

USING INSURANCE IN CRAFT ENTERPRISES ON THE BASIS OF SURVEY RESEARCH RESULTS

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Key words: craft enterprises, insurance, risk management, small and medium-sized enterprises.

Abstract

The purpose of the research presented in this article was to assess the use of insurance products available on the market in everyday craft activity, as well as to obtain an answer to the question of which insurance companies the surveyed entrepreneurs use most often. An attempt was also made to assess cooperation of the insured with insurers. Research with the use of a survey questionnaire was conducted in the period from May to July 2016 in craft plants from the Opole, Lower Silesian and Silesian provinces associated through guilds in the Craft Chamber in Opole. Research results demonstrate that more than half of the surveyed craft enterprises use products offered by insurance companies, and the most popular insurer among these companies is PZU.

KORZYSTANIE Z UBEZPIECZEŃ W RZEMIEŚLNICZEJ DZIAŁALNOŚCI GOSPODARCZEJ NA PODSTAWIE BADAŃ ANKIETOWYCH

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Izba Rzemieślnicza w Opolu

Słowa kluczowe: rzemiosło, ubezpieczenia, zarządzanie ryzykiem, małe i średnie przedsiębiorstwa.

Abstrakt

Celem badań opisanych w artykule była ocena wykorzystania dostępnych na rynku produktów ubezpieczeniowych w codziennej działalności rzemieślniczej, a także uzyskanie odpowiedzi na pytanie, z usług których towarzystw ubezpieczeniowych badani przedsiębiorcy korzystają najczęściej. Podjęto również próbę oceny współpracy ubezpieczanych z ubezpieczycielami. Badania z zastosowaniem kwestionariusza ankiety prowadzono od maja do lipca 2016 r. w zakładach

rzemieślniczych województw: opolskiego, dolnośląskiego i śląskiego, zrzeszonych w cechach w Izbie Rzemieślniczej w Opolu. Wyniki badań pokazują, że ponad połowa ankietowanych przedsiębiorstw rzemieślniczych korzysta z produktów oferowanych przez towarzystwa ubezpieczeniowe, a najpopularniejszym towarzystwem ubezpieczeniowym jest PZU.

Introduction

The freedom of providing insurance services was guaranteed as early as in the 1970s by the first directives of the communities, concerning life insurance and others. Until recently, financial institutions and insurance companies focused on large business entities, directing their offers just to this sector. Recently however, the offer for small and medium enterprises in connection with the dynamic development of the SME sector (including craft plants) in the form of package insurance has become richer.

Craft is a particular type of business operation, concerning companies operating in the sector of small and medium enterprises, on a relatively small scale with the participation of the plant owner. Owing to its special character, as compared to other companies from the SME sector, craft is a separate area of research. This area of research, due to ignorance related to the realities of contemporary craft, is relatively rarely investigated by scientists as an object of research, which should be changed in the opinion of the author. Stereotypically, as perceived by society, craft is often underestimated and considered to be a relic. Nothing could be more delusive. Craft enterprises are aware that in the conditions of growing openness of the economy and intensifying globalization and integration processes, the economy of Poland is subject to the impact of the external environment. Therefore, an important element in the current operations of a craft enterprise is competent risk management. Risk in running a business applies to various areas of activity, both assets and civil liability.

Insurance is a risk management method most often used by small and medium-sized enterprises and the scope of insurance solutions being employed derives from the owners' insurance awareness, available capital base, profile and size of business, as well as the subjective sense of hazard (STRUPCZEWSKI 2011, p. 613).

The purpose of this research was to evaluate the use of insurance products available in the market in everyday craft activity. This research should also provide an answer to the question of which of these products is most popular among craft enterprises as well as which insurance companies the surveyed entrepreneurs use most often. An attempt was also made to assess the cooperation of the insured with insurers.

Craft Business Operations

According to Article 2 of the Act of 22 March 1989 on craft, consolidated text of 28 July 2016 – Journal of Laws of 2016, item 1285 (from now on referred to as: Act on craft), craft is the professional performance of business operations by a natural person using the professional qualifications of this person and their own work, on their own behalf and on the account of this person if he or she is a microentrepreneur or a small or medium-sized entrepreneur as defined by the Act of 2 July 2004 on the freedom of business operation (Journal of Laws of 2015, item 584 as amended, from now on referred to as: Act on the freedom of business operation). Craft is also the professional performance of business operations by shareholders in a civil partnership of natural persons within the scope of business operations performed by them together, if they individually and together do not exceed the level of employment of a maximum of 250 persons. However, craft does not include the following operations: commercial, hotel services, transport operations, services provided when exercising freelance professions, health treatment services as well as manufacturing and service activities of graphic artists and photographers.

