

Market competitiveness of insurance services in Poland. Theoretical and practical determinants of research

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Abstract

The work is an analysis the aim of which is to answer the thesis that the level and proper system of insurance service quality management plays an increasing role in forming the competitive position of particular insurance institutions, while the current financial crisis created the need for the increase in insurance awareness of these companies. The main aim of the Authors is to analyse the main trends in the changes in the process of insurance service provision by insurance institutions, in terms of damage liquidation quality.

1. Introduction¹

Insurance companies offering similar products at similar prices more and more often compete with one another in the area of quality of service provision. Therefore, the quality management is the element which acquires particular importance in the process of company management. The quality of insurance service provision is the end product of a complicated management process and performance of an insurance company. The company marketing strategy has an impact on this quality, thanks to which the company brand and product are known to a potential customer and facilitate the acquisition of loyal customers [further on the subject: Przybytniowski, J.W., 2019, p. 63-67].

The problems of competitiveness determinants of economies are an important and multi-dimensional area of research in the studies of management. The power of these studies lies in their diversity. Complex organisational situations require a comprehensive diagnosis of organisational problems and knowledge accumulation in management. Due to a pragmatic character of management studies, there is a necessity to constantly develop their theoretical and methodological works, following real changes in organisational and managerial practices. One of them, if not the most important, is the identification of three basic concepts in the area of research, that is, international:

- competitive ability,
- competitiveness in its strict sense,
- competitive position.

One of the tasks of an insurance institution is to make a customer convicted that professionalism and competence are the most important in the relations between them. It is not easy due to complex – from the legal point of view – conditions of insurance operations. There are many legal regulations and nuances determining compensation payment, the existence and knowledge of which the customer is often unaware of. The role of the institution is to indicate these conditions and make the customer aware of their existence. We must also remember that the quality of service provision is expressed by the growth in customer satisfaction, improvement in productivity, effectiveness and cost reduction,

as well as by a noticeable growth of a given service in the market share.

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Qualities in insurance service distribution

Attention to service quality in the financial market, including insurance market, accompanies any actions connected with ensuring safety for the customers of insurance institutions. The existing subject literature does not indicate clearly a model of insurance service quality which could be recognised as optimal and model one for every country. Moreover, it does not give a clear answer to the question whether the service quality in one individual institution offers a more beneficial solution than the formation of one model standard [Altkorn, J. Kramer, T., 1998, p. 336; Chakrapani Ch., 1998, pp. 6-11; Varcholová, Rimarčík, 2003, pp. 703-706; Cummins, J. D., Doherty, N.A., 2005, pp. 359-394; Horovitz, J., 2006, p. 207; Mahmoud, Hinson, & Anim, 2018, pp. 402-422; Vitor O.B., Raposo C., 2019, pp. 160-198; Michalski, M.M., Martinez S., Przybytniowski J.W., 2020, pp. 8-15]. In connection with this, in the process of company management, the quality managements is becoming more and more important. The quality of insurance service provision is the end product of a complicated management process and performance of an insurance company [Przybytniowski, J.W., 2022, pp. 71-136].

The growth in competitiveness in the insurance market causes that quality has become a significant indicator of competitive advantage acquisition. It indicates the market position of insurers. It is connected with systematic service market research, and which follows, systematic updating and increasing the offer of insurance institutions. Knowing and meeting customer needs is closely linked with increasing the quality of services provided, not only by the

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insurance institution personnel but also by insurance agents providing services on behalf of those insurance institutions. Moreover, the insurance awareness of customers is an important element of proper quality of insurance service provision. Awareness and conscious action are important elements determining a human being. Becoming aware of the need for safety by an individual or a group is an ability to discover all the threats to their existence, in connection with the resources, to eliminate or limit this state. Its occurrence is not equivalent to the appearance of insurance awareness [further on the subject: Przybytniowski, J.W., 2007, p. 111-118], as: insurance awareness is a collection of views and common convictions of the society connected with the scope and forms of threats to their existence and eliminating or preventing such hazards, while by individual insurance awareness we will understand a diversified value which is determined by the standards of life in which a person functions (experience, opinions) together with the use of preventive measures connected with the limitation or elimination of direct or indirect hazards.

Thus, one can say that mistaken are those who claim that quality is everything. And as the market, and the market of services, in particular, shows – quality is not all. Even, ...”the best information technology, the most efficient rules of caution, or the greatest capital will matter little if the company is not quality-oriented and does not design a strategy of achieving high quality of their services” [Opolski, K., 2000, p. 19-20].

Service quality management in the insurance sector

Service quality is a set of features determining satisfying the needs of buyers where, as the basic determinants he mentions: reliability, promptness, empathy, professionalism and politeness, as well as competitiveness. The table 1 presents differences which appear between the quality of manufactured products and the quality of services. One can see that the differences relate to products or services themselves, as well as and, perhaps most of all, to the degree of cooperation with a customer and, which follows, to the customer satisfaction with the quality and its assessment, mainly through:

- customer’s activeness in most cases of service provision,
- individual customer’s approach to the level of the service bought. It often happens that satisfaction with the service bought or not, results from the requirements being met.

