



LEGAL REGULATIONS AND THE MARKET OF INSURANCE SERVICES IN THE SME SECTOR IN 2014-2015 AS EXEMPLIFIED BY POLAND

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Summary

Apart from banking and telecommunications services, insurance is the most dynamically developing market in Poland. Since 1990, when the law on insurance activity was passed, the number of insurance companies has increased considerably. The quick adoption of the above-mentioned law was related to the system transformation and an urgent need to adjust that sector of the economy to the standards applicable in capitalist countries. The unification of the law and adoption of international insurance conventions have stimulated the growth of that sector. The offer of insurance companies has been extended to include new and better services, ranging from basic vehicle or property insurance to complicated financial insurance.

A broadly conceived insurance market consists of two basic components, i.e. insurers who represent the supply of insurance coverage and policyholders, or persons with a property interest, who represent demand. A person who concludes an insurance contract with an insurer is a policyholder.

This article presents the legal regulations concerning of insurance services undertaken by enterprises in Poland.

Key words: legal regulations, insurance services

1. Legal regulations on insurance

According to the civil code, there is personal and property insurance. **Personal insurance** ensures coverage for financial needs arising from specific events in a person's life (illness,

handicap, attaining a certain age or death)¹. Art. 829 of the civil code divides personal insurance into life insurance, in the event of the insured person's death or attainment of a specific age, and accident insurance, in the event of bodily injuries, decline in health or death as a result of an unfortunate accident. **Property insurance** provides coverage for property or civil liability pursuant to art. 821 of the civil code. They are aimed to cover material losses which have occurred as a result of damage. The classification of this type of insurance depends on the insurance cover and type of risk, a case in point being maritime insurance, fire insurance, etc. A personal insurance contract is clearly distinct from a property insurance contract, as they differ from each other in numerous ways, as shown in Table 1.

Table 1. Basic differences between personal and property insurance products

Criteria	Personal insurance	Property insurance
Coverage	The insured party's personal risk including life, health and ability to work (personal belongings, property rights)	The insured party's property risk including property rights and duties.
Insured entity	Natural persons	Natural and legal persons
Damage	Impossible to measure in monetary terms and not always negative	Measurable in monetary terms and always negative
Amount of insurance	Decided freely by the parties to the contract	Based on the value of insurance coverage
Type of performance	Performance	Compensation
Term	Usually long-term (over 1 year)	Only short-term (up to 1 year)

Source: *Polski rynek ubezpieczeń*, edited by J. Monkiewicz, 2001, p. 35.

Polish law provides for obligatory insurance, i.e. such that is compulsory under a specific provision of law. The law not only sets forth the obligation to possess insurance but also defines its basic scope. Obligatory insurance includes, above all, third party liability insurance, the basic types of which are third party liability insurance for insurance agents, legal counsels, advocates, farmers, vehicle owners, construction engineers and architects. The second type is voluntary insurance, in which the insured party decides on the form of contract. The choice of the insurer and insurance is completely free. When selecting this type of insurance, one has the right to study the offer of all insurers on the market and choose the one with the most suitable coverage and price. Voluntary insurance is represented mainly by the comprehensive motor insurance package. Depending on the package selected, this type of insurance guarantees a refund in the case of car theft and free-of-charge repairs if it has been damaged by unknown perpetrators. Another type is house insurance. The insurer will reimburse the insured for the stolen property or damage as a result of flooding or fire. Increasing popularity is enjoyed by insurance of parcels, which guarantees refunds for late deliveries or damage.² The division discussed above is the result of the law on insurance activity of July 28, 1990. The legislator singled out those types of insurance which are particularly important due to their special social role and made them compulsory. Thanks to that, third party liability insurance provides protection of third party property and personal belongings, e.g. a farmer whose crops have burnt in a fire will not

¹ Encyklopedia popularna PWN, 1982, p. 815.

