



PRODUCT INNOVATIONS AND PARAMETERS CONCERNING MOTOR VEHICLE INSURANCE AND MANAGEMENT PROCESSES APPLIED BY INSURANCE COMPANIES

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Abstract: The objective of this article is to present the situation on the insurance market in reference to the selected elements of the management process applied by insurance companies. The author aims mainly at drawing attention to the activities performed by insurance companies which have decided to introduce innovative services and new solutions concerning organizational structures in order to improve their management standards. Implementing innovative solutions results in development and effective competition on the insurance service market. What is more, this study indicates product parameters concerning motor vehicle insurance referring to the subject of insurance and the scope of insurance coverage. In this context, proper management processes seem to be significant in reference to the application of innovative solutions shaping the relationships operating within the environment of insurance companies.

Keywords: innovations, management process, motor vehicle insurance, service

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Introduction

Economic development as well as the fact that Polish society is gradually becoming wealthier result in the increased demand for insurance services and a growing number of insurance companies. Market economy has forced insurance companies to perform activities aimed at improving their competitiveness. Prices, timeliness, quality and innovation of services enable keeping one's position in a competitive market.

Management processes in insurance companies allow these entities to discipline their internal activities in the area of innovation of insurance services. Insurance companies operate under specific environmental conditions covering a number of elements which have to be analyzed in order to make proper decisions.

Insurance services constitute a specific group of services as customers cannot verify them based on their senses. Service requirements should be specified in a transparent manner by indicating features which can be assessed by the customer. The concept of innovative services is significant in reference to insurance. The insurer makes a promise addressed to the policyholder. The value of the

contract/agreement can be determined only in the future, namely at the time when the insurer is obliged to pay.

Innovations on the motor vehicle insurance market

Source literature indicates numerous definitions of innovation. It is increasingly recognised that the concept of innovation covers every aspect related to generating and applying new knowledge to achieve a competitive advantage (Nowicka-Skowron, Pachura 2009, p. 41).

Innovation permeates all areas of corporate activities determining its success and development. This term understood in a broader context includes not only technical but also economic projects, as well as, for example, taking over a new market, mastering a new source of raw materials, or altering the organization (Krawczyk-Sokołowska 2011, p. 140).

Analyzing sources of information for innovative activity, we can list basic areas that are relevant to an innovative enterprise, containing information that (Nieć 2015, p. 32):

- can be found inside a given enterprise or in another enterprise belonging to a group of enterprises,
- can be obtained from suppliers, customers, competitors or consulting companies,
- comes from institutional sources, namely universities, research institutes, foreign public research centres,
- results from participation in fairs, exhibitions, conferences, groups and industry associations as well as from deriving information from magazines, professional literature or industry publications.

What is more, operational excellence constitutes a significant factor in focusing on innovation, namely on solutions which are to save time and money and to increase efficiency and effectiveness (Jelonek 2015, p. 140).

The need for constant improvement in various areas has led to the development of an innovation policy covering the most significant aspects of effective innovation management (Zawada, Herbuś 2014, p. 44).

The entity's strategy determines the principles concerning company management aimed at achieving objectives adopted by that entity (Chluska 2016, p. 73), defining the level and structure of resources, opportunities and threats, establishing the objective of the activity (Skowron-Grabowska 2015, p. 361).

At the same time, the strategic approach to innovation encourages companies to focus on customer needs and demand. Incorporating innovation into a development strategy is necessary to compete in an effective manner (Jelonek 2015, p. 141).

It is slightly easier to introduce innovations in manufacturing enterprises than in service units as most often the novelties refer to the product itself, applied technologies or activities aimed at the environment (Zawada, Herbuś 2015, p. 93).

Moreover, innovative activities concerning the services sector frequently are a continuous process and cover a series of gradual changes in products and processes. In some cases, it is difficult to recognize innovations concerning the services sector in relation to individual events, namely the implementation of a

significant change concerning products, processes or other methods (*Podręcznik Oslo 2010*, p. 40).

According to KPMG International, the success of insurance companies depends, to a great extent, on the level of their innovation. However, less than half of the companies use a formal innovation strategy, less than a quarter employ a person or team responsible for innovation, and only every third respondent claims that his or her company was a pioneer of innovation (KPMG 2015).

According to 83% of insurance industry representatives from 20 countries (including Poland), the success of an insurance company depends significantly on whether the company is more innovative than its competitors. The greatest opportunity for development involves more effective use of technology (60% of responses) and wider use of digital technologies (53% of responses). At the same time, only 47% of companies use a formal innovation strategy, and only 32% (29% considering only the entities located in Europe) consider themselves the pioneers of innovation (English term “first mover”). Less than 25% of companies employ a person or a team responsible for innovation. In the case of other companies, there is more or less formally defined collective responsibility borne by the entire company ([http://it-manager.pl/...](http://it-manager.pl/)).

The essence and concept of services and parameters of motor vehicle insurance

A service is defined as an appropriately oriented, useful activity performed by an individual that meets its specific needs, without the use of a material object (Kolman, Tkaczyk 1996, p. 14).

