

## **ECONOMIC INSURANCE IN THE SMALL AND MEDIUM-SIZED ENTERPRISES IN THE WARMIŃSKO-MAZURSKIE PROVINCE**

***Ryszard Stempel, Elżbieta Kucka***

Department of Insurance  
University of Warmia and Mazury in Olsztyn

**Key words:** small and medium-sized enterprises sector, insurance products.

### **A b s t r a c t**

The aim of studies was to get the information about the range of insurance services which were obtained by small and medium-sized enterprises (SME). The research has been carried out in 40 SMEs chosen on a random basis from the Warmińsko-Mazurskie Province.

The most popular insurance was property and transport insurance. From among the property insurance products the most popular was "the property insurance policy against fire and other random events" – 95% and "the property insurance policy against burglary and robbery" – 82.5%. Financial insurance policy was used least the by entrepreneurs because of their exorbitant costs.

## **UBEZPIECZENIA GOSPODARCZE W MAŁYCH I ŚREDNICH PRZEDSIĘBIORSTWACH NA TERENIE WOJEWÓDZTWA WARMIŃSKO-MAZURSKIEGO**

***Ryszard Stempel, Elżbieta Kucka***

Katedra Ubezpieczeń  
Uniwersytet Warmińsko-Mazurski w Olsztynie

**Słowa kluczowe:** sektor małych i średnich przedsiębiorstw, produkty ubezpieczeniowe.

### **A b s t r a k t**

Celem badań było uzyskanie informacji dotyczących zakresu usług ubezpieczeniowych, z których korzystały małe i średnie przedsiębiorstwa. Badania przeprowadzono w 40 wybranych losowo MSB z terenu województwa warmińsko-mazurskiego.

Najpopularniejszym ubezpieczeniem było ubezpieczenie majątku i komunikacyjne. Wśród produktów ubezpieczenia majątku największą popularnością cieszyły się „ubezpieczenia mienia od ognia i innych zdarzeń losowych” – 95% oraz „ubezpieczenia mienia od kradzieży z włamaniem i rabunku” – 82,5%. Najrzadziej przedsiębiorcy korzystali z ubezpieczeń finansowych, wskazując na zbyt wygórowane koszty ich zastosowania.

## **Introduction and the aim of research**

All economic processes and all surrounding us reality works in uncertain conditions, which is closely connected with the occurrence of various random events. The random events are the result of objectively existing threats, i.e. risks. These risks are connected not only with business activities but also threat each person's health and life. In the contemporary social-economic conditions there are two ways of protection against the negative financial results of risks – these are: individual gathering of financial assets or transferring that burden to another economic entity. Apparently, in practise the second way is more economic and a rational method which is realised by special institutions – insurance companies. These companies provide services that consist of assurance of insurance protection, that is keeping conditions and readiness to withdraw the money consideration.

In the case of occurrence of an insurance accident the small and medium businesses are open not only to threats connected with their specific characteristics, but also to negative effects of the events that may happen to every economic entity (that is: fire, robbery, breakdown of devices and equipment or accidents at the work spot). Moreover, the most common risks for businesses are: a death of the owner or the person that is crucial for the company's functioning, bankruptcy of a main cooperand, appearing of a strong rival, lack of access to the external financial sources and civil liability.

Insurance policies, through delivery of financial means, allow to restore the economic position of an economic unit which that unit had before the damage occurred. The insurance provides the continuity of company activities. From among the numerous groups of insurance the company chooses the most suitable and favourable for itself. The entrepreneur has to make decision about choosing the kind of insurance, the height of insured sum and the price that they are ready to pay for that insurance.

The aim of research was to get the information about the range of using insurance services that are bought by small and medium-sized enterprises (SME) from the Warmińsko-Mazurskie Province and about the progress prospects of these services. The detailed research aims were aimed at:

- determining the popularity of individual insurance products
- the position of insurance company in servicing businesses
- mechanics that decide about choosing the insurance company
- progress prospects and factors that limit insurance progress in SMEs.

## **Sample profile and research methodology**

The research has been carried out in the Warmińsko-Mazurskie Province. It has covered 30 small enterprises employing from 10 to 49 employees and 10 medium-sized enterprises employing from 50 to 249 employees. The examined companies have been functioning in various lines: 35% in the

production line, 30% in the trade line, 20% in services and 15% in the construction industry. The sample selection was random and the drawing operator was a list of small and medium-sized enterprises prepared by the Provincial Office of Statistics in Olsztyn.