² <http://www.ubezpieczenia.praktyczneporady.info/ubezpieczenia-obowiazkowe-i-dobrowolne.php>

become destitute, as he will receive compensation for the loss which he has suffered. Obligatory insurance includes:³

- civil liability insurance of motor vehicle owners for damage caused on the road [Order of the Minister of Finance of December 9, 1992, Journal of Laws no. 96, item 475, as amended by: Journal of Laws 1993, no. 129, item 603, Journal of Laws 1994, no. 94, item 455, no. 134, item 700],
- insurance of buildings forming part of a farm against fire and other incidents [Order of the Minister of Finance of December 21, 1990, Journal of Laws no. 92, item 546, as amended by Journal of Laws 1991, no. 85, item 389, Journal of Laws 1994, no. 94, item 454],
- civil liability insurance for farmers [Order of the Minister of Finance of December 30, 1993, Journal of Laws no. 134, item 653 as amended by Journal of Laws 1994, no. 94, item 456],
- civil liability insurance for tax advisors [Order of the Minister of Finance August 19, 1996, Journal of Laws no. 102, item 475],
- civil liability insurance of medical service providers for damage caused in the provision of such service [Order of the Minister of Finance of November 26, 1998, Journal of Laws no. 143, item 921],
- civil liability insurance for advocates [Order of the Minister of Finance of October 10, 2000, Journal of Laws no. 90, item 1001],
- civil liability insurance for notaries [Order of the Minister of Finance of October 10, 2000, Journal of Laws no. 90, item 1002],
- civil liability insurance for legal counsels [Order of the Minister of Finance of October 10, 2000, Journal of Laws no. 90, item 1003].

2. Leaders on the Polish insurance market

For 50.4% (more than in 2014 by 1.2 %) of companies, **PZU** is the main insurer. The second largest insurance company – Warta – provides its services to 11.5% of companies, while the third largest one – Ergo Hestia – to 8.9%.

³ http://mfiles.pl/pl/index.php/Rodzaje_ubezpiecze%C5%84

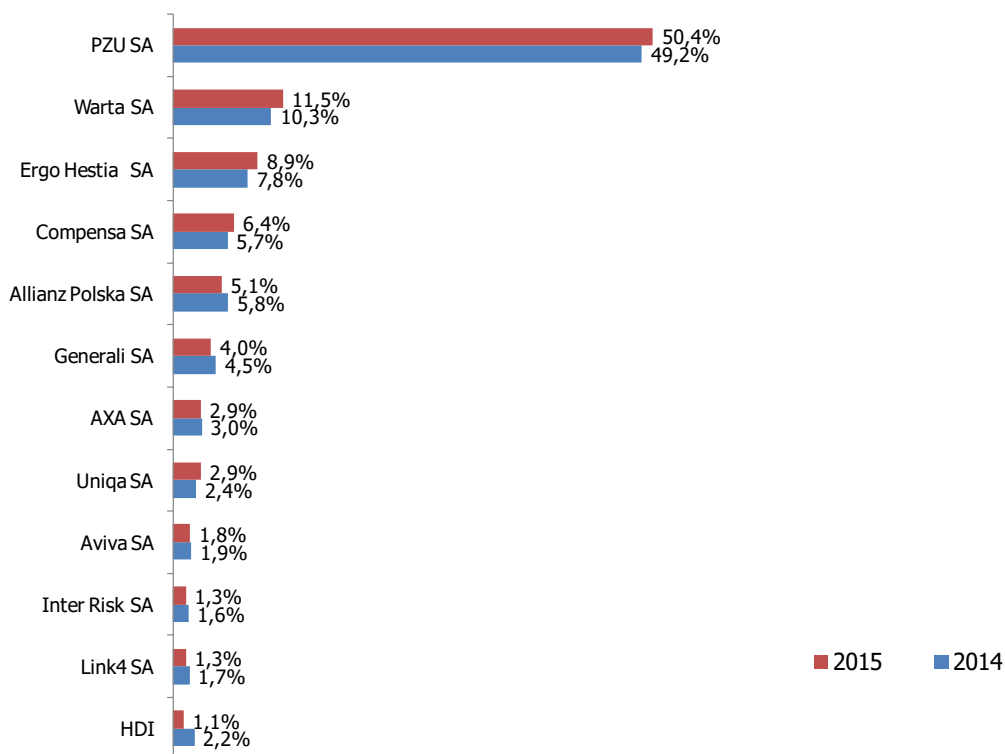


Fig. 1. Companies cited as main insurers of SMEs in the years 2014-2015 (SMEs in total) (TOP 12)

Source: Quaklifct. Market research and counselling, Report: SME Finance 2015 – Insurance market.

