

The development of Polish life insurance market in the context of Austrian School - client's approach

It is probably not an exaggeration to say that significant progress in economic theory during the last one hundred years has meant the next step in the consistent application of subjectivism.

Friedrich von Hayek

The aim of this paper is to show the empirical relation between the insurance agents' specified personal qualities and the efficiency of life insurance companies in the context of future development perspectives, based on meta – analysis and conducted in three domestic scientific projects and one international scientific project in the years 2007-2012¹.

Keywords: agents, effectiveness, insurance, management, personality, provision

Abstract

In the long term, the development of Western Europe or the United States, the majority of the countries in Africa and Asia were subjected to colonisation or were at war with the above colonisers. One of the reasons of conflicts² was the lack of coherence between the economic structures of colonisers and indigenous peoples, who were treated as cheap and extensively used manpower. The conquered areas were deprived of raw materials and other natural resources³. Therefore, it is difficult to clearly define the development objectives of the occupied countries and to answer the question whether they were defined at all. As a matter of fact, they played the role of satellite countries although some of the above countries were independent politically.

In the twentieth century, especially since World War II, there was a structural adjustment in global politics in the area of international relations. In addition, while Europe was in a physical and economic ruin, many countries that had been under colonial domination by then, gradually began to regain independence. These politically decolonised areas became part of something that is currently defined as Third World countries. The emerging governments made efforts to follow the path of sustainable economic growth, in order to minimise the gap separating them from the 'Developed World' - very ambitious development plans were prepared. They specified the goals to be achieved to foster social development and improve living conditions of the citizens.

Development and knowledge

The increase in the activities aimed at improving the material status of populations and crystallising the concept of development programmes was a derivative of the success of socialist bloc economies, including in particular, high growth rates in the initial period, which radically reflected global socio-economic conditions. Also, excellent results were obtained in the ideological sphere, and, additionally, the competition with western capitalist economic model was declared. Those conditions provided an incentive for the countries - colonizers to change attitudes towards subordinate colonies and to engage more in the development of the latter.

¹ Scientific projects: 'Identification of talent management dissemination level in life insurance companies', 'Identification of competency management dissemination level in life insurance companies', 'Identification of efficiency ratios implementation level in life insurance companies'

² Apart from the evident fight for freedom

³ See A. Janowski, *Ekonomiczne aspekty ubezpieczeń*, Wydawnictwo UTP Bydgoszcz, 2013

37 The institutions like the International Bank for Reconstruction and Development⁴ and the International
38 Monetary Fund became, at least by definition, the organisations supporting development as they
39 supplied financial resources originating from the agencies created for this purpose. The declaration of
40 decade of development by the United Nations launched a period of world community's interest in the
41 development of the poorest countries. The reconstruction of Europe and the increasing interest in the
42 material status of the poorest countries drew attention of the economics of development in the western
43 mainstream of economic thought. Similar trends were also observed in the eastern bloc.

44 These intentions and interest, especially on the part of Western countries, although innovative at that
45 time, implied a number of questions, including:

- 46 - What factors generate underdevelopment or stagnation,
- 47 - How can the relationship of these factors with the lack of development be explained,
- 48 - What action should be taken to eliminate the constant underdevelopment and the promotion of
49 balanced development in the studied areas.

50 The attempt to answer the above questions caused proliferation of the theory of development,
51 especially in the second half of the twentieth century. The aim of these investigations was to create a
52 map of a coherent international system of logical thinking, which would respond to the questions
53 mentioned by providing the intellectual basis for the design of development policy. In this process, the
54 proposed theories of advanced logical systems are complementary in some areas and competitive in
55 other areas too. The policy of development and implementation of economic development used the
56 theoretical constructs for over a decade, accompanied by high expectations and hopes, eventually lost
57 in the years 1960-1970. Also, there was disappointment with inefficiency in the coupling of theory and
58 practice. Furthermore, not only did the stagnation occur in the countries with low level of development
59 in the best case scenario, but also the size of the gap increased, as compared to rich countries. In
60 addition, the attempts to speed up the development process generated significant problems in the area
61 of social adaptation and management. It was also not established experimentally which of the theories
62 of economic development had produced better results in identifying the determinants of economic
63 development or description of good practices. Some of the views even generated counterproductive
64 results proving the significance of other factors than those generated theoretically. Consequently, the
65 choice constituted immense difficulty for both academics and practitioners.

