurance business (n=55)
- Picture 23. What are the common problems companies faces with while implementing CRM strategy (n=55)
- Picture 24. The reasons for implementing CRM (n=55)
- Picture 25. The evaluation of CRM possibilities to be implemented in insurance business (n=55)
- Picture 26. The most effective efforts while implementing CRM in Lithuania insurance company
- Picture 27. The most effective efforts while implementing CRM in Latvia insurance company
- Picture 28. The most effective efforts while implementing CRM in Estonia insurance company
- Picture 29. CRM application model in international insurance business

Picture 30. CRM model for Lithuania's insurance business

Picture 31. CRM model for Latvia's insurance business

Picture 32. CRM model for Estonia's insurance business

THE LIST OF TABLES

Table 1. The data for correlation analysis

INTRODUCTION

The existence of insurance market is essential component of any successful economy and the proof of this can be seen all over the world. The insurance takes second part after tourism under the income, and only then goes industry and banks. Well functioning insurance system attracts foreign direct investment and shows all countries development level.

Significance of insurance, on countries social economic life, since its origins noticeably grows. The number of insured people and variety of insurable risks grow; there is an extent of gathering insurance premiums as well.

On the way of improving insurance system it is important to mention, that demand for insurance products comes only in society who has well developed market relationships. It is very important especially in life insurance, because it is growing only between well – off people. So limited people income creates barriers for insurance system development.

It is very huge competition in insurance business nowadays. This confirms insurance experts opinion, that in Lithuania it is enough to have five developed and strong insurance companies, but now we have about twenty. To strive in such strong competition insurance companies must take all possible actions to satisfy people's insurance needs. One of possible tools is customer relationship management.

The new millennium started in Lithuania's insurance industry auspiciously. Integration to the European Union, improving financial and economic indicators of the Republic of Lithuania and changing legislative environment stimulated a more rapid penetration of the common financial market by insurance companies and insurance intermediaries. Growth of economy and increasing level of standard of living gave the rise for the Lithuanian insurance market. The first private insurance company was founded in 1991 in Lithuania. From that time the insurance market has dramatically changed. It is a short period for being in insurance business, but during the last years many changes took place, causing direct consequences both for insurance market and for the whole economy in Lithuania.

Most of the developed world is now entering a new information economy. There is indeed a revolutionary paradigm shift taking place both in business and marketing. CRM is paradigm one, perhaps even a major, manifestation of that paradigm shift. CRM and CRM software implementations in Lithuanian business structures are not widely applied, although the interest of companies' executives to CRM solutions is high enough, especially during the last few years. Entering European Union,

growing competition, new possibilities because of that, growing management expense in Lithuania and European Union countries, requirement to be noticed among many other companies – these are the reasons that force Lithuanian companies to apply new methods of marketing and new business strategy, improve current strategy methods in their business activities. The main and outstanding problem, which is the source for other problems to come, is – why we need CRM and what causes to use it as one of the company's strategy?

The theoretical problems: The models of Customer relationship management are not applied for insurance business companies and only fragmented components of general customer relationship management theory are applicable for the specific insurance commodity. The practical problem consist of the insurance business experts lack of information and knowledge about CRM, CRM strategy. Many insurance companies face with a lot of problem concerning long – term relationships with customer, they are mislead by an over – reliance on technology, lack of strategic perspective, use of faulty metrics, inadequate segmentation. Many insurance companies executives and managers still think that CRM is only about technology or that is only advertising of all services – that shows that CRM is not properly implemented in insurance business.

The object of this work: CRM adaptation process in insurance business.

The aim of the work – after analyses of theory of CRM and insurance business environment in Baltic Sea region to suggest CRM models for these countries.

The tasks of this paper are:

1. To overview the problems and challenges of developing international insurance business;
2. Theoretically analyse customer relationship management in insurance business, its content, application for insurance business, process and adaptability in international insurance business;
3. To make a review of worlds insurance market and reflection of these tendencies in the Baltic countries and especial in Lithuania;
4. Using Content analyses to analyze the insurance business legal system in the Baltic States;
5. To give an analysis of CRM adaptability and application in international insurance business in Lithuania and other Baltic State countries with a help of Delphi method;
6. To make a survey of the Baltic state insurance business experts about CRM adaptability and application;

7. After empirical research to suggest CRM models for insurance business in Lithuania, Latvia and Estonia;
8. To make conclusions and suggestions for CRM development in international insurance business.

The meaning and innovativeness of this paper. In theoretical part of this paper it is analysed CRM, which is adopted to insurance business, after analysis of insurance business sector, legal system it was done an interview with Lithuanian insurance business experts, after that the questionnaire was sent to the Baltic State countries' insurance business experts, the main problems, difficulties, advantages, the main efforts adopting CRM was identified. Taking all results, the models of CRM adaptation in Insurance business for Lithuania, Latvia and Estonia were suggested.

The methods of research: scientific literature analysis, according different authors theoretical CRM adaptation methods. Insurance business sector, legal system was analyzed - it was done an interview with Lithuanian insurance business experts and questionnaire with other Baltic state countries' insurance experts. Logical, statistical analysis was done using these results and at the end different CRM models for Lithuania, Latvia and Estonia were suggested.

1. THE PROBLEMS OF DEVELOPING INTERNATIONAL INSURANCE BUSINESS

1.1. Challenges in developing international insurance sector

As insurance can help people to feel safe, it covers risk and compensates the damages – that's why the number of insured people grows rapidly. It becomes more and more important to be insured.

In 2006, the amount of premiums written worldwide grew 8.1% up to 9.8 trillion litas. The real growth of the global insurance market stood at 5% compared to 2005, the amount of life assurance premiums written grew 7.7% and the amount of premiums written in the non-life insurance market grew 1.5% (the non-life insurance market grew 0.6% in industrial countries and 11 % in developing countries). In Europe, the average growth rates stood at 12.4% in life assurance and at 0.5% in non-life insurance in 2006. When analyzing the 2004–2006 data of the EU countries, higher growth is observed in the life assurance sector, particularly in Eastern Europe.¹

During last years in the world, insurance buyers in the US have been feeling the crunch of increasing rates, both for commercial and personal insurance. The reason for this insurance market "correction" is simple: For the past several years, insurance companies have been paying out more in claims than they have been collecting in premiums, and their investments are not making up for the shortfall. Even the marine and cargo insurance sectors are experiencing increases. Because of several factors, such as the rise in reinsurance costs, reduction in reinsurance capacity, and the many multi-year marine insurance programs written, marine rates are going up. Yet, in the midst of the tightening worldwide insurance marketplace, there are some interesting developments: In countries where insurance was traditionally closed to outsiders or closely regulated by the government, the rules are relaxing. From Asia to Latin America, the opening markets may bode well for exporters in the future.²

Challenges in international insurance business can be grouped by regions:

- Asia

In Asia, countries such as China and India had traditionally closed their doors to outside influence of their insurance industry. This is slowly changing, however. For example, historically in India, the insurance industry was totally controlled by the government, which had implemented the General Insurance Corporation of India (GIC) for its non-life insurance sector. But in 1999, India's

¹<http://www.dpk.lt/files/overview2006.pdf>

²http://www.worldtrademag.com/CDA/Articles/Industry_News/4e8e0c9026af7010VgnVCM100000f932a8c0_____

parliament approved a privatisation bill, though it restricted non-Indian equity in insurance companies to 26%, and, on October 23, 2000, the first set of licenses was issued to foreign insurers after 29 years of nationalization. As a result, there will be greater opportunity for insurance intermediaries in the future in India. This illustrates Incare Consultants, an insurance intermediary, whose client base of multinationals has grown substantially in the past five years. New entrants into India can be confident their insurance will be handled effectively.³

- Latin America

In Latin America, market conditions remain stable as the region's largest country, Brazil, experiences deregulation. Traditionally in Brazil, the reinsurance market has been controlled by the Instituto de Resseguros do Brasil (IRB), which is going through privatisation. This should result in similar insurance terms and pricing available in Brazil as in surrounding countries.⁴

- Europe

In Europe, the most important development continues to be the tightening marketplace, particularly in the London market, with reverberations felt throughout the rest of the world. As already mentioned, capacity is shrinking and buyers in the US are feeling the pain, because insurance companies have been paying out more in claims than they have been collecting in premiums, and their investments are not making up for the shortfall.⁵

- The Baltic States

The Lithuanian insurance market picked up a particularly rapid rate of development: in 2006, premiums written exceeded the forecast – they grew by 38% and amounted to more than 1.4 billion litas. In Lithuania, the non-life insurance market grew 27% and the life assurance market grew 56.7%, compared to 2005. In comparison, last year the Latvian insurance market grew by 30% and the Estonian market grew by 14%. On a European scale, only Lichtenstein had a greater growth rate than Lithuania. The real growth rate (31.8%) of the Lithuanian insurance market was three times greater than the average growth rate in the EU member states and almost four times greater than that of the whole European insurance market.⁶

- Lithuania

Insurance business is quite new subject in Lithuania. It has short history – the first steps in insurance business were made 16 years ago. In the recent years Lithuania has an operative and rapidly

³http://www.worldtrademag.com/CDA/Articles/Industry_News/4e8e0c9026af7010VgnVCM100000f932a8c0_____

⁴http://www.worldtrademag.com/CDA/Articles/Industry_News/4e8e0c9026af7010VgnVCM100000f932a8c0_____

⁵http://www.worldtrademag.com/CDA/Articles/Industry_News/4e8e0c9026af7010VgnVCM100000f932a8c0_____

⁶<http://www.dpk.lt/files/overview2006.pdf>

developing insurance market functioning on the basis of modern principles and the insurance supervision system which is based on advanced international standards.

Still the problem rises when we are talking about people – quite big part of population doesn't know what insurance is and the advantages they can get from it. Now the transport insurance is compulsory, that's why the non - life insurance market is growing so rapidly in Lithuania. Lithuanians are just beginning to understand the value of insurance as a service. As a Lithuania's economic indicators improve and confidence in banks and the country's financial system grows in recent years, people desiring to improve their quality of life tend to borrow more from banks and other financial institutions. Economic development along with growing volumes of income, loans, consumption and investments created a bigger need for both life assurance and non-life insurance.

In the near future positive trends that are mainly influenced by changes in the legal base regulating insurance activities, rapid economic growth and foreign investments in the insurance sector, optimistic expectations regarding economic prospects, improvement of information technologies, implementation of innovations, and development of new insurance products will be further maintained. Because of increase of volume of premiums for life assurance in Lithuania every year, we must conclude that people tend not only to insure against risks but also allocate more and more funds for accumulation. One of the main factors of the growth of the life assurance market is the need for younger people to obtain instruments of saving and fund accumulation as well as life assurance and disability insurance, which the state can satisfy in a very limited way. Taking global indicators into consideration (life assurance accounts for approx. 60% of the insurance market), it can be stated that life assurance will expand much faster than non-life insurance and will become increasingly more important. Experts of the global insurance market forecast that the life assurance segment will grow more rapidly in the global insurance market in 2007, whereas growth in the non-life insurance segment is likely to be rather slow.⁷

The biggest risk and challenges that had an impact on the activities of insurance undertakings in 2006 in Lithuania included regional expansion, growing competition, price dumping, and turnover of employees. Seeking to avoid risks, insurance undertakings looked into possibilities of expanding the sales network, continued the search for insurance agents, improved insurance consultants' competence, reviewed pricing, reduced expenses, and changed insurance rules. The positive factors that will have an impact on the Lithuanian insurance market in the future, as indicated by insurance undertakings, included the country's rapid economic growth, investments from EU

⁷<http://www.dpk.lt/files/overview2006.pdf>

structural funds, changes in natural persons' income tax rates. Changes in the tax system (possible abolition of tax concession in the case of life assurance), constantly increasing loss ratio, growing claim amounts, and mass emigration were identified as negative factors.⁸

Comparing to EU countries' development rates characterizing the insurance business of recent years, it should be noted that in terms of development level the Lithuanian insurance market still trails the country's banking sector and insurance markets.⁹ Lithuanian insurance business still has sufficiently great growth potential, the insurance market remains in a stage of rapid development. What is more, it is very important that in this market development stage that insurance business is based on the principles of transparency, business ethics and respect of consumer interests.

1.2. Customer relationship management research priorities in developing insurance business

Customer Relationship Management (CRM) has become a top priority for companies seeking to gain competitive advantage in today's stormy economy. However, CRM was practiced by businesses long before IT software, even before supermarkets and automobile came along.

The last several years saw the rise of CRM as an important business approach. Its objective is to return to the world of personal relationships. The concept itself is relatively simple. Rather than market to a mass people or firms, market to each customer individually. In this one-to-one approach, information about a customer is used to frame offers that are more likely to be accepted. This approach is made possible by advances in information technology.

Today CRM has emerged as important business and technology initiative in many world companies across multiple industries.

Despite the fact that the foreign authors pay a lot of attention to CRM, in their works very fragmented aspects of CRM are researched, non of them applied CRM in insurance business, no CRM measurement frameworks, CRM software implementations, CRM models for insurance business. The theoretical aspects of CRM are not presented in scientific publications in Lithuania and other Baltic State countries yet. CRM and CRM software implementations in insurance business structures are not applied, although companies' executives' interest to CRM solutions is high enough, especially during the last few years.

⁸<http://www.dpk.lt/files/overview2006.pdf>

⁹<http://www.dpk.lt/files/overview2006.pdf>

Customer relationship management in insurance business – is a tool, which lets to manage this service the least risky ways. Stable market improvement, especially in the fields of science and technology, strong competition and economical instability let survive only that insurance companies, which consistently improve their management process, applies new methods – CRM strategy as well. CRM strategy is like intermediate between company and its customers, helps companies managers to manage market information, reduce business risk, let better know business environment, give more opportunities companies managers to raise goals, which suits to customers and present posture.

Many Lithuanian insurance companies faces with a lot of problem concerning while trying to keep the long – term relationship with customer and if the companies get to know about CRM strategy it gets much more problems, because there are many opinions what the CRM is and how it should be applied. Many researchers observe, that many companies going through motions they call customer relationship management, when it is obvious they have no idea what a relationship management is. In other instances, CRM strategy is viewed as a panacea or quick – fix solution without giving due consideration to the pitfalls and challenges of making it work.¹⁰ To avoid this outcome and to make customer relationships more than just a nice sounding phrase, management needs a clear picture of what the strategy entails and the success requirements. The problem is that CRM means different things to different people.

While insurance companies are spending money on modernizing the work places, they see CRM as technological strategy, too. Many of these hardware/software implementations have failed to meet management's expectations for return on investment. For many, CRM is about "customer relationships" in name only. Some insurance companies appear having the primary objectives as to reduce costs through the automation of sales/service processes and by putting more responsibility on the customer for self – service or gain short – term revenue lift trough targeted offers and cross – sell attempts. These aims are not exactly synonymous with building lasting relationships. Cost efficiency and short – term revenue lift are not the primary goals.¹¹

If the insurance companies are familiar with CRM, CRM strategy, they face with another problem. Many companies are mislead by an over – reliance on technology, lack of strategic

¹⁰ Jasilionienė R., Tamošiūnienė R. Customer Relationship Management as a Business Strategy Appliance: Theoretical and Practical Dimensions. *Journal of Business Economics and Management*, 2007, Vol VIII, No 1, p. 69- 78.

¹¹ Jasilionienė R., Tamošiūnienė R. Customer Relationship Management as a Business Strategy Appliance: Theoretical and Practical Dimensions. *Journal of Business Economics and Management*, 2007, Vol VIII, No 1, p. 69- 78.

perspective, use of faulty metrics, inadequate segmentation, neglect of brand considerations. Many companies, executives and managers still think that CRM is only about technology.

If the company decided to implement CRM in its business strategy, in most cases it could be in bigger trouble, because many companies get bogged down in their CRM journey by not realizing the need to put in place a customer-centric strategy that is supported throughout the organization. This strategy should underpin any investment in the people that will ultimately implement and use whatever CRM solution is implemented. This inability to clearly articulate the strategic importance of implementing CRM within an organization is what caused many of the early failures that we have read about and that have ultimately stigmatized CRM as either a costly waste of time or at best something with low returns on investment. Many Lithuanian enterprises still attempt to implement CRM as a series unintegrated, departmental projects, that is the wrong way for making business strategy successful in general.

Especially in Lithuania, part of the problem is that front line employees often do not understand their roles as relationship managers. They have heard it is important to be polite to customers, to listen to them and to be empathetic. But nobody has said “you are a relationship manager and this is what it entails”.¹² In Lithuania it is important to assess the experiences of world countries and to make use of the current knowledge. The situation of understanding CRM strategy in Lithuania is unspecified, there are no full – scale surveys about the environment for Lithuanian companies to apply and develop CRM strategy and if all CRM strategies are applicable in Lithuania at all.

Talking about CRM in insurance business in Lithuania, there is a lack of connection between insurance company and clients. Such situation remained for long years, because of knowing nothing about CRM or implementing CRM strategy improperly. CRM for insurance companies would be a great decision for keeping long – term relationship with customers – that is very important in insurance business because if the customer is satisfied with particular insurance company or its service, he/she would be more potential to spread such an information to his/her friends, relatives or will use more services of the same insurance company. This is very important because of insurance sector particularity – people don’t use insurance service every day. People make serious decisions before choosing a particular insurance company. That’s why insurance companies should seek long – term valuable relationship with their customers.

¹² Crosby L. A. Exploding Some Myths About Customer Relationship Management. *Managing Service Quality*, 2002, Vol 12, No 5, p. 271 – 277.

At the most simple level, insurers do not sell a physical product such as soap or cornflakes; so their product is classified as an 'invisible' activity in terms of international trade. The policyholder is given a document, the policy, which is evidence that a contract exists between him and the insurer. What the contract promises is monetary payment (or, in some cases, goods) of equivalent value to a loss (in general insurance) or to a specified sum of money (in life assurance). There is no specific part of the insurance company's reserve fund, or of its assets, allocated exclusively to meet the liability to any particular policyholder in the event that the risk covered by his policy should materialize. Indeed, the entire purpose of a common fund is that it is available to meet whichever of the insured risks actually occurs. But this necessarily means that each individual policy holder has to take on trust the capacity and willingness of the insurer to provide what the policy promises in the event of the risk occurring. Some economists, including some who specialize in writing about insurance, have got excited about the nebulous concept of a 'service economy' in which most activities are counted as being 'services' rather than 'products'. Upon examination, this becomes merely a matter of definition and it has little operational relevance either for the activities that are classified as services or for anything else.¹³

The concept of service, nevertheless, is fundamental to insurance. The insurer sells a promise to the insured. The validity of the contract will only be proven at a future time. At the time when a payment is due to the insured from the insurer, the insured may well be in a state of shock or distress because of the incident that caused the risk to occur (a theft, accident, storm or other catastrophe). In cases where the contract is for life assurance and the assured has died, the relatives may be more distressed at the death than they are relieved to receive the payment from the policy. On the other hand, if the insurer has any reason to doubt the genuineness of the claim, and delays payment while an investigation is made, the insured may well be angry (either out of injured innocence or from fear of being caught out making a false or exaggerated claim). Either way, it is likely that the insured will be in a less than ideal frame of mind at a time when an insurance contract results in a claim. In any period when no claim is outstanding, the insured has protection and that is likely to be what he believes he is paying for. The insurer has the job of persuading potential customers that they should buy the insurance, which they have entered into a good deal when they are paying premiums and making no claims, and that they would get good service if a claim were made. This is the substantive point about service in relation to the insurance business. At every stage in the sale and duration of an insurance

¹³ Bland D. Insurance: Principles and practice. The Chartered Insurance Institute.UK. 1983

contract, the customer has to feel that he is special, that he is getting the right cover and good value for money, that the insurer's administration is economical efficient and that the interests of the customer come first.

Some modern writers use the term 'culture' to expand this point more fully. As the provider of an invisible product, insurers must make sure that their service to their customers is user-friendly; and the best way to ensure this is instilling into all their staff and the procedures that they use a culture of customer care. The customer is not always right; but the customer always comes first: this is the basis of a modern customer service culture.¹⁴ That's why insurance companies should seek long – term valuable relationships with their customers, apply CRM strategy in the business. CRM strategy will not only ease the process of insurance company management, but also make long term relationships with customers.

The Lithuanian insurance business practice shows that insurance companies don't realize the true CRM – many of them think that advertising all its services despite that for example a particular customer isn't interested in that service at all, shows improper way for implementing CRM strategy. Some of the companies see CRM strategy as a good tool of cost efficiency and short – term revenue lift, but this is the essential mistake in doing insurance business. The statistical data listed above shows that there is a need for implementing CRM in recent situation and making insurance business more customer centric than it is now.

¹⁴ Hansell D.S. Introduction to insurance. – London: LLP, 1999. 389p.

2. CUSTOMER RELATIONSHIP MANAGEMENT FOR INSURANCE BUSINESS: THEORETICAL PERSPECTIVE

2.1. CRM theoretical models in service sector

Relationship marketing is widely discussed in foreign scientific literature. Because of growing competition in service sector, relationship management is widely applied.¹⁵ L. Berry says, that to succeed with CRM strategy, firstly it must be defined market relationships, because each service has different market relationships.¹⁶ There are different market relationship models.

In M. Christopher “Six market” model, marketing activities is done by consumers, workers, providers, agents, insiders and influencers market groups. Under this model consumers are the most important.¹⁷ M. Cristopher recommends to pay attention to the customer after service: to make guaranties, to send information about company, special offers, prices, etc.

Under Ph. Kotler marketing conception, business environment consists of two parts with ten participants:¹⁸

- Direct environment, with providers, agents, end - users and employees.
- Macro – environment with six groups of players: finance institutions, government, journalism, unions, competitors, and public voice.

E. Gummesson in “30R” model separates two main groups – market and non – market relationships. The first group is relationships between providers, consumers, competitors and other direct participants.¹⁹ This model is important analyzing relationship affect to the organization. Not only customer, competitors and other participants are the main players, but also inside organization relationships are important too.

M. Craig –Lees and M. Caldwell “Three relationship zones” model consists of three levels²⁰:

¹⁵ V. Juščius et. al. / Verslas: teorija ir praktika – 2006, VII t., Nr. 4, p. 254 – 262.

¹⁶ Berry, L.L. Relationship Marketing. In Berry, L.L.; Shostack L.G; Upah G.D. Emerging Perspectives on Service Marketing. Chicago: American Marketing Association, 1983, p. 8 –25.

¹⁷ Chritopher, M.; Payne, A.; Ballantyne, D. Relationship Marketing. Bringing quality; customer service and marketing together. Butterworth Heinemann, 1991.

¹⁸ Kotler, P. Marketing Management. New Jersey, 2005.

¹⁹ Gummesson, E.; Lehtinen, U.; Gronroos, C. Comment on “Nordic perspectives on Relationship marketing”. European Journal of Marketing, 1997, Vol 31, No 1, p. 10 – 16.

²⁰ Gummesson, E.; Lehtinen, U.; Gronroos, C. Comment on “Nordic perspectives on Relationship marketing”. European Journal of Marketing, 1997, Vol 31, No 1, p. 10 – 16.

