

*Tomasz Hermaniuk, PhD<sup>1</sup>*

Department of Marketing and Entrepreneurship  
Faculty of Economics  
University of Rzeszów

## **The Quality of Insurance Services Package in the Opinion of Direct Purchase Insurance Customers**

### INTRODUCTION

In the contemporary, increasingly global market, with a dynamically growing competition, companies are forced to compete for their customer attention more and more intensively every day. In the light of the above, the role of marketing in their business activity is of particular importance. It is undoubtedly a prevalent element of customer acquisition, giving enterprises an access to a wide range of tools, allowing them for efficiency in competitiveness and effective influence on consumer decisions. The concept of marketing itself is subject to gradual evolution, resulting, among other things, from increasing globalisation, development of societies and technical progress. In order to survive in the market and function properly, insurance company needs to be actively involved in marketing operations. The industry-specific insurance marketing is a unique combination of services in the portfolio.

The aim of this article is to present the results of own research on quality of insurance services as perceived by customers who actively use insurance services offered in the DPI model, i.e. by means of the Internet and telephone.

### MARKETING AND QUALITY OF INSURANCE SERVICES

The specific character of insurance companies is largely a result of the external conditions in which they operate. Entities that cooperate with an insurance company are numerous and include not only customers, but also reinsurers, assignors, insurance agents and brokers, commissioners, average adjusters, and experts. An insurance company also needs to liaise with representatives of insur-

---

<sup>1</sup> Ul. M. Ćwiklińskiej 2, 35-601 Rzeszów, tel. 17 872 16 15; e-mail: T.herman@ur.edu.pl

ers, such as the Polish Insurance Ombudsman, Polish Insurance Association, Insurance Guarantee Fund and the Polish Financial Supervision Authority [Nowatorska-Romaniak, 1996]. A large number of cooperating institutions and the specific features of the services provided perfectly prove and point to the complexity of the business. Insurance marketing involves therefore identifying, shaping and adapting to the needs and requirements of customers in respect of protection against financial risks to which their tangible and intangible assets are exposed [Monkiewicz, 2005].

An insurance product can be viewed as a package of services provided to the insured by the company for a fee. The interest of customer regarding particular insurance products is contingent on the extent to which they require an insurance coverage. Along with the insurance development, an increase in insurance awareness and civilisation advancement, the needs of insurance customers have become more and more diverse. Particular social groups accept different types or combinations of insurance coverage, different conditions for granting an insurance and different customer service types [Monkiewicz, 2005].

Marketing strategy implemented in an insurance company should primarily concern the following issues [Nowatorska-Romaniak, 2000]:

- Insurance Scheme (its complexity and completeness)
- Facility network (number and density of own units)
- Structure of sales organisation (professional and efficient sales process)
- Training system (continuous improvement of qualifications)
- Computerisation (transfer of information by means of network).

Insurance companies' strategies, including marketing strategies, prioritise the issue of insurance service quality. Decisions of customers are determined not only by price, but more and more often by the quality of service. Without high-quality service strategies, it is difficult to achieve a sustainable, growing position in the market [Ortyński, 2000]. The quality of service is defined as the difference (gap) between customer expectations and their evaluation (perception) of obtained services. Thus, the service quality assessment is possible only in conjunction with its evaluation by the customer. What is important is that due to the intangible nature of financial services, it is not so much the product itself that the customer buys as the expected benefits [Garczarczyk, 2002].

Depending on the type of services, there are different criteria for assessing their quality. A basic set of criteria used by buyer in assessment of the service quality comprises the following elements [Nowatorska-Romaniuk, 1996]:

- Availability of service (location of facilities, opening hours, waiting time),
- Service information (clearly formulated),
- Competence (expertise and preparation of service providers),
- Courtesy (kindness and respect for customers),
- Confidence (integrity and commitment to customers),
- Reliability (accuracy of services),

- Responsibility (fast and professional operation, consideration for the expectations of purchasers),
- Safety (risk reduction),
- Type of materials used (service components visible to the purchaser),
- Knowledge of purchasers' expectation (understanding their needs and expectations).