Table 2. Main insurers of SMEs

Insurance company	SMEs in total	Micro-companies n=449	Small companies n=286	Medium-sized companies n=198
PZU SA	50.4%	50.3%	51.4%	54.0%
Warta SA	11.5%	11.6%	9.8%	12.1%
Ergo Hestia SA	8.9%	8.9%	9.4%	8.6%
Compensa SA	6.4%	6.2%	10.8%	4.5%
Allianz Polska SA	5.1%	5.1%	35%	4.5%
Generali SA	4.0%	4.0%	4.2%	7.1%
Uniq SA	2.9%	2.9%	2.8%	3.5%
AXA SA	2.9%	2.9%	2.4%	2.0%
Aviva SA	1.8%	1.8%	2.8%	2.0%
Link4 SA	1.3%	1.3%	1.4%	0.0%
Inter Risk SA	1.3%	1.3%	0.7%	0.5%
HDI	1.1%	1.1%	0.3%	0.5%
Liberty Ubezpieczenia SA	0.9%	0.9%	0.0%	0.0%
Inter Polska SA	0.6%	0.7%	0.0%	0.5%
Gothaer SA	0.4%	0.4%	0.3%	0.0%
MTU	0.2%	0.2%	0.0%	0.0%
Other	0.2%	0.2%	0.0%	0.0%

TOTAL	100.0%	100.0%	100.0%	100.0%
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Source: Qualifact. Market research and counselling, Report: SME Finance 2015 – Insurance market.

3. Research results

Methodology of research

The method of direct interview was used to collect data from respondents representing the SME sector.

Size of sample

The sample consisted of 1100 companies based in Poland:

- micro-companies (0-9 employees) n=600;
- small companies (10-49 employees) n=300;
- medium-sized (50-249 employees) n=200.

Term of research: March 5th, 2015 – March 26th, 2015

Method of research: direct interview (PAPI)

For each of the groups, the sampled group is representative. To present results independently from the number of employees shown in the report as SMEs IN TOTAL (weighted data in total), a system of weightings was developed to allow obtaining results for the entire market.

Area of research

The research was carried out in all of the 16 provinces: mazowieckie, śląskie, wielkopolskie, małopolskie, dolnośląskie, łódzkie, kujawsko-pomorskie, pomorskie, lubelskie, podkarpackie, zachodnio-pomorskie, opolskie, lubuskie, świętokrzyskie, warmińsko-mazurskie and podlaskie.

Sampling method

The samples were collected randomly from a list of companies prepared by the Polish Statistical Office [GUS]. The sampling algorithm for choosing companies representing the SME sector was developed by a team of specialists from Qualifact company.

The companies were selected through systematic sampling. Thanks to the layering of the population under research by section (manufacturing, construction, commerce, hotels / restaurants, transport, financial services, real estate agencies, education, other, etc.) and province, it was possible to select representatives of various sectors of the economy in the right proportions.

4. Threats related to running a business

The respondents indicated the threats related to running a business and the extent to which they were protected against such threats. The marks were given on a scale of 1 to 6, with 1 meaning insignificant risk / no protection and 6 – the highest level of risk / the highest level of protection.

The respondents found the following to be the most important threats: fire (3.73 points), property damage (3.41 points) and theft committed by other people / vandalism (3.38 points).

The least threatening dangers of running a business were found to be: theft committed by the employees (2.35 points), flood (2.52 points) and work stoppage (due to interruptions or failures of power supply, etc.) (2.62 points).