1. Third zone – cultural, political, economical, social environment relationships;
2. Second zone – relationships between competitors, political parties and government.
3. First zone – consumer and provider relationships. Trust, collaboration, satisfaction, carefulness are the most important elements.

This model is different from other models, because it pays attention to such principals as trust, collaboration, satisfaction, and carefulness.

Talking about insurance business and CRM in Lithuania it seems that those two subjects are non-compatible. Despite popularity, CRM still remains unspecified concept, which cause that CRM is understood differently in different parts of the world and even in the different departments of the same company. Such situation is caused by everyone's trying to build their own CRM definition according to the literature they managed to read, consulting firms and opinion of the other business partners.

R. Tamosiuniene and R. Jasilioniene state that “the market seems to have coalesced along three ‘kinds’ of definitions:

1. *technology centric*: those definitions of CRM evolve out of the need for vendors to position their particular product; there is a connection between CRM and preceding technologies. Burghard and Galimi state that CRM is an IT driven concept used to design the business and its processes around the customer's wants and needs.²¹ However, this definition does not reflect the essence of CRM as a whole concept. CRM is not only about information technology, it is a comprehensive business strategy. CRM technology is basically an enabler. Along with people and process, information technology needs to be aligned with the business goals of building, maintaining and enhancing customer relationships.

2. *customer lifecycle centric*: those definitions evolve out of the need for CRM practitioners to describe a new business capability that focuses on the customer lifecycle, not the product lifecycle. The customer lifecycle consists of attracting (the customer becomes aware of the product and/or company), transacting (customer decides to procure a product/service), servicing and supporting (customer requires the company's assistant in installing, using, servicing of what was procured), enhancing (the customer may be thinking of purchasing additional products or services). The customer lifecycle definition of CRM is the ability to seamlessly interact with or market to the customer throughout this lifecycle;

²¹ Dagger T. S., Ward T. The Complexity of Relationship Marketing for Service Customers. Journal of Services Marketing, 2007, Vol 21, No 4, p. 281 – 290.

3. *strategy centric*: those definitions try to free the term CRM from any technology underpinnings and to a lesser extent from specific customer management techniques. CRM is described as a technique to compete successfully in the market and build shareholder value. CRM represents a fundamental shift in the way many companies do business.²²

According to Gartner CRM is a business strategy designed to optimize profitability, revenue and customer satisfaction by organizing the enterprise around customer segments, fostering customer – centric processes.²³ This shows that CRM is not only about technology, though technologies and applications are important enabling CRM strategies. L. Brown and J. Gravelly state that CRM is a business strategy which is focused on maximizing shareholder value through winning, growing and keeping the right customers. CRM includes practices, methodologies, software, Internet capabilities that help an enterprise manage customer relationships in an organized way.²⁴

2.2. CRM content and its application for insurance business

Insurance can be defined as individual's future losses, except spiritual, reduction to minimum (Jefimov, 1996, Čepinskis, 1999, Bunnex, 1992) – it means from consumer's position. Others claim that is economical business activity, which accumulate purposeful funds and provide people insurance.²⁵

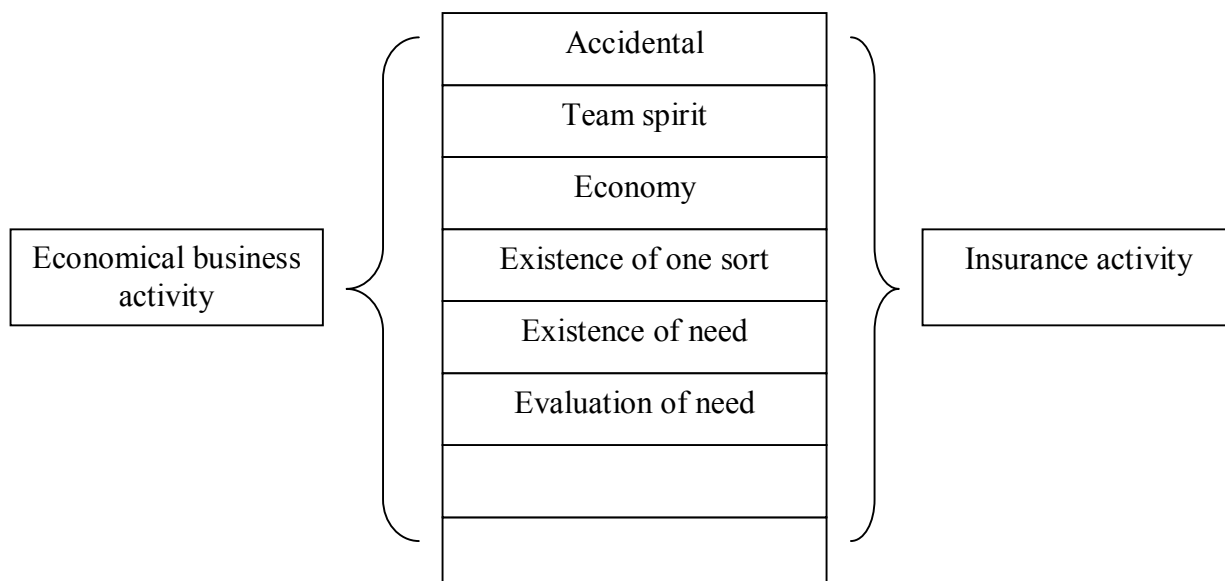
Economical business activity can be defined as insurance activity, when it has these features (1 picture).

²² Jasilionienė R., Tamošiūnienė R. Customer Relationship Management as a Business Strategy Appliance: Theoretical and Practical Dimensions. *Jorunal of Business Economics and Management*, 2007, Vol VIII, No 1, p. 69- 78.

²³ Jasilionienė R., Tamošiūnienė R. Customer Relationship Management as a Business Strategy Appliance: Theoretical and Practical Dimensions. *Jorunal of Business Economics and Management*, 2007, Vol VIII, No 1, p. 69- 78.

²⁴ Jasilionienė R., Tamošiūnienė R. Customer Relationship Management as a Business Strategy Appliance: Theoretical and Practical Dimensions. *Jorunal of Business Economics and Management*, 2007, Vol VIII, No 1, p. 69- 78.

²⁵ Oxford advanced learner's dictionary. Oxford university press, 2000



Picture 1. Insurance – as an economical activity

Source: Čepinskis J., Raškinis D., Stankevičius R., Šernius A. Draudimas. Kaunas, 1999

After careful study, the Commission on Insurance Terminology of the American Risk and insurance Association has defined insurance as follows:

Insurance is the pooling of fortuitous losses by transfer of such risks to insurers, who agree to indemnify insured for such losses, to provide other pecuniary benefits on their occurrence, or to render services connected with the risk.

Because insurance business is very specific, the service consists of three elements (insurer, insured and risk) CRM for this business also consists of three main elements:

1. *customer*: he/she is the only source of the company's profit and future growth. Sometimes it is difficult to distinguish who is the real customer because the buying decision is a collaborative activity among participants of the decision – making process.²⁶ Information technologies can provide the abilities to distinguish and manage customers;
2. *relationship*: relationship between enterprise and its customers involves bi – directional interaction and communication. The relationship could be short – term, long – term, discrete or continuous, repeating or one – time, behavioral or attitudinal. Customer satisfaction, perceived quality, perceived value and loyalty are not interchangeable measures of relationship. The measures differ in a level of relationship commitment they imply and none is a bona fide indicator of relationship strength. R. Tamosiuniene and R. Jasilioniene assort CRM relationship as following:

²⁶Jasilionienė R., Tamošiūnienė R. Customer Relationship Management as a Business Strategy Appliance: Theoretical and Practical Dimensions. Jorunal of Business Economics and Management, 2007, Vol VIII, No 1, p. 69- 78.

- Business to Consumer (B2C): a form of relationship conducted between businesses and consumers, when people wants to be insured and goes to Insurance company directly. B2C relationship includes both formal and ad hoc relationships and B2C CRM is about business value and improving customer relationships;
- Business to Business (B2B): a form of relationship conducted among businesses because of contractual arrangements, it is communication between two companies – insurance company and assured company;
- Business-to-Business to Consumer (B2B2C): a form of relationship in which businesses sell products to consumers through other “channel partner” businesses: distributors, brokers, retailers. In Insurance business it is a lot of intermediaries, for example brokers who sells insurance policies to the other company.

Generally, CRM involves managing these relationships in that way that they should become profitable and beneficial. Customer lifetime value is a tool for measuring these relationships. Relationships imply closeness, interdependence, reciprocity, equity, a spirit of cooperation and trust. These and other characteristics can be incorporated into a relationship strength index (see Figure below).²⁷

Duration and depth of the relationship	High = LT continuous and involved focus	RM	Relationship and network marketing
	Low = ST discrete and uninvolved focus	Transaction marketing	Network transactions
		Low = limited partners (buyer-seller focus) and limited processes	High = expanded partners and expanded processes

Number of participants and
scope/extent of the processes

Picture 2. A Relationship management strength index

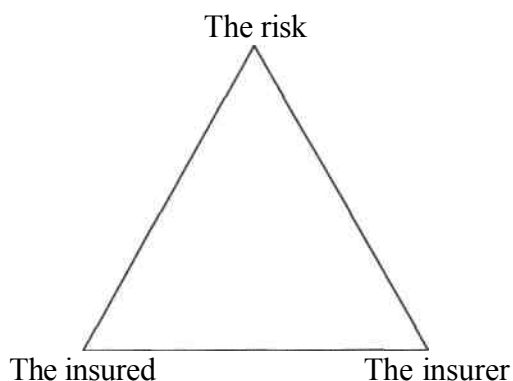
Source: Aijo T. S. The Theoretical and Philosophical Underpinnings of Relationship Marketing. Environmental Factors behind the Changing Marketing Paradigm. European Journal of Marketing, 1996, Vol 30, No 2, p. 8 – 18.

²⁷ Aijo T. S. The Theoretical and Philosophical Underpinnings of Relationship Marketing. Environmental Factors behind the Changing Marketing Paradigm. European Journal of Marketing, 1996, Vol 30, No 2, p. 8 – 18.

3. *management*: CRM should not be task for marketing department, it involves continuous change in culture and processes. Because insurance is a service, its policies are not tangible, the insurance company should properly manage their workers, that collected data about customers would be transformed into corporate knowledge and this leads to activities that take advantage of the information and of market opportunities. CRM requires a valuable change in the organization and its people.

According to Sheth, marketing is the study or marketing behavior, which includes the behavior of buyers, sellers, and regulators in exchange relationships. The fundamental unit of analysis in marketing is, or should be, the market interaction between to or more parties.²⁸ Later Sheth, stated that the main purpose of marketing is to create and distribute values among the market parties through the process of market transactions and market relationships.²⁹

Like customer relationship management process consists of elements, discussed by some authors, like Gronroos C. in the scientific article “The Relationship Marketing Process: Communication, Interaction, Dialogue, Value”, insurance system has some elements which should be taken in consideration while applying CRM. Insurance is based on a contract, and it has three very important parts, which depend on each other. One party contracts with another to perform a particular service. In Picture 3 I have illustrated the triangular nature of the insurance transaction.³⁰



Picture 3. Triangular nature of the insurance transaction.

Source: Bland D. Insurance: Principles and practice. The Chartered Insurance Institute. UK. 1983

²⁸ Lado N., Maydeu – Olivares A. Exploring the Link Between Market Orientation and Innovation in the European and US insurance Markets, *International Marketing Review*, 2001, Vol 18, No 2, p. 130 – 141.

²⁹ Aijo T. S. The Theoretical and Philosophical Underpinnings of Relationship Marketing. Environmental Factors behind the Changing Marketing Paradigm. *European Journal of Marketing*, 1996, Vol 30, No 2, p. 8 – 18.

³⁰ Bland D. Insurance: Principles and practice. The Chartered Insurance Institute. UK. 1983

At the apex of this triangle there is the risk. This could be the fire risk, theft risk, motor risk, liability risk, death risk, etc. The insured is the person or company having the insurance in force and the insurer is the insurance company, which has contracted with the insured to provide cover of one form or another.

Looking at this triangle from the perspective of the insured we could say that:

- the insured knows the nature of the risk;
- the insured has to describe the risk to the insurer. At this stage the insured could more properly be termed the proposer as this is at the point of describing the risk to the insurer in order to obtain insurance;
- the proposer will look for acceptable protection. He may have a particular form of insurance cover in mind or want a special clause included or even excluded. The proposer knows, or should know, what he wants, and will go into the market place in an effort to satisfy his needs;
- an important determinant in selecting an insurer, will be price. The proposer will also, of course, be concerned with service and security, but price will be extremely important.

From the point of view of the insurers:

- they will be told about the risk by the proposer;
- in many cases the insurer will not rely on this source of information alone but will make his own enquiries. This may mean using skilled risk surveyors to look at proposals and make physical inspections;
- the insurer will decide on the level of cover that he is prepared to offer to the proposer;
- finally, the insurer will have to determine the price to be charged for the cover he is willing to offer. This price will have to reflect a number of factors, as we will see.

This triangle does not describe the whole transaction. There are intermediaries that will act for the insured. These intermediaries often are insurance brokers. They will assist insured or proposers at various stages in the transaction of insurance. For many large industrial companies, the use of a broker is almost essential and the role they perform is of crucial importance.

Based on the preceding definition, an insurance plan or arrangement typically has certain characteristics. They include the following:

- Pooling of losses
- Payment of fortuitous losses
- Risk transfer
- Indemnification

Pooling of Losses. Pooling or the sharing of losses is the heart of insurance.

*Pooling is the spreading of losses incurred by the few over the entire group, so that in the process, average loss is substituted for actual loss.*³¹

In addition, pooling involves the grouping of a large number of exposure units so that the law of large numbers can operate to provide a substantially accurate prediction of future losses. Ideally, there should be a large number of similar, but not necessarily identical, exposure units that are subject to the same perils.

Thus, pooling implies:

- (1) The sharing of losses by the entire group, and
- (2) Prediction of future losses with some accuracy based on the law of large numbers.

In addition, by pooling or combining the loss experience of a large number of exposure units, an insurer may be able to predict future losses with some accuracy. From the viewpoint of the insurer, if future losses can be predicted, objective risk is reduced. Thus, another characteristic often found in many lines of insurance is risk reduction based on the law of large numbers.

*The law of large numbers states that the greater the number of exposures, the more closely will the actual results approach the probable results that are expected from an infinite number of exposures.*³²

However, for most insurance lines, the actuary seldom knows the true probability and severity of loss. Therefore, estimates of both the average frequency and the average severity of loss must be based on previous loss experience. If there are a large number of exposure units, the actual loss experience of the past may be a good approximation of future losses. Objective risk varies inversely with the square root of the number of cases under observation: as the number of exposures increases, the relative variation of actual loss from expected loss will decline. Thus, the insurer can predict future losses with a greater degree of accuracy as the number of exposures increases. This concept is important since an insurer must charge a premium that will be adequate for paying all losses and expenses during the policy period. The lower the degree of objective risk, the more confidence an insurer has that the actual premium charged will be sufficient to pay all claims and expenses and provide a margin for profit.

Payment of Fortuitous Losses. A second characteristic of private insurance is the payment of fortuitous losses.

³¹ Турбина.К.Е. Тенденции развития мирового рынка страхования.- Москва: Анкил, 2000.- 315с.

³² Турбина.К.Е. Тенденции развития мирового рынка страхования.- Москва: Анкил, 2000.- 315с.

*A fortuitous loss is one that is unforeseen and unexpected and occurs as a result of chance.*³³

In other words, the loss must be accidental. The law of large numbers is based on the assumption that losses are accidental and occur randomly. For example, a person may slip on an icy sidewalk and break a leg. The loss would be fortuitous.

Risk Transfer. Risk transfer is another essential element of insurance. With the exception of self-insurance, a true insurance plan always involves risk transfer.

*Risk transfer means that a pure risk is transferred from the insured to the insurer, who typically is in a stronger financial position to pay the loss than the insured.*³⁴

From the viewpoint of the individual, pure risks that are typically transferred to insurers include the risk of premature death, poor health, disability, destruction and theft of property, and liability lawsuits.

Indemnification. A final characteristic of insurance is indemnification for losses.

*Indemnification means that the insured is restored to his or her approximate financial position prior to the occurrence of the loss.*³⁵

Thus, if your home burns in a fire, the homeowner's policy will indemnify you or restore you to your previous position. If you are sued because of the negligent operation of an automobile, your automobile liability insurance policy will pay those sums that you are legally obligated to pay.

CRM strategy in insurance company can not stand alone, it must come out of corporate strategy, goals, imperatives and what is the most important CRM strategy must have connections with other strategies, for example, competitive strategy, business strategy, organizational strategy. After analyses of literature, many researchers suggest such typical strategies:

1. *corporate strategy*: this strategy answers the question "What business should I be in?" and involves efforts around industry participation, geographic presence, portfolio management, mergers and acquisitions;
2. *business strategy*: this strategy answers the questions "How do I compete (beat the competition and win the customer)?"

³³ Турбина.К.Е. Тенденции развития мирового рынка страхования.- Москва: Анкил, 2000.- 315с.

³⁴ Турбина.К.Е. Тенденции развития мирового рынка страхования.- Москва: Анкил, 2000.- 315с.

³⁵ Турбина.К.Е. Тенденции развития мирового рынка страхования.- Москва: Анкил, 2000.- 315с.

3. *functional strategy*: this strategy answers the questions ‘‘How do I operate?’’, otherwise, it would be impossible to fulfill business strategy. Functional strategy involves the complex decisions on processes , techniques and tools;
4. *organizational strategy*: this strategy answers the question ‘‘How do I organize my resources?’’ and involves the decisions on aligning human and financial capital in order to fulfill functional strategy.

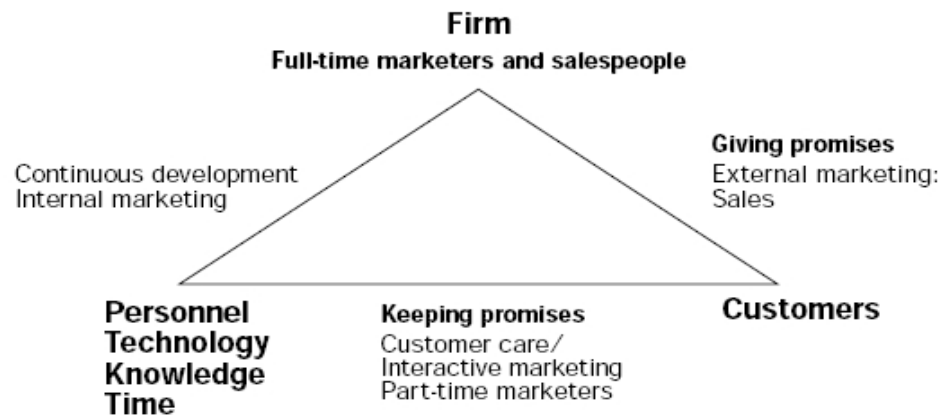
It is important to note, that each of these strategies are interdependent. There should always be a real connection and link between those four strategies. CRM strategy finds its place together under the same grade as business strategy, because this strategy answers the questions ‘‘How do I beat the competition?’’ and ‘‘How do I win the customer?’’ and in some cases it could also placed under the functional strategy grade. In other words, CRM strategy is accepted as a form of functional strategy, because it introduces a flood of possibilities for new tactics and tools to improve operations. It is critical to understand CRM’s co – dependence on other strategies in order to generate the best outcomes. Part of the problem is that companies are applying CRM strategy in the absence of holistic and coherent business strategy focused on the customer.

Concluding, CRM strategy is a set of activities a business performs to confirm and render its customer strategy, focusing on the identification, prioritization and implementation of new customer facing business capabilities and practices that will improve operations and segment profitability.³⁶ Basically, at least four types of resources to be used to create customer care, including the core product, can be identified: personnel, technology, knowledge and time (see the figure below).³⁷

³⁶ Ndubisi N. Relationship Marketing and Customer Loyalty. Marketing Intelligence and Planning, 2007, Vol 25, No 1, p. 98 – 106.

³⁷ Gronroos C. The Relationship Marketing Process: Communication, Interaction, Dialogue, Value. Journal of Business and Industrial Marketing, 2004, Vol 19, No 2, p. 99 – 113.

The resource-oriented marketing perspective: a relationship marketing approach



Picture 4. The resource – oriented marketing perspective: a relationship marketing approach

Source: Gronroos C. The Relationship Marketing Process: Communication, Interaction, Dialogue, Value. Journal of Business and Industrial Marketing, 2004, Vol 19, No 2, p. 99 – 113.

To develop a right oriented CRM strategy, suitable for the insurance company at a particular point of time, these steps should be made:

- audit the company's current position with customers and in the market;
- segment the customer base and identify target segments;
- set customer objectives for each market objective;
- define metrics for monitoring the execution and evolution of the strategy;
- outline the strategy to customize products, pricing, communication and channels;
- specify the required customer capabilities and infrastructure.³⁸

Using CRM strategy in a successful way, gives such notes as: higher productivity of knowledge and service workers, higher quality expectations, need for better and faster responsiveness, globalization, outsourcing, partnering, employee empowerment combined with social and environmental responsibility. This CRM strategy creates such aspects as from closed to open system, delayed to real – time/instant, personal to work – group, stand alone to integration, internal to interenterprise, host – based to network – based, standardized monolith to flexible modular, sequential to parallel. CRM strategy is really about cementing long – term, collaborative relationships with

³⁸ Gutierrez C., Gutierrez C. J., Izquierdo C. C. The Impact of Customer Relationship Marketing on the Firm Performance: a Spanish Case. Journal of Services Marketing, 2005, Vol 19, No 4, p. 234 – 244.

customers based on mutual trust. For many companies, the strategy makes good profit sense given the lifetime value of a loyal customer and the role of the customer “apostle” in helping to market the firm.

There is a myth that customer relationship management and brand strategy have different objectives and can be approached independently, truly, these decision areas are intimately connected and serve a common purpose. Once a firm has elected to pursue customer relationships as its focus, brand strategy plays a critical role in communicating this fact to the marketplace. The brand also conveys the attractiveness of the firm as a relationship partner in terms of its image, personality, values and what it would “feel like” to interact with the firm, its employees and other customers. Another advantage of the decision to choose CRM strategy is that employees are easily overwhelmed and may be misled by the data into true customer insight. These data can include interaction histories, customer profiles, credit ratings, financial transactions, product/service usage, and market research survey responses. All this data, if the company is using CRM, won’t be forgotten if the employees are changing their job even in other department of the same company, and the new coming employees will have all the information about company’s customers, even they haven’t been working with them before.

Insurance companies need to recognize the wide gulf between customer data and customer knowledge and take steps to close that gap. One idea is to create and communicate within the organization models/frameworks of the customer relationship that depict how the various pieces of customer data fit together in a system of cause and effect. This can help employees make more sense out of the information. Another idea is to create a communications plan that limits access to various types of customer data based on the user’s qualifications to make proper interpretations.