In Poland craft enterprises can be found everywhere, in the country and in the cities. Craft activity is similar in other countries of the European Union. For many generations, craft has created infrastructure for the society and the economy, and has been the basis for development and welfare.

According to the data of the National Statistical Office, it can be stated that an estimated 90% of craft plants remain micro enterprises (FOLTYS et al. 2015, p. 166).

A discriminant of craft operations, in accordance with the provisions of Article 3 of the Act on craft, is the need for the craftsman to have a formal confirmation of professional qualifications, which include:

- a diploma or certificate of completing a university or high school (college) with a technical or artistic profile in a profession (major) corresponding to the domain of the performed craft;
- a diploma of a master in a profession corresponding to the given type of craft;
- an apprentice's certificate or qualified worker title in a profession corresponding to the given type of craft;
- a certificate confirming possession of selected professional qualifications with regard to a profession corresponding to the given type of craft.

Another factor differentiating craft are qualifications to educate students under the practical learning of a profession. Next to business operations, small and medium craft enterprises are traditionally involved in training students. At present, approximately 90,000 juvenile students learn in craft plants in Poland (Związek Rzemiosła Polskiego, www.zrp.pl).

Craft is the oldest formalized and hierarchical form of business activity, whose basic principle is the craftsman producing original goods or providing services on their account.

The specific character of craft consists in the fact that such enterprises have the ability to promptly, flexibly, and non-routinely adjust their production and services to current needs. Practically they are able to satisfy all expectations and accept many vital business tasks, such as e.g. requalification and management of a considerable number of the unemployed. It also finds a place in services not being popular among other administrators – these are services in the country, supplementary production for large plants, and solving economic problems in communes. It happens that craft activities often produce goods rather classified as being a national heritage, which has more of a cultural than an economic effect.

Enterprises, also from the SME sector, including craft enterprises, operate under conditions of high complexity, variability and unpredictability in their environment. It is the environment, namely external conditions of existence and the development of companies that affects business development and entrepreneurship. The outcomes are often various types of difficulties and irregularities in the course of and the results of business operations (LICHTARSKI 2005, p. 117). No one else can name the encountered barriers better than the entrepreneurs themselves.

The specific character of these enterprises also consists of the fact that most often the owner manages the company in person and only rarely entrusts business management to a professional manager. For this reason, the entrepreneur's propensity for risk has an effect on the development of the company (GAJDA 2014, p. 213).

One of the important issues related to the management of these operations is the problem of protecting business resources and limiting the effects of risk involved in running business activities for the purpose of restricting the scale of failure and assuring conditions for the company's growth. As previously mentioned, craft enterprises are predominantly micro enterprises. Sources of risk in the activity of micro-enterprises can be divided into (BERA 2012, p. 72):

- global – to which the company has no influence, for example: political conditions, climate change, demographic change, religious conflicts, atomic energy, organizational factors;

- organizational – financial (credit, currency, interest rate, commodities), political (war, social risk, terrorism, state action, regulation), operational (personnel, physical damage, crime, data coverage) and legal (contractual, professional).

The above-mentioned sources of risk are identical to craft establishments. The same kind of risk that one may encounter in an artisan business, and they are many. Not all, however, have the same probability of occurrence.

Insuring property and processes fosters the company's growth by:

- creating stable conditions of operation and development by protecting assets being the source of revenue;
- protection against situations bearing the highest risk (e.g. investments, new projects or technologies).

This is a relatively cheap form of protection in the case of no financial reserves and, thanks to agents' services, does not require the decision-maker to have detailed knowledge about the insured risks (MIKULSKA 2010, p. 81).

Craft plants are the foundation of the economy, and at the same time they stabilize social development. They are rooted in their region, are able to use international cooperation opportunities, enhance the place of their operations, and at the same time are not moving workplaces abroad. Framework conditions in the future will rather foster the development of the SME sector, including craft enterprises, and the optimum size of the business, will be reduced (HOGEFORSTER 2011, p. 107).

Subject of Research, Method and Research Sample

The objective of the research described in the introduction was achieved as a result of a survey conducted in questionnaire form, which was sent out to craft enterprises, associated with the Craft Chamber in Opole, from the Lower Silesian and Silesian provinces. This questionnaire was prepared on the model of a Sociological questionnaire survey (*Podręcznik socjologicznych badań...* 1999) and Postal surveys in marketing and sociological research (MANGIONE 1999, p. 13).