The examined SMEs have worked in various organisational-legal forms (table 1).

**Table 1**

Profile of the sample according to the legal form

		Structure	
		Companies	%
1	Limited liability company	16	40.0
2	One-man business	10	25.0
3	General partnership	4	10.0
4	Civil partnership	3	7.5
5	Joint stock company	2	5.0
6	Other	5	12.5
Total		40	100.0

Source: Self study on the basis of PSH Olsztyn.

National capital occurred in 95% of the examined companies. Only one company had the foreign capital dominant and one was foreign.

Full accounting was kept by 32 companies, that is 80%, the other kept the income and expenditure book.

20% out of the examined companies have obtained the income under 1.5 million zł; 30% between 1.5-5 million zł; 22.5% in the 5-12 million zł range and 27.5% above 12 million zł.

A direct interview method was used to gather information from entrepreneurs representing the SME sector. The research was carried out in the year of 2005.

The collected source material was put forward to the comparative analysis and its results have been presented in a descriptive form, in tables and charts.

## The results of research

All examined companies obtained the property insurance policies but in a different range depending on the company line. The highest number of insurance products was bought by the production companies, the smallest – by the service companies.

The examined companies obtained the services of one insurance company in most cases (45% of sample, i.e. 18 companies). 16 companies (40%)

maintained the services of two insurance companies and 6 companies (15%) maintained the services of three and more insurance companies.

For 23 companies, i.e. 57.5%, buying insurance services the main insurance company was PZU S.A. The second largest insurance company "Warta S.A" has been pointed as a main insurance company by seven companies (17.5% of sample). Three companies (7.5%) have chosen the "Ergo Hestia S.A.", and two (5%) have chosen the "Allianz Polska S.A.".

For insurance companies the knowledge about persons deciding about choosing the insurer is crucial information. The research says that in 77.5% of small enterprises and in 60% of medium-sized ones the decision was made by the proprietor (a chairman of the board). The company's board had an important influence on the insurer's choice in the companies employing over 50 persons (20%) while in small enterprises it was only 10%. Additionally, the financial manager decided about the insurer's choice (7.5%) and the main accountant (5% of indications).

In the selection of a main insurer the most important were three factors: reputation, good company's image; safety, company's solvency and the premium amount (table 2).

**Table 2**

Criteria of the main insurer selection ordered by importance

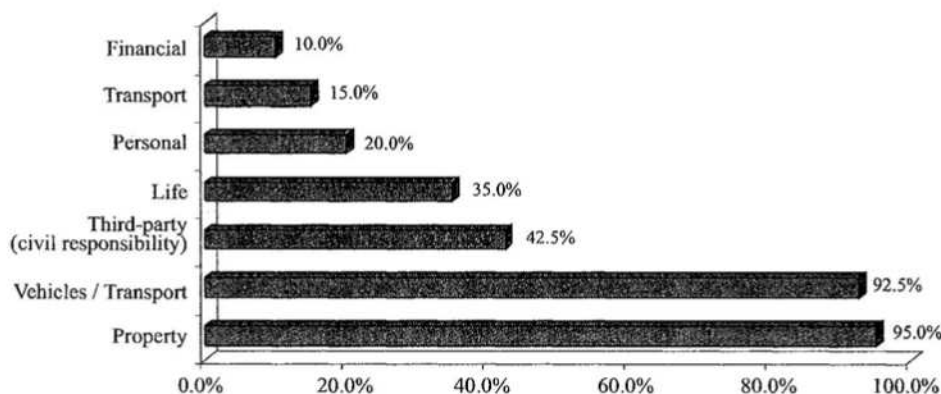
Criterion	% of respondents pointing the factor as most important
Reputation, good image	32.5
Safety, solvency	20.0
Insurance premium amount	17.5
Wide range of insurance products	12.5
Attachment to the company and tradition	10.0
Agent's activity	5.0
Speed of damage liquidation	2.5
Total	100

Source: Self study.

As the main criterion in the insurer's choosing some of the examined companies pointed the wide range of insurance offer; attachment and tradition; activity of the insurer's agent as well as the effectiveness and speed of liquidation of damages.