66 In order to solve the problems, various scientists began to identify shortcomings in the existing
67 theories of development. Critical remarks came from empirical observations, and they constituted pure
68 speculations on the structure of theoretical constructs. Although the usefulness of criticism was
69 undeniable, it was even more difficult to decide which of the existing theoretical constructs should be
70 supported. Those evaluations included a significant mental defect: they did not provide a formal
71 process of efficient choice between the competing theories⁵. Decision-makers are placed in a difficult
72 situation as they have to choose from extremely ethical postulates of individualism and collectivism to
73 generate an efficient path for organisational development. These two stances have been currently
74 extended by introducing additional factors - relative sizes of private and public sectors. Hence, it
75 seems reasonable to say about the non-existence of the criterion defining the frameworks within which
76 the theories of development should be considered, and then accepted or rejected. Therefore, the
77 selection of the criteria on the basis of which the model will be built is essential. The evaluation of

⁴ Also, called the World Bank

⁵ e.g. fundamental postulate of ethics emphasises that some of the theories sanction capitalist individualism as a prerequisite for development. Other opposing theories emphasise the importance of socialist collectivism.

78 strengths and weaknesses, as well as correctness of the theories,⁶ requires considerable mental efforts,
79 clarity of understanding, and their methodological and epistemological basis, in the context of the
80 philosophical search for truth⁷:

- 81 - Clear specification of the content and object of research in the development economics,
- 82 - Direct identification of methods and analysis of theoretical constructs suitable for the examined area,
- 83 - Specification of the process of verification of scientific truth contained in the theory of development.

84 On the basis of the cognitive activities mentioned, it is possible to determine the applicability of the
85 evaluation criterion of the scientific theory of development economics. However, it is not an easy
86 process because no consensus has been found by academics because, so far, the mentioned criterion
87 has been attempted to be established through postulates and criticisms of the existing theoretical
88 structures⁸. However, the lack of agreement has not prevented the acquisition of the criterion from the
89 available research papers on various theories of development.

90 Alternatively, on the basis of the discussion in the field of methodological and epistemological
91 problems of traditional economic theory, the appropriate evaluation tool can be obtained for
92 developing economies. In this case, the difficulty is posed by the general lack of well-developed
93 intellectual relationship between philosophy and methodology of economics⁹.

94 The debate mentioned in the methodology and epistemology of economics resembles philosophical
95 positivism and instrumentalism restrictions. The participants of the mainstream, e.g. T. Hutchison¹⁰, F.
96 Machlup¹¹, M. Friedman¹², P. Samuelson¹³ and M. Blaug¹⁴, focused only on the assumptions of
97 neoclassical economics. However, a deeper analysis indicates the existence of a general hypothesis
98 referring to the above assumptions¹⁵ that the capitalistic system represents the ultimate economic
99 model. This idea, belonging to the realm of allegations, has led in discussions, to discover the
100 historical and social importance of theorizing about economic phenomena. However, a historical
101 context of this discourse does not totally contribute to the growth of understanding of the nature of
102 the transformation process in relation to the feudal and industrial societies and certain stages of
103 economic development. As such, it has not left too much research space for the assessment of the
104 methodology of economics development. However, these debates, although they have many
105 shortcomings, can inspire to ask questions about the scientific status of many theories of economic
106 phenomena. These doubts in the field of methodological problems of economic knowledge are
107 particularly important in the theories of economic development. They prove that the structural
108 transformation of societies affects all aspects of human life and that the change from one
109 developmental stage to another affects the material and psychological well-being of all the members of
110 the society. On the basis of current scientific achievements of the author, it seems to be reasonable to

⁶ At the same time, the method of definition of these terms is irrelevant

⁷ Adequatio intellectus et rei

⁸ It is reflected, inter alia, in the works of K. Popper [K. Popper, *The Logic of scientific discovery*, New York, Harper Torch Book, 1965], T. Kuhn [T. Kuhn, *The Structure of Scientific Revolution*, Chicago University Press, 1970] and I. Lakatos [I. Lakatos, *Mathematics, Science and Epistemology*, Philosophical Papers, Vol. I, Cambridge University Press, 1987], who studied in detail the views of conventionalists, positivists, and other methodological approaches

⁹ As indicated by O. Morgenstern [O. Morgenstern, *Mathematical Theory of Expanding and Contracting Economics*, Lexington Books, Massachusetts, 1976, p. 5]

¹⁰ T. Hutchison, *Knowledge and Ignorance in Economics*, University of Chicago Press, 1979

¹¹ F. Machlup, *Methodology of Economics and Other Social Sciences*, New York, Academic Press, 1978

¹² M. Friedmann, *Essays in Positive Economics*, Chicago, University of Chicago Press, 1953

¹³ P. Samuelson, *Operationalism in Economic Theory*, *Quarterly Journal of Economics* 69, 1955, p. 310-14

¹⁴ M. Blaug, *The Methodology of Economics*, New York, Cambridge University Press, 1980

¹⁵ Positivism and instrumentalism

emphasise the primacy of the Austrian school in the relevant area, which was confirmed by the results of empirical studies.