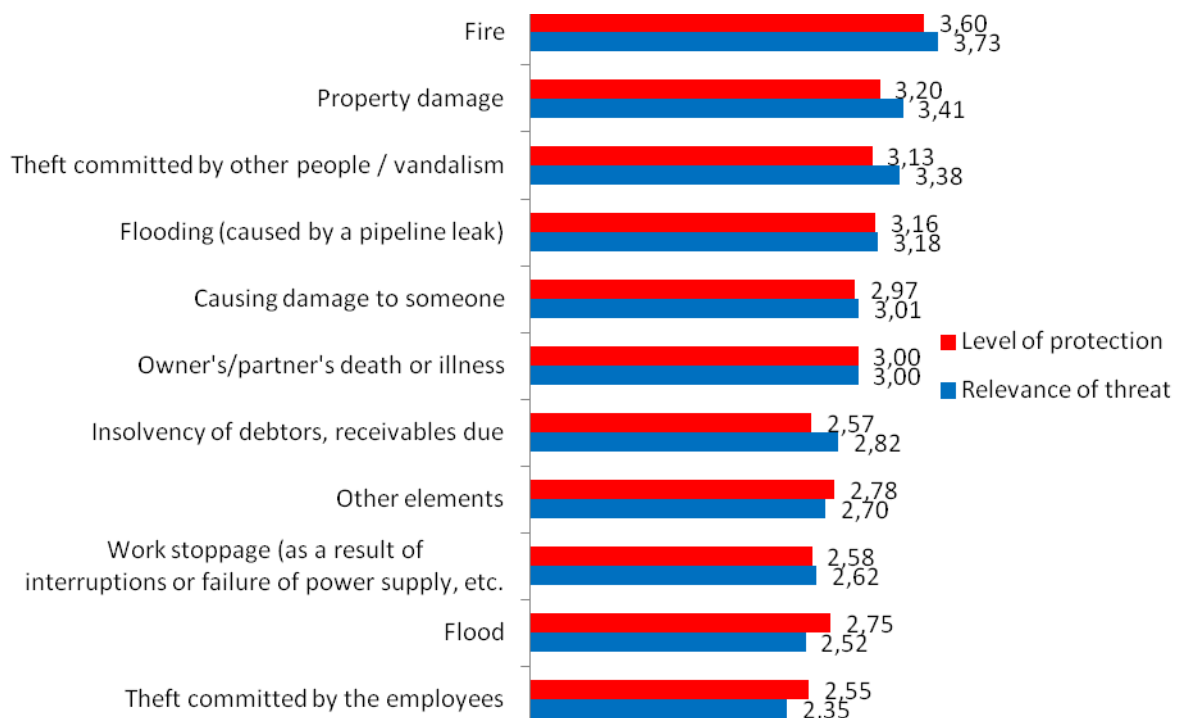


Fig. 2. Relevance assessment for threats and degree of protection from threats related to running a business (SMEs in total)

Source: Quaklifct. Market research and counselling, Report: SME Finance 2015 – Insurance market.

The data suggest that entrepreneurs feel themselves to be insufficiently protected from risk related to theft committed by other people / vandalism (the difference in the assessment of the degree of protection and level of threat was -0.25 points), insolvency of debtors (-0.25 points), property damage (-0.21) and fire (-0.13)

The situation is different in the case of risk of theft committed by the employees (the difference in the assessment of the degree of protection and level of threat was 0.2 points) and flood (0.23 points) [the assessment of the degree of protection is higher than that of the threat].

Table 3. Relevance assessment for threats and the degree of protection from threats related to running a business (SMEs in total)

Type of threat	Relevance of threat	Level of protection
Fire	3.73	3.60
Flood	2.52	2.75
Flooding (caused by a pipeline leak)	3.18	3.16
Other elements	2.70	2.78
Theft committed by the employees	2.35	2.55
Theft committed by other people / vandalism	3.38	3.13
Property damage	3.41	3.20

Causing damage to someone	3.01	2.97
Work stoppage (as a result of interruptions or failure of power supply, etc.	2.62	2.58
Insolvency of debtors, receivables due	2.82	2.57
Owner's/partner's death or illness	3.00	3.00

Source: Quaklifct. Market research and counselling, Report: SME Finance 2015 – Insurance market.

5. Use of insurance services

Property insurance is used by a total of **75.9%** of SMEs active in Poland:

- among micro-companies (up to 9 employees), insurance is used by 74.8% of them;
- among small companies (10-49 employees), insurance is used by 95.3% of them;
- among medium-sized companies (50-249 employees), insurance is used by 99.0% of them.