Out of the small and medium companies maintaining the insurance plans 5% have been obtaining the services of their main insurer for not longer than a year, 15% of companies have had the services of their main insurer from 2 to 3 years. 57.5% of companies declared the cooperation with insurance companies longer than 5 years.

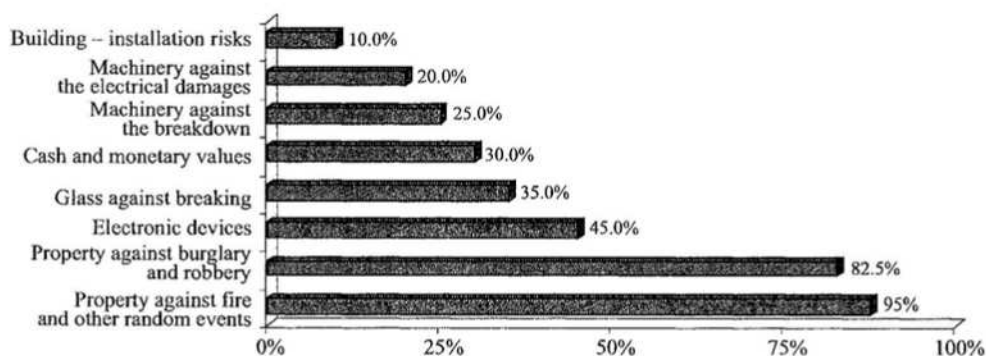
The research shows large differences in popularity of individual insurance products. Among the examined companies the most popular were property and transport insurance policies. These were obtained by more than 90% of the examined small and medium enterprises (Fig. 1).



**Fig. 1.** Popularity of different kinds of economic insurance policies in the small and medium-sized enterprises  
Source: Self study.

More than 1/3 of the companies have bought the life and third-party (civil responsibility) insurance policy. The least popular insurance products were financial insurance policies (10%) and transport ones (15%).

The property insurance policy consists of numerous different insurance products. Almost all out of the examined companies (95%) insured their property against fire and random events (Fig. 2).



**Fig. 2.** Popularity of various property insurance products in the examined SMEs  
Source: Self study.

More than 4/5 of companies have insured "their property against burglary and robbery". Almost half bought "electronic devices insurance policy", and a third obtained "glass against breaking insurance policy". The "machinery against breakdown insurance policy" and "electrical damages insurance policy" were obtained mostly by production companies (about 70%). The "building – installation risks insurance policy" was obtained far less frequently.

The most important among vehicles /transport insurance policies were the third-party (civil responsibility) insurance of owners of motor vehicles; car accident and theft insurance (autocasco) as well as accident insurance policies. The obligatory insurance for owners of motor vehicles, which is the third-party (civil responsibility) insurance policy, was obtained by 37 companies, i.e. 92.5%. The optional vehicle/ transport insurance products were obtained by more than 70% of the examined companies. The leader of the vehicle/transport insurance was PZU S.A. – 65% of the analysed sample, the second place took the Warta S.A. – 17.5% and the third was the Ergo-Hestia S.A. – 7.5%.

The third-party (civil responsibility) insurance policies make the specific category of economic insurance because of their essence, fulfilled functions and legal nature. The third-party insurance policy means that the insurer lays under the obligation of paying the compensation to the third party that gets damage from the insured party or the third party for whom the insurance contract was signed. Two out of the most popular kinds of the third-party insurance policies are delict insurance (against prohibited offences) and contract insurance (against not discharging or not proper discharging of a contract). From among the examined companies 35% obtained the third-party delict insurance and 22.5% got third-party contract insurance. The delict insurance was obtained in the largest extent by the companies from the construction and production lines while the contract insurance was obtained by the trade companies.

The range of obtaining the financial insurance was slight. Out of the offer of financial insurance policies the SMEs got only the contract guarantees – 3 companies, and the guarantee of paying the customs charges and the commercial credit (1 company for each kind). The research has confirmed the small popularity of financial insurance policies among the Polish entrepreneurs, pointed by the country-wide statistic data, which is in contrast to the entrepreneurs from the EU that in most cases maintain that kind of insurance (KNUIFE 2005).