Austrian School – the birth of praxiology

The beginning of Austrian School of economics is associated with the publication of C. Menger's book entitled 'Grundsätze der Volkswirtschaftslehre'¹⁶ in 1871. In this book, the author proves the error in the perception of the economy as a static, perfect being, remaining in a balanced state and possible to be described in the form of mathematical equations. In return, he proposes that the economy should be based on realistic subjectivity, never reaching the state of equilibrium. However, it constantly aims at reaching that state. Instead of typical *homo economicus* theoretical primacy of that period, the author promotes an individual as an entrepreneur making mistakes and undertaking risks while pursuing objectives. The mentioned work presented the result of observations of changes in prices on the Vienna stock exchange and own research in the field of political economy. The actual situation, emerging from research proposals, was far from a theoretical framework outlined by A. Smith or D. Ricardo. The approach proposed by C. Menger is based on the assumption that any actions are taken by individuals, pursuing their own activities marked by subjectivity in the area of economic activity. The author challenges the appropriateness of adoption of a homogeneous pattern of imaginary beings¹⁷. He further argues that economic decisions concern the precise amount of specific objects rather than homogeneous goods of the producers or other aggregates, based, under certain conditions, on the subjective knowledge of the person making a decision, accompanied by uncertainties and limitations of knowledge. As a result, making simplifications¹⁸ aimed at universalisation distorts the picture of reality, because every situation involving the expenditure of human energy is unique¹⁹. Therefore, it seems to be reasonable to say that the subjectivist perspective should be adopted during the formulation of economic claims. The basic idea of that approach is to assume that an individual makes an effort to reach a subjectively defined target of particular significance to entrepreneurs. This weight is determined by feelings and the premises subjectively existing at the time of the decision-making process. Still, it is dynamic and may be subject to change depending on the change in circumstances²⁰. Then, the means are arranged²¹. They are perceived as useful in the efficient management process, which are reconsidered, depending on the subjective judgment, to be usable in the area of pursued goals. Therefore, the value of the aim is determined by the usability of a mean²².

This relationship led C. Menger to construct the concept of economic goods at a different level. The first level goods are consumer goods²³, as they directly meet the people's needs. However, not too many resources are suitable for immediate consumption. Most of them must first be transformed by human action, passing many intermediate stages, and the production process is not of a zero– one and immediate character, where produced goods are immediately converted into consumptive goods²⁴. It is a multi-step process, whose duration is determined by the degree of complexity and multiplicity of steps. As the entrepreneur assesses measures in the context of their usefulness in achieving

¹⁶ Principles of economics

¹⁷ Also, social classes

¹⁸ Also, creation of models

¹⁹ More broadly presented by A. Janowski, The organizational effectiveness in the context of relationship marketing, Wydawnictwo Politechniki Lwowskiej, Lwów 2012

²⁰ As it is not possible to implement all the objectives at the same time, people make their subjective prioritisation in compliance with the value assigned to them, as a result, the decisions can be made in the context of legitimacy and sequence of individual actions taken

²¹ Referred to as necessary to achieve the pre-set goals

²² However, it very rarely happens that just one operation needs to be performed to achieve an objective. Therefore, people create a multi-step plan of action and are ready to take directly proportional effort to evaluate the objective pursued. The value to be ultimately assigned to the goals determines the subjective value of individual stages of action leading to it.

²³ Ultimate purpose of action

²⁴ According to the assumptions of typical school of economics

objectives, the mentioned evaluation is determined by boundary conditions. Thus, depending on available resources, the valuation of a given measure will be implemented on condition of usefulness of another measure. The author further claimed that, in the evolutionary process, involving innumerable people²⁵ in the course of history, some emerging patterns of behaviour facilitate effective functioning in a given society. They appear on the basis of replication of best patterns— i.e. those which, in a given society, allow for the most efficient achievement of certain objectives²⁶. These patterns are shaped in a long-term, spontaneous and non-conscious process of verification of competitive behaviour by trial and error. Owing to this process, the patterns that are gradually captured and disseminated are those which coordinate mismatches in the society to the highest extent.

Also, L. Von Mises believed that no one can make more effective decisions than the people influenced by them. Moreover, the people who are most interested in taking decisions are always those who will feel the direct effects of it²⁷. Therefore, every human need, any evaluative judgments and all the knowledge accumulated by an individual have their source in the creative abilities of humans²⁸. When the sphere of human action is under threat of violence²⁹, the ability of individuals to generate information, owing to which they operate and the mismatches in the society are eliminated, is prevented. Consequently, the entrepreneurs lack incentives. They cease to strive for finding mismatches in the economy, thus lacking the force that would pull it towards the state of balance. In his views on entrepreneurial activities, L. von Mises defined a new field of knowledge: praxeology, detailed in his opus magnum 'Human Action: A Treatise on Economics, published in 1949, where he emphasises that humans differ from animals in that they have reason and free will. This means that, while the animals through their behaviour cannot make a choice³⁰, humans, through their actions, always take sovereign decisions—as at any moment they can oppose their nature, which leads them to pursue different objectives. The basis of all human actions is people's choice between different forms of activity or passivity—a human³¹ acts. Therefore, the claim that, in each activity, the theme of entrepreneurship and speculation³² is included and that the decisions, burdened with risks and connected with the selection of aims and the most effective methods of their achievement³³ in the uncertain future³⁴, are taken, seems to be legitimate. Therefore, in order to take the optimal decision in given circumstances, it is necessary to gather adequate knowledge. However, since the objective common knowledge exists only in false economic theories, every person must personally get their desired details. Some of them can be found in the information created by someone else³⁵, the other ones must be discovered personally³⁶, on the basis of observations of the environment and appropriate actions taken, or found in an unconscious way³⁷. This knowledge enables individuals to create an opportunity to make a profit³⁸ appearing in their