There is no “one size fits all” business strategy to successful CRM initiative in insurance business, but there are common rules that are essential to CRM success. Enterprises need to understand what CRM really is, how to approach it, what CRM means to the business and its customers.³⁹

2.3. Process of CRM Adaptability and Application in Insurance business

To achieve the long – term value of CRM, companies must understand that CRM is a strategy that involves the whole business and it should be approached at an enterprise level. CRM strategy involves potentially difficult changes of processes, culture and organization. CRM initiatives need a framework to ensure that programs are approached on a strategic, balanced and integrated basis.

³⁹Jasilionienė R., Tamošiūnienė R. Customer Relationship Management as a Business Strategy Appliance: Theoretical and Practical Dimensions. *Jorunal of Business Economics and Management*, 2007, Vol VIII, No 1, p. 69- 78.

Usually CRM framework is designed to help enterprises to make decisions about the best route and objectives, given in their situation. For successful CRM adaptability and application, it is recommended to look through eight steps⁴⁰:

1. vision: creating a picture of what the customer – centric company will look like with purpose to create a competitive market position based on value propositions that are defined, communicated and personified by the enterprise brand.;
2. strategy: developing a strategy to turn the customer base into an asset by delivering customer value propositions (setting objectives and determining how resources will be used to interact with customers);
3. Valued Customer Experience: it ensures that the company's offerings and interactions deliver ongoing value to customers, are delivered consistently and achieve the desired market position;
4. organizational collaboration: changing cultures, organizational structures and behaviors to ensure that employees, partners and suppliers work together to deliver customer value;
5. processes: effectively managing not only customer lifecycle processes, but also analytical and planning processes that build knowledge of the customer;
6. information: collecting the right data and routing it to the right place;
7. technology: managing data and information, IT infrastructure and architecture;
8. metrics – measuring internal and external indications of CRM success and failure.

According to this 8 – step strategy, different companies could have been progressed to different levels. While CRM presents a continuous process, these differences are normal and welcome in order for the companies to understand where they are and where they are going.

It is important to stress out, that major changes in the business philosophy may be required if relationship marketing is truly to be adopted. Otherwise the firm may just be paying lip – service to the new philosophy. Using direct marketing techniques and developing partnerships alone are not sufficient. CRM strategy requires much more than that.

Firstly, to apply and adapt CRM as a marketing strategy and to make CRM work, it is important to extend the depth and breadth of relationships to get a larger share of the customer relationship. Secondly, there should be reduced transaction barriers and costs moving customers and transactions from high – cost channels to low – cost ones. Thirdly, there should processes reinforcing the brand, for example, the handoff from branding media to more interactive media. Fourthly, there

⁴⁰Jasilionienė R., Tamošiūnienė R. Customer Relationship Management as a Business Strategy Appliance: Theoretical and Practical Dimensions. *Jorunal of Business Economics and Management*, 2007, Vol VIII, No 1, p. 69- 78.

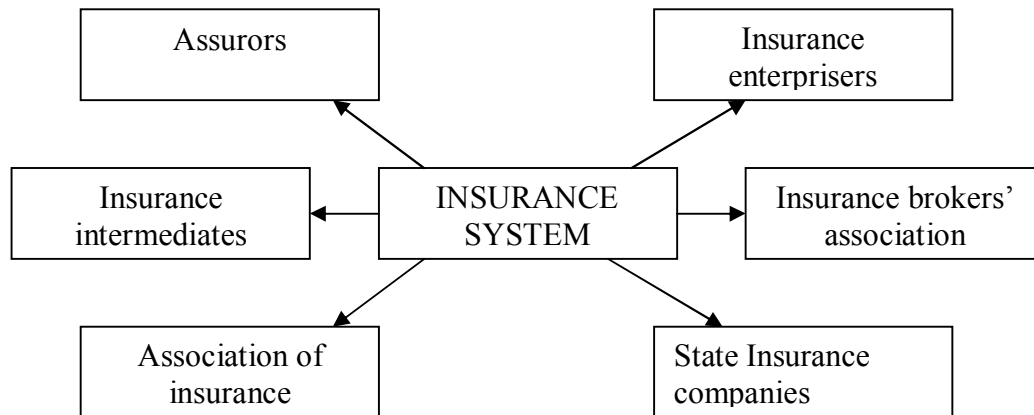
should be created customer satisfaction and loyalty, because one of the goals is to have happier customers.⁴¹ An enterprise needs to approach to every interaction with the customer as an opportunity to create customer satisfaction. The enterprises should consider that CEO, business and technology strategists, key executives from marketing, human resources sales and customer service departments should be included in aligning CRM strategy. Organizations should have very clear business objectives for their CRM initiatives and this clarity can only emerge from a well thought – out and well – documented CRM vision. Organizations should ensure that marketing strategy is in place and that target customers have been well defined, the companies should name a CRM executive sponsor and define his/her role. A CRM solution impacts many departments and if done right requires changes in business processes.

The best practice to ensure the success of CRM system implementation, especially those that will involve human interaction, rests upon the design a robust comprehensive communications strategy and how you implement it. The plan should be to map everything you will do throughout the CRM implementation's life cycle from the very start, and you should do this before any part of your CRM system is delivered. In addition the communications program must be an integral part of any change efforts.

While implementing CRM strategy in insurance business, it should be applied in all insurance system. (See Picture 5. Insurance system elements and Picture 6. The insurance system). Insurance system can be defined. For example, L. Reitman insurance system defines as complex of production relationship element, related with material losses compensation in the community production process.

K. Bagdonavičius claims that it is a system of economical subjects acting in insurance market by law. He divides insurance market participants into assurator, insurance enterprises, Association of insurance enterprises, State Insurance companies Supervisor, and insurance intermediates.

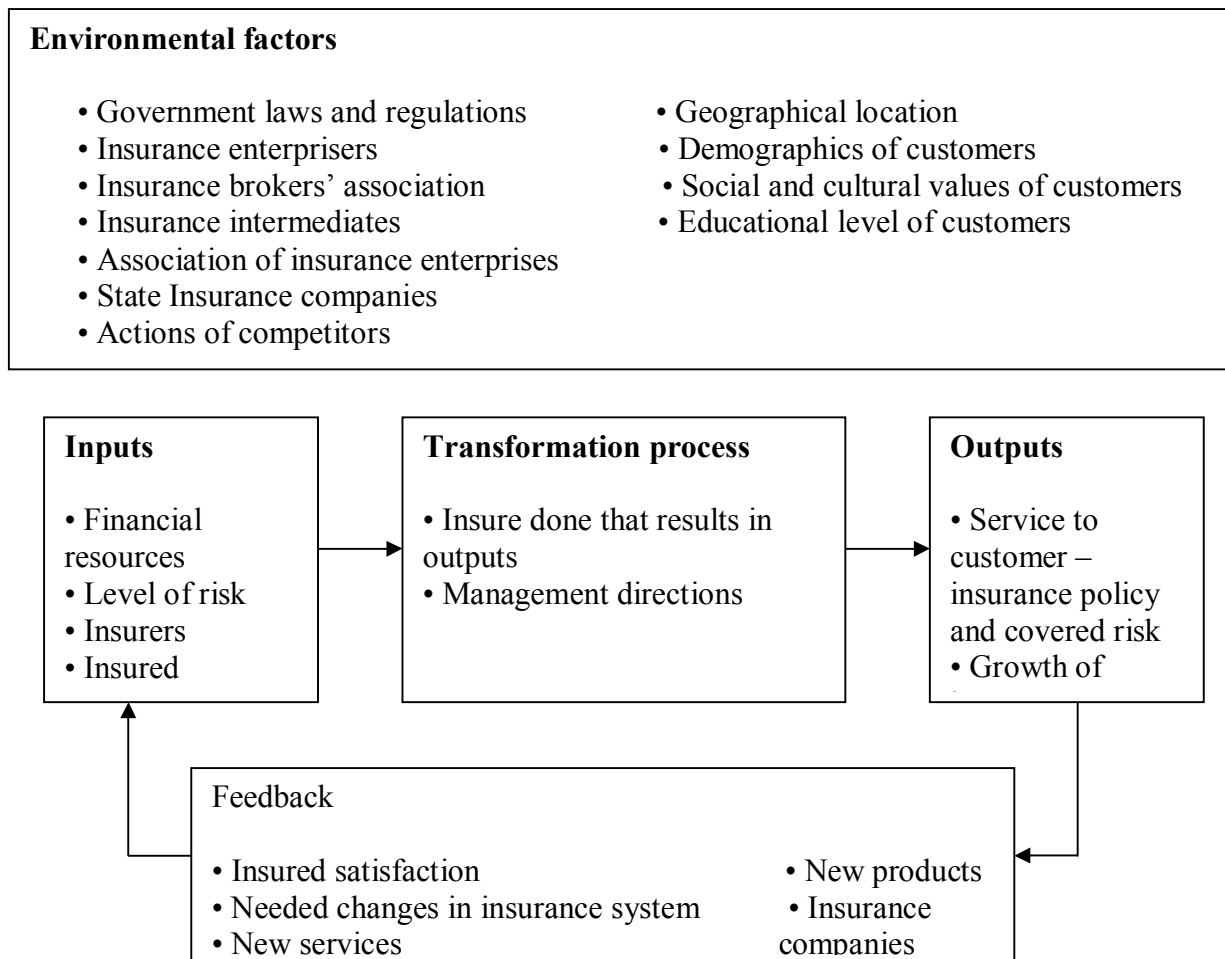
⁴¹Jasilionienė R., Tamošiūnienė R. Customer Relationship Management as a Business Strategy Appliance: Theoretical and Practical Dimensions. *Jorunal of Business Economics and Management*, 2007, Vol VIII, No 1, p. 69- 78.



Picture 5. Insurance system elements

Source: Buškevičiute E., Pozelaite R. Draudimo verslo pletros prielaidos Lietuvoje // Inžinerine ekonomika, 2001, Nr. 6 (26) – p. 33

From the picture we can see that all systems participants are connected and interact each other and also there are some other factors, which can be controlled in this system.



Picture 6. The insurance system

Another system definition - system is an entity made up of two or more interdependent parts that interact to form a functioning organism. In insurance system are four main components: inputs, transformation process, outputs and feedback. Also there are some uncontrolled factors, which influence all system. This scheme shows that insurance business is open to environmental factors - government laws and regulations, Insurance enterprisers, Insurance brokers' association, Insurance intermediates, Association of insurance enterprises, State insurance companies, actions of competitors, geographical location, demographics, social and cultural values, educational level of customers. These elements interact insurance, but are not controlled elements. Internal parts of insurance business are interdependent, interact each other and are controlled (inputs, transformation process, outputs). Also there is feedback – the result of the process.

When a CRM solution has been approved and the necessary spend has been committed, there is little left in the kitty for managing the psychological transition that is necessary to make the program a success. It is often the case that the real impact of the human side of the equation was just not adequately thought through, understood or funded.

No single software package or method of implementation has a better success rate than others. According to Erin Kiniken, vice president of CRM at the Giga Information Group, very few CRM initiatives fail because the software didn't get implemented.⁴² Yet getting the human aspect right can make a success of the most mediocre of technology solutions.

When implemented as an operational tool that supports retail marketing and relationship efforts, CRM has many success stories across many industries including travel, telecommunications, financial services and retailers. This analytical, consumer-based CRM relies heavily on data warehousing technology and the use of powerful data mining tools to identify patterns of customer behavior and leverage them to create value. This type of CRM has been, for the most part, successful and has been implemented over the last 15 years, showing at times enormous rates of return. However, process-driven, analytical CRM relies heavily on automating functions such as direct marketing, and its impact has appeared evolutionary.

Failure to take the needs of employees into consideration can lead to costly failures. Gartner, the research and analysis company has identified seven key reasons for CRM failures of which the last is: "No attention is paid to skill sets. All the money in the world can't save a CRM project if, at the end of the implementation, it is put in the hands of under skilled and under trained employees. By

⁴² Ghauri N. P., Venetis A. K. Service Quality and Customer Retention: Building Long – Term Relationships. European Journal of Marketing, 2004, Vol 28, No 11, 12, p. 1577 – 1598.

doing so, enterprises reveal that they believe employees are unimportant. Nothing could be further from the truth. CRM is an opportunity to put powerful tools into the hands of employees.’’⁴³

2. 4. Research methodology for CRM in developing International insurance business

Empirical research can be defined as getting different information about the research object. Empirical research is any research that bases its findings on direct or indirect observation as its test of reality. Such research may also be conducted according to hypothetico-deductive procedures. The researcher attempts to describe accurately the interaction between the instrument (or the human senses) and the entity being observed. If instrumentation is involved, the researcher is expected to calibrate her/his instrument by applying it to known standard objects and documenting the results before applying it to unknown objects.⁴⁴

The first step is the problem's identification.⁴⁵ The models of Customer relationship management are not applied for insurance business companies and only fragmented components of general customer relationship management theory are applicable for the specific insurance commodity. The practical problem consist of the insurance business experts lack of information and knowledge about CRM, CRM strategy. Many insurance companies face with a lot of problem concerning long – term relationships with customer, they are mislead by an over – reliance on technology, lack of strategic perspective, use of faulty metrics, inadequate segmentation. Many insurance companies executives and managers still think that CRM is only about technology or that is only advertising of all services – that shows that CRM is not properly implemented in insurance business. So the aim of my research is CRM adaptation process and different CRM models in Baltic States countries.

The hypotheses of the research are:

- CRM models are necessary in International insurance business in recent situation.
- Growing GNP influences insurance premiums.
- Lithuanian, Latvian, Estonian insurance legal systems are developing.
- The insurance business experts did not hear about CRM in practice, they heard about it only in theoretical level.

⁴³ Gronroos C. Relationship Marketing: Strategic and Tactical Implications. Management Decision, 1996, Vol 34, No 3, p. 5 – 14.

⁴⁴ V. Dikčius. Marketingo tyrimai. Vilnius : Vilniaus vadybos kolegija. 2003, p. 187.

⁴⁵ V. Dikčius. Marketingo tyrimai. Vilnius : Vilniaus vadybos kolegija. 2003, p. 187.

- The main reasons for understanding CRM in many different ways are different location of the world, variety of business sectors companies are taking part in and the lack of respectful CRM consulting firms and well educated CRM experts.
- False perception of CRM strategy influences insurance business and makes such consequences as lost customers, money loss and disturbed working environment.
- The common problems the insurance companies face while implementing CRM are lack of knowledge in practice (the company implements the strategy itself instead of hiring respectful consultation firm, the strategy is viewed as a quick – fix solution without giving consideration to the pitfalls and challenges of making it work, thinking that CRM is only about technologies), the primary objectives are cost efficiency and short-term revenue and front line employees don't feel themselves as relationship managers.
- The insurance business experts positively evaluate CRM implementation in insurance business.
- The insurance business experts understand the advantages of CRM in insurance business.
- The most important efforts that should be done while implementing CRM in insurance business are software implementation, extended depth and breadth relationships with customers, reduced transaction barriers and costs moving customers from high – cost channels to low cost ones, reinforced brand and all companies departments should be included in aligning CRM.

To achieve the goal – to suggest CRM models for Baltic State countries and to check the hypothesis, some researches must be done:

1. Insurance business analysis, review of insurance business in Europe, Baltic State countries and Lithuania.
2. Correlation analysis between GNP, Non life insurance market share, Insurance premiums.
3. Content analysis of the insurance law system in Baltic countries.
4. CRM analysis in insurance business using Delfi method.

Third step is to choose the information collection method. For the analysing insurance business environment and correlation analysis the information was collected from Statistical department, Insurance Supervision Commission sites, Internet pages.

To identify - does growing GNP influence insurance business, correlation analysis should be done between GNP, Non life insurance market share, Insurance premiums. To identify are they dependent and are they correlated. Correlation, (often measured as a correlation coefficient), indicates the strength and direction of a linear relationship between two random variables. At first, Correlation coefficient is found. Correlation is 1 in the case of an increasing linear relationship, -1 in the case of a

decreasing linear relationship, and some value in between in all other cases, indicating the degree of linear dependence between the variables. The closer the coefficient is to either -1 or 1, the stronger the correlation between the variables. If the variables are independent then the correlation is 0.⁴⁶

For the analysis of insurance law system it was chosen Content analysis method. Content analysis is potentially one of the most important research techniques in the social sciences. The content analysis views data as representations not of physical events, but of texts, images, and expressions that are created to be seen, read, interpreted, and acted for their meanings, and must be therefore analysed with such uses in mind. Analysing texts in the contexts of their uses distinguishes content analysis from other methods of inquiry. Content analysis is a standard methodology in the social sciences for studying the content of communication. Content analysis is a summarizing, quantitative analysis of messages that relies on the scientific method and is not limited as to the types of variables that may be measured or the context in which the messages are created or presented. The method of content analysis enables the researcher to include large amounts of textual information and systematically identify its properties, e.g. the frequencies of most used keywords by detecting the more important structures of its communication content.⁴⁷ When analysing legal system in Baltic States the most important acts and laws were selected to present the situation. New laws and amendments were chosen as content analysis method.

Using Content analysis new acts and changes in the insurance law system are overwied, the most suitable environment for insurance business is defined. It was chosen three criterions to analyse the insurance new law acts:

1. relationships between customers and brokers;
2. requirements of liability limit for insurance activities, capital markets, technical provision and solvency margin and
3. changes in MTPL insurance law.

Using these three criterions Estonia, Latvia and Lithuania law systems were analysed.

For the analysis of CRM in Baltic State insurance business Delphi method was chosen. Delphi method was chosen to identify the most difficult concepts of CRM strategy implementation, CRM advantages and disadvantages in practice, possibility to apply CRM strategy in Lithuania and other Baltic countries. It is important to reach consensus while talking about CRM definition as well.

⁴⁶ V. Pranulis. Marketingo tyrimai. Vilnius : Kronta, 1998, p. 166.

⁴⁷ Klaus Krippendorff. Content Analysis– An Introduction to Its Methodology. <http://books.google.com/books?hl/>

The Delphi method was used in this case because this method is based on a structured process for collecting and distilling knowledge from a group of experts by means of a series of questionnaires interspersed with controlled opinion feedback. The Delphi technique attempts to overcome the weaknesses implicit in other methods such as relying on a single expert, a group average, or a round table discussion.⁴⁸

Since the Delphi method relies on expert opinion, it is obviously important to select the right experts. Before clearing out listed items, it were examined three well respected experts working in insurance business (insurance manager working in If draudimas, transport insurance manager working in ERGO Lietuva and chief executive of Marketing Department working in PZU Lietuva) giving them open questions, listening to their answers, opinions and suggestions in order to identify the CRM as a strategy in insurance business.

After the interview with Lithuanian insurance business experts on CRM strategy, the questionnaire (see appendix 2) with selective answers was made and was given to Lithuania, Latvia and Estonia insurance business experts.

The goals of this questionnaire were to identify is CRM strategy known in insurance business, to identify the most difficult concepts of CRM strategy implementation, to identify CRM advantages in each country and to make significant conclusions about possibilities to apply CRM in Baltic countries.

The questionnaires were sent by e-mail to three Baltic State countries' insurance companies' experts. It was selected AB "Lietuvos draudimas", UAB "IF draudimas", UADB "Ergo Lietuva" and UAB DK "PZU Lietuva" in Lithuania; AAS "Balta", AAS "BTA", "IF Latvia" AAS and "Baltijas Apdrošinašanas Nams" AAS in Latvia; and "Ergo Kindlustuse" AS, "Seesam Rahvusvaheline Kindlustuse" AS, Hansa Varakinohtlustus AS and "Codan Forsikring A/S Esti filial" in Estonia.

The research was implemented two months - on March and April. It was sent seventy-five questionnaires overall, twenty-five to each country. But only fifty-five properly filled questionnaires were received back: twenty-two from Lithuania, eighteen from Latvia and fifteen from Estonia.

When the information is collected, the next step is analysis of answers, and other data, making conclusions, and suggestions. The answers were calculated, systemized, and the statistical analysis was done. Using this information, the CRM models would be suggested for insurance business in Baltic State countries.

⁴⁸ V. Pranulis. Marketingo tyrimai. Vilnius : Kronta, 1998, p. 166.

3. CUSTOMER RELATIONSHIP MANAGEMENT FOR INSURANCE BUSINESS: EMPIRICAL STUDIES

3.1. Business environment analysis for insurance business development

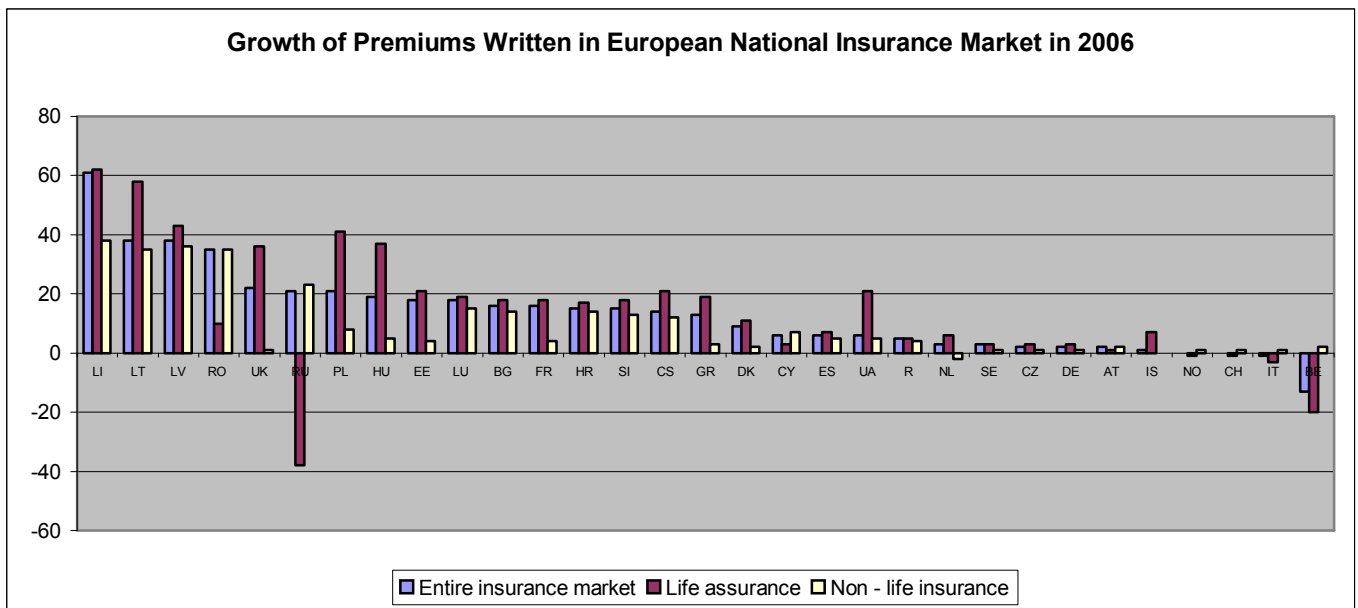
3.1.1. The review of insurance business in Lithuania and other EU countries

Insurance business is growing in EU countries. EU market is united market, but now there are not all conditions satisfied as in united market. It should be common insurance business, insurance premiums and fee principals to all EU countries. In this case it would be common competition conditions to all EU members and would be common market to all insurance industry.