It is often stated that this unique character of services makes it possible to distinguish them from products. The four most characteristic features of services include (Payne 1997, p. 21):

- immateriality – services are, in most cases, not related to the production of material goods,
- diversity – services are inconsistent, non-standard and very varied,
- inseparability – services are provided by the service provider and consumed by the customer simultaneously,
- impermanence – there is no possibility to store services.

The concept of services is essential as regards insurance. The insurer makes a promise addressed to the policyholder. The value of the contract/agreement can be determined only in the future at the time when the insurer is obliged to pay. A. Banasiński formulated the following definition by analyzing the role and function of insurance based on methods such as system analysis and the application of modern economic cybernetics apparatus: “Insurance is understood as a multi-regulator of national economy development processes disturbed by random events – natural disasters and unfortunate accidents. The cost of this regulation is distributed directly or indirectly to pre-defined units (legal or natural entities) using this regulator” (Banasiński 1996, p. 74).

Insurance involves a contract/agreement concluded between the insuring party, the person purchasing the protection service covered by the insurance, and the insurer or insurance company. The insurance company is to perform a specific service in the form of payment of a specified sum of money in the event of a specific event or accident specified in the contract. On the other hand, the insurer undertakes to pay the premium specified in the insurance contract.

The number of motor vehicles increasing year by year combined with the low capacity of Polish roads have a significant impact on the number of transport-related accidents. As a result of these events, road traffic participants suffer from various types of damage related to both to health and property. Any damage caused must be compensated, which entails significant costs (Zielińska 2012, p. 344).

Because of freedom (or its lack) in establishing insurance coverage under insurance, compulsory and voluntary insurance is distinguished (Garbiec 2007, p. 43).

This results from the fact that, as in all other types of insurance, compulsory insurance is contractual in its character. However, in the case of compulsory insurance, the legal obligation to conclude insurance contracts is imposed on particular entities.

In order to define clearly and precisely the mutual rights and obligations of the parties with respect to insurance contracts, insurance companies introduce general insurance conditions aimed at simplifying and facilitating the mass conclusion of insurance contracts, consequently harmonizing these contracts. Thus, separate terms and conditions of this insurance are established for each type of insurance operated by the insurer. Typically, the general conditions of individual insurance determine the scope of liability of the insurance company, the limitation of this liability, the duration of insurance, the beginning and termination of the liability mentioned above as well as the amount of compensation. General insurance terms and conditions constitute an integral element of the insurance contract, determine the rights and obligations of the parties to the insurance contract, ensure proper protection of both parties to the insurance contract as regards the legitimacy of insurance claims.

Motor vehicle insurance constitutes the dominant field of activity in reference to insurance companies in Poland. Insurance companies provide insurance against risks concerning the vehicle itself, namely “autocasco” insurance (AC) and liability insurance (OC) addressed to car owners in reference to damage arising in connection with the movement of these vehicles in and outside Poland. The main product parameters concerning motor vehicle insurance are presented in *Table 1*.

Table 1. The main product parameters concerning motor vehicle insurance

Product parameters concerning motor vehicle insurance	
Subject of the insurance	The scope of insurance protection
<p>Third party liability insurance (OC) addressed to vehicle owners, the insurance deals with the civil liability of each person who caused damage in connection with the movement of the vehicle while driving this vehicle during the term of the contract.</p>	<p>This insurance protects the vehicle owner from the financial consequences of damage suffered by third parties in connection with the movement of the vehicle, such as:</p> <ul style="list-style-type: none"> – damage to the property: <ul style="list-style-type: none"> • the cost of repairing such a damaged vehicle, • effects of damage, destruction or loss of property other than the car (for example, building, fence), – personal damage: <ul style="list-style-type: none"> • covering the costs of treatment undergone by the injured parties, • payment of the disability pension for the injured individual, • compensation for the death of a close relative, <p>The insurance coverage is the same in the case of all vehicle owners. It includes not only damage caused while driving but also damage caused when the car was in the garage, damaged caused while getting in and out of the car, during loading and unloading as well as while parking.</p> <p>The rules concerning the conclusion and performance of compulsory TPL insurance addressed to vehicle owners are specified in the Act issued on the 22nd of May 2003 on compulsory insurance, the Insurance Guarantee Fund and the Polish Motor Insurers' Bureau.</p>
<p>Autocasco (AC) insurance provides comprehensive protection as regards:</p> <ul style="list-style-type: none"> – vehicle – vehicle equipment, <p>against material (non-operating) losses connected to the possession and use of this vehicle.</p>	<p>Damage to the vehicle connected to movement and lack of movement due to:</p> <ul style="list-style-type: none"> – collision with another vehicle, people, animals or objects, – activities of third parties, for example, burglary. <p>Damage or loss of a vehicle due to unexpected events such as:</p> <ul style="list-style-type: none"> – natural disasters (for example, flood, hurricane) and the forces of nature (for example, hail), – fire, explosion, activities connected to the application of a thermal or chemical agent. <p>Damage to the interior of the vehicle by persons when transportation of these individuals was required due to the need of providing medical assistance.</p> <p>Theft of the vehicle, its parts or equipment.</p> <p>Damage to the vehicle resulting from its short-term use, theft of the vehicle, its parts or equipment.</p>

Source: Author's study based on general terms of motor vehicle insurance

Environment and management processes of insurance companies

In contrast to the macro-environment, in a competitive environment, the influence of the environment on the company is more noticeable and can be experienced in a much shorter period of time. As regards the macro-environment perspective, some changes belong to the dimension of insignificant events while they evoke concern directly from the point of view of objects and this information is extremely significant. Therefore, enterprises should ensure access to the appropriate quality source of information about the environment, apply modern and effective analytical and information tools that enable a fast and synthetic diagnosis of their functioning, determining their position in relation to their competitors (Jelonek 2002, pp. 35-36).