While reflecting on quality of service, it should be noted that the quality is directly linked with satisfaction and loyalty. The customer is satisfied if quality of service is satisfactory to him. On the other hand, customer loyalty is built primarily by a high-quality service. In an increasingly competitive economy, customer satisfaction should be the main strategic objective of an insurance company. A satisfied customer may remain with the company for a longer time. This may also result in extending the services they currently use and disseminating positive recommendations.

#### INSURANCE SERVICES MARKET IN POLAND

The insurance market in Poland began to develop as the Act on insurance activities of 28 July 1990 entered into force. It created a legal framework for general insurance transformation and their adaptation to emerging market economy in Poland. The Act abolished the state insurance monopoly, allowing private insurance companies to be appointed on the basis of domestic or foreign capital.

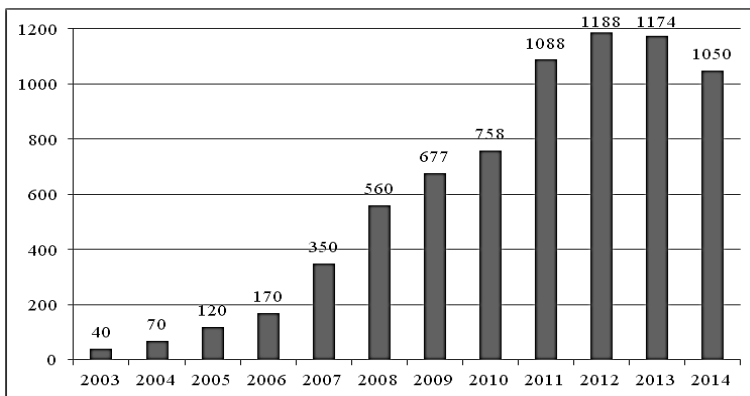
Since the beginning of the 1990s, the number of insurance service providers in the domestic market has been constantly growing. On 31 December 2013, fifty eight insurance companies in Poland were permitted to do so. Out of these, twenty-seven operated in life insurance services (division I), whereas the remaining thirty-one companies traded in other personal and financial insurance services (division II). As of December 2013, in the group of 27 companies operating in life insurance, 21 were predominantly or primarily owned by foreign capital. In the case of other personal and property insurance companies, 20 out of 31 insurance and reinsurance companies had exclusively or primarily foreign owners. Companies in the form of limited liability companies were dominated by foreign capital, whereas in the case of mutual insurance companies, Polish capital shareholders have an advantage over the foreign shareholders. On the one hand, it promotes the integration of Polish insurance market with the world market. On the other hand, it increases the market susceptibility to hazards during global economic crises [Polish Central Statistical Office, 2014, pp. 52–53].

Over the recent years, Direct Purchase Insurance services have become an increasingly popular insurance type, concluded quickly and with minimal formal requirements. Consumer enters into an agreement on the Internet or over the phone. For the insurer, it is a big step toward facilitating the use of insurance

services, because such policy agreements save money and time, offering immediate protection and high flexibility.

In Poland, the first insurance was sold over the phone in January 2003. It was the beginning of DPI market. For the first few years, insurance services sold over the phone and the Internet was monopolised by one company. A breakthrough in the Polish market occurred in the years 2006–2007. It was then that the number of companies offering Direct Purchase Insurance increased to over a dozen. Nowadays, approximately 4% of all non-life insurance services are sold over the phone and on the Internet. The DPI market totalled PLN 1,05 billion at the end of 2014. Out of this sum, PLN 591,5 million was collected as third party vehicle insurance contributions, whereas PLN 197 million as motor hull insurance. 1,44 million assistance insurance contracts, 1,32 million third party vehicle insurance contracts and 344 thousand motor hull insurance were concluded online and over the phone (*Direct w Polsce*, ([http](http://www.poznajdirect.pl/direct-w-polsce.html))).