In 2005 revenue of insurance market was 855 billion Euro - 0,9 percent more than in 2004. Despite that insurance industry growing level declined comparing to other years. Investment to insurance industry was 5296 billion Euro in 2005 and it is 5,8 percent more than in 2004. There were 5138 insurance companies acting in insurance business.⁴⁹

In recent years the life insurance declined by 2 percent and reached negative tendency. Common growth was because of non life insurance industry growth and it is 6,5 percent growth. The life insurance declined especially in Great Britain and Spain (these countries form about 30 percent of life insurance in EU). In 2006 the amount of premiums written worldwide grew 8.1% up to 9.8 trillion Litas. In Europe, the average growth rates stood at 12.4% in life assurance and at 0.5% in non-life insurance in 2006. When analyzing the 2004 – 2006 data of the EU countries, higher growth is observed in the life assurance sector, particularly in Eastern Europe (see the chart below).

⁴⁹ www.dpk.lt



Picture 7. Growth of premiums written in European National Insurance market in 2006

Source: <http://www.draudimas.lt/index.php/lt>

Insurance market is growing in Lithuania, too. In 2005 there were 28 insurance companies: 9 – life insurance, 19 – non life insurance companies.

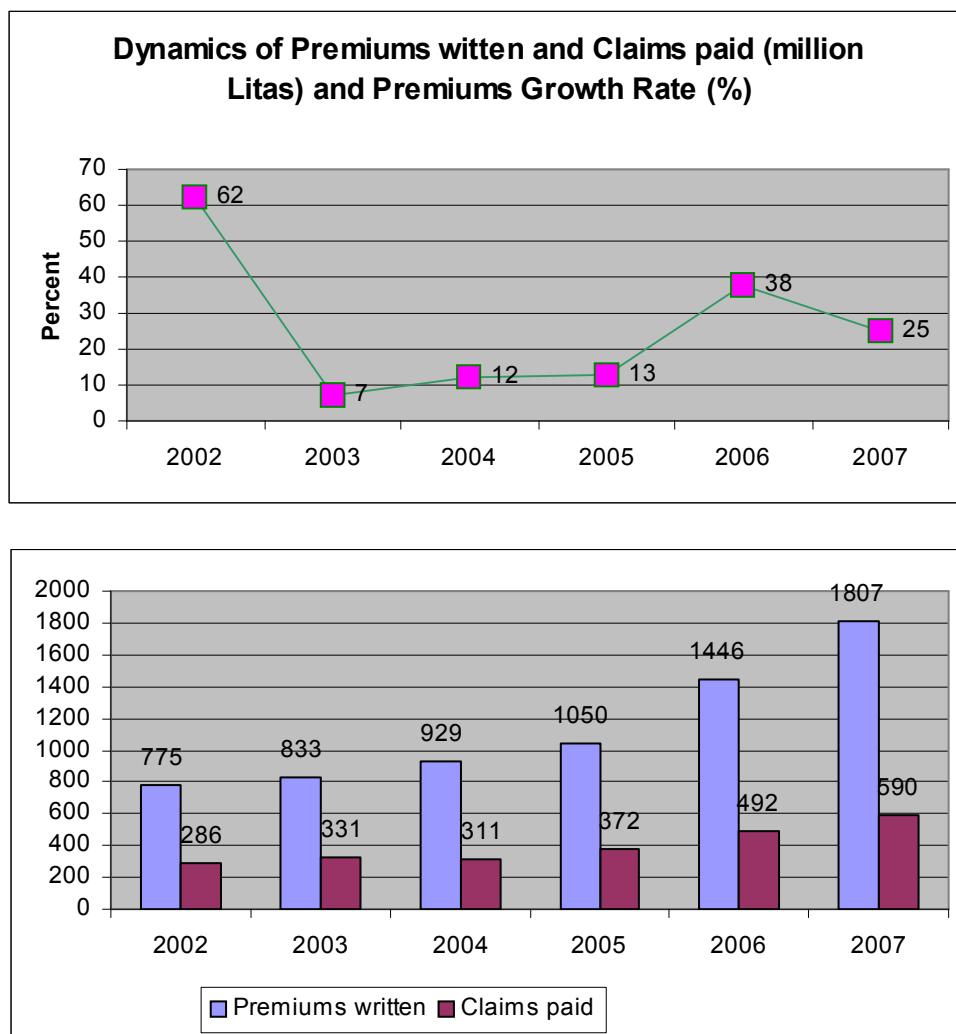
Basic insurance market principals in Lithuania:

- it is growing fast;
- non life insurance dominates in Lithuania;
- in non life insurance the most common types are transport and property insurance;
- the market is very concentrated;
- dominates the foreign capital;
- the insurance intermediates role is growing rapidly.⁵⁰

In 2006 in Lithuania premiums written exceeded the forecast – they grew by 38% and amounted to more than 1.4 billion Lit. In Lithuania, the non-life insurance market grew 27% and the life assurance market grew 56.7%, compared to 2005 (see the chart below). In comparison, last year the Latvian insurance market grew by 30% and the Estonian market grew by 14%. On a European scale, only Lichtenstein had a greater growth rate than Lithuania. The real growth rate (31.8%) of the Lithuanian insurance market was three times greater than the average growth rate in the EU member states and almost four times greater than that of the whole European insurance market. The decisive

⁵⁰ <http://www.draudimas.lt/index.php/lt>

factors that had an impact on the growth of the insurance market included the country's rapid economic growth, growing consumer consciousness, general economic knowledge, growth of professional qualifications of the participants in the insurance market and their active participation in the market.



Picture 8. Dynamics of premiums written and claims paid (million Litass) and Premiums Growth rate (%)

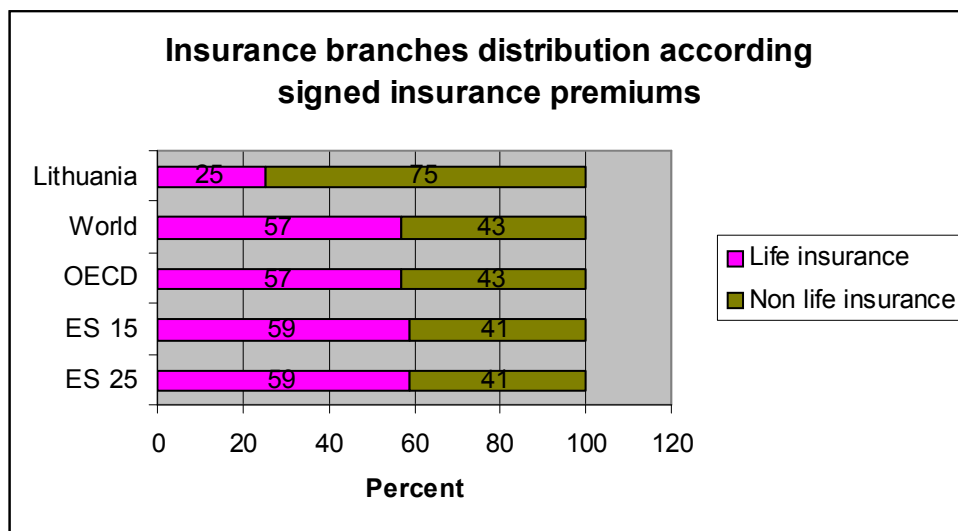
Source: <http://www.dpk.lt/files/apzvalga/apzvalga2007.pdf>

Insurance and reinsurance fees interaction with BVP shows insurance market development level, in 2005 year it was 1,5 percent (2004 the same 1,5 percent). In one year 269 Litass of underwritten premiums was to one inhabitant: in life insurance – 68 Litass, non life insurance – 201 Litass (in 2004 – 241, 62 and 179 Litass).⁵¹ However experts say that the Lithuanian insurance market is still underdeveloped, and there is a high growth potential in this market. The growing level in premiums shows positive changes, but Lithuania still goes significantly slow behind EU Member States

⁵¹ <http://www.dpk.lt/files/apzvalga/apzvalga2005.pdf>

in terms of insurance penetration and density. In 2006, the penetration rate of the EU insurance market stood at 9.6%, whereas the total amount of premiums written on the global insurance market, just as in 2005, accounted for 7.7% of global gross domestic product.

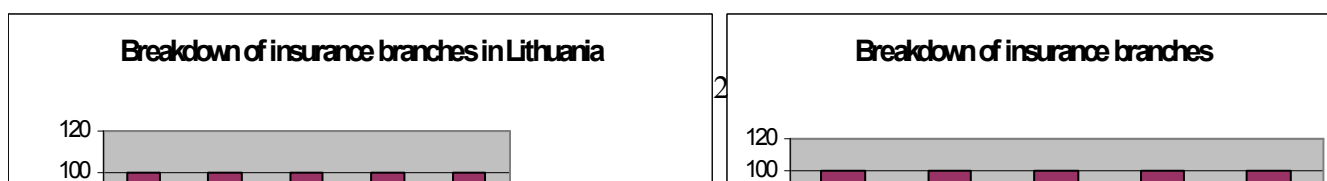
In Lithuania there is a domination of non life insurance and it is not like in the entire world, where life insurance has more popularity. Non life insurance is 74,7 percent of all insurance and life insurance is – 25,3 percent (see the chart below).



Picture 9. Insurance branches distribution according signed insurance premiums (%)

Source: <http://www.dpk.lt/files/apzvalga/apzvalga2006.pdf>

According to the forecasts of the Insurance Supervisory Commission, the amount of premiums written in 2007 will grow approx. 25% up to 1.807 billion Litass; 30.3% growth in life assurance premiums up to 589.7 million Litass is forecasted in the life assurance market, whereas the non-life insurance market will see growth of slightly more than 22% up to 1,217.4 million Litass (see the chart below).



Picture 10. Breakdown of insurance branches in Lithuania and other countries (%)

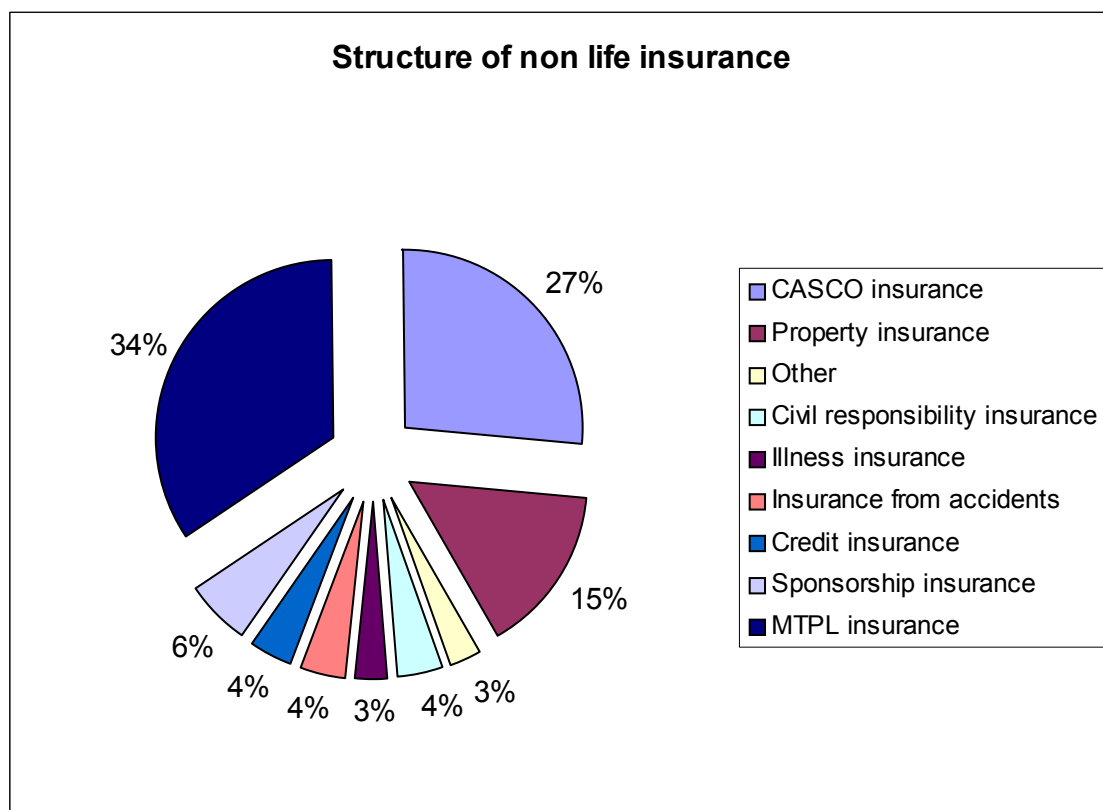
Source: <http://www.dpk.lt/files/apzvalga/apzvalga2007.pdf>

Insurance companies earned 0,4 million Litas profit in 2005. Non life insurance the total year result was 3,0 mln. Litas loss (2004 – 56,4 mln. Litas profit). Life insurance the total year result was 3,4 mln. Litas profit (2004 – 1,8 mln. Litas loss). 8 from 9 insurance companies worked profitable in non life insurance and 3 of 9 insurance companies in life insurance.⁵² The number of insurance undertakings has decreased in 2006 and that was influenced by the requirement to form a higher minimum guarantee fund and efforts to optimize costs. That is why a number of insurance undertakings registered in Lithuania tend to reorganize and set up Societas Europea (SE) in one of the Baltic States or merge with insurance undertakings of other EU Member States and continue to carry on their activities in Lithuania as branches of those undertakings.

The most important part takes transport insurance, because now it is compulsory (35,2 percent), property insurance (15,5 percent) (see the figure below – structure of non life insurance). Non life insurance loss index during 2004 grown to 93,9 percent. This index is insurance expenditure divided to insurance premiums.⁵³

⁵² <http://www.dpk.lt>

⁵³ <http://www.dpk.lt/files/apzvalga/apzvalga2005.pdf>

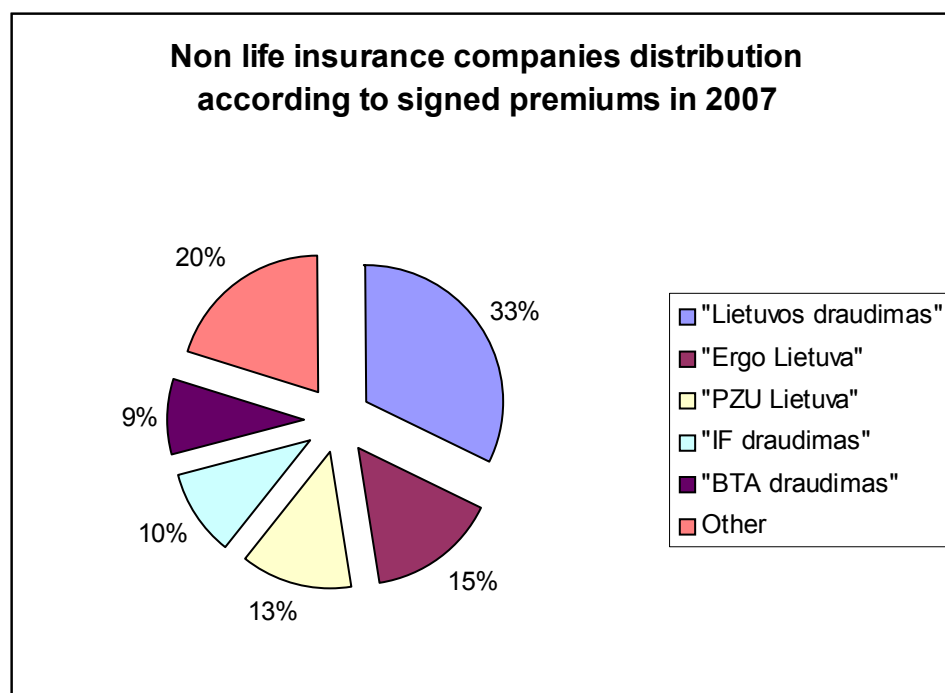


Picture 11. Structure of non life insurance

Source: <http://www.dpk.lt/files/apzvalga/apzvalga2007.pdf>

In 2006, the number of non-life insurance undertakings registered in the Republic of Lithuania decreased from 17 to 15. The largest share in the non-life insurance market was held by AB Lietuvos Draudimas (32% of the market). The non-life insurance market remained concentrated; five undertakings (AB Lietuvos Draudimas, UADB ERGO Lietuva, UAB DK PZU Lietuva, UAB If Draudimas, UAB BTA Draudimas) out of 15 non-life insurance undertakings held the biggest part of the non-life insurance market.

Non life insurance in 2007 January – March has grown 45 percent and reached 398,297mln. Lit.



Picture 12. Non life insurance companies' distribution according to signed premiums in 2007

Source: <http://www.dpk.lt/files/apzvalga/apzvalga2007.pdf>

In 2006, the non-life insurance market grew 27% in terms of premiums written and amounted to 993.8 million Litass. The real growth of the insurance market stood at 22.4% in 2006. Overall growth in the Lithuanian non-life insurance market was mainly caused by the growth of premiums written in the following classes of insurance:

- 38.8% in Motor Third Party Liability Insurance;
- 31.3% Property Insurance;
- 26.1% Health Insurance;
- 24.5% Land Vehicles Other Than Railway Rolling Stock Insurance.⁵⁴

This development of the non-life insurance market reflects economic growth, where one of the factors is insurance providing the necessary coverage to other industries and allowing reduction of capital requirements. The increase in the volume of health insurance should be noted (the same tendencies can be observed throughout Europe). To conclude, this shows that people are concerned with their health and wish to be financially covered in case of illness or accident.

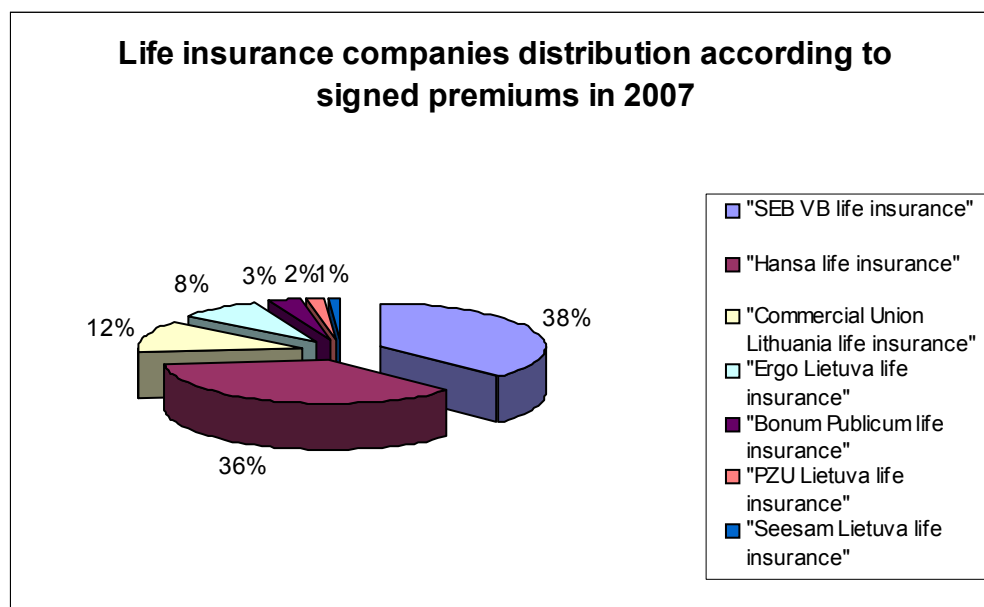
⁵⁴ <http://www.dpk.lt/files/apzvalga/apzvalga2006.pdf>

Talking about life assurance in 2006, the life assurance market grew very rapidly in Lithuania. The growth of the life assurance market is associated with the growing and developing economy; however, one reason that is no less important is the growing level of public confidence in financial institutions and the perception of demographic problems; the widening gap between pensioners and employable population due to the decreasing birth-rate and growing longevity motivates people to accumulate pension funds more intensively. The boom of the stock market was a great incentive for the conclusion of unit-linked life assurance contracts. Rising wages and improving working conditions had an impact on the growth of life assurance as well — employers were increasingly interested in employees' life assurance.

In Lithuania, unit-linked life assurance (life assurance related to investment funds (where the policyholder bears the investment risk)) has been developing the most rapidly. The first unit-linked life assurance contracts were concluded in 1999. Similar tendencies prevail throughout the entire EU. In the majority of countries, unit-linked life assurance grew more rapidly than products of traditional life assurance with guaranteed interest rates. There could be several reasons for this popularity: policyholders were encouraged to choose insurance products related to shares or other investments which are more likely to bring a higher return on investments and policyholders can choose only from the products offered to them, and it is more acceptable for insurance undertakings to offer unit-linked life assurance, as they therefore do not assume any guarantees as to return on investments.

Life insurance underwritten fees in 2007 January – March are 129,920 mln. Lit and it is 64 percent more than last year at the same period. ⁵⁵

⁵⁵ <http://www.dpk.lt/files/apzvalga/apzvalga2007.pdf>



Picture 13. Life insurance companies' distribution according to signed premiums in 2007

Source: <http://www.dpk.lt>

3.1.2. GNP, non life insurance market share and insurance premium correlation analysis

The data used for correlation analysis is shown in the table.