²⁵ Each is characterised by subjective knowledge, experience and competencies

²⁶ Behaviours demonstrated by the most creative individuals in a given time

²⁷ For the supporters of objective classical school, the case, however, was not so obvious. As L. Von Mises wrote: 'The illusion that rational organisation of economic management is possible in the social system based on public ownership of the means of production has its roots in the theory of the values of classical economists. Persistence of this illusion stems from the fact that many modern economists could not consistently rethink the fundamental theory of subjectivist theory and draw definitive conclusions from it. (...) In fact, it is these errors that led socialist ideas to flourish'. [L. von Mises, Human Action. A Treatise on Economics, Mises Institute, Warszawa 2007]

²⁸ It constantly motivates them to act to improve their fate

²⁹ The foundation of the main activities of state governments is based on it

³⁰ is determined by instinct, though it is often very complex and difficult to understand by the observer

³¹ only him or her

³² When taking actions, individuals pursue certain objectives for certain purposes, consistent with their subjective scale of values. The attainment of these objectives is conditioned by the time required to implement the measures they deem appropriate

³³ Entrepreneurial element

³⁴ Element of speculation

³⁵ Imitation

³⁶ For example, mismatches on the market

³⁷ For example, such knowledge is used, e.g. in the situations when people take decisions impulsively and then, asked about the reasons, reply that they have no idea - they just knew what they should do so. Psychology explains such situations by assuming that humans accumulate a large amount of information throughout their life. However, they are able to consciously realise and then examine only a few of them. The rest of knowledge is processed in a subconscious mind, which works much better, suggesting the result of analysis to the conscious part of the mind.

environment³⁹. As a consequence of this reasoning, the common point of view is criticized in that the profit is formed by taking rewarded risks. They constitute only an additional cost of the actions of entrepreneurs. They do not affect the amount of generated profit⁴⁰ in any way. Therefore, entrepreneurship allows people to constantly discover new information about potential targets and measures, and owing to their use in a creative activity, it provides a self-contained and independent of anyone's will the company's objective to reach balance. As a result, human activity is dependent on the selection⁴¹ of the most effective means to be achieved⁴². The above measures are, by definition, rare⁴³. Therefore, the decision-makers will carry out the most important objectives in the first place, and only later those that occupy next positions on their scale of preferences⁴⁴. This activity is located in time, and also constitutes a rare good. Consequently, if people have an option to choose the same⁴⁵ good now or in the future, they will always choose a present good⁴⁶. Moreover, people plan their actions, taking into account their own predictions, which they create on the basis of theoretical knowledge. However, to use it, they have to refer their knowledge to specific present events, on the basis of previous experience, in which a given entity was involved. On this basis, the evaluation of possible scenarios of events takes place, so every a priori human becomes an entrepreneur in a broad sense⁴⁷. However, in contrast to economists, the entrepreneurs make efforts to construct their forecasts at the highest possible level of detail. The former ones have no basis for creating such predictions⁴⁸.

Phraseology and efficiency in the life insurance companies

Insurance mediation means the mediator's paid services for the performance of actual or legal actions or implementation of insurance contracts. Insurance mediation can be conducted by agents exclusively, or insurance brokers. An insurance mediator realizes an action on behalf of the insurance company, named 'agency's actions'⁴⁹, or a client - oriented activity, called 'broker's actions'⁵⁰. Thus, insurance

³⁸ Subjectively perceived benefits

³⁹ Becoming aware that it exists, and then taking actions to take advantage of it, 'Only a human mind, which controls the operation and production, has the ability to create [L. Von Mises, *Planowany Chaos*, translated by L.S. Kolek, Instytut Konserwatywno-Liberalny and Fijor Publishing, 2005]

⁴⁰ Profit is not also made by taking maximizing decisions on buying and selling - Entrepreneurship does not consist in a simple management of factors of production: 'You do not need a diploma of completion of higher school of management to succeed in business. These schools prepare graduates to occupy subordinate positions, which require routine skills. Certainly, they do not educate entrepreneurs. Nobody can be trained to be the entrepreneur. People become entrepreneurs when they catch opportunity and fill a noticed gap. There is a general theoretical knowledge that can be learned through studies and practical knowledge of entrepreneurship, which is shaped by experience. One can be a great economic theorist, and, at the same time, bad entrepreneur. Gaining general knowledge gives no practical knowledge. These are two disjoint fields of knowledge acquired through different methods.