No.	Feature	Product Quality	Service Quality
1	Customer satisfaction	Potential customer satisfaction is easier to assess because the usefulness of a product mainly depends on its physical features or technical parameters	Customer individually assesses the level of service. Satisfaction difficult to assess. It is a function of expectations met.
2	Cooperation	Practically no contact between a	A close cooperation between a customer

	between a customer and a service provider	customer and a producer	and a service provider is required. The relationship between a customer and a service provider often determines the service quality assessment.
3	Dependence on a service provider	Does not depend on one person. There is a sequence of events	Mainly depends on a service provider
4	Quality requirements – degree of ease of “quality measure”	Strictly defined – easy to measure	Difficult to define and verify, makes the measurement almost impossible
5	Criteria of quality assessment	Quality level assessed by, e.g. quality standards	Individual assessment of service quality by a customer, particularly in financial services (insurance, banking)
6	Fault tolerance	Unacceptable	Minimally allowable, except in financial services - unacceptable
7	Planning	Possibility of storage – results in a longer process of rendition	Lack of possibility of planning due to impossibility of storage.
8	„Shortcomings” and faults that occur	Possibility of correcting faults, „shortcomings”. A product can be repaired or removed from production or distribution	Lack of possibility of rejecting a service by a customer. A service is irreparable. Often results in total resignation from service.

Table 1: Differences between product quality management and service quality management

Source: prepared on the basis of: [Garczarczyk, J., 2004, p. 369; Przybytniowski, J.W., 2022, pp. 71-136]

In the insurance market, there appears a more and more frequent connection between the problems of service quality, market supervision or risk management. It is a positive fact, as it includes a desirable effect, i.e. service quality. From the point of view of the customer it means linking such spheres as quality of the legal system, clarity and transparency of procedures and personnel professionalism, i.e. appropriate knowledge. Here, one must remember that the knowledge about the customer, the product, the market, also not only the branch in which one works, is a fundamental determinant of high service quality. Friendly attitude of the staff, with whom the customer has direct contact, expresses basic factors determining the positive effect of a service providing company. However, in the eyes of service providers and their supervising organs, or the organs cooperating with them and having similar problems (e.g. banking services or insurance services) there appears a common

denominator, which is their contact with a customer and, in particular, the customer's satisfaction with the service offered, economically, socially and psychologically).

Liquidation of damages

According to the Authors, the level of the service received results from what the buyer receives as a result of an interaction between him and the insurance company, and which interactions are experienced by the buyer. What the buyer receives is described as technical quality, and how he receives it – as the functional quality. Functional quality is definitely more important for every service providing companies (including insurance companies). The quality level is determined mainly by the qualifications and behaviour of employed personnel and by the technical means used in the process of providing a given service [Przybytniowski, J.W., 2022].

The contemporary reality indicates that it is worth treating the criterion of damage liquidation in detail [Grzebieniak, 2015, pp. 46-55] due to the increasing awareness of customers of the process of damage liquidation in insurance institutions. Customers are interested in how damage liquidation proceeds in a selected company and, on the basis of that, they form their opinion and trust to a given insurance company. This process is a particularly delicate stage of insurance service, while the professionalism or performance and the effect may determine the customer's decision on the contract continuation [Mikołajczyk, A., 2007, p. 61-71]. It can be divided into several basic stages, such as reporting the damage, inspection, time after inspection, compensation payment. In the opinion of specialists, the first two stages decide on the customer's sense of comfort.

Complaints in the insurance service sector.

Author's own research

This work uses statistical data on the activity of the Polish Insurance Ombudsman connected with considering individual complaints filed in the office of the Polish Insurance Ombudsman [Journal of Laws No. 124, item 1153, with later amendments]. The problems presented below refer to the complaints in the area of business insurance.

This work encompasses the time period of 2010–2020.

Complaints to the Polish Insurance Ombudsman in the analysed period were filed directly by insured persons, insurers, beneficiaries and persons entitled by the insurance contract, as well as filed by intermediaries, and their number was systematically growing. At the end of 2020, the total number of written complaints reached over 81 thousand. A

slight fall in the number of complaints was noted in 2017-2018. This situation resulted from expanding the telephone and online system of advisory services.

To illustrate this phenomenon, we must point to the fact that within the period of three years, i.e. 2010 – 2011 there were 11 623 complaints filed, which accounts for 14.3% of the total number of complaints (8 566, 11 947 and 14 356 complaints respectively) – which means that there was a rise by 39,5% in 2011 up on 2010 and 20,2% in 2011 up on 2010. However, the crucial increase in the dynamics appeared in 2012 i 2016 – by 42%, 27,1% and 39,2%, respectively. As in the previous years, most complaints were connected with car insurance - 53,9%.

Complaints related to business insurance filed to the Polish Insurance Ombudsman can be divided into three categories: disputes as to the amount of compensation or benefit allocated – 36,6%, denial of a claim by an insurer – 34,0%, delay in liquidation proceeding – 10,6%.

Damage liquidation is a particularly delicate stage of insurance service. Negligence at damage liquidation, disregard towards a customer, disrespect for the customer's time and needs not only influences loyalty but also creates a negative opinion in the customer's environment. This can hinder the company in its pursuit for an ideal system of quality management. Greater knowledge of the insurance market and insurance products creates a favourable situation for the customer in terms of access to the information of interest. Customers are interested in the damage liquidation process in a selected company and, on the basis of that, they form their opinion and trust to a given insurance company, emphasising a crucial role of the damage liquidation process particularly in car insurance.

Summary and conclusions from the article

In accordance with the research conducted, it can be concluded that:

- This, one can say that mistaken are those who claim that quality is everything. As the market, and the market of insurance services, in particular, shows – quality is not all.
- The basic condition set to people responsible for the management strategy in a service providing company and for achieving the set goals is: firstly, acquiring new markets, and secondly, acquiring and keeping loyal customers in a longer time period.
- Building a positive image of an insurance institution in its environment is unrealistic without respecting customer's rights.

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