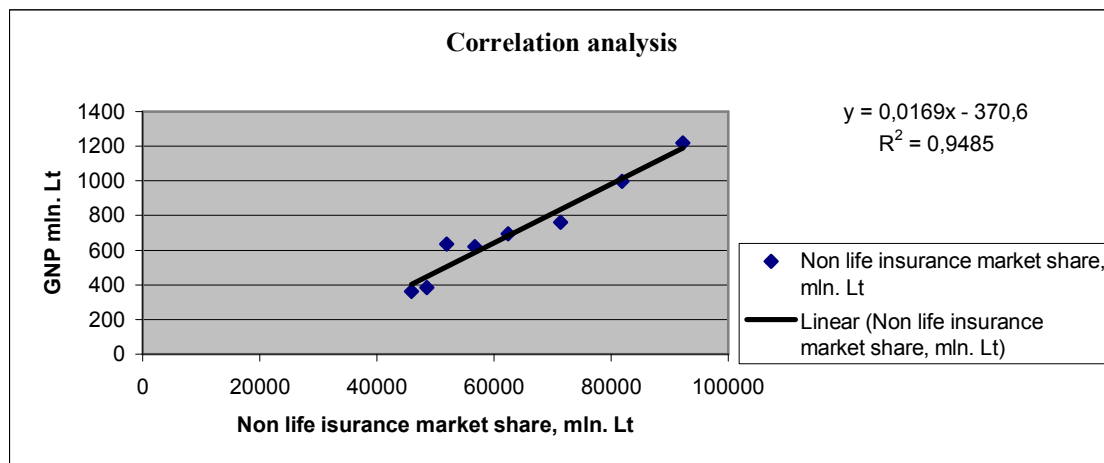
Table 1. The data for correlation analysis

Source: www.std.lt

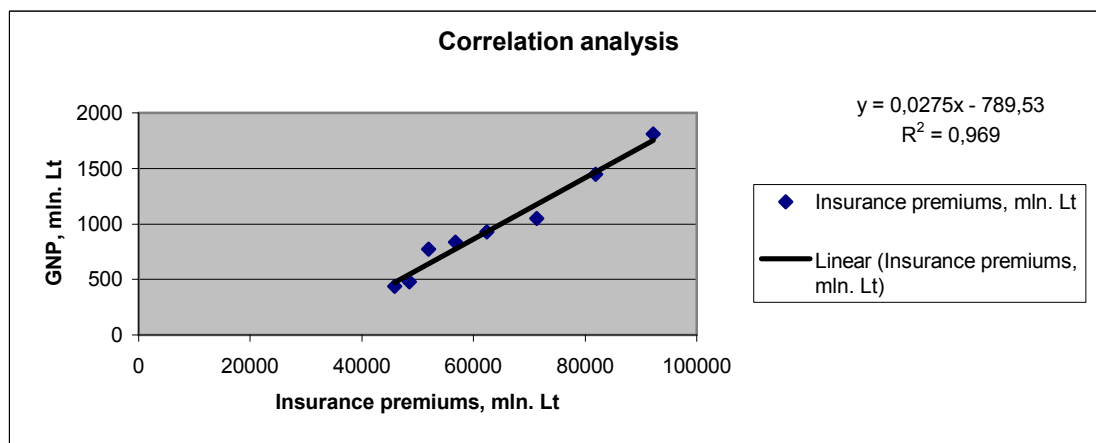
Year	2000	2001	2002	2003	2004	2005	2006	2007
GNP, mln. Lt	45848	48563	51948	56772	62440	71380	81905	92253
Non life insurance market share, mln. Lt	360,8	384,9	635,7	620	694,5	762,6	997,86	1217,4
Insurance premiums, mln. Lt	437	478	775	833	929	1050	1446	1807

Correlation analysis between GNP, mln. Lt and Non life insurance market share in mln. Lt was made. In this case correlation coefficient is $r = 0,9738$. This means, that there is strong relationship between GNP and Non life insurance market share. Then GNP is growing, the Non life insurance market is growing too. (picture Nr. 14).

The same analysis was made between GNP and Insurance premiums. The correlation coefficient is $r = 0,9843$. This means that there is also strong relationship between these two variables. (picture Nr. 15).

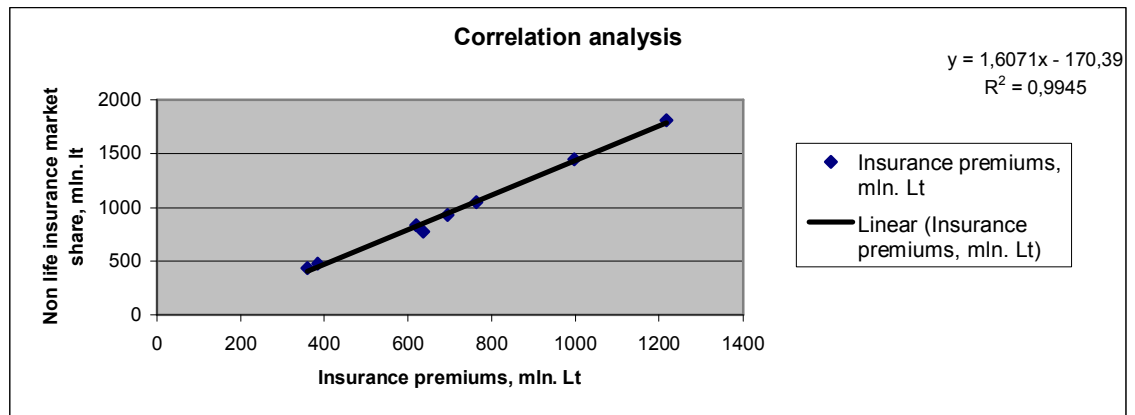


Picture 14. Correlation analysis between GNP and Non life insurance market share



Picture 15. Correlation analysis between GNP and Insurance premiums

The correlation analysis between Non life insurance market share and Insurance premiums was made, too. In this case $r = 0,9972$. This means that there is strong relationship between Non life insurance and Insurance premiums, so the Insurance premiums are strongly affected by non life insurance. (picture Nr. 16).



Picture 16. Correlation analysis between Non life insurance market share and Insurance premiums

3.2. Content analysis of the insurance law system in Baltic countries

Law system is a part of macro environment. It is very important element, because laws regulate all insurance business. Law system is necessary in Baltic countries nowadays; a lot of new acts, directives are accepted, because of entering European Union. Without careful discussion of insurance law acts, it cannot be successful business, CRM adaptation. In this paragraph the insurance law system is analyzed using Content analysis method, new acts and changes are discussed, the most suitable environment for insurance business is defined.

It was chosen three criterions to analyse the insurance new law acts: 1. relationships between customers and brokers; 2. requirements of liability limit for insurance activities, capital markets, technical provision and solvency margin and 3. changes in MTPL insurance law. Using these three criterions Estonia, Latvia and Lithuania law system was analysed.

The most changes in recent years was in Lithuania – twelve new amendments, second part takes Latvia – seven new directives and finally goes Estonia – five new big changes. In Lithuania and Latvia the biggest part of changes are paid to relationships between customers and brokers. For changes in capital market, solvency margin are widely discussed in Estonia and Lithuania too. And regulations of MTPL law are important in all three Baltic States (the quantity of new acts are similar).

Estonia legislation.

1. Relationships between customers and brokers.

- a) The most important acts in Estonia are paid to relationships between customers and brokers. From 2007.01.07, agents are also obliged, similarly to brokers, to establish client requirements for an insurance contract on the basis of information provided by the client.

Insurance brokers and agents must disclose to the client the fee they receive from the insurer in respect of each insurance contract being mediated. The agent must submit to the client an offer to conclude an insurance contract and justify advice and recommendations provided to the client with a thoroughness that corresponds to the complexity of the insurance contract.

- b) Market regulatory advisory guidelines In November 2006 the Estonian Financial Supervision Authority (EFSA) adopted advisory and non-binding guidelines “General requirements on insurance contracts” that will enter into force on 2007.06.01. The goal of the guidelines is to protect policyholder interests by creating a market situation where insurance contracts (standard terms) are transparent, easily accessible, and comparable. The main target of the guidelines is non-life insurance contracts concluded with consumers. However, to some extent the guidelines apply to life insurance contracts as well. The guidelines emphasize the principles of reasonableness and good faith. They contain recommendations on the structure of insurance standard terms, their wording and form of presentation, insurance policy content, etc. For example, the list of exclusions must be exhaustive; use of hidden or unreasonable exclusions is forbidden. The policy must contain all risks that are covered, including exact reference to the standard terms clause defining the insured risks and to the clause listing exclusions. Insurers must publish on their website all standard terms and conditions and other documents referred to in the terms and conditions as a part of the insurance contract.

2. Requirements for solvency margin.

- a) Amendments to several articles of the Insurance Activities Act (IAA) entered into force on 2007.01.01 and 2007.01.20. In order to implement EU insurance directives, the required solvency margin of an insurance company is no longer connected to the minimum share capital of the company. The new required solvency margin is at least 3.2 MEUR for an insurer engaged in reinsurance, life insurance or liability, credit or guarantee insurances, and at least 2.2 MEUR for an insurer engaged in other classes of insurance. Respective changes are also introduced in the IAA in relation to required available solvency margin. For implementing International Financial Reporting Standards, the amendments specify requirements as to the work experience of the responsible actuary and branches of non-EU insurers, as well as requirements and content of the action plan and internal rules of insurance companies.
- b) The amendments provide a new definition for insurance technical provisions (reserves) and classes of provisions. In addition to life insurance technical provision, financial obligations

are defined and incorporated to calculate a life insurer's required solvency margin. The amendments also specify restrictions on activities of managers and employees of insurance companies.

3. Changes in MTPL insurance law.

- a) Under current law, personal injury caused to a pedestrian or cyclist by a vehicle is compensated for under MTPL (Motor Third Party Liability insurance) even if the possessor of the vehicle is not liable for the damage caused. The draft legislation further widens cover for unprotected road users. Both personal and property damage caused to pedestrians, cyclists, roller skaters, and others will be compensated irrespective of who is liable for the damage caused. The most important amendment not related to the Directive is repeal of the requirement that a driver always carry a written policy. The MTPL insurance contract and policy may also be in a format reproducible in writing (e.g. e-mail or other electronic form). A number of other amendments are planned to the Motor Third Party Liability Insurance Act by this draft legislation.

Latvia legislation.

1. Relationships between customers and brokers.

- a) New acts and laws in Latvia pay attention to payments for loss (amendments to the law "On Insurance Contracts" come into force on 2007.04.18.). Insurers will have an obligation to deal with payments made after the term specified in the contract, by returning the insurance premium or sending the insured a request to inform the insurer on how the insured wishes to receive repayment of the insurance premium. The amendments provide that where the insured is a natural person, the insurer has to pay the insurance indemnity within 15 days as of the date of the decision to do so. Furthermore, the system of claim limitation has been changed. Rights to notify the insurer on setting in of the insured risk will lapse if they have not been used within three years as of the date the insured risk set in. Other liability rights arising from an insurance contract will lapse if a person fails to use them within two years.
- b) It is very important new Amendments to Law on Activities of Insurance and Reinsurance Intermediaries. The most important issue is The Latvian Association of Insurance Brokers, the Latvian Association of Professional Brokers, and the Latvian Consumer Protection Association object to amendments on the ground that they significantly limit the rights of clients (natural persons) by denying clients of credit institutions the possibility to make a free choice based on complete information between insurance policies offered by credit institutions. These organizations take the view that for consumer interests to be protected,

consumers should be able to identify whether someone offering insurance represents consumer (the insured's) interests or the interests of the insurance company as would be the case for insurance company agents. Allowing credit institutions to operate on behalf of several insurance companies triggers a risk of misleading consumers in relation to receiving objective analysis of offers, thus causing a serious risk of consumers being misled.

- c) In addition, the draft amendments specify that a person operating as a self-employed insurance or reinsurance intermediary may not simultaneously be formally employed as an insurance or reinsurance intermediary. Moreover, insurers will be obligated to inform the Financial and Capital Market Commission on termination of a cooperation agreement with an insurance agent, while insurance brokers and insurance agents will be obligated to inform the Financial and Capital Market Commission if they suspend or terminate insurance and reinsurance intermediation services.
- d) The amendments introduce a lawful procedure for concluding insurance contracts by remote communication, determine regulations for situations when parties agree that an insurance premium or its first instalment is paid after the insurance contract has come into force and the premium payment is made belatedly.

2. Requirements of liability limit for insurance activities.

- a) The amendments implement Directives 88/357/EEC, 92/49/EEC and 2002/83/EC of the European Parliament and of the Council. The Cabinet of Ministers has approved draft regulations "Regulations on Liability Insurance in Security Activity" developed by the Ministry of the Interior. The draft regulations lay down liability insurance procedure and a minimum liability limit of liability insurance in security activity. This means that security firms will have to insure for liability; the insurance covers damage caused during security activities to third party life and health, property, as well as losses arising from theft following entry and robbery. Under the regulations, the minimum liability limit for liability insurance for security activities during one insured period will not be less than 10% of the annual turnover of the security firm but in any event not less than 100,000 LVL per year. Simultaneously the draft regulations of the Cabinet of Ministers include liability insurance procedure for security firms.

3. Changes in MTPL insurance law.

- a) The amendments regulate the amount of penalties for violations. Finally, the amendments still have to be adopted by the Parliament. Rights of Latvian Vehicle Insurer's Office to aggregate detailed data on premiums of MTPL contracts concluded by insurers. It can be

expected that the Latvian Vehicle Insurer's Office will be denied the possibility to collect detailed data in its MTPL information system on premiums of MTPL contracts concluded by insurers. This is stipulated by amendments to draft regulations of the Cabinet of Ministers (MK) "Regulations on Amount and Type of Mandatory Civil Liability Insurance of Owners of Motor Vehicles Information Required by System Operation, Procedure for Data Entry, Exchange and Use". The Competition Council takes the view that probably MTPL premium collection in the information system hinders or in some other way distorts competition.

- b) The European Commission's Directorate- General for Competition indicates that data compilation could adversely affect competition in the MTPL market if these data on specific individuals become available to competitive insurers. The amendments are soon to be reviewed by the Cabinet of Ministers.

Lithuania legislation.

1. Relationships between customers and brokers.

- a) Plans announced to change regulatory regime for insurance brokers. On 2007.03.09 new regulatory requirements for insurance brokers are announced. An insurance brokerage company would be entitled to commission (fee) payable only by the client (policyholder, insured, beneficiary or injured third party). Until now, commission in nearly all cases has been paid by the insurer.
- b) A lot of attention is paid to policyholders and dispute settlement. The number of policyholder disputes settled by the Insurance Supervisory Commission is growing each year. The supervisor is worrying that it spends significant time on policyholder disputes (which actually are not its primary function). The industry is worried about decisions being too consumer-orientated, not paying enough attention to risk assessment and claims handling methods acceptable in modern insurance markets.

Some law acts widens insurance service, makes better relationships.

- c) In 2006, the Insurance Supervisory Commission passed 35 sub-statutory legal acts—resolutions and actively participated in the preparation of draft laws of the Republic of Lithuania and in coordinating positions of the Republic of Lithuania on new draft EU legal acts.
- d) Tied insurance intermediaries will be allowed to sell products of either life or non-life insurers without any limitations regarding the number of insurers represented. Additionally,

tied insurance intermediaries will be allowed to sell competing products of different insurers (forbidden under the existing Law on Insurance).

- e) In 2006, the Insurance Supervisory Commission actively participated in the activity to form a new act, under which the provisions of the Directive are transposed into national law, uniform conditions would be created for reinsurance companies in Lithuania and other EU Member States to freely provide services, and this would have a positive impact on the development of the Lithuanian insurance market.
- f) According to the amendments, policyholders lodging a complaint against insurers will not be required to use a special form of complaint approved by the Insurance Supervisory Commission and may address the supervisor by a simple written letter.
- g) Although recommendatory only, decisions of the Insurance Supervisory Commission over consumer disputes are observed by the insurance industry. Statistics for consumer dispute settlements appear on the website of the insurance supervisor (<http://www.dpk.lt/gincai.php>). The prospective publicity gives incentives to insurers to find solutions to disputes with policyholders before the supervisor's decision.

2. Requirements to capital markets, technical provision.

- a) The most important changes in Lithuania law system pay attention to capital markets. From 2007.11.01 it is compulsory insurance requirement for Financial Advisory Companies. The sum insured is LTL 100,000 (ca. EUR 29,000) for each insured event and LTL 500,000 (ca. EUR 145,000) for all insured events in any one-year. This provides new opportunities for insurers to offer personal indemnity insurance products.
- b) The Law lays down provisions regulating activity of a Financial Advisory Company (a company whose primary activity is investment advice). This includes licensing and supervision of such companies by the Securities Commission, which creates uncertainty for insurance brokerage companies (already supervised by the Insurance Supervisory Commission). These are also entitled to mediate in conclusion of Pillar II pension contracts (investment contracts to which individuals divert a certain part of their social security tax for private pension funds). Thus, insurance brokerage companies, which provide investment advice related to Pillar II pension contracts, will likely also fall under the supervision of the Securities Commission.
- c) When calculating the life assurance technical provision life assurance undertakings discount future cash flows by using a conservative technical interest rate that may not exceed the maximum technical interest rate approved by the Insurance Supervisory Commission¹⁴.

The procedure for the calculation of the maximum technical interest rate complies with one of the methods indicated in Directive 2002/83/EC of the European Parliament and of the Council concerning life assurance. Life assurance undertakings were obliged to apply the maximum technical interest rate calculated on a quarterly basis, not only to newly concluded life assurance contracts, but also to those that were concluded earlier. This decision of the Insurance Supervisory Commission was aimed at ensuring interests of the policyholders, the insured, and beneficiaries under life assurance contracts.

3. Changes in MTPL insurance law.

- a) Draft Amendments to the MTPL Insurance Law submitted on 2006.12.28 the Lithuanian Government submitted to the Lithuanian Parliament a Draft Law amending the existing MTPL Insurance Law.
- b) Seeking to eliminate the deficiencies in the legal regulation system aimed at ensuring insurance coverage for persons insured with the compulsory MTPL insurance, the Insurance Supervisory Commission initiated amendments to the provisions of the Law on Insurance which were adopted in 2006: there is a set duty for an insurance undertaking to apply to the Insurance Supervisory Commission within one day regarding permission to include other assets in the list of insurance technical provisions if insurance technical provisions are not 100% covered by assets indicated in the law; the right has been granted to the Insurance Supervisory Commission in cases where there is a real threat that an insurance undertaking can become insolvent, to oblige an insurance undertaking intending to carry out significant transactions to obtain the permission of the Insurance Supervisory Commission; seeking to ensure more efficient protection of interests of those persons whose claims arise out of insurance contracts, the terms set in the case of a voluntary transfer of rights and duties under insurance contracts are not applied to the compulsory transfer of the rights and duties arising out of insurance contracts.

To summarize the legal system analysis in The Baltic States, it can be said that a lot of changes in all countries are in affect now, because of new requirements of European Union. All countries try to adopt their insurance business to European standards. A lot of attention is paid to consumers, brokers capital requirements, MTPL laws.

The most important acts in Estonia are paid to relationships between customers and brokers. Insurance brokers and agents must disclose to the client the fee they receive from the insurer in respect of each insurance contract being mediated. The agent must submit to the client an offer to

conclude an insurance contract and justify advice and recommendations provided to the client with a thoroughness that corresponds to the complexity of the insurance contract.

New acts and laws in Latvia pay attention to payments for loss. Also Latvia's organizations take the view that for consumer interests to be protected, consumers should be able to identify whether someone offering insurance represents consumer (the insured's) interests or the interests of the insurance company as would be the case for insurance company agents. Allowing credit institutions to operate on behalf of several insurance companies triggers a risk of misleading consumers in relation to receiving objective analysis of offers, thus causing a serious risk of consumers being misled.

The most important changes in Lithuania law system pay attention to capital markets. Also a new act that an insurance brokerage company would be entitled to commission (fee) payable only by the client (policyholder, insured, beneficiary or injured third party). Until now, commission in nearly all cases has been paid by the insurer. A big attention is paid to dispute settlement. The industry is worried about decisions being too consumer-orientated, not paying enough attention to risk assessment and claims handling methods acceptable in modern insurance markets.

The legal system in all Baltic States is changing and is becoming more democratic. In all countries the legal system is similar and is suitable for insurance business. The most suitable climate is in Latvia and Lithuania, because of paying more attention to the customers, that they would be able to identify whether someone offering insurance represents consumer (the insured's) interests or the interests of the insurance company, they are provided with all information about commission paying, also dispute settlement is highly improved in these countries.

3.3. CRM analysis in insurance business using Delphi method

This study and analysis using Delphi method was chosen to identify the most difficult concepts of CRM strategy implementation, CRM advantages and disadvantages in practice, possibility to apply CRM strategy in Lithuania and other Baltic countries. It is important to reach consensus while talking about CRM definition as well. The Delphi method was used in this case because this method is based on a structured process for collecting and distilling knowledge from a group of experts by means of a series of questionnaires interspersed with controlled opinion feedback. The Delphi technique attempts to overcome the weaknesses implicit in other methods such as relying on a single expert, a group average, or a round table discussion.

Since the Delphi method relies on expert opinion, it is obviously important to select the right experts. Before clearing out listed items, we examined three well respected experts working in insurance

business (insurance manager working in If draudimas, transport insurance manager working in ERGO Lietuva and chief executive of Marketing Department working in PZU Lietuva) giving them open questions, listening to their answers, opinions and suggestions in order to identify the CRM as a strategy in insurance business. We developed a Word document version of our questionnaire using the 11 questions, which will be giving below. 2 of our experts are working in non life insurance sector, while the third one has experience in property and life insurance sectors.

The first question (question 4 in the appendix of primary questions) the experts were given was if they have heard anything about CRM. All of them heard a lot in media, newspapers, scientific literature, but none of them faced with this strategy in their work and insurance practice. This reflects the current Lithuanian situation of CRM in insurance sector – none of the insurance companies have been applied CRM strategy yet.

The experts noticed that there is a variety of definitions of CRM and still had different opinions on what CRM is. All of them indicated that the false perception of CRM is caused by different cultures and especially different business' sectors the companies are operating in. Despite that, they think that there is a great need for such integrated specialist and experts in Lithuania: if you have an expert, it is an expert in insurance sector, but not an expert in CRM strategies and vice versa. What is more, one of our experts concluded that Lithuania still needs well-educated CRM specialist – practitioners, not theorists.

The experts were given a question how a false understanding of CRM concept can result in companies' activities and all of them had a unanimous opinion that all in all false perception of CRM could lead to implementing CRM strategy improperly. Improper implementation usually means unimplemented new idea and no CRM at all. It could result in money loss as well.

The next question experts were giving was about difficulties while implementing CRM. Because none of them knows how CRM is implemented practically and how it works, they were able to identify the main problems stated in scientific literature which are the lack of information how this strategy should be applied, not wasting money and instead of hiring the consultation company, doing everything themselves. While companies are spending money on CRM technologies, many of these hardware/software implementations have failed to meet management's expectations for return on investment. The primary objectives as to reduce costs through the automation of sales/service processes and by putting more responsibility on the customer for self – service or gain short – term revenue lift through targeted offers and cross – sell attempts. Cost efficiency and short – term revenue lift are not the primary goals. Many companies do not realize the need to put in place a customer-centric strategy that is supported throughout the organization. This inability to clearly articulate the strategic importance of

implementing CRM within an organization is what caused many of the early failures that we have read about and that have ultimately stigmatized CRM as either a costly waste of time or at best something with low returns on investment. Especially in Lithuania, part of the problem is that front line employees often do not understand their roles as relationship managers.

The experts listed the most important efforts and steps, which should be made together with implementing CRM strategy. Firstly, to apply and adapt CRM as a marketing strategy and to make CRM work, it is important to extend the depth and breadth of relationships to get a larger share of the customer relationship. Secondly, there should be reduced transaction barriers and costs moving customers and transactions from high – cost channels to low – cost ones. Thirdly, there should processes reinforcing the brand, for example, the handoff from branding media to more interactive media. Fourthly, there should be created customer satisfaction and loyalty, because one of the goals is to have happier customers. An enterprise needs to approach to every interaction with the customer as an opportunity to create customer satisfaction. The enterprises should consider that CEO, business and technology strategists, key executives from marketing, human resources sales and customer service departments should be included in aligning CRM strategy.

Two experts valued CRM strategy in insurance business positively and stressed out that there is no relationship between insurance company and customers in Lithuania. This problem could be solved after implementation of CRM and those steps are very acceptable in the near future if Lithuanian insurance business. One of our experts stated that in general CRM is a good idea in some business sectors, but not in insurance service. The reasons why he stated so wasn't indicated, but we can make a conclusion that the insurance company he is working in are one of the most leading insurance companies in Lithuania, and probably because of that he doesn't feel any need for CRM strategy in his particular company.