The research shows that only 1/3 of companies have bought the employees' group life insurance, mainly from the PZU Życie S.A. (67.5%). Most frequently these were the protective insurance policies aimed to cover the death risk, expanded to cover the accident and illness risks and risks referring to the family of an insured party.

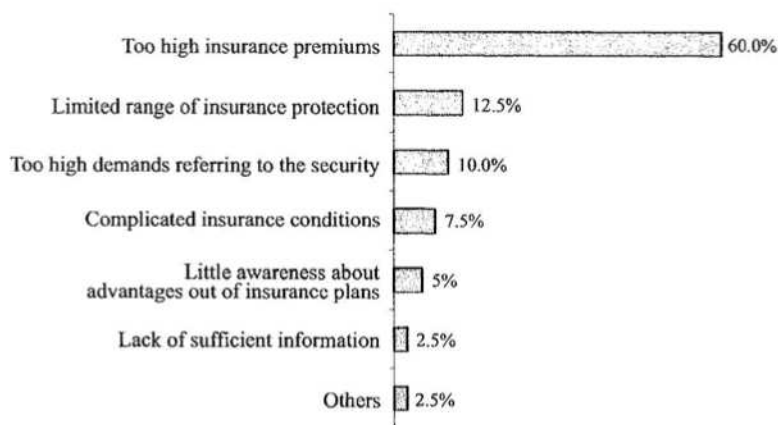
More than 1/3 out of the examined SMEs used block insurance policies. The block of insurance is a product that combines a few separate policies in

one set. Its aim is to cover the client with that kind of protection which protects them against the after-effects of different random events for price that is lower than a total price of insurance policies against every separate random event. The examined SMEs obtained blocks offered mostly by the PZU S.A., the Warta S.A and the Ergo Hestia S.A. Among the entrepreneurs the most popular were the following blocks of insurance:

- PZU S.A. "Bezpieczna Firma" ("Safe company") – 50% of indications
- Warta S.A "Miś" ("The little bear") – 12.5% of indications
- Ergo Hestia "Moja Firma" ("My company") – 7.5% of indications
- Allianz Polska S.A. "Allianz Biznes Plus" ("Allianz Business Plus") – 5% of indications

According to the respondents' declarations, the 65% out of the companies obtained the blocks of property insurance, 15% obtained the blocks of personal insurance, 5% concerned the blocks of vehicle/ transport insurance and 15% the other blocks. The sales of the blocks generally took place through the intermediary agents (in 70% insurance agents, in 20% insurance and reinsurance brokers). Through buying the blocks of insurance the companies received the premium discount, usually about 25%.

In the examined sample 92.5% out of the companies expect to not change the range of insurance in the nearest future, one company even wants to decrease its own insurance protection and two companies want to increase it. The poll shows that the main factors affecting these decisions are the following: too high insurance premiums, the limited range of insurance protection, too high demands referring to the security, complicated insurance conditions, little awareness about advantages out of insurance plans, lack of sufficient information, others (Fig. 3).



**Fig. 3.** The barriers pointed by the SMEs that make obtaining insurance policies difficult.  
Source: Self study.

The entrepreneurs from the Warmińsko-Mazurskie Province have pointed too high costs of insurance plans as the most important element that limits development of insurance in the SMEs.

## **Summary and conclusions**

The carried out research shows that the range of using the insurance services was different, depending on the company line. The biggest number of insurance products were bought by the production companies, the smallest by the service companies.

More than 90% out of the examined companies were insuring their vehicles and other property. Among the property insurance products the most popular were "property insurance policy against fire and random events" – 95% and "property insurance against burglary and robbery" – 82.5%.

The financial insurance policies were obtained least by the entrepreneurs, only 4 out of the examined companies maintained ones. Although they refer to the protection of processes connected with the finance management they are not really known and obtained in Poland. The entrepreneurs point too high costs of their application.

The research shows a certain stagnation in the insurance products obtained by the sector of the SMEs on the area of Warmia and Mazury. 92.5% of companies of the examined sample do not plan to widen their insurance level. The process of insurance development is limited by too high insurance premium, the limited range of protection and too excessive security demands.

## **References**

KNUIFE news bulletin, 2005, Warsaw, [www.knuife.gov.pl](http://www.knuife.gov.pl)