⁴¹ Through trials and errors

⁴² These people make choices according to their personal scale of values. As a result, the action is taken to transform the state which people perceive as less satisfactory to the one that may bring them the expected higher level of satisfaction.

⁴³ Otherwise, they would not constitute the subject of planning

⁴⁴ According to the law of diminishing marginal utility

⁴⁵ In terms of the analysed features

⁴⁶ Time preference law. According to W.S. Jevons and C. Menger, people usually prefer *present* to future goods. This is caused by the principle of conservation of energy - consuming is easier than saving. Therefore, the efforts connected with will and body are always needed to postpone the use of funds already available today. People living 'in the present time' and consuming their stocks, have a high time preference, and those saving or investing - low time preference [J. Huerta de Soto, *Szkola austriacka – ład rynkowy, wolna wymiana i przedsiębiorczość*, Fijor publishing, Warszawa 2010]

⁴⁷ Operates under conditions of uncertainty while trying to assess the future course of events and to plan the activity most effectively.

Relevant theoretical knowledge and experience determine specific actions and minimize uncertainty. Therefore, it seems to be reasonable to say about the absence of uniform predispositions in the decisions regarding own future actions.

⁴⁸ As there are logical-deductive laws in economics, economists cannot make quantitative, geographical and time predictions - only qualitative predictions can be made. Expecting from economic theorists that they will make precise predictions about certain events results from the misunderstanding of economic reality and the nature of social sciences - when economists create such a forecast, they do not act as representatives of their area of expertise, but as entrepreneurs trying to guess the future course of events. Therefore, it is improper to claim that they are universal and logical implications of certain events, arising from the nature of human action in market conditions. The above mentioned conditions should rather be seen as value judgments regarding the strength of influence of various factors, issued on the basis of personal knowledge and experience.

⁴⁹ Including: logging the clients, preparations for the conclusion of insurance contracts, as well as participation in the management and implementation of insurance contracts, also in the scope of damage, organisation and supervision of agency actions

⁵⁰ Such as: taking actions to conclude insurance contracts, preparations for the conclusion of insurance contracts, as well as participation in the management and implementation of insurance contracts, also in the scope of damages

companies must sell their products through the following channels of distribution: direct sales⁵¹, agency sales⁵² and brokerage⁵³. Although the direct sale conducted by the employees of insurance companies is characterised by a considerable quantitative volume, it does not reflect the efficiency of sales - the actions of mediation is also performed by⁵⁴ bank employees, travel agents or even the postmen [TABLE 1].

Tab. 1 The service distribution channels of insurance companies in 2007-2014 [in%]

Specification	2007	2008	2009	2010	2011	2012	2013	2014
Direct sale	27.3	22.9	32.4	36.8	34.6	28.8	40.2	
Agent sale	66.3	72.5	62.5	52.6	55.9	63.0	56.8	
Brokers sale	2.4	1.6	1.8	1.7	1.9	1.6	1.8	
Other	3.9	3.0	3.3	8.9	7.7	6.6	1.1	

Source: Committees of Financial Supervision [www.knv.gov.pl]

In the context of the content of the above summary, it seems to be right to say that the activities of insurance agents are of particular importance to the performance of life insurance companies⁵⁵, because the quality of relationships with the clients of insurance agents has a major influence on purchase decisions. Also, R. Norman, when writing about the importance of service staff points to the fact that service activity is not marked by the extensive use of capital or intensive use of staff. Of crucial importance is the involvement of the employees providing services⁵⁶, which often have a⁵⁷ purely emotional character⁵⁸. The authors emphasise that client orientation plays the most important role in insurance organisations, and the contact staff responsible for services is made up of a core group of employees in the organisation. It is reflected in the claim⁵⁹ that the contact staff⁶⁰ create organisational top hierarchy owing to interactions with clients. It was the topic of research projects.

Research methodology

The research was conducted on the territory of Poland and Lithuania in the years 2005-2007 and 2011-2012, during the scientific project at the Higher School of Management in Konin. The research sample consisted of 476 insurance agents, 232 life insurance sales managers, and 796 clients of four biggest (referring to market shares) Polish insurance companies. The aim of the above research was to identify the most important factors determining purchasing decisions to buy life insurance policies (Delphi method, questionnaires). All the above participants were asked the same questions to increase research

⁵¹ Provided by 'full-time workers'

⁵² By insurance agents

⁵³ By insurance brokers

⁵⁴ Except the people working for insurance companies

⁵⁵ Because the quality of relationships with the clients of the insurance agents has a major influence on purchase decisions. This contact, often referred to in the reference materials as a 'moment of truth' [J. Carlzon, *Moments of Truth*, Cambridge, Ballinger Books, 1987], will determine the value of the provider - recipient relationship [In the case of services, especially so-called high-contact services, the clients mainly remember the role played by the first contact staff]