To sum up, because of small number of respondents, the answers were quite similar and not surprising, because Lithuania is a country where CRM strategy in insurance sector wasn't applied, the discussions about CRM strategy and its implementation goes only on theoretical level. Based on this discuss panel with three Lithuanian experts in insurance business the questionnaire (see appendix) with selective answers has been made and will be given to other insurers to fill up in Baltic States.

3.4. CRM analysis in Lithuania, Latvia and Estonia using insurance business' experts' survey

After the interview with Lithuanian insurance business experts on CRM strategy, the questionnaire (see appendix 2) with selective answers was made and was given to Lithuania, Latvia and Estonia insurance business experts.

First step in research is problems definition and the goals for the research. The goals of this questionnaire were to identify is CRM strategy known in insurance business, to identify the most difficult concepts of CRM strategy implementation, to identify CRM advantages in each country and to make significant conclusions about possibilities to apply CRM in Baltic countries.

After setting the goals, the hypothesis should be stated. It was raised some hypothesis for the research:

- The insurance business experts did not hear about CRM in practice, they heard about it only in theoretical level.
- The main reasons for understanding CRM in many different ways are different location of the world, variety of business sectors companies are taking part in and the lack of respectful CRM consulting firms and well educated CRM experts.
- False perception of CRM strategy influences insurance business and makes such consequences as lost customers, money loss and disturbed working environment.
- The common problems the insurance companies face while implementing CRM are lack of knowledge in practice (the company implements the strategy itself instead of hiring respectful consultation firm, the strategy is viewed as a quick – fix solution without giving consideration to the pitfalls and challenges of making it work, thinking that CRM is only about technologies), the primary objectives are cost efficiency and short-term revenue and front line employees don't feel themselves as relationship managers.
- The insurance business experts positively evaluate CRM implementation in insurance business.
- The insurance business experts understand the advantages of CRM in insurance business.
- The most important efforts that should be done while implementing CRM in insurance business are software implementation, extended depth and breadth relationships with customers, reduced transaction barriers and costs moving customers from high – cost channels to low cost ones, reinforced brand and all companies departments should be included in aligning CRM.

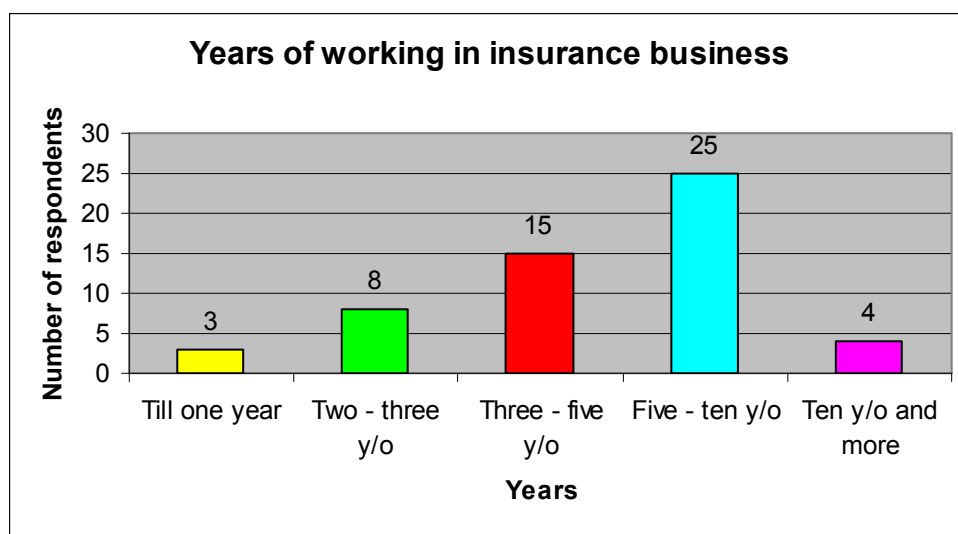
The third step is selecting the experts and making the research. The questionnaires were sent by e-mail to three Baltic State countries' insurance companies' experts. It was selected AB "Lietuvos draudimas", UAB "IF draudimas", UADB "Ergo Lietuva" and UAB DK "PZU Lietuva" in Lithuania; AAS "Balta", AAS "BTA", "IF Latvia" AAS and "Baltijas Apdrošinašanas Nams" AAS in

Latvia; and “Ergo Kindlustuse” AS, “Seesam Rahvusvaheline Kindlustuse” AS, Hansa Varakinohtlustus AS and “Codan Forsikring A/S Eesti filial” in Estonia.

The research was implemented two months - on March and April. It was sent seventy-five questionnaires overall, twenty-five to each country. But only fifty-five properly filled questionnaires were received back: twenty-two from Lithuania, eighteen from Latvia and fifteen from Estonia.

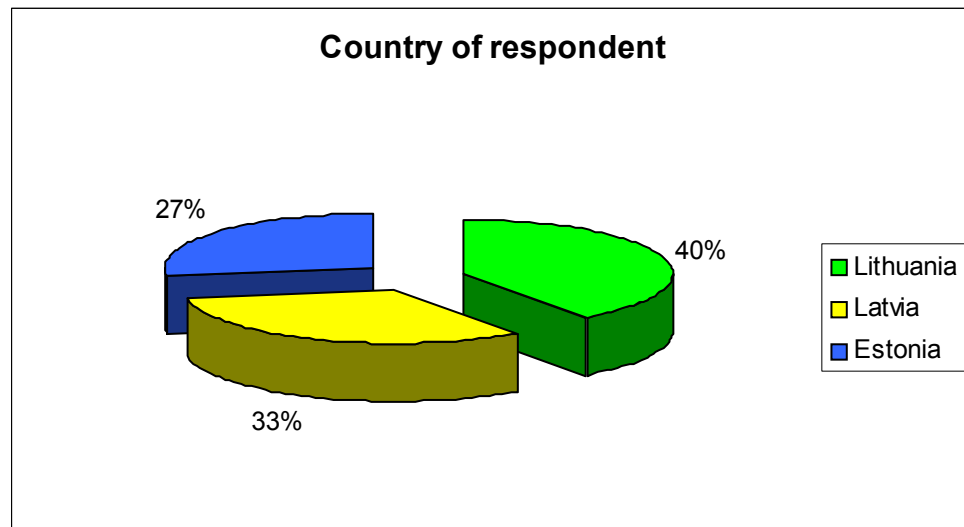
The last but not least step, is analysis of questionnaires answers. The answers were calculated, systemized, and the statistical analysis was done.

First off all, the insurance business experts’ experience of working in insurance business was identified. Most of experts were working in insurance business for 5-10 years (1 picture). So it can be said that they have big working experience, not only theoretical knowledge.



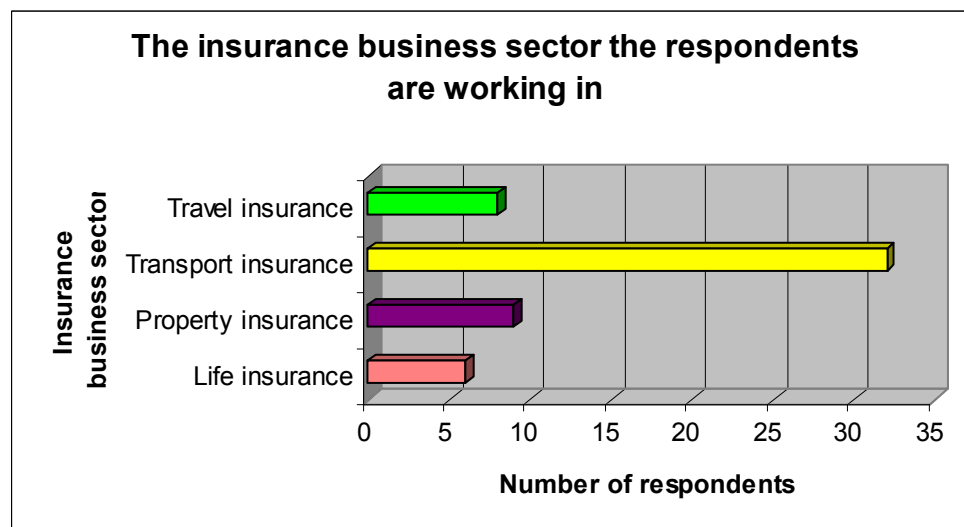
Picture 17. Years of working in insurance business (n=55)

The distribution between countries is showed in the next chart.



Picture 18. The country of respondent (n=55)

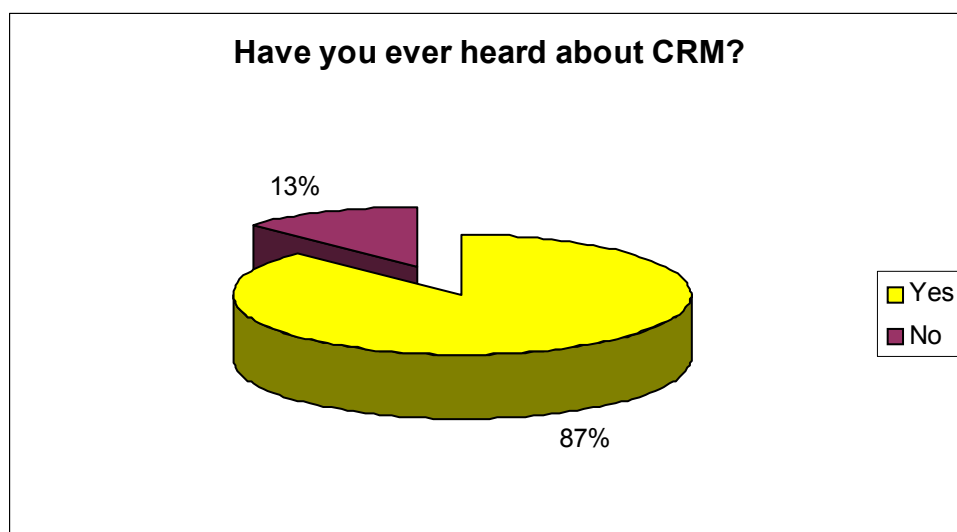
The insurance business sector, the experts are working in, also was identified. Most of respondents (32) were working in transport insurance, 9 – in property insurance, 8 – in travel insurance and 6 – in life insurance sector (19 picture).



Picture 19. The insurance business sector the respondents are working in (n=55)

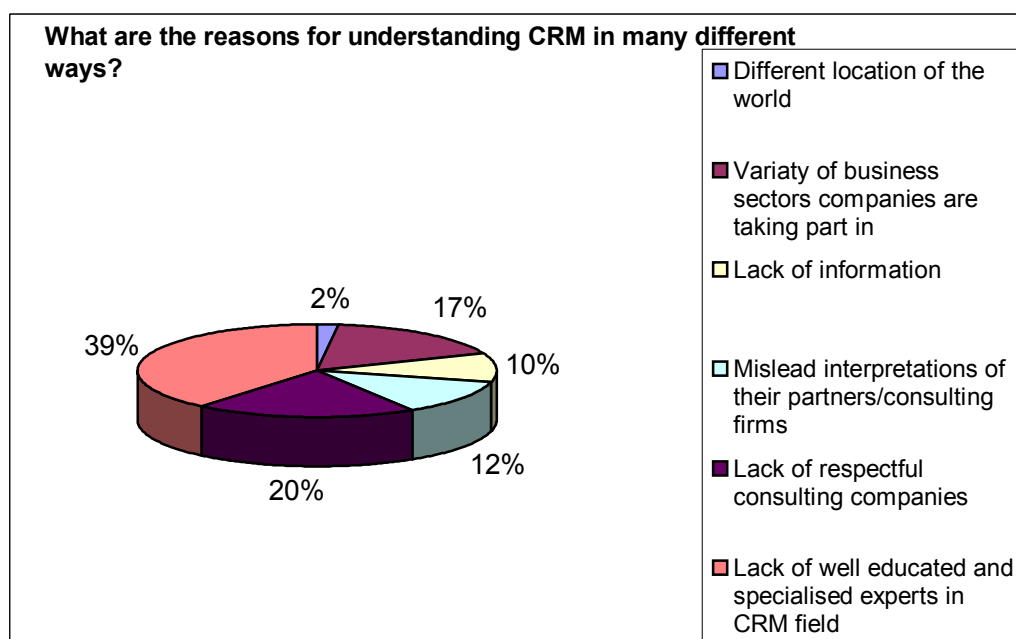
After the demographical analysis, the questions associated CRM were analysed. Firstly, do the experts ever heard about CRM was asked, because results from the interview with Lithuanian experts showed, that they only heard about CRM from literature and other sources, but not in practise. The answers of Baltic State countries proved this hypothesis, because they (48 respondents) also heard

about CRM, but only in theoretical level, only four experts from Estonia marked that in their company CRM strategy is in the first stage of application.



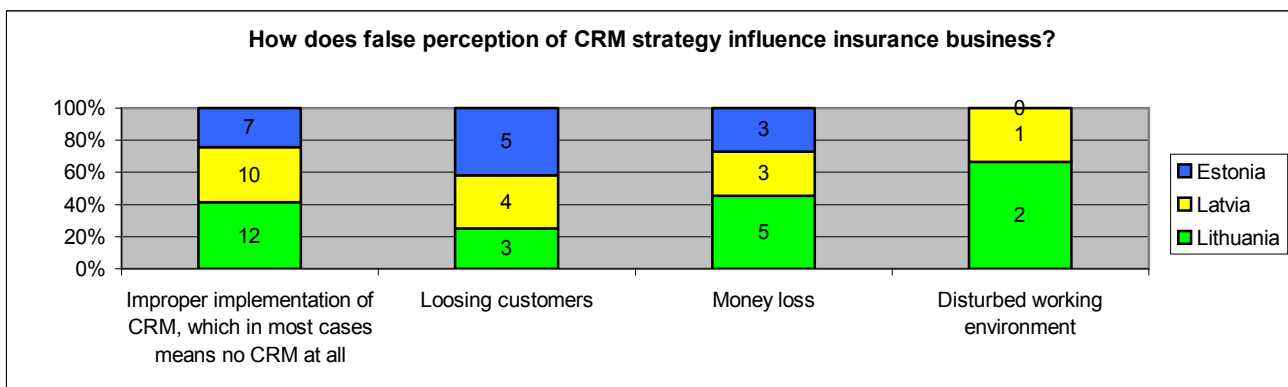
Picture 20. The distribution of respondents according are they heard about CRM (n=55)

The reasons for different understanding of CRM were evaluated. They are shown in the chart below. Different location, varieties of business sectors companies are taking part in, the lack of respectful consulting firms and lack of educated CRM specialists are the main causes of false perception of CRM.



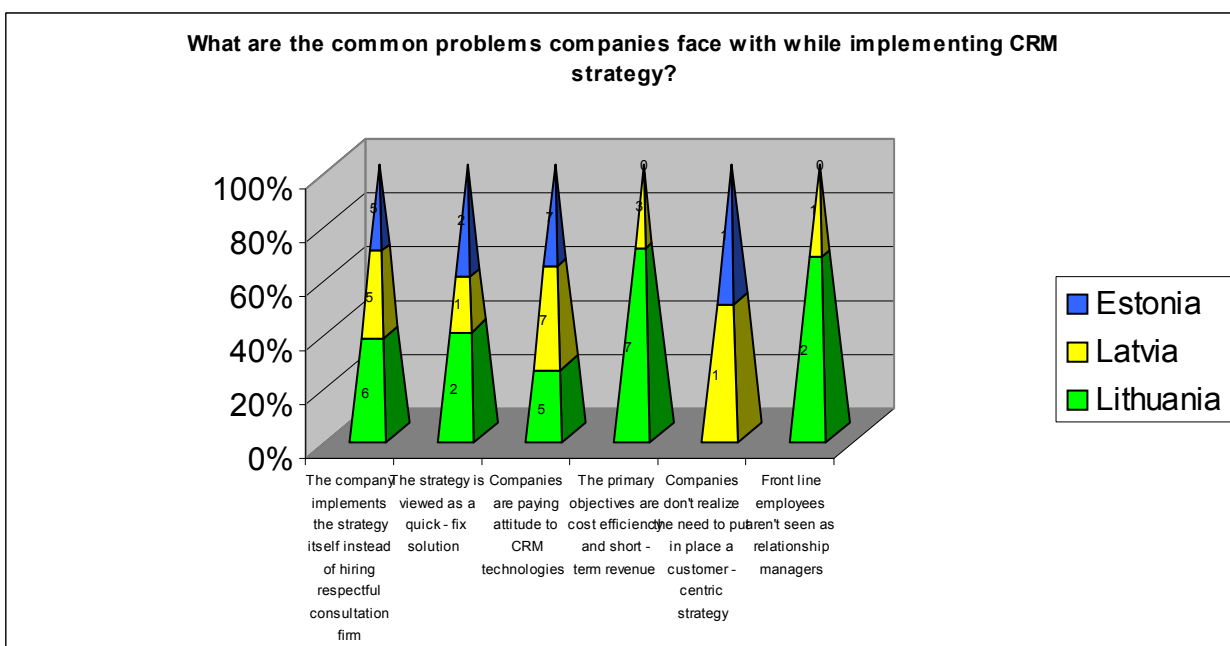
Picture 21. What are the reasons for understanding CRM in many different ways (n=55)

The reasons of false perception of CRM were identified in different countries too. As it can be seen from the chart (4), in Lithuania, Latvia and Estonia the biggest part takes improper implementation of CRM that means no CRM at all, also losing of customers and money loss are the reasons of improper understanding and implementation of CRM.



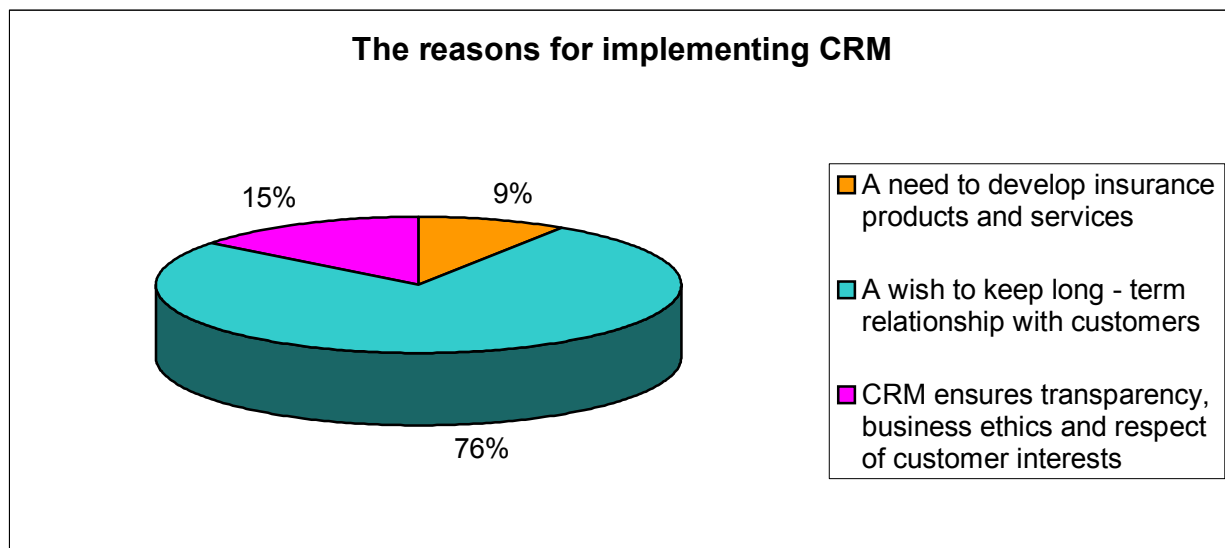
Picture 22. How does false perception of CRM strategy influence insurance business (n=55)

The main problems, which face companies in each Baltic State, were also evaluated. In Lithuania, the main problems are that insurance experts do not understand what is CRM practically, they have opinion that it is only about technology and Lithuanian insurance companies do not have really good CRM experts, consultation firms. The same situation is in Latvia and Estonia, the main problem that most of experts think that CRM is only about technology.



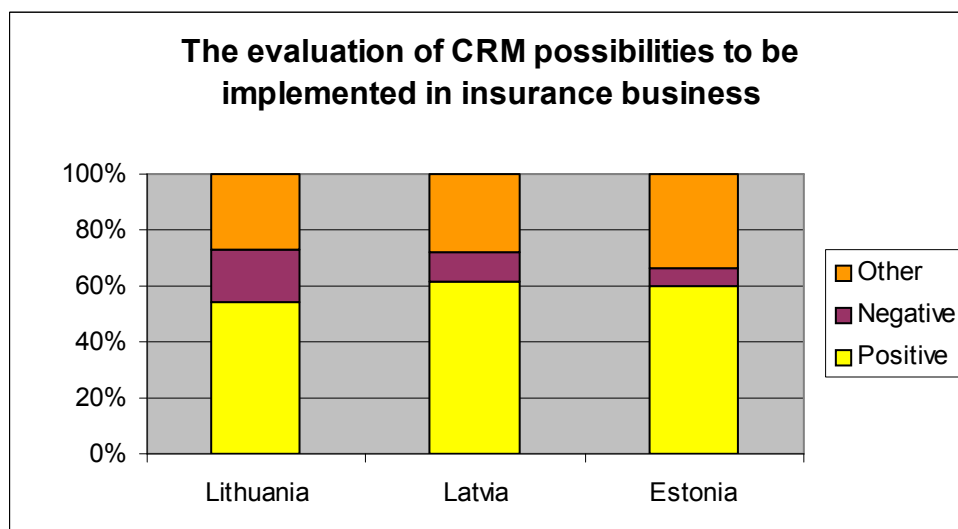
Picture 23. What are the common problems companies faces with while implementing CRM strategy (n=55)

The main advantages for implementing CRM in insurance business were also identified. The main advantage is keeping long – term relationships with customers (76 percent), nine percent of respondents mentioned that CRM helps to develop insurance products and services.