The fundamental aspect of the new management paradigm involves the application of knowledge and innovation as a cooperation factor both within the company and in shaping the relations with its environment. The company strengthens its relationship with the customer, monitors competitors and applies data analysis system generating information on the market and competitors, which proves useful in establishing new strategies. Modern management is to be accompanied by changes in the organization's activities, such as (Pomykański 2011, pp. 74-75):

- planning how to obtain relevant knowledge from the market and from the customer, its application in the internal growth and development process and, most importantly, innovations concerning products, processes and management,
- increase in the acquisition of external knowledge, which is achieved through importing innovation or via mergers and acquisitions.

Information used in management processes is determined on the basis of specific criteria corresponding to the nature of the company. One should pay special attention to the quality of information applied in the management process. The features of qualitative information include (Kucęba, Sokołowski 2002, pp. 55-56):

- accuracy of reliability – information should reflect the reality in a reliable manner,
- completeness – information obtained by the manager has to contain facts and details necessary for this entity,
- timeliness, staying up to date – information has to be available on time to enable proper operations of the manager,
- responsibility – information should prove to be useful for the manager in reference to special conditions and in relation to special needs,
- significance – information has to be useful and obtained in a particular situation, it eliminates the excess of information which is referred to as redundancy,
- brevity, substance – the obtained information has to be in an understandable form which can be used immediately; this information is described as absorbable; namely, it does not require additional modifications,
- usefulness – aggregated information is necessary and useful for making decisions and corresponds to its timeliness.

Management processes are aimed at ensuring effective planning and operating of fundamental and auxiliary processes as well as the improvement of the entire insurance company management system. Management processes include strategic planning, operational planning and company management (Gąsioriewicz 2015, p. 13).

The advantages of management through innovation include (Bieniok 1997, p. 204):

- favouring or even imposing progress, consequently resulting in the development of the company,
- activating absolutely all members of the organization and assigning them with a common objective, namely development,
- personal development of employees via constant self-education and professional development, as well as improving the organizational culture functioning in the company,
- increasing the competitive advantage of the company as well as its capabilities due to the need to constantly monitor competitors' actions and customer's reactions, as well as the need to implement new products in a permanent manner.

Process orientation should involve a comprehensive manner of thinking about processes as related activities. Their identification can contribute to the better understanding of value establishment and their facilitation as well as continuous improvement of the company efficiency and satisfaction of both internal and external customers (Bitkowska 2009, p. 12).

Conclusions

Insurance services demonstrate the possibility of using innovative technological solutions to improve their quality and management efficiency. Nevertheless, it is significant to avoid losing the so-called personal factor and using it in a manner adding up to the features which are expected by customers, such as clarity, trust, reaction, confidence and empathy. The progress achieved so far in the application of innovative technologies in most cases corresponds to decreasing the costs and increasing efficiency. Technology and personal services are to complement each other. A service system providing customers with innovative technology as well as a high level of personal contact can increase the results. Insurance companies must bear in mind the significance of innovative management of insurance services. If a company aims at surviving in the conditions of arduous competition, standing out is the key feature which can be implemented by establishing an image of an insurance company as an institution providing innovative services.

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INNOWACJE PRODUKTOWE I PARAMETRY UBEZPIECZEŃ KOMUNIKACYJNYCH A PROCESY ZARZĄDZANIA ZAKŁADÓW UBEZPIECZEŃ

Streszczenie: Celem niniejszego artykułu jest przedstawienie sytuacji na rynku ubezpieczeń w aspekcie wybranych elementów procesu zarządzania zakładów ubezpieczeń. Chodzi tu przede wszystkim o zwrócenie uwagi na działania zakładów ubezpieczeń, które w celu poprawy standardów zarządzania zdecydowały się na wprowadzenie innowacyjnych usług oraz nowych rozwiązań w strukturach organizacyjnych. Efektem wdrażania innowacyjnych rozwiązań jest rozwój i skuteczne konkurowanie na rynku usług ubezpieczeniowych. W opracowaniu przytoczone zostały również parametry produktu w ubezpieczeniach komunikacyjnych ze względu na przedmiot ubezpieczenia i zakres ochrony ubezpieczeniowej. W tym kontekście odpowiednie procesy zarządcze wydają się być kluczowe ze względu na wykorzystanie innowacyjnych rozwiązań do kształtowania relacji w otoczeniu zakładów ubezpieczeń.

Słowa kluczowe: innowacje, proces zarządzania, ubezpieczenia komunikacyjne, usługa