⁵⁶ R. Norman, *Service Management, Strategy and leadership in service business*, John Wiley and Sons, 1984

⁵⁷ Reference to insurance services

⁵⁸ Here, the emotional nature of service relationship is emphasised. The contact staff often requires emotional involvement ('emotional labour'). This term applies to the employees who express socially desirable emotions during the provision of services [Ch. Lovelock, *Services Marketing, The European Perspective*, Financial Times, Prentice Hall, 1999, p. 546]. This approach shows a clear difference between the staff of manufacturing companies and the staff of service companies. In the latter case, the staff's task is to shape a number of benefits achieved by the client, on the basis of relationship and mutual commitment. While the task of the worker employed in the manufacturing companies is to focus on the production process and take care of the execution of the product in accordance with the standard. As K. Irons writes, the role of the manager of service company can be compared to the role of a football team manager: as long as the game does not start, the manager is capable of taking own actions, e.g. by changing players, trainings, tests, but when the match starts, most of the events are beyond the manager's control [K. Irons, *The World of Superservice. Creating profit through a passion for customer service*, Addison-Wesley, 1997]

⁵⁹ K. Rogoziński, *Nowy marketing usług*, Wyd. Akademii Ekonomicznej, Poznań, 2000

⁶⁰ Along with resources and operating system

reliability. The main factors of life insurance sales efficiency were evaluated and ranked. In this way, it was possible to get reliable answers to the same questions.

Research results

The factors determining the purchase of life insurance combined with fund –from the client’s perspective

The factors influencing the purchase of life insurance combined with fund were discussed by agents, managers and clients of insurance companies. Eleven basic factors were distinguished:

1. The amount of insurance premium,
2. Other insurance companies’ offer,
3. Brand of insurance institution,
4. Participation in the market,
5. The number of additional options in the product,
6. The existence of a branch of an insurance institution in the client's place of residence,
7. Persuasive skill,
8. Multimedia presentation for the client,
9. Simulations of the increase in the value of the policy,
10. Agent’s personal qualities,
11. Agent’s general knowledge.

The respondents gave their answers by assigning the numbers from 1 to 5 to a given factor, where 1 was an invalid factor, and 5 was a very important factor. In this study, the points 7, 10 and 11 were specified as characteristic determinants of L. Von Mises’s theory for the purpose of the analysis, and they were correlated with the answers of the clients of life insurance companies.

Ad. 7. Persuasive skill

Statistical tests indicate that there is a significant dependency between the assessment of a persuasive skill, acting as a determinant factor in the purchase of life insurance combined with fund in the clients’ opinion, and the insurance company, because persuasive skill is indicated as a very important determinant in purchasing life insurance by half of AVIVA, Amplico and ING clients, who evaluated this skill with 5. Among the PZU clients, this assessment is also dominant. However, less than 50% of the respondents evaluated it with 5, and, if compared to other companies, it was often evaluated with 3. [TABLE 2, 2a]

TAB. 2. Persuasive skill–investigation of the relationship (client rating).

Insurance company	The client ‘buys’ the agent who has convinced him/her					Amount
	1	2	3	4	5	
AVIVA	0	0	28	100	183	311

	0.00%	0.00%	9.00%	32.15%	58.84%	100%
Amplico	0	0	6	18	38	62
	0.00%	0.00%	9.68%	29.03%	61.29%	100%
ING	0	0	3	60	81	144
	0.00%	0.00%	2.08%	41.67%	56.25%	100%
PZU	4	6	69	74	126	279
	1.43%	2.15%	24.73%	26.52%	45.16%	100%
Amount	1.43%	2.15%	24.73%	26.52%	45.16%	100%

Source: own research

TAB. 2a Statistics for the data in Table 2

	χ^2	level p
χ^2 Pearson	77.6253	0.0000
χ^2 NW	82.5785	0.0000
Contingency ratio	0.2981	

Source: own research

The average values of ratings assigned to persuasion, acting as a decisive factor in purchasing life insurance, vary significantly in the opinion of customers.

The highest average score was attributed to this factor by ING clients - 4.54, not significantly lower by Amplico clients - and by AVIVA clients - 4.52 - 4.50, and significantly lower by PZU clients - 4.12 [TABLE 2b, 2c]

TAB. 2b Persuasive skill - analysis of variance (client rating).

Insurance company	The Client "buys" the agent who has convinced him/her					
	average	from standard	Q25	Median	Q75	N
AVIVA	4.50	0.66	4	5	5	311
Amplico	4.52	0.67	4	5	5	62
ING	4.54	0.54	4	5	5	144
PZU	4.12	0.95	3	4	5	279
Amount	4.37	0.78	4	5	5	796
Levene test	0.0000					
Variance analysis	0.0000					

Source: own research

TAB. 2.c Persuasive skill - NIR test (client rating).