The survey questionnaire consisted of 10 closed questions. In order to obtain as complex a picture of the examined craft enterprises as possible, questions were related to both the form of the conducted business operations, namely the general characteristics of the business, as well as other key matters such as insurance products available for craft enterprise operations.

Among the key questions, there were questions directly concerning these products as well as whether events occurred in the company requiring notification and damage liquidation in the course of insurance or assessment of the previous cooperation with the given insurance company. The survey questionnaire also included a question referring to the period of cooperation and future cooperation with these insurance companies.

The survey was conducted in the period from May to July 2016 in craft plants in the Opole, Lower Silesian and Silesian provinces, associated with the various craft guilds, being members of the Craft Chamber in Opole.

Survey questionnaires were sent out to 1,000 enterprises associated with organizations of local craft enterprises. Questionnaires were returned by 594 plants, representing a response rate of almost 60%.

The associated craft enterprises participating in the survey represent the following 5 trades:

- construction (represented by such professions as painter-paperhanger, finishing works technologist in the construction industry, bricklayer, dry building assembler, floor tiler, electrician, carpenter, roofer, water and sanitary devices installer, gas devices installer, etc.) – 270 enterprises;
- carpenters – 48 enterprises;
- automotive (including such professions as: automotive vehicle mechanic, electromechanical engineer, varnisher) – 72 enterprises;
- food (baker, confectioner) – 83 enterprises;
- personal services (hairstylist, beautician, make-up stylist, tailor etc.) – 121 enterprises.

Also, the surveyed craft enterprises had different legal forms. These were both individual persons conducting business activity; civil, open partnerships and limited liability enterprises. However, the highest number among the surveyed associated enterprises – as much as 95% were individual persons conducting business activity.

In order to better analyse the examined craft enterprises, the survey questionnaire contained questions concerning the number of persons employed in them and the length of the company's existence.

The number of employees employed in the examined associated plants was as follows:

- up to 10 persons – 440 (74%),
- 11–49 persons – 143 enterprises (24%),
- 50–250 persons – 11 plants (2%).

Length of the company's existence was as follows:

- 0–5 years – 45 enterprises,
- 6–10 years – 161 enterprises,
- 11–20 years – 297 enterprises,
- longer than 20 years – 91 enterprises.

Survey Results

Using Insurance Products

As a result of analysis of the survey questionnaires, it was noticed that the majority of the examined enterprises (as many as 62%) used insurance company services in the form of buying motor vehicle insurance. Property insurance was in second place, and was used by 47% of the respondents. Civil liability insurance in connection with conducting business operations was in third place with 21%. The use of insurance covering external and internal glazing against breaking was declared by 7% of the surveyed, and electronic equipment insurance – 4%.

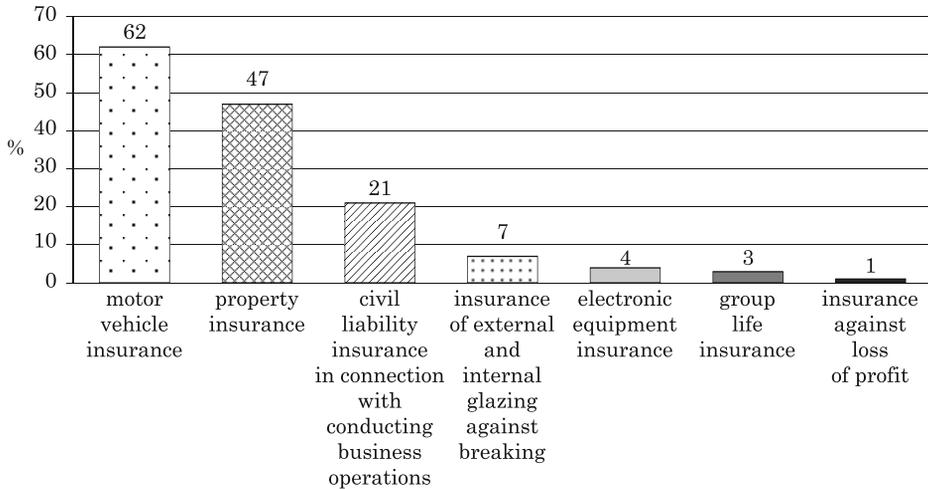


Fig. 1. Using insurance products by plants associated in craft enterprise self-government organizations

Source: prepared by the author.