Figure 1 illustrates the changes in Direct Purchase Insurance.



**Figure 1. The value of DPI market in Poland in the years 2003–2014 (amounts expressed in millions of PLN)**

Source: Polish Insurance Association, <http://www.poznajdirect.pl/direct-w-polsce.html> (download date 12.06.2015).

The problem with this type of insurance is no detailed legal provisions to be followed as a foundation. Among the existing ones, there is a lack of coherence between the contents of particular acts. Currently there are three legal regulations on the basis of which insurance companies should sell insurance directly. These include the Act on Providing Services by Electronic Means, the Act on the Protection of Certain Consumer Rights and the Civil Code. In the event of a dispute between the insurance company and the insured it is best to refer to the Insurance Ombudsman due to chaotic and scarce information in the said acts [*Rośnie rynek...*, ([http](http://www.poznajdirect.pl/direct-w-polsce.html))].

QUALITY OF DIRECT PURCHASE INSURANCE SERVICES  
– CUSTOMER FEEDBACK

The study was carried out with a view to identifying the opinion of insurance purchasers who have used direct purchase services. The research method employed was a survey, and the survey tool was a questionnaire consisting of thirteen questions on the quality of insurance companies portfolios. The survey was conducted from April to May 2013 and involved random sampling. A total number of 276 respondents were questioned, out of which 166 (97 men, 58,4% of the study group, and 69 women, 41,6% of the group) had purchased insurance through DPI.

At the beginning of the survey, respondents who had purchased their insurance policies in traditional ways were asked to indicate the most important reasons discouraging them from using DPI services. The results obtained are shown in Table 1.

**Table 1. Reasons for non-use of direct insurance**

Description	%
I prefer personal contact with a representative of the insurer	44,2
I have no confidence in this type of insurance	32,8
Problems with loss settlement in the case of this type of insurance	16,6
Buying the policy over the Internet may pose a problem	6,4
Total	100,00

Source: Developed on the basis of own studies.

The data provided in Table 1 clearly show that the most important factor discouraging respondents from the use of DPI services is the lack of personal contact with a representative of the insurance company (an employee at the company facility or an agent) – this preference was indicated by 44,22% of respondents. The second most common reason found in the survey was the lack of confidence in this type of insurance services (32,8% of cases). 16,6% of the respondents have heard negative opinions and stories concerning difficulties experienced by other people while loss settlement in the case of remote agreements. The smallest part of respondents (6,4%) claimed to have doubts whether they could handle a policy purchase over the Internet. The results obtained lead to conclusions regarding possible marketing actions which could boost the interest in direct sale policies among customers who have not yet benefited from them.

In the next stage of the survey, the respondents were asked to assess the significance of particular components of the insurance services which they would take into account while choosing an insurance service. The results obtained are shown in Table 2.

**Table 2. Importance of various service components when selecting insurance**

Description	%
Policy Price	64,21
Company Credibility	58,32
Customer reviews of loss settlement procedure	33,30
Customer service quality	27,71
Brand of the insurer	16,73
Experience in the industry	16,20
Staff qualifications	15,11
Quality of insurance products	14,64
Possibility to negotiate prices	13,53
Contact with the insurance company	12,85
Involvement in solving customer problems	12,40

Source: Developed on the basis of own studies.

As is clear from the data provided, four of these components have the greatest importance in the assessment of patients. These are respectively: price of the policy (64,21%), credibility of the insurance company (58,32%), opinions of other customers on the settlement of damages (33,3%) and the quality of customer service (27,71%). Other elements examined were less important to the respondents. What is interesting, the least significant element (12,4%) according to the respondents was the involvement of the insurer in solving customer problems. The results do not add up to 100 because respondents were able to select any number of responses.

An important part of an overall assessment of the quality of an insurance services portfolio is undoubtedly the time and manner of loss settlement. Among the responders, nearly 19% have participated in the process of loss settlement using a direct policy. These persons were asked to express their opinion on the experience, in particular on the service quality. The results obtained are shown in Table 3.