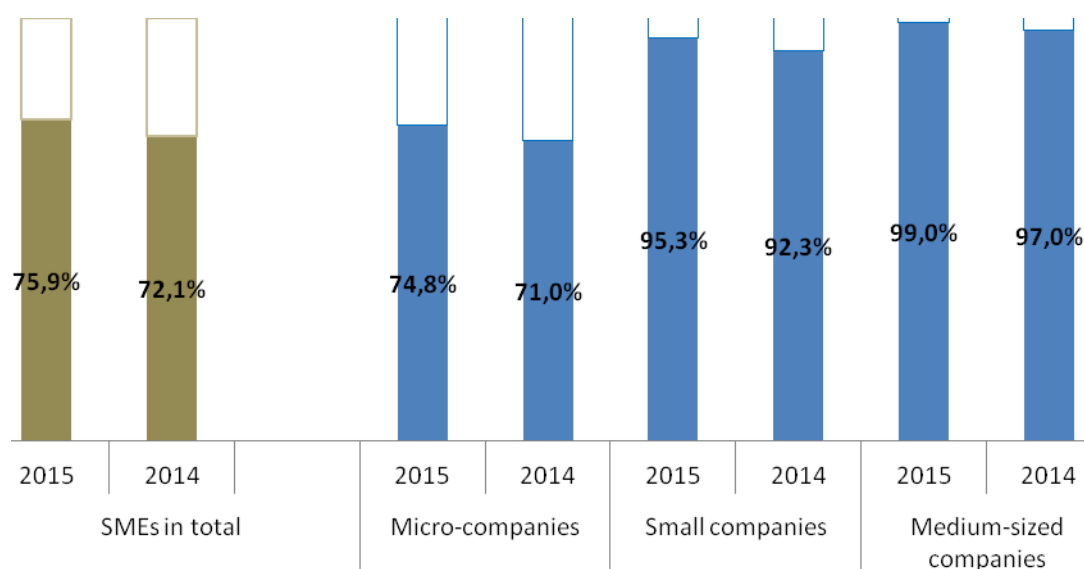


Fig. 3. Use of insurance services by SMEs – a comparative analysis in the years 2014-2015

Source: Quaklifct. Market research and counselling, Report: SME Finance 2015 – Insurance market.

Table 4. Use of insurance services by SMEs

Use of insurance	SMEs in total	Micro-companies n=600	Small companies n=300	Medium-sized companies n=200
Yes	75,9%	74,8%	95,3%	99,0%
No	24,1%	25,2%	4,7%	1,0%
Total	100,0%	100,0%	100,0%	100,0%

Source: Quaklifct. Market research and counselling, Report: SME Finance 2015 – Insurance market.

Companies which do not use insurance services cite the following as reasons: lack of current or fixed assets (reason cited by 63.7% of companies which do not use insurance). Failure to use insurance is typical of micro-companies.

Table 5. Reasons for SMEs not using insurance services

Reason for not using insurance	SMEs in total	Micro-companies n=151	Small companies n=14	Medium-sized companies n=2
We have no current or fixed assets	63.7%	64.2%	-	-
We do not need insurance – it is just a trick for insurers to get hold of my money	14.6%	14.6%	14.3%	100.0%
If something is not obligatory, we do not need it	12.7%	12.6%	28.6%	50.0%
The price of insurance is too high – if it was cheaper, I could afford it	11.6%	11.3%	50.0%	50.0%
The price of insurance is too high – I cannot afford it	8.2%	7.9%	35.7%	-
Other	0.7%	0.7%	-	-

Source: Quaklifct. Market research and counselling, Report: SME Finance 2015 – Insurance market.

The highest popularity is enjoyed by vehicle insurance (86.2% companies of those who use insurance at all have it) and property insurance (78.7%). 37.6% of SMEs use third party liability insurance (non-vehicle-related) and 13.0% use health and life insurance. The least popularity has been noted for transport (2.9%) and financial (0.7%) insurance.