Agent	AVIVA	AIG	ING	PZU
NIR test	4.50	4.52	4.54	4.12
AVIVA	4.50	0.87	0.57	0.00
Amplico	4.52	0.87	0.82	0.00

ING	4.54	0.57	0.82		0.00
PZU	4.12	0.00	0.00	0.00	

Source: own research

The situation described above is reflected in the research results of the next element determining the effectiveness of sales of insurance agents.

AD. 10. Agent's personal qualities

Similarly, as in the case of persuasion skill, statistical tests indicate that there is a significant dependency between the assessment of the agent's personal qualities, acting as a decisive factor in purchasing a life insurance combined with fund in the opinion of our clients, and insurance company [TABLE 3, 3a].

TAB. 3. Agent's personal qualities – investigation of dependency (client rating).

Insurance company	Agent's personal qualities					Amount
	1	2	3	4	5	
AVIVA	0 0.00%	12 3.86%	32 10.29%	111 35.69%	156 50.16%	311 100%
Amplico	0 0.00%	0 0.00%	2 3.23%	20 32.26%	40 64.52%	62 100%
ING	0 0.00%	0 0.00%	6 4.17%	72 50.00%	66 45.83%	144 100%
PZU	0 0.00%	10 3.58%	41 14.70%	122 43.73%	106 37.99%	279 100%
Amount	0 0.00%	22 2.76%	81 10.18%	325 40.83%	368 46.23%	796 100%

Source: own research

TAB. 3a. Statistics for the data from table 3

	χ^2	level p
χ^2 Pearson	37.6687	0.0000
χ^2 NW	44.7398	0.0000
Contingency ratio	0.2126	

Source: own research

The average values of ratings assigned to the agent's personal qualities, acting as a factor determining the purchase of life insurance, differ significantly in statistical terms in the clients' opinion. The highest average score was given by Amplico clients - 4.61, significantly higher than in the case of evaluation conducted by ING clients - 4.42, also statistically higher than in the case of AVIVA - and PZU clients 4.32 - 4.16 [TABLE 3b 3c]

TAB. 3b. Agent's personal qualities - variance analysis (client rating).

Insurance company	Agent's personal qualities					
	average	from standard	Q25	Median	Q75	N
AVIVA	4.32	0.81	4	5	5	311
Amplico	4.61	0.55	4	5	5	62

ING	4.42	0.57	4	4	5	144
PZU	4.16	0.80	4	4	5	279
Amount	4.31	0.76	4	4	5	796
Levene test	0.0004					
Variance analysis	0.0000					

Source: own research

TAB. 3c Agent's personal qualities - NIR test (client rating).

Agent's qualities	AVIVA	Amplico	ING	PZU
NIR test	4.32	4.61	4.42	4.16
AVIVA	4.32	0.01	0.21	0.01
Amplico	4.61	0.01	0.09	0.00
ING	4.42	0.21	0.09	0.00
PZU	4.16	0.01	0.00	0.00

Source: own research

Also, in the area of general knowledge required of an insurance agent, the Clientsemphasised the importance of knowledge in their decision-making process to purchase a life insurancecombined with fund.

AD. 11. Agent's general knowledge

In this case, statistical tests indicate that there is a significant dependency between the assessment of the agent's general knowledge, acting as a determinant factor in the purchase of life insurance combined with fund in the clients' opinion, and the insurance company.The agent's general knowledge was most frequently rated at4by the insurance company's clients. However, Amplico and ING awarded this ratingmore often than PZU product buyers, who, in turn, more frequently than theclients of other companies,rated the knowledge below average [TABLE 4, 4a].

TAB. 4 Agent's general knowledge-dependency survey (client rating).

Insurance company	Agent's general knowledge					Amount
	1	2	3	4	5	
AVIVA	4 1.29%	12 3.86%	50 16.08%	145 46.62%	100 32.15%	311 100%
Amplico	0 0.00%	4 6.45%	6 9.68%	34 54.84%	18 29.03%	62 100%
ING	3 2.08%	3 2.08%	30 20.83%	60 41.67%	48 33.33%	144 100%
PZU	8 2.87%	34 12.19%	75 26.88%	84 30.11%	78 27.96%	279 100%
Amount	15 1.88%	53 6.66%	161 20.23%	323 40.58%	244 30.65%	796 100%

Source: own research

TAB. 4a Statistics for the data from table 4

	χ^2	level p
χ^2 Pearson	51.1810	0.0000
χ^2 NW	52.7745	0.0000
Contingency ratio	0.2458	

Source: own research

The average values of ratings of the agent's general knowledge, acting as a factor determining the purchase of life insurance, vary significantly in statistical terms in the clients' opinion. The highest average rating was assigned to this factor by Amplico clients - 4.06, not significantly lower by AVIVA clients - 4.05 and ING clients - 4.02. These results are significantly and statistically higher than the average evaluation of PZU clients - 3.68 [4b, 4c].