**Table 3. Overall assessment of loss settlement**

Description	%
Very high	5,15
High	21,5
Average	35,8
Low	28,2
Very low	9,35
Total	100,00

Source: Developed on the basis of own studies.

Referring to the issues related to loss settlement, respondents could evaluate the time it took to settle the losses reported over the Internet or phone. Respondents have evaluated each component of the loss settlement on a scale of 1 to 5.

**Table 4. Assessment of loss settlement**

Description	Average mark
Duration of the procedure	3,75
Reliability and involvement of employees	2,95
Amount of damages	3,55
Contact with the insurance company	4,15
Average value	3,60

Source: Developed on the basis of own studies.

The data shows that what respondents appreciated the most was the contact with the insurance company (average rating amounted to 4,15). They also assessed the duration of loss assessment procedure to be relatively high (3,75 on average). On the third place (3,55) was the amount paid in damages. The reliability and involvement of employees involved in loss settlement received the lowest results (2,95 on average). The average mark based on all sub-evaluations was 3,6, which can be placed between a sufficient and a good level of quality. The results also suggest potential areas for improvement for insurance companies in respect of loss settlement. It should be noted, furthermore, that this particular element was acknowledged as one of the key elements determining the overall assessment of the service quality of insurance companies. Given the widespread and easy access to information and feedback from customers through various Internet sources, it needs to be regarded as crucial in building company image in respect of quality and customer satisfaction.

The last of the questions in the questionnaire was whether customers would recommend DPI to other persons. 58,9% of respondents answered positively, while 41,1% claimed they would not do so. These results indicate a moderate level of satisfaction in customers of DPI. At the same time, this suggests that there is a need to adopt a series of marketing measures which would make it possible to change these indicators in the future.

## CONCLUSION

There is an intense competition in the domestic insurance market, and new players emerge constantly. While customers are becoming more aware of differences between the services offered by particular businesses, they also have much bigger ease of comparing them. Companies providing insurance services start to reach out for new ways to compete for customers.

Upon an analysis of the results of conducted study it can be determined that customers of Direct Purchase Insurance services are not highly satisfied with their quality. Companies offering DPI services must develop new ways to compete for customers. To date, the primary tool used in this competition was the

policy price. However, in the face of the financial situation in the industry, it would appear that insurance price increases are inevitable. With higher prices, customers, especially those who made negative judgement on loss settlement, will most probably move towards companies not as much low service prices, as rather a high level of service. In the light of the above, it can be assumed that in the nearest future, the issue of insurance services quality will become more and more important in business strategy in this industry.

## REFERENCES

- Garczarczyk J., 2002, *Jakość usług jako przesłanka zarządzania zakładem ubezpieczeń* [w:] *Ubezpieczenia w gospodarce rynkowej*, red. T. Sangowski, Branta, Bydgoszcz 2002.
- Główny Urząd Statystyczny, 2014, *Polski rynek ubezpieczeniowy 2013*, Studia i analizy statystyczne, Warszawa.
- Monkiewicz J., 2005, *Podstawy ubezpieczeń*, t. I: *Mechanizmy i funkcje*, Poltext, Warszawa.
- Monkiewicz J., 2004, *Podstawy ubezpieczeń*, t. III: *Przedsiębiorstwo*, Poltext, Warszawa.
- Nowatorska-Romaniak B., 1996, *Marketing usług ubezpieczeniowych*, PWE, Warszawa.
- Nowatorska-Romaniak B., 2000, *Marketing firm ubezpieczeniowych na polskim rynku*, „Marketing i Rynek”, nr 5.
- Ortyński K., 2000, *Zarządzanie jakością usług w zakładzie ubezpieczeń* [w:] *Zarządzanie jakością usług w bankach i zakładach ubezpieczeń*, ed. J. Garczarczyk, AE, Poznań.
- Direct w Polsce*, <http://www.poznajdirect.pl/direct-w-polsce.html> (dostęp: 12.06.2015).
- Rosnie rynek ubezpieczeń sprzedawanych online*, [http://wyborcza.biz/biznes/1,101562,8845504,Rosnie\\_rynek\\_ubezpieczen-sprzedawanych-online.html#ixzz2Tu06w7Jd](http://wyborcza.biz/biznes/1,101562,8845504,Rosnie_rynek_ubezpieczen-sprzedawanych-online.html#ixzz2Tu06w7Jd), (dostęp: 22.05.2015)