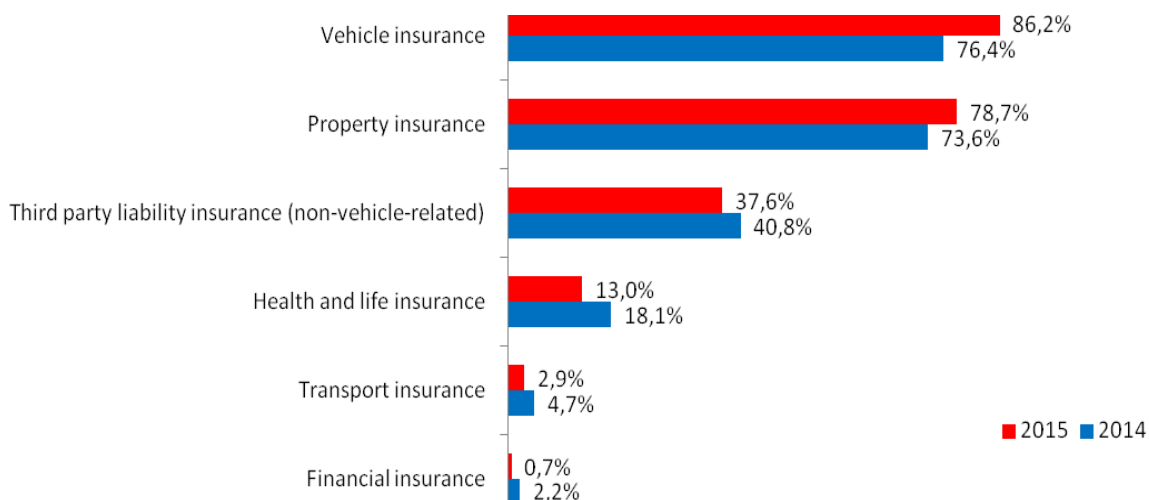


Fig. 4. Use of various types of insurance across the SME sector – comparative analysis in the years 2014-2015

Source: Quaklifct. Market research and counselling, Report: SME Finance 2015 – Insurance market.

Table 6. Use of various types of insurance across the SME sector

Insurance	SMEs in total	Micro-companies n= 449	Small companies n=286	Medium-sized companies n=198
Vehicle insurance	86,2%	86,2%	85,3%	90,9%
Property insurance	78,7%	77,7%	92,0%	97,0%
Third party liability insurance (non-vehicle-related)	37,6%	36,7%	49,0%	58,1%
Health and life insurance	13,0%	10,5%	46,2%	69,7%
Transport insurance	2,9%	2,9%	2,1%	11,1%
Financial insurance	0,7%	0,4%	3,1%	8,1%

Source: Quaklifct. Market research and counselling, Report: SME Finance 2015 – Insurance market.

6. Market position for various types of insurance

Property insurance

Insurance of property against fire and the elements

The leading position is held by PZU. This company services 53.3% of SMEs which use this type of insurance. The second position is held by Ergo Hestia (9.3%) and the third by Warta (8.9%).

Insurance of buildings against fire and the elements

The leading position is held by PZU. This company services 51.1% of SMEs which use this type of insurance. The second position is held by Warta (9.7%) and Ergo Hestia (9.7%).

Insurance of property against theft and robbery

The leading position is held by PZU. This company services 54.1% of SMEs which use this type of insurance. The second position is held by Warta (10.2%) and Ergo Hestia (9.1%).

Insurance of window panes against breaking

PZU services 52.6% of SMEs using this type of insurance. The second position is held by Warta (8.7%) and third by Ergo Hestia (7.7%).

Insurance of electronic equipment

PZU services 52% of SMEs which use this type of insurance. The second position is held by Ergo Hestia (12.8%) and third by Warta (8.0%).

Insurance of cash and valuables

PZU services 53% of SMEs using this type of insurance. The second position is held by Warta (9.7%) and third by Allianz (9.4%).

Insurance of machines against breakdowns / electric failures

PZU services 42.9% of SMEs using this type of insurance. The second position is held by Warta (12.2%) and third by Allianz (9.7%).

Insurance against construction and erection risks

PZU services 46.4% of SMEs which use this type of insurance. The second position is held by Uniqa (10.4%) and third by Compensa (7.1%).

Insurance against business interruption

PZU services 32% of SMEs using this type of insurance.

Third party liability insurance

General third party liability insurance

PZU services 52.8% of SMEs which use this type of insurance. The second position is held by Ergo Hestia (9.9%) and third by Warta (7.7%).

Occupational third party liability insurance

PZU services 47% of SMEs which use this type of insurance. The second position is held by Warta (11.1%) and third by Ergo Hestia (10.5%).

Employer's third party liability insurance

PZU services 61.3% of SMEs using this type of insurance. The second position is held by Compensa (7.6%) and third by AXA (6.9%).

Vehicle insurance

Vehicle third party liability insurance

PZU services 49.6% of SMEs using this type of insurance. The second position is held by Warta (10.8%) and third by Ergo Hestia (8.1%).

Comprehensive motor insurance

PZU services 48.4% of SMEs using this type of insurance. The second position is held by Warta (8.4%) and third by Ergo Hestia (7.6%).

7. Preferred insurance product

59.0% of small and medium-sized companies prefer general insurance product covering basic risks (26.0% - general coverage product / a module allowing freedom in the construction of the client policy and 15.0% of SMEs – full coverage product – all-risk insurance).