TAB.4b Agent's general knowledge—variance analysis (client rating).

Insurance company	Agent's general knowledge					
	Average	From standard	Q25	Median	Q75	n
AVIVA	4.05	0.87	4	4	5	311
Amplico	4.06	0.81	4	4	5	62
ING	4.02	0.90	3.5	4	5	144
PZU	3.68	1.09	3	4	5	279
Amount	3.91	0.97	3	4	5	796
Levene test	0.0000					
Variance analysis	0.0000					

Source: own research

TAB. 4c Agent's general knowledge – NIR test (client rating).

Agent's knowledge	AVIVA	Amplico	ING	PZU
NIR test	4.05	4.06	4.02	3.68
AVIVA	4.05	0.88	0.80	0.00
Amplico	4.06	0.88	0.76	0.00
ING	4.02	0.80	0.76	0.00
PZU	3.68	0.00	0.00	0.00

Source: own research

In this research, agents as well as managers and clients, indicated persuasion skills as a basic determinant for purchasing life insurance combined with fund and the agent's personal qualities as a second determinant. Agent's general knowledge was considered to be less important (average ratings ranged from 3 to 4).

Life insurance sector in Poland - opportunities and threats of development in the context of L. Von Mises theory

L. von Mises, in his work entitled 'Human Action', indicates that the most important performance factor in the organisations whose business is based on human activity is action. Furthermore, all his theoretical and epistemological assumptions are based on this key concept, which is defined by the author as a string of intentional actions - as characteristics based on the following assumptions⁶¹:

- *objectives and measures* are the two basic elements of the theory of action: a human acting consciously uses given measures to achieve a given goal,

⁶¹L. von Mises, *Ludzkie dzialanie*, Instytut Misesa, Warszawa, 2005.

- *causality*: category of means and ends presupposes the existence of the category of causality⁶²,
- *rationality*: of course, the action may appear to be ineffective, may not lead to the attainment of a particular goal, due to the limited knowledge of the acting person. However, action is always rational⁶³, and choice, in turn, is based on evaluative judgment made subjectively by the acting person. Therefore, it cannot be considered as rational or irrational.
- *ordinal scale of values*: the final objectives pursued by the acting person may be material or spiritual, but⁶⁴ their value and importance to the acting person are only subjective and assessed according to an ordinal scale. It is impossible to measure or calculate the value of subjective assessment.
- *assignment of values to measures*: the measures of actions are relevant to the value and importance of the acting person, but as they are only tools used for achieving a particular purpose, their value is secondary⁶⁵,
- *psychological gains or losses*: considering the rarity of means and devoting them to the achievement of a given objective, the acting person must refrain from other goal, which is less valuable in his opinion. If the person's action is successful, it will bring him a subjective and mental profit, which constitutes an non-measurable and a positive difference between the value of the goal achieved and the value of a dedicated goal. If the operation is unsuccessful, the acting person will bear psychological losses,
- *time*: action always takes place in time, and its purpose is always embedded in the future since the present time cannot be changed,
- *uncertainty*: action also indicates the presence of change and uncertainty⁶⁶.

In the context of referenced theoretical assumptions and the results of the conducted research, it seems to be legitimate to claim that the theory of L. Von Mises should be introduced to the management strategies of life insurance companies in the context of increase of the level of sales effectiveness. Insurance agents are entrepreneurs in accordance with legal requirements⁶⁷. Therefore, the ultimate efficiency of the insurance company⁶⁸ depends on their activities, considered as a link of the largest distribution chain of life insurance combined with fund products. However, the risks associated with a strict commission system of remuneration of agents, which makes the mentioned way of selling relatively expensive and vulnerable to the risk of negative returns⁶⁹, should be stressed.

⁶² Hence the assumption that means are causes, and the goals are consequences

⁶³ It is suited to its ultimate goal and knowledge possessed by the acting person

⁶⁴ Regardless of precise nature

⁶⁵ Can be assigned only by taking into account the value of a goal

⁶⁶ If the future is certain, no action cannot change it, so there is no need for action

⁶⁷ Insurance Mediation Act [Journal of Laws No. 124, item. 1154]

⁶⁸ B. Balewski, A. Janowski, The agent's personality versus effectiveness of life insurance companies, *Економічний часопис-XXI*, pp. 84-87, LVOV, Ukraine

⁶⁹ A. Janowski, B. Balewski, *The effectiveness of insurance companies as a derivative of the existence of dysfunction in the commission based system of remuneration of agents*, in: *Organizacje w gospodarce innowacyjnej - aspekty społeczne, prawne, psychologiczne*, wyd. AGH Kraków, 2008, pp. 31-42