## Summary

The market of financial services, including insurance services is a subject of dynamic transformations. The core essence of insurance and their economic and social importance, has remained unchanged for a very long time. However, the circumstances of functioning of the insurance companies are constantly changing. Since the beginning of political changes in Poland, that is, since 1990, many new insurance companies have emerged on the national market. Their growing number contributed to increased competition, and thus, to modification of marketing strategies employed by them. These changes relate in particular to two areas. The first area is the pricing policy, while the second concerns the forms of distribution of insurance services. The intense competition for customers associated with the market penetration forces companies to reduce prices. This in turn requires searching for ways to reduce operating costs of the enterprises. One of them is the cost associated with maintaining permanent business facilities and their staff. Therefore, for several years on, most companies has aimed to curb these costs. The distribution of insurance products through electronic channels is now a rapidly expanding phenomenon in Poland. Modern communication tools are not only a convenient and accessible source of information about insurance products, but they also provide the ability to compare different offers. On the other hand, they are



increasingly becoming an effective tool used to sell insurance policies. This article presents the results of studies assessing the selected quality aspects of insurance companies in the opinion of customers using the Direct Purchase Insurance services.

*Keywords:* quality of services, customer satisfaction, direct insurance, marketing

### **Jakość oferty usług ubezpieczeniowych w opinii klientów korzystających z usług typu „direct”**

#### *Streszczenie*

Rynek usług finansowych, w tym usług ubezpieczeniowych, ulega dynamicznym przeobrażeniom. Sama istota ubezpieczeń oraz ich znaczenie ekonomiczne i społeczne, pozostają od lat niezmiennione. Zmieniają się natomiast warunki funkcjonowania firm ubezpieczeniowych. Od początku zmian ustrojowych, czyli od 1990 roku, na rynku krajowym pojawiają się wciąż nowe firmy ubezpieczeniowe. Ich rosnąca liczba przyczyniła się do zwiększenia konkurencji, a co za tym idzie, do modyfikacji realizowanej przez nie strategii marketingowej. Jej zmiany dotyczą w szczególności dwóch obszarów. Pierwszy to polityka cenowa, drugi zaś dotyczy form dystrybucji usług ubezpieczeniowych. Intensywna rywalizacja o klienta związana z penetracją rynku wymusza na firmach obniżanie cen. To z kolei wymaga poszukiwania sposobów na ograniczenie kosztów funkcjonowania przedsiębiorstw. Jednym z nich są koszty związane z utrzymywaniem stacjonarnych placówek firmowych oraz ich personelu. Dlatego od kilku lat większość firm z branży zmierza do ograniczenia tych pozycji kosztów. Intensywnie rozwijającym się zjawiskiem w Polsce jest dystrybucja ubezpieczeń za pośrednictwem kanałów elektronicznych. Nowoczesne narzędzia komunikacji stanowią z jednej strony wygodne i dostępne źródło informacji o produktach ubezpieczeniowych, dają też możliwość porównywania różnych ofert. Z drugiej strony coraz częściej stają się skutecznym narzędziem wykorzystywanym do sprzedaży polis ubezpieczeniowych. Celem artykułu jest przedstawienie wyników badań dotyczących oceny wybranych aspektów jakości oferty firm ubezpieczeniowych w opinii klientów korzystających z usług typu „direct”.

*Słowa kluczowe:* jakość usług, satysfakcja nabywcy, ubezpieczenia direct, marketing

JEL: D10, G22, M31