Picture 24. The reasons for implementing CRM (n=55)

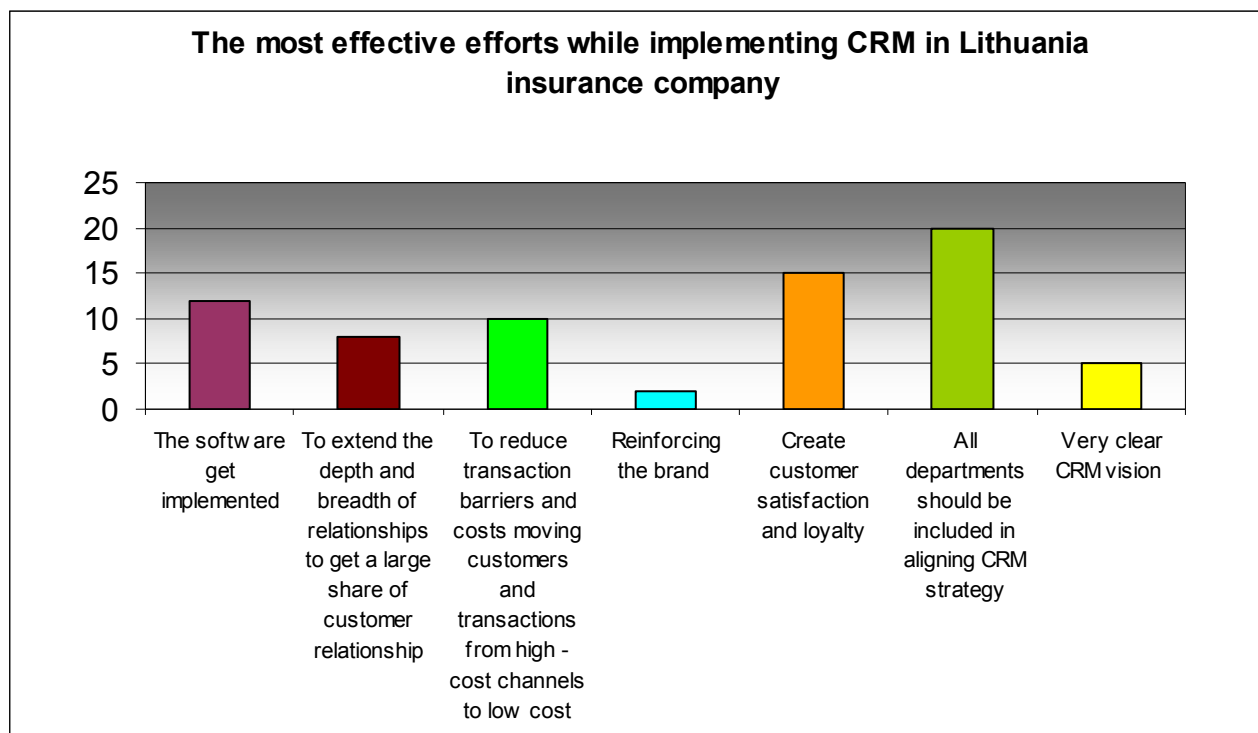
Most of insurance business experts positively evaluate CRM and they think that it is suitable in insurance business and gives a lot of advantages for insurance business development.



Picture 25. The evaluation of CRM possibilities to be implemented in insurance business (n=55)

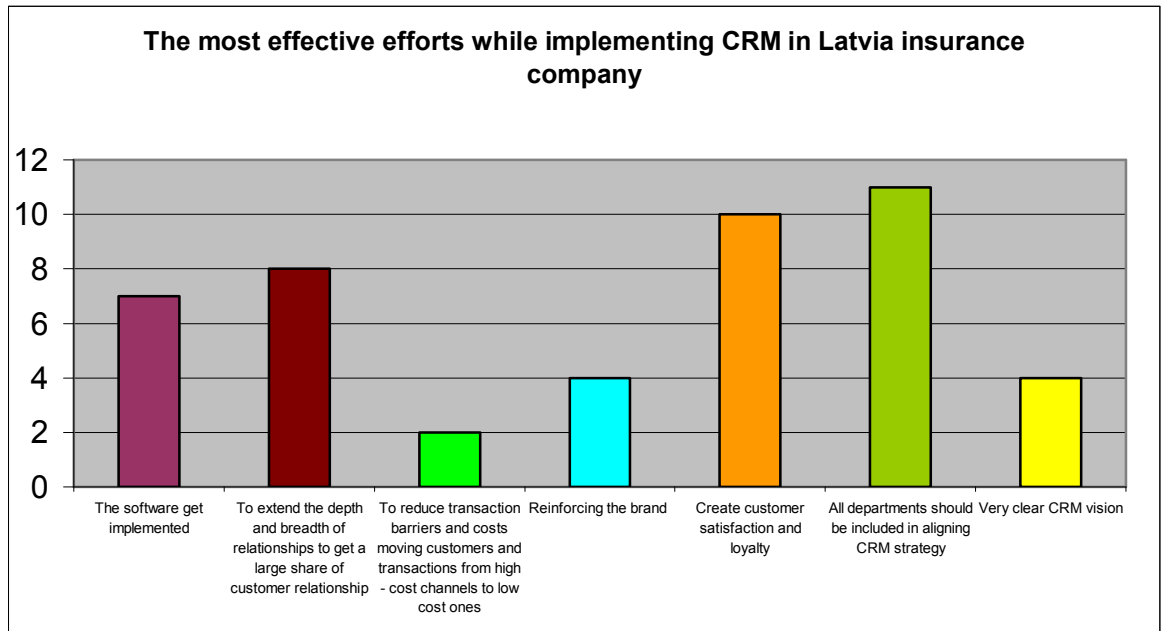
It is very important to identify the most important efforts should be done while implementing CRM in insurance business in Lithuania, Latvia and Estonia, where should be paid

attention. As it can be seen from the chart below Lithuanian experts stress three main things while implementing CRM: all departments should be included in aligning CRM strategy, create customer satisfaction and loyalty and to reduce transaction barriers and costs moving customers and transactions from high - cost channels to low cost ones.



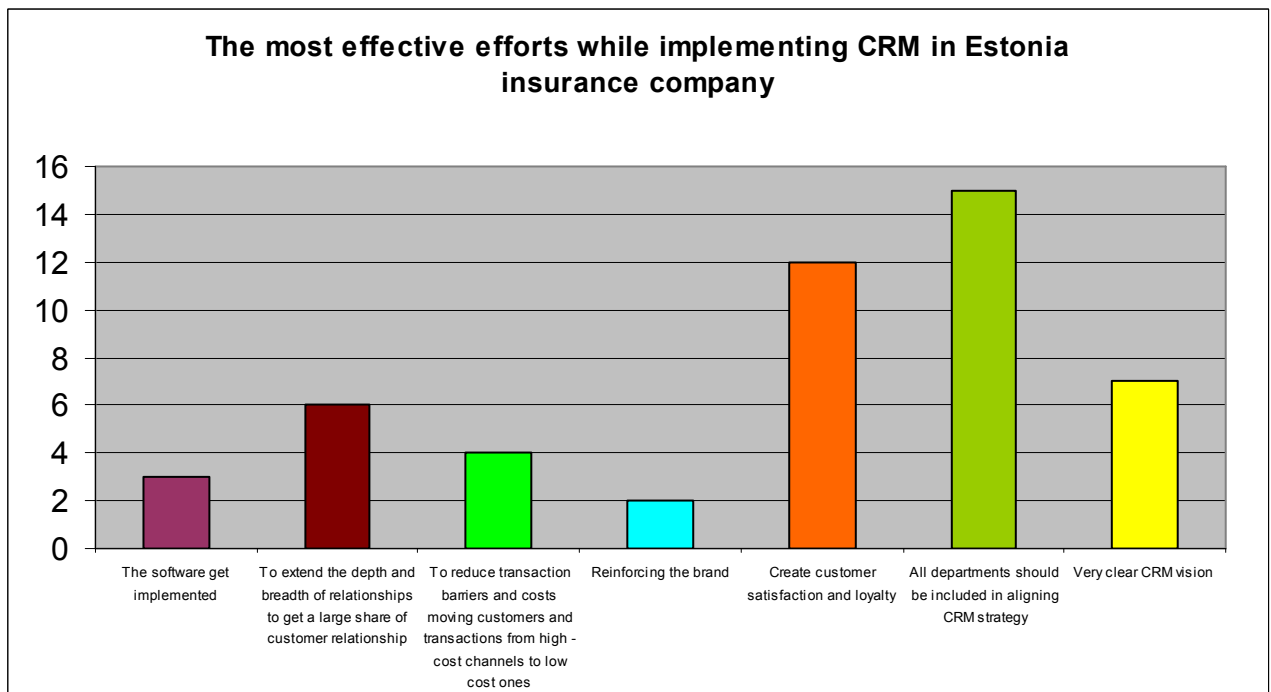
Picture 26. The most effective efforts while implementing CRM in Lithuania insurance company

Latvia's experts pay attention to these issues: all departments should be included in aligning CRM strategy, create customer satisfaction and loyalty, to extend the depth and breadth of relationships to get a large share of customer relationship, and the software implementation.



Picture 27. The most effective efforts while implementing CRM in Latvia insurance company

Estonia's insurance business experts also stress the same topics as Lithuania's and Latvia's experts - all departments should be included in aligning CRM strategy, create customer satisfaction and loyalty – and separates very clear CRM vision as a very important element in CRM adaptation.



Picture 28. The most effective efforts while implementing CRM in Estonia insurance company

4. CUSTOMER RELATIONSHIP MODELS FOR DEVELOPING INTERNATIONAL INSURANCE BUSINESS

After the analysis of the literature of Customer Relationship management, insurance business in Lithuania and other EU countries, the insurance law system in the Baltic States and CRM analysis in Lithuania, Latvia, Estonia using insurance business experts survey, it can be suggested the Customer Relationship models for international insurance business development.

As it can be seen from the theoretical analysis and empirical studies CRM is not applied not only in Lithuania, but also in other Baltic State countries – Latvia and Estonia. The main reason for this is that insurance business experts do not know and understand what CRM really means, they have different opinions about it. Another problem is that CRM is associated only with technology and not applied to all departments of insurance company. False understanding creates lack of knowledge, insurance businesses have really good and educated insurance experts, but they are not CRM experts. As survey of Baltic States insurance experts shows that the main difficulties while implementing CRM is that insurance experts do not understand what is CRM practically, they have opinion that it is only about technology and insurance companies do not have really good CRM experts, consultation firms. This creates a need to make a CRM department in insurance company, which would consult and train insurance experts. As identified in survey such efforts - as all departments should be included in aligning CRM strategy, create customer satisfaction and loyalty, to reduce transaction barriers and costs moving customers and transactions from high - cost channels to low cost ones, software implementation, very clear CRM vision - should be made while implementing CRM in insurance business.

Because in the Baltic States the CRM is not applied, firstly the CRM application model is needed. (Picture 29).

Firstly, the audit of the insurance company's current position with customers and in the market should be done. Government laws and regulations, political situation, finance institution actions, insurance associations actions, actions of competitors, customers' income level, educational level, customers' preferences, satisfaction of insurance services level must be analyzed in current situation analyses.

Second step – insurance company's vision should be stated. After that, goes CRM strategy. CRM strategy must come out of corporate strategy, goals, business strategy, and organizational strategy. CRM strategy is a set of activities an insurance business performs to confirm and render its customer strategy, focusing on the identification, prioritisation and implementation of

new customer facing business capabilities and practises that will improve operations and segment profitability. At least four types of resources to be used to create customer care, including the core service, - personnel, technology, knowledge and time.

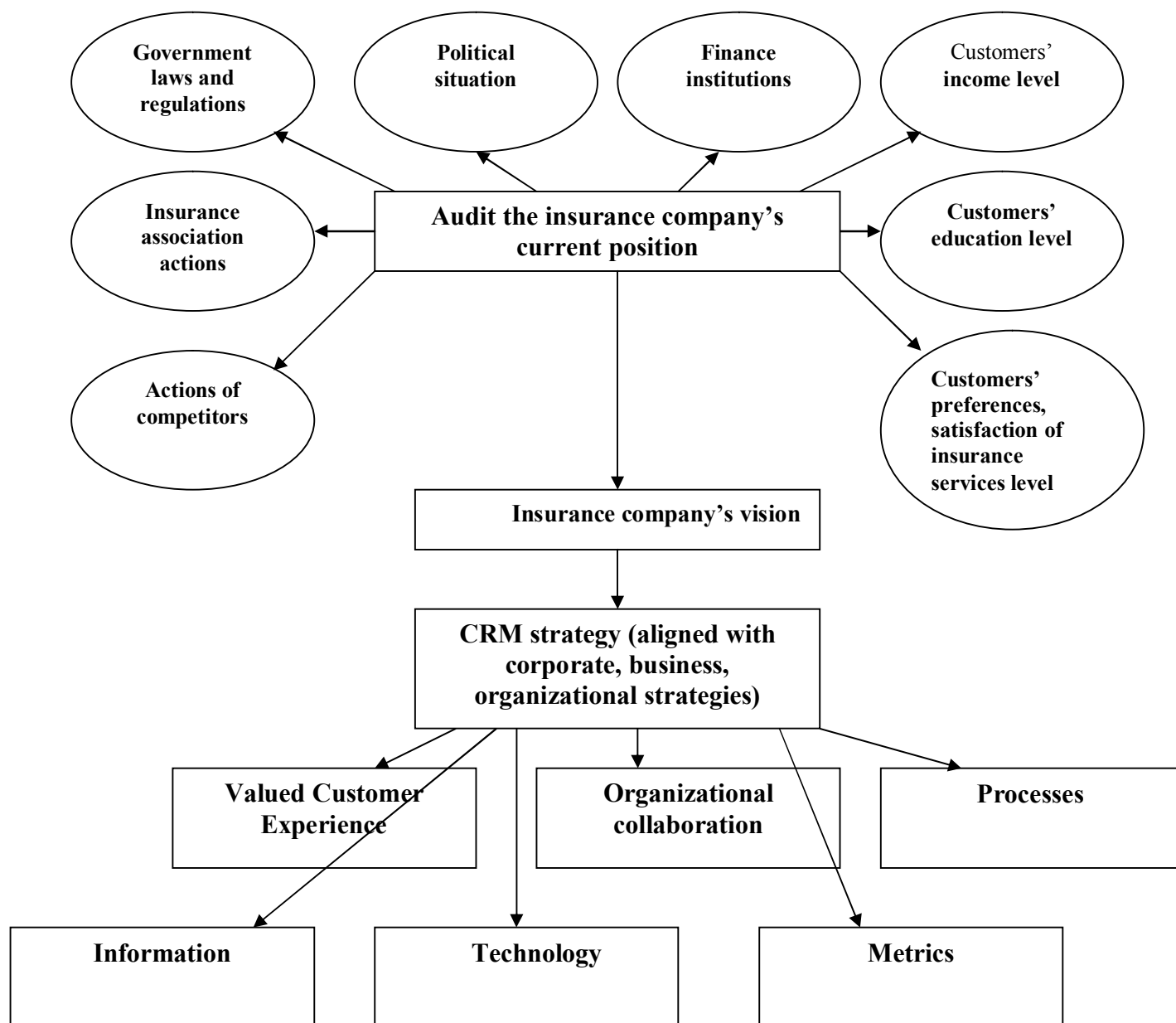
For successful CRM adaptability and application, it must be looked through six steps:

1. valued Customer Experience: it ensures that the company's offerings and interactions deliver ongoing value to customers, are delivered consistently and achieve the desired market position;
2. organizational collaboration: changing cultures, organizational structures and behaviors to ensure that employees, partners and suppliers work together to deliver customer value;
3. processes: effectively managing not only customer lifecycle processes, but also analytical and planning processes that build knowledge of the customer;
4. information: collecting the right data and routing it to the right place;
5. technology: managing data and information, IT infrastructure and architecture;
6. metrics – measuring internal and external indications of CRM success and failure.

According to this CRM strategy application process, different insurance companies could have been progressed to different levels. While CRM presents a continuous process, these differences are normal and welcome in order for the insurance companies to understand where they are and where they are going.

Firstly, to apply and adapt CRM as a marketing strategy and to make CRM work, it is important to extend the depth and breadth of relationships to get a larger share of the customer relationship. Secondly, there should be reduced transaction barriers and costs moving customers and transactions from high – cost channels to low – cost ones. Thirdly, there should processes reinforcing the brand, for example, the handoff from branding media to more interactive media. Fourthly, there should be created customer satisfaction and loyalty, because one of the goals is to have happier customers. An insurance company needs to approach to every interaction with the customer as an opportunity to create customer satisfaction. The insurer should consider that CEO, business and technology strategists, key executives from marketing, human resources sales and customer service departments should be included in aligning CRM strategy. Insurance businesses should have very clear business objectives for their CRM initiatives and this clarity can only emerge from a well thought – out and well – documented CRM vision. Organizations should ensure that marketing strategy is in place and that target customers have been well defined, the companies should name a CRM executive

sponsor and define his/her role. A CRM solution impacts many departments and if done right requires changes in business processes.

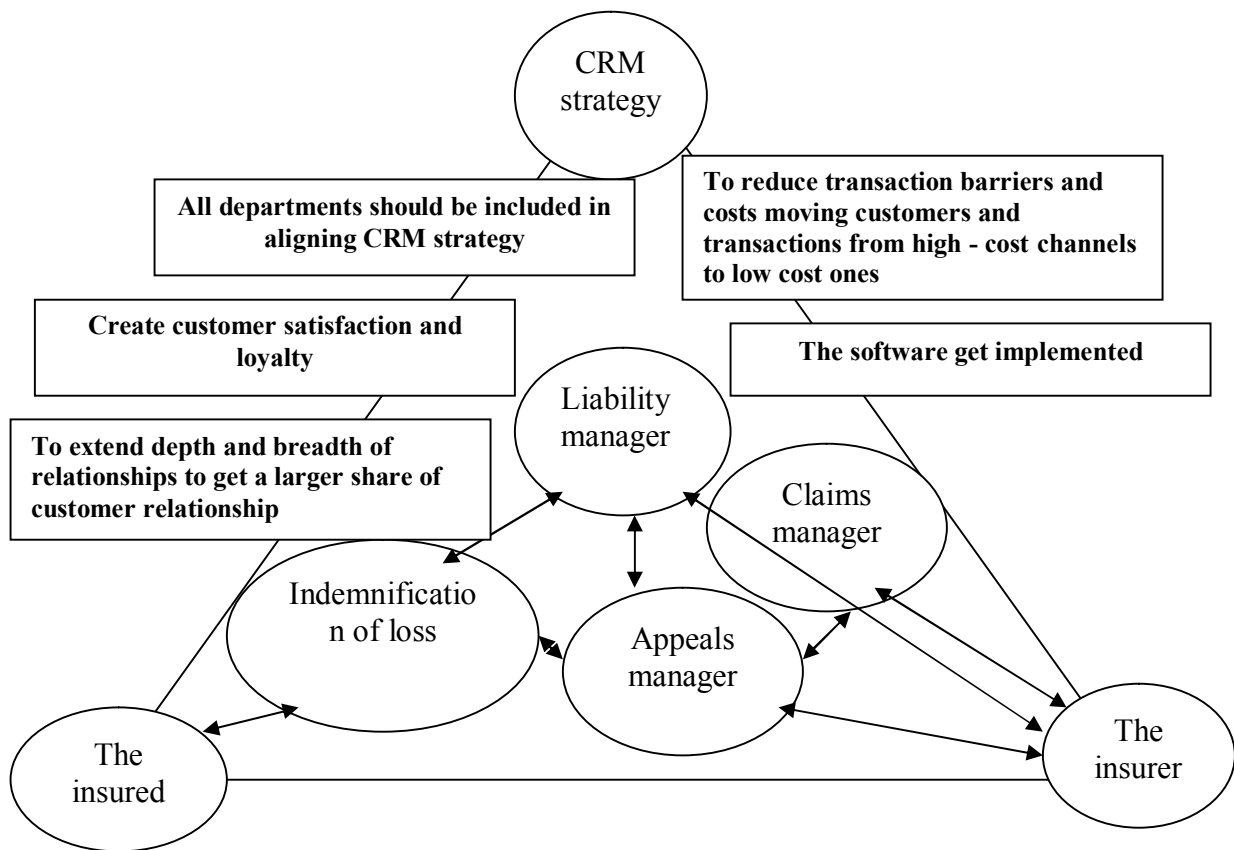


Picture 29. CRM application model in international insurance business

This CRM application model is suitable and can be applied to the Baltic State countries.

Because Lithuania's, Latvia's, Estonia's countries' insurance businesses have different features, characteristics, problems different CRM models should be created, evaluating and including the results of insurance business experts survey results.

For Lithuania it would be suitable this model. (Picture 30).



Picture 30. CRM model for Lithuania's insurance business

This model consists of three main elements: the insurer, the insured and CRM strategy. Main relationships is between insurer and insured, because:

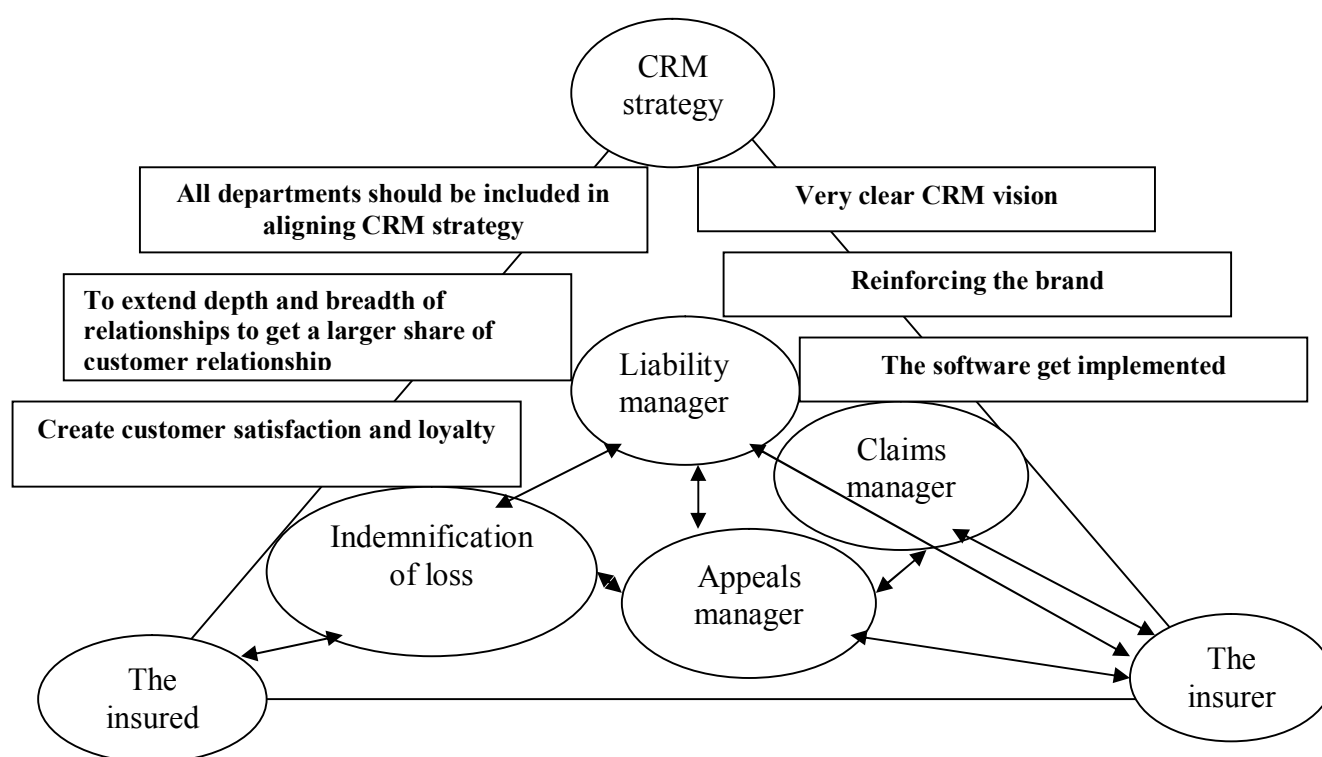
- the insured knows the nature of the risk;
- the insured has to describe the risk to the insurer. At this stage the insured could more properly be termed the proposer as this is at the point of describing the risk to the insurer in order to obtain insurance;
- the proposer will look for acceptable protection. He may have a particular form of insurance cover in mind or want a special clause included or even excluded. The proposer knows, or should know, what he wants, and will go into the market place in an effort to satisfy his needs;
- an important determinant in selecting an insurer, will be price. The proposer will also, of course, be concerned with service and security, but price will be extremely important.