Only 3% of the surveyed craft enterprises used group life insurance and 1% insurance against loss of profit. None of the examined enterprises used insurance covering domestic cargo transport or other forms of insurance (Fig. 1).

Events Requiring Notification and Damage Liquidation in the Course of Insurance

When asked whether events occurred in the company demanding notification and liquidation of damage throughout the effective term of the insurance contract, 7% (42 enterprises) of the surveyed responded yes.

Insurance Companies Whose Services Are Most Often Used by Craftsmen

Question 6 included in the survey questionnaire was: Services of which of the following insurance companies are used by your company? The range of possible answers consisted of the names of sixteen particular insurance companies and the possibility of specifying another company, which was not mentioned by name. Answers in a graphical form are presented in chart no. 2. After making an analysis of the answers marked by the owners of associated craft enterprises, it was noted that 195 enterprises used the services of TU PZU, 139 used the services of TU Warta, and 96 used the services of TU Allianz. The services of TU Generali were used by 38 plants, TU Compensa was used by 36, and TU

Hestia was used by 29. The share of respondents in other insurance companies was as follows:

- Aviva – 24,
- Axa – 3,
- Inter – 5,
- Liberty – 6,
- Link 4 – 1,
- Nationale-Nederlanden – 10,
- Uniqa – 12 (Fig. 2).

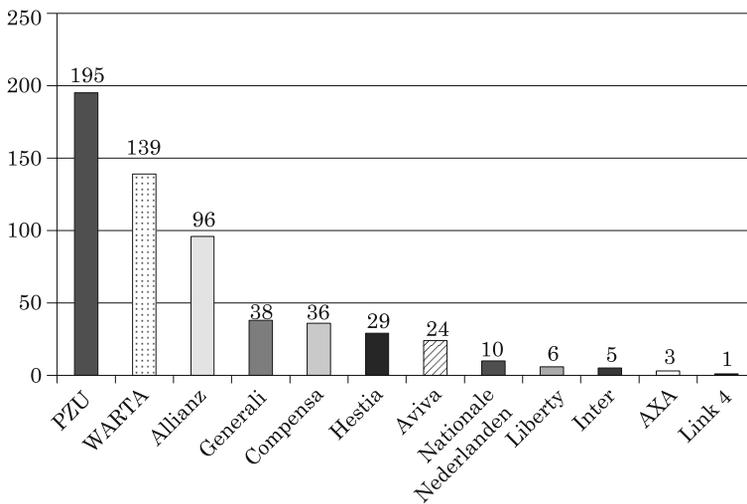


Fig. 2. Number of craft enterprises using services of particular insurance companies
Source: prepared by the author.

Assessment of the Previous Cooperation of Craftsmen with Insurance Companies

As much as 60% of insured craft enterprises taking part in the survey recognized that cooperation with insurance companies was very good, and 15% saw it as good. The answer “correct” was indicated by 17% of the insured craft enterprises, and only 8% of the enterprises indicated “poor” (Fig. 3).

Changes in Insurance Companies Over the Past Three Years

15% of the insured craft enterprises had changed their insurance company over the past three years. The main reason for changes stated by the owners was lower insurance costs. Other reasons were poor relations with the insurance agent and dissatisfaction with previous cooperation.

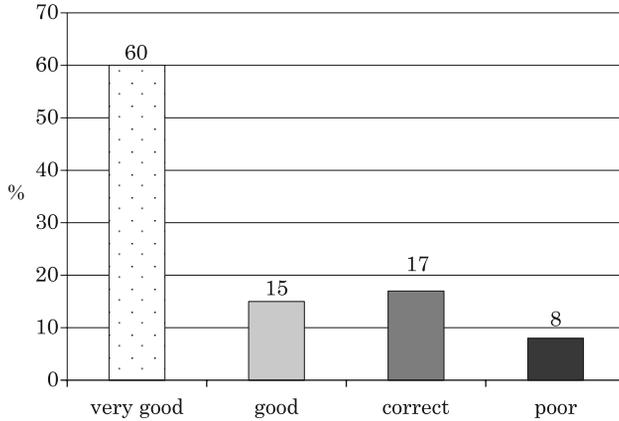


Fig. 3. Assessment of previous cooperation with insurance companies by craftsmen
Source: prepared by the author.