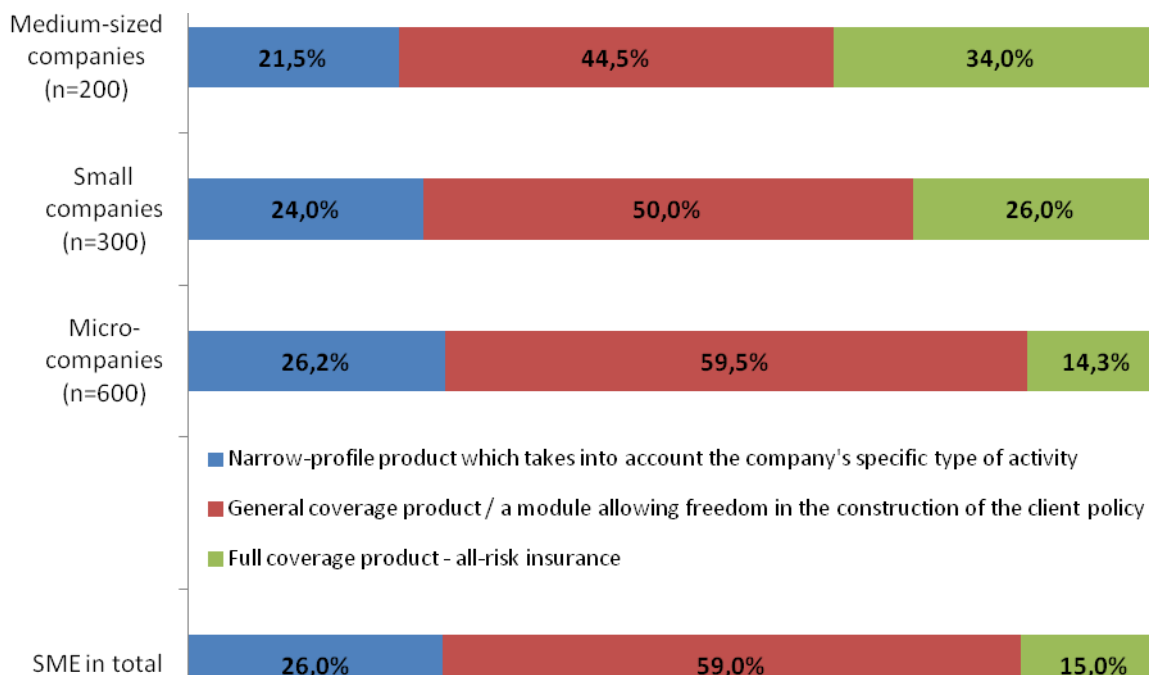


Fig. 5. Preferred type of insurance product

Source: Quaklifct. Market research and counselling, Report: SME Finance 2015 – Insurance market.

Table 7. Preferred type of insurance product

Type of insurance product	SMEs preferring a given type of product			
	SME in total	Micro-companies n=600	Small companies n=300	Medium-sized companies n=200
Narrow-profile product which takes into account the company’s specific type of activity	26.0%	26.2%	24.0%	21.5%
General coverage product / a module allowing freedom in the construction of the client policy	59.0%	59.5%	50.0%	44.5%
Full coverage product – all-risk insurance	15.0%	14.3%	26.0%	34.0%
TOTAL	100.0%	100.0%	100.0%	100.0%

Source: Quaklifct. Market research and counselling, Report: SME Finance 2015 – Insurance market.

83.0% of SMEs prefer purchasing all types of insurance from a single insurance company.