It is very important insurance characteristics – indemnification. Only if the loss is properly indemnified the customer would be satisfied. So in this model there are three managers – claims, liability, appeals – who evaluate losses and pays damage. Claims manager collects information about

losses; liability manager evaluates losses and pays insurance indemnity and appeals manager contacts with insured (is he satisfied, do he has some claims and so on). Between all these managers, insurers and insured people are relationships and ongoing communication process.

Looking to results of Lithuanian insurance business experts survey, the attention should be paid to - all departments should be included in aligning CRM strategy, create customer satisfaction and loyalty, to extend depth and breadth of relationships to get a larger share of customer relationship, to reduce transaction barriers and costs moving customers and transactions from high - cost channels to low cost ones, and the software get implemented – while implementing Customer Relationship management model.

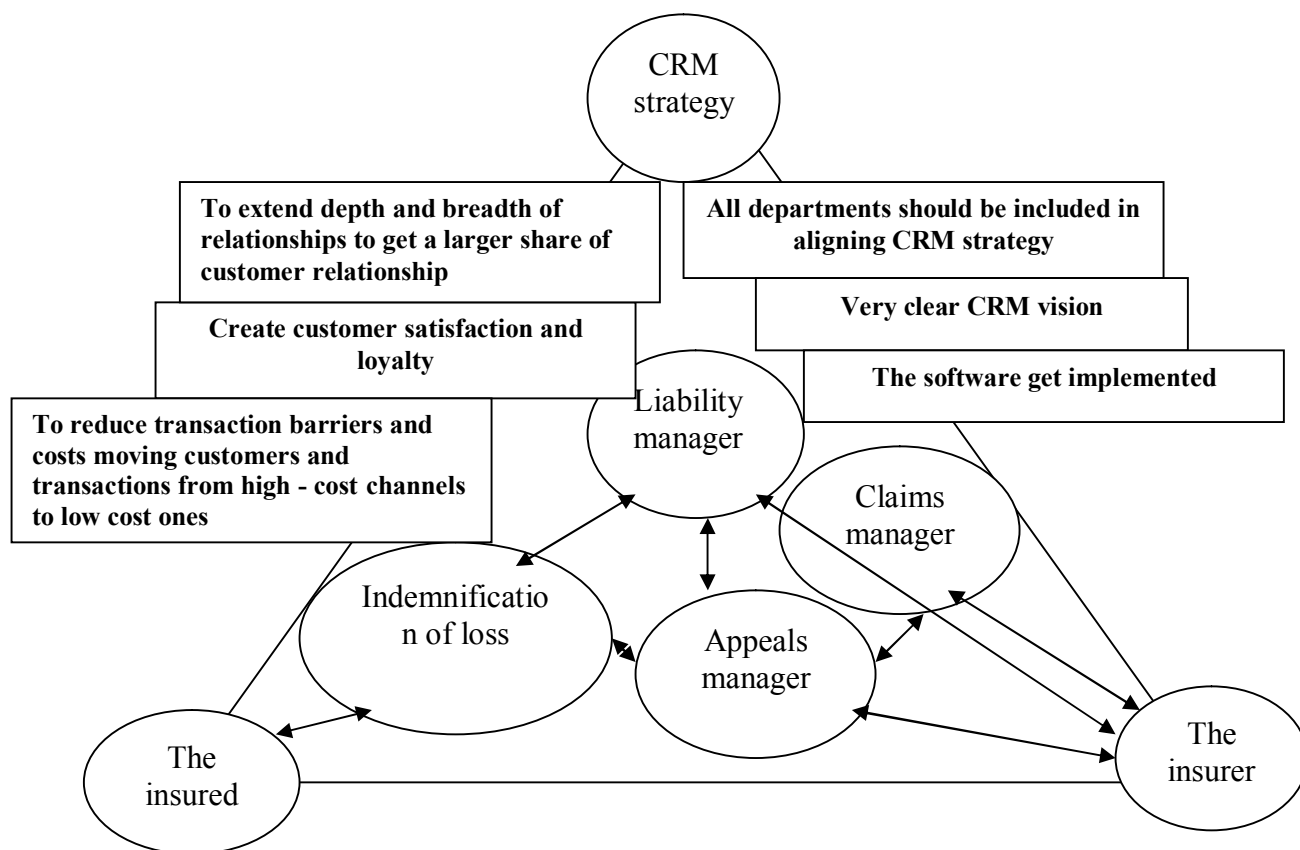
In Latvia's insurance business similar model could be applied (Picture 31). The main difference that the most attention should be paid to such elements as very clear CRM vision, reinforced brand, software implementation, also all department must be included in aligning CRM strategy, the relationships should be depth and breadth extended to get a larger share of customer and to create customer satisfaction and loyalty.



Picture 31. CRM model for Latvia's insurance business

For Estonia's insurance business similar model as in Lithuania and Latvia could be applied (Picture 32). The model also consists of CRM strategy, insurer and insured. There are also three managers – claims, liability and appeals - in indemnification process. All participants are related

with relationships. But in CRM model for Estonia's insurance market the most attention should be paid to the depth and breadth relationships with customers, reduced transaction barriers and costs moving customers from high – cost channels to low cost ones, very clear CRM vision, technology - implemented software, departments collaboration in aligning CRM to create customer satisfaction and loyalty.



Picture 32. CRM model for Estonia's insurance business

CONCLUSIONS AND SUGGESTIONS

Over the last several years the insurance business has been going through significant change. CRM system for insurance is a solution tailored to the unique requirements of the insurance industry. It enables insurance companies to manage customer interactions, complex relationships, and partner ecosystems, and to reduce costs. Insurance companies are going against the grain by increasing their investments in customer relationship management.

Lithuania and other Baltic States countries have one of the more advanced financial systems in the region, prompted by the series of reforms leading up to its EU accession. The last five years have seen a gradual growth of the insurance market caused by stable political situation. The conditions of the insurance market are changing constantly and irreversibly, but:

- The implementation of CRM system in the Baltic States is fairly slow;
- Insurance companies are focusing on the advertisement and profit, and forget the customer;
- It is necessary to measure customer satisfaction and to see where a company stand in this regard in the eyes of its customer, thereby enabling service and product improvements,
- The maximum customer satisfaction degree is seen in the claims handling process in the insurance company. Here contracts three parties: insurer, insured and risk. CRM can help to manage these tree parties relationships that all parties would be satisfied.

Insurance system has three elements – insurer, insured and risk - which should be taken in consideration while applying CRM. Insurance is based on a contract, and it has three very important parts, which depend on each other. One party contracts with another to perform a particular service. The insured is the person or company having the insurance in force and the insurer is the insurance company, which has contracted with the insured to provide cover of one form or another.

To achieve the long – term value of CRM, companies must understand that CRM is a strategy that involves the whole business and it should be approached at an enterprise level. CRM strategy involves potentially difficult changes of processes, culture and organization. CRM initiatives need a framework to ensure that programs are approached on a strategic, balanced and integrated basis. Usually CRM framework is designed to help enterprises to make decisions about the best route and objectives, given in their situation. For successful CRM adaptability and application, it is recommended to look through eight steps: vision, strategy, valued customer experience, organizational collaboration, process, information, technology, metrics.

The analysis of insurance sector shows that insurance business is growing and developing. In 2006 the amount of premiums written worldwide grew 8.1% up to 9.8 trillion Lit. In Europe, the average growth rates stood at 12.4% in life assurance and at 0.5% in non-life insurance in 2006. When analyzing the 2004 – 2006 data of the EU countries, higher growth is observed in the life assurance sector, particularly in Eastern Europe.

In Lithuania and other Baltic States countries dominates non life insurance. The biggest part in insurance takes Motor Third Party Liability Insurance (38.8)%, Property Insurance (31.3%); Health Insurance (26.1%), Land Vehicles Other Than Railway Rolling Stock Insurance (24.5%).

The correlation analysis shows that there are strong relationships between GNP and Non life insurance market share ($r = 0,9738$), between GNP and Insurance premiums ($r = 0,9843$) and between Non life insurance market share and Insurance premiums ($r = 0,9972$).

The Content analysis of insurance law system in Baltic State countries shows that there are a lot of new acts and changes in legal system. Three criterions were chosen to analyse the insurance new law acts in Estonia, Latvia and Lithuania: 1. relationships between customers and brokers; 2. requirements of liability limit for insurance activities, capital markets, technical provision and solvency margin and 3. changes in MTPL insurance law. The most changes in recent years was in Lithuania – twelve new amendments, second part takes Latvia – seven new directives and finally goes Estonia – five new big changes. In Lithuania and Latvia the biggest part of changes are paid to relationships between customers and brokers. For changes in capital market, solvency margin are widely discussed in Estonia and Lithuania too. And regulations of MTPL law are important in all three Baltic States (the quantity of new acts are similar).

The most suitable climate for insurance business development is in Latvia and Lithuania, because of paying more attention to the customers, that they would be able to identify whether someone offering insurance represents consumer (the insured's) interests or the interests of the insurance company, they are provided with all information about commission paying, also dispute settlement is highly improved in these countries.

The Delphi method results are:

- Baltic State countries heard about CRM (48 respondents), but only in theoretical level, only four experts from Estonia marked that in their company CRM strategy is in the first stage of application.
- Different location, varieties of business sectors companies are taking part in, the lack of respectful consulting firms and lack of educated CRM specialists are the main causes of false perception of CRM.

- The reasons of false perception, improper understanding and implementation of CRM in Lithuania, Latvia and Estonia are: improper implementation of CRM that means no CRM at all, losing of customers and money loss.

- In Lithuania, the main problems of CRM are that insurance experts do not understand what is CRM practically, they have opinion that it is only about technology and Lithuanian insurance companies do not have really good CRM experts, consultation firms. The same situation is in Latvia and Estonia, the main problem that most of experts think that CRM is only about technology.

- The advantages for implementing CRM in insurance business is keeping long – term relationships with customers (76 percent), nine percent of respondents mentioned that CRM helps to develop insurance products and services.

After empirical research: insurance business environment analysis, legal system analysis in Lithuania, Latvia and Estonia, the interview with insurance business experts in Lithuania and analysis of questionnaires answers of the Baltic State insurance business experts, it can be suggested how to improve insurance business using CRM.

Because in the Baltic States the CRM strategy is not applied, firstly the CRM application model is needed. I suggest such CRM application model for insurance companies in the Baltic State countries. Firstly, the audit of the insurance company's current position with customers and in the market should be done. Second step – insurance company's vision should be stated. After that, goes CRM strategy. CRM strategy must come out of corporate strategy, goals, business strategy, and organizational strategy. After that, it must be looked through six steps: valued Customer Experience; organizational collaboration; processes; information; technology; metrics.

Because Lithuania's, Latvia's, Estonia's countries' insurance businesses have different features, characteristics, problems different CRM models should be created, evaluating and including the results of insurance business experts survey results.

The main three elements are the same: the insurer, the insured and CRM strategy. Main relationships are between insurer and insured. The indemnification is very important element. Only if the loss is properly indemnified the customer would be satisfied. So in the model should be three managers – claims, liability, appeals – who evaluate losses and pays damage. Claims manager collects information about losses; liability manager evaluates losses and pays insurance indemnity and appeals manager contacts with insured (is he satisfied, do he has some claims and so on). Between all these managers, insurers and insured people are relationships and ongoing communication process.

Looking to results of Lithuanian insurance business experts survey, the attention, while implementing Customer Relationship management model, should be paid to - all departments should be

included in aligning CRM strategy, create customer satisfaction and loyalty, to extend depth and breadth of relationships to get a larger share of customer relationship, to reduce transaction barriers and costs moving customers and transactions from high - cost channels to low cost ones, and the software get implemented.

In Latvia's insurance business the most attention should be paid to such elements as very clear CRM vision, reinforced brand, software implementation, also all department must be included in aligning CRM strategy, the relationships should be depth and breadth extended to get a larger share of customer and to create customer satisfaction and loyalty.

In CRM model for Estonia's insurance market the most attention should be paid to the depth and breadth relationships with customers, reduced transaction barriers and costs moving customers from high – cost channels to low cost ones, very clear CRM vision, technology - implemented software, departments collaboration in aligning CRM to create customer satisfaction and loyalty.

REFERENCES OF LITERATURE

1. Aijo T. S. The Theoretical and Philosophical Underpinnings of Relationship Marketing. *Environmental Factors behind the Changing Marketing Paradigm*. European Journal of Marketing, 1996, Vol 30, No 2, p. 8 – 18.
2. Bagdonavičius K. Draudimo įmonės veikla Lietuvos ne gyvybės draudimo rinkoje. Doktoro disertacija. V., 2000
3. Bepirštytė N., Simanavičienė Ž. Draudimo raida Lietuvoje. Kaunas, 2000
4. Berry, L.L. Relationship Marketing. In Berry, L.L.; Shostack L.G; Upah G.D. *Emerging Perspectives on Service Marketing*. Chicago: American Marketing Association, 1983, p. 8 –25.
5. Bland D. Insurance: Principles and practice. The Chartered Insurance Institute.UK. 1983
6. Buškevičiūtė E., Poželaitė R. Draudimo verslo plėtros prielaidos Lietuvoje // *Inžinerinė ekonomika*, 2001, Nr. 6 (26) – p. 33
7. Čepinkis J., Raškinis D. Draudimo veikla. Kaunas:Vytauto Didžiojo universitetas, 2005. 290p.
8. Čepinkis J., Raškinis D., Stankevičius R., Šernius A. *Draudimas*. Kaunas: Pasaulio lietuvių kultūros, mokslo ir švietimo centras, 1999, 458p.
9. Chritopher, M.; Payne, A.; Ballantyne, D. *Relationship Marketing. Bringing quality; customer service and marketing together*. Butterworth Heinemann, 1991.
10. Crosby L. A. Exploding Some Myths About Customer Relationship Management. *Managing Service Quality*, 2002, Vol 12, No 5, p. 271 – 277.
11. Dagger T. S., Ward T. The Complexity of Relationship Marketing for Service Customers. *Journal of Services Marketing*, 2007, Vol 21, No 4, p. 281 – 290.
12. Dikčius, V. *Marketingo tyrimai*. Vilnius : Vilniaus vadybos kolegija. 2003, p. 187.
13. Ghauri N. P., Venetis A. K. Service Quality and Customer Retention: Building Long – Term Relationships. *European Journal of Marketing*, 2004, Vol 28, No 11, 12, p. 1577 – 1598.
14. Girdzijauskas S. *Draudimas*. Kaunas: Vilniaus universiteto Kauno humanitarinis fakultetas, 2002. 102p.
15. Gronroos C. Relationship Marketing: Strategic and Tactical Implications. *Management Decision*, 1996, Vol 34, No 3, p. 5 – 14.
16. Gronroos C. The Relationship Marketing Process: Communication, Interaction, Dialogue, Value. *Journal of Business and Industrial Marketing*, 2004, Vol 19, No 2, p. 99 – 113.
17. Gummesson, E.; Lehtinen, U.; Gronroos, C. Comment on “Nordic perspectives on Relationship marketing”. *European Journal of Marketing*, 1997, Vol 31, No 1, p. 10 – 16.
18. Gutierrez C., Gutierrez C. J., Izquierdo C. C. The Impact of Customer Relationship Marketing on the Firm Performance: a Spanish Case. *Journal of Services Marketing*, 2005, Vol 19, No 4, p. 234 – 244.
19. Hansell D.S. *Introduction to insurance*. – London: LLP, 1999. 389p.

20. Jasilionienė R., Tamošiūnienė R. Customer Relationship Management as a Business Strategy Appliance: Theoretical and Practical Dimensions. *Journal of Business Economics and Management*, 2007, Vol VIII, No 1, p. 69- 78.
21. Kindurys V. *Draudimo paslaugų marketingas*. Vilnius: Vilniaus universiteto leidykla, 2002. 302p.
22. Kotler, P. *Marketing Management*. New Jersey, 2005.
23. Lado N., Maydeu – Olivares A. Exploring the Link Between Market Orientation and Innovation in the European and US insurance Markets, *International Marketing Review*, 2001, Vol 18, No 2, p. 130 – 141.
24. Lietuvos Respublikos draudimo įstatymas//Valstybės žinios, 2003, Nr. 94-4246
25. Michael Sneyd R. *Insurance*, British books for managers, 1996. 189p.
26. Ndubisi N. Relationship Marketing and Customer Loyalty. *Marketing Intelligence and Planning*, 2007, Vol 25, No 1, p. 98 – 106.
27. Oxford advanced learner's dictionary. Oxford university press, 2000
28. Reitman L.A. *Страхование дело*. Москва, 1992
29. Rejda G.E. *Principles of risk management and insurance*.- USA: Addison-Wesley, 1998. 566p.
30. V. Juščius et. al. / Verslas: teorija ir praktika – 2006, VII t., Nr. 4,p. 254 – 262.
31. V. Pranulis. *Marketingo tyrimai*. Vilnius : Kronta, 1998, p. 166.
32. Vaughan, Emmett J. *Fundamentals of risk and insurance*. New York:John Willey & Sons, 2003
33. Турбина.К.Е. Тенденции развития мирового рынка страхования.- Москва: Анкил, 2000.- 315с.
34. Klaus Krippendorff. *Content Analysis– An Introduction to Its Methodology*. [looked 2008.03.13]
<http://books.google.com/books?hl/>
35. <http://www.draudimas.lt>
36. <http://www.vdpk.lt>
37. <http://wikipedia.com>
38. <http://en.wikipedia.org/wiki/Insurance>
39. <http://www.dpk.lt>
40. “Insurance in Lithuania” – Year 2005 overview”, [looked 2007.11.14], looked through internet:
<http://www.dpk.lt/files/apzvalga/apzvalga2005.pdf>
41. “Insurance in Lithuania” – Year 2006 overview”, [looked 2007.11.15], looked through internet:
<http://www.dpk.lt/files/overview2006.pdf>
42. “Insurance in Lithuania” – Year 2007 overview”, [looked 2008.02.23], looked through internet:
<http://www.dpk.lt/files/apzvalga/apzvalga2007.pdf>
43. <http://www.draudimas.lt/index.php/lt>
44. Sorainen Law Offices, *Insurance Baltic Legal Update*, No. 5, 2007. [looked 2007.10.25], looked through internet: http://www.draudimas.info/upfiles/File/Teise/Sorainen/Spring_2007_english.pdf

45. Robert C. Meder, Changes in the Global Insurance Market, 2005. [looked 2008.04.05], looked through internet:http://www.worldtrademag.com/CDA/Articles/Industry_News/4e8e0c9026af7010VgnVCM100000f932a8c0_____

Appendixes

Primary questions for three Lithuanian experts of insurance services

1. Your age.
2. Sex.
3. Sector of insurance bussiness You are working in.
4. Have you ever heard about CRM?
5. What is CRM in your opinion?
6. What causes false perception of CRM?
7. How does false perception of CRM strategy influence insurance bussiness?
8. What are the problems companies face with while implementing CRM strategy?
9. What are the reasons for implementing CRM?
10. How do you valuate CRM possibilities to be implemented in insurance business? Why?
11. What efforts are the effective while insurance company is implementing CRM strategy?

QUESTIONNAIRE

Dear respondent,

we are conducting a research on CRM (Client Relationship Management) in insurance business, which objectives are to identify the most difficult concepts of CRM strategy implementation, CRM advantages and disadvantages in practice, possibility to apply CRM strategy in Lithuania and other Baltic countries. Your answers will be helpful to identifying if CRM is a known strategy in insurance business, if it has been implemented in some insurance companies, what the main difficulties implementing CRM are and to make significant conclusions about possibilities to apply CRM in Baltic countries.

This questionnaire contains nor true, neither false answers, so, You have to tick the box or boxes, which suites the best for You and Your opinion.

1. **How long are you working in insurance business?**
 - ☐ till one y/o
 - ☐ 2 – 3 y/o
 - ☐ 3 – 5 y/o
 - ☐ 5 – 10 y/o
 - ☐ 10 y/o and more
2. **Country:**
 - ☐ Lithuania, town, village
 - ☐ Latvia, town, village
 - ☐ Estonia, town, village
3. **Sector of insurance business you are working in:**
 - ☐ life insurance
 - ☐ non life insurance
 - ☐ property insurance
 - ☐ transport insurance
 - ☐ travel insurance
4. **Have you ever heard about CRM?**
 - ☐ Yes (please indicate in what situation and what context) _____
 - _____
 - _____
 - ☐ No
5. **What are the main reasons for understanding CRM in many different ways? What causes false perception of CRM?**
 - ☐ different location of the world
 - ☐ variety of business sectors companies are taking part in
 - ☐ lack of information
 - ☐ misleading interpretations of their partners/consulting firms
 - ☐ lack of respectful consulting companies
 - ☐ lack of well educated and specialised experts in CRM field
 - ☐ other _____
6. **How does false perception of CRM strategy influence insurance business?**
 - ☐ improper implementation of CRM, which in most cases means no CRM at all
 - ☐ losing customers
 - ☐ money loss
 - ☐ disturbed work environment
 - ☐ other _____
7. **What are the common problems companies face with while implementing CRM strategy?**
 - ☐ the company implements the strategy itself instead of hiring respectful consultation firm
 - ☐ the strategy is viewed as a quick – fix solution without giving due consideration to the pitfalls and challenges of making it work
 - ☐ companies are paying attitude mostly to CRM technologies, but CRM is not only about technologies
 - ☐ the primary objectives are cost efficiency and short – term revenue lift
 - ☐ lack of strategic perspective
 - ☐ use of faulty metrics
 - ☐ inadequate segmentation, neglect of brand considerations
 - ☐ companies don't realize the need to put in place a customer-centric strategy
 - ☐ front line employees aren't seen as relationship managers
 - ☐ other _____
8. **What are the main reasons for implementing CRM?**
 - ☐ a need to develop insurance products and services
 - ☐ a wish to keep the long – term relationship with customers
 - ☐ CRM partly ensures transparency, business ethics and respect of consumer interests
 - ☐ other _____
9. **How do you value CRM possibilities to be implemented in insurance business? Why?**
 - ☐ positive _____
 - ☐ negative _____
 - ☐ other _____
10. **What efforts are the most effective while insurance company is implementing CRM strategy?**
 - ☐ the software get implemented
 - ☐ to extend the depth and breadth of relationships to get a larger share of the customer relationship
 - ☐ to reduce transaction barriers and costs moving customers and transactions from high – cost channels to low cost ones
 - ☐ reinforcing the brand
 - ☐ to create customer satisfaction and loyalty
 - ☐ business and technology strategists, key executives from marketing, human resources sales and customer service departments should be included in aligning CRM strategy
 - ☐ very clear CRM vision
 - ☐ other _____