Period of the Company's Cooperation with the Insurance Company

Craftsmen using the services of insurance companies also answered the question: how long has the company used the services of insurance companies. Survey analysis showed the following results:

- 6% selected the answer “less than a year”,
- 18% chose the answer “from 1 to 3 years”,
- 23% chose the answer “from 3 to 5 years”,
- 34% of the surveyed had insured their plants from 5 to 10 years,
- 19% had used their services for over 10 years.

The above results are presented graphically in Figure 4.

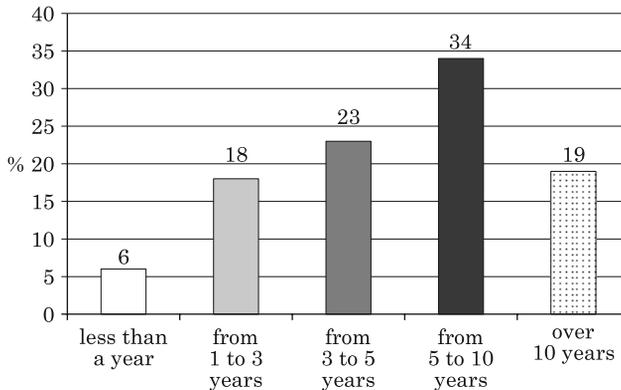


Fig. 4. Period of cooperation of craft enterprises with insurance companies
Source: prepared by the author.

Continuity of Using Services of Insurance Companies

All the owners of craft enterprises who had used insurance before declared their intention to use insurance offers in the future.

Summary

To protect the potential of the craft company, different insurance may be used, including property insurance, motor vehicle insurance, and personal or civil liability insurance. Insurance is a financial service, which will provide coverage of future property needs related to the liquidation of negative effects from any unforeseeable events. According to E. Wierzbicka, the use of insurance by the SME sector as a risk management method is insufficient in Poland. The willingness to buy insurance increases as the size of the company does. The smaller the company is, the smaller the willingness to buy insurance (WIERZBICKA 2014, p. 145).

As deemed from the conducted survey, more than half of the surveyed craft enterprises benefit from products offered by insurance companies. Craftsmen mainly use motor vehicle insurance (62%), followed by property insurance (47%). They less frequently (21%) use civil liability insurance in connection with conducting business activities. Even fewer of the surveyed (7%) pointed to insurance of external and internal glazing against breaking and 4% to electronic equipment insurance. Such a low share of the last two insurance products is undoubtedly due to the fact that not each type of craft operation involves the need to have electronic equipment and glazing.

The dominant share of motor vehicle insurance most likely results from the mandatory purchase of civil liability insurance for motor vehicles. The PZU Insurance Company is the most popular among craftsmen, followed by Warta, Allianz, Generali, Compensa and Hestia.

Craftsmen are satisfied with the previous cooperation with insurance companies, which was proven by the fact that 60% of the insured assessed their cooperation as very good, 15% as good, and 17% – as correct. As a result, only 15% have changed their insurance company over the past three years. This change was mainly due to lower costs. The high cost of conducting business operations in Poland force entrepreneurs to search for savings and reduce costs, which has also had the effect of selecting the cheapest insurance products, unfortunately.

The majority of craft enterprises have already benefited from offers of insurance companies for 6 to 10 years. The smallest number of enterprises have cooperated with insurance companies for less than a year. This short period of cooperation of craft enterprises with insurance companies can be justified by low awareness of insurance needs among craftsmen, financial savings of the

costs of running business operations and a high rotation of enterprises being opened and closed, among other reasons.

Craft enterprise self-government organizations, through their activities, attempt to support the operations of craft enterprises. They are also aware of how important insurance products are for the stable operation of these enterprises – products that are targeted specifically at this group of entrepreneurs. In the past, the Craft Chamber in Opole has often supported craftsmen who were not insured and their plants underwent different events, which could be covered by an insurance policy. If these plants had been insured, their existence would not have been disturbed. The Craft Chamber in Opole cooperates with agents and insurance brokers offering products of various insurance companies. It organizes numerous informational meetings, stressing the advantages of insurance products specifically intended for this sector.

The offerings of insurance companies for craft enterprises are often flexible and adjusted to particular kinds of risk, and special packages may fully satisfy the needs of these enterprises. Still a barrier for those enterprises to use risk transfer onto the insurer is the price of an insurance policy, and the reason for inadequate insurance protection is the entrepreneurs' insurance awareness which is growing, but leaves much to be desired.

Bearing in mind the fact that 74% of the respondents are the owners of craft microenterprises, the level of commitment to use services of insurance companies should be considered as satisfactory.

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