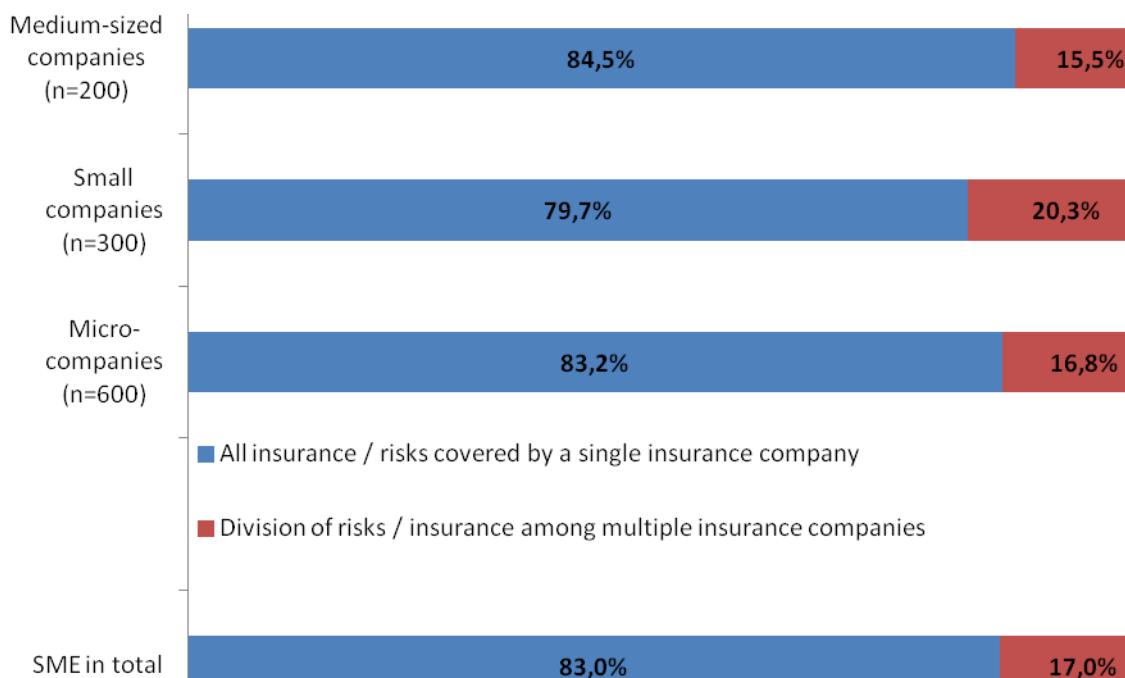


Fig. 6. Preferred type of coverage

Source: Quaklifct. Market research and counselling, Report: SME Finance 2015 – Insurance market.

Table 8. Preferred type of coverage

Type of coverage	SMEs preferring a given type of coverage			
	SMEs in total	Micro-companies n=600	Small companies n=300	Medium-sized companies n=200
All insurance / risks covered by a single insurance company	83.0%	83.2%	79.7%	84.5%
Division of risks / insurance among multiple insurance companies	17.0%	16.8%	20.3%	15.5%
TOTAL	100.0%	100.0%	100.0%	100.0%

Source: Quaklifct. Market research and counselling, Report: SME Finance 2015 – Insurance market.

Conclusion

The insurance market targeting SMEs has stabilized in recent years. The period of dynamic change has been completed. Stability in legal regulation has produced a shift in the focus of competing insurance companies towards efforts to create the most attractive offering. Identification of risk and a good knowledge of SME characteristics allow insurers to offer tailor-made solutions. This does not only include lowering the price, but also customer service, for example, which translates into increased stability or a larger market share. It is to be expected that the years to come will witness continued stabilization and specialization on the insurance market.

Reference

1. Encyklopedia popularna PWN, 1982.
2. *Polski rynek ubezpieczeń*, edited by J. Monkiewicz, 2001.
3. Quaklifct. *Market research and counselling*, Report: SME Finance 2015 – Insurance market.
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5. http://mfiles.pl/pl/index.php/Rodzaje_ubezpiecze%C5%84

REGULACJE PRAWNE A RYNEK USŁUG UBEZPIECZENIOWYCH W SEKTORZE MSP W LATACH 2014-2015 NA PRZYKŁADZIE POLSKI

Streszczenie

Rynek ubezpieczeń obok usług bankowych i telekomunikacyjnych jest najbardziej dynamicznie rozwijającym się rynkiem w Polsce. Od 1990 roku, w którym przyjęto Ustawę o działalności ubezpieczeniowej, liczba towarzystw ubezpieczeniowych znacznie

wzrosła. Szybkie przyjęcie w/w Ustawy związane było z transformacją systemu i pilną potrzebą dostosowania tej części gospodarki do norm obowiązujących w państwach kapitalistycznych. Ujednoczenie prawa, przyjęcie międzynarodowych konwencji dotyczących ubezpieczeń sprzyjało rozwojowi tego sektora. W ofercie towarzystw ubezpieczeniowych pojawiły się nowe, lepsze usługi, od najprostszych ubezpieczeń komunikacyjnych lub mienia, po skomplikowane ubezpieczenia finansowe.

Słowa kluczowe: regulacje prawne, ubezpieczenia

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