



Insurance market in Poland in 2008.

– information for Polish Information and Foreign Investment Agency –

1. Polish Chamber of Insurance

Polish Chamber of Insurance is an organization of economic self-government acting under Insurance Law and representing all insurance companies operating in Poland. The main tasks of PIU cover the support given to legislator with regard to the shaping of insurance law. The Chamber is also taking the actions aimed at increasing insurance awareness within the society and at leading the multilateral debate on the development of insurance sector in our country.

Polish Chamber of Insurance was established in 1990. PIU had 77 members in 2008. There were 58 joint stock companies among them as well as 10 foreign branches and 9 mutual insurance companies.

2. Macroeconomic outline

2008 was a difficult time for global economy and financial markets. Financial crisis which broke out in mid 2007, was the beginning of serious problems faced by the world economy. The consequences of the crisis can also be noticed in Poland, although with some delay. In spite of the growing unemployment and the dropping GNP growth, Poland is a country which is the best to cope with the crisis in the whole European Union. According to Eurostat data the GNP growth amounted to 1.9 per cent during the first quarter of 2009, which was the highest value in the whole European Union. At the same time EU reported a drop of GNP by 2.5 per cent. Poland and Cyprus are the only countries of the Union to show a growth of GNP.

The turmoil on financial markets worldwide has not been affected the safety of money entrusted to Polish insurers by their clients. All insurers comply with the statutory requirements as far as the level of provisions and solvency margin are concerned.

Technical insurance provisions of all Polish insurers amounted to approx. 98 billion PLN for the end of 2008, which is above 9 per cent more than the year before.

3. Insurance market in Poland in 2008.

Very good results have been reported by both life and non-life segments, as far as gross premium written is concerned. The 66 domestic insurers operating in 2008, collected approx. 60 billion PLN of premium during the year. This result was 36.6 per cent better than the year before.

It should be added that above 500 insurers are running their business on the basis of the so called notification, according to the principle of single European passport. There is no institution in Poland to keep statistics concerning the notified insurers.

According to the report of Comité Européen des Assurances (CEA, the European Insurers' Association), Poland is ranked eleventh in terms of the annual premium collected (16.9 billion EUR). It places our country at the level of Denmark, Sweden or Austria. However, it should be stressed that the figures depicting the Polish market and expressed in euro may fluctuate because of PLN exchange rate towards euro. The average annual EUR/PLN exchange rate amounted to 3.5166 PLN (according to NBP data) in 2008. Meanwhile, after six months of this year the average exchange rate of the European currency amounted to 4.47 PLN. That is why it seems more authoritative to depict the Polish market using the Polish currency. Presently, the premium per capita amounts to above 1.5 thousand PLN, while it was 1.2 thousand PLN in 2007. Several largest insurers have the dominating position on the market. Five leaders of life segment constitute an approx. 70 per cent share of the whole market, while five leading insurers of non-life segment reach 71 per cent market share.

In 2008 Polish insurers employed above 29.5 thousand full-time employees, which was 0.55 per cent of all the employees employed within the sector of enterprises (according to GUS data for December 2007). Insurers also co-operated with 55 thousand insurance agents who are not full-time employees of any insurers. 2008 brought no significant changes in terms of the number of insurers' employees. There were 7269 persons employed by life insurers in 2008, i.e. 0.5 per cent less than the year before. Non-life insurers employed 22315 persons which is 3.5 per cent less than the year before.

The premium collected by insurers constituted 4.7 per cent of Polish GNP in 2008. It results from GUS data that the Polish GNP amounted to 1.271 thousand billion PLN in 2008 (growth by 4.9 per cent on year-to-year basis). According to CEA data, the ratio of premiums collected to the GNP exceeds 7 per cent.

3.1. Insurance distribution channels

The sale of non-life insurance products has been dominated in Poland by agents who generate approx. 42 per cent, i.e. the largest share of premiums collected by insurers. Insurers' employees, who are not agents, also play an important role in this respect (above 20 per cent of premiums), as well as brokers (approx. 13 per cent of premiums). Direct sale market still shows a high dynamics in Poland. Direct sale by phone grew by approx. 130 per cent last year, with a 30 per cent growth of online sale. In spite of such a high dynamics, direct sale still plays a marginal role on the Polish non-life insurance market. Its share in gross premium written does not exceed 2 per cent.

According to GUS research carried out in April 2008, 6 million households have access to internet in Poland (48 per cent). Only 8 countries in Europe showed a worse result than Poland in this respect. In the Netherlands which is the best in this ranking, 86 per cent of households have access to internet.

In the consequence of a dynamic development of products on the life market, called "investments wrapped in policies", the way of life insurance distribution has also changed. Banks are the undisputed leaders in this regard, constituting the main distribution channel of investments wrapped in policies. It results from PZU data, that above a half of all premiums from group life insurance and one third of those from individual policies in 2008, have been collected through the co-operation with banks.

The popularity of bancassurance channel made both insurers and banks indicate the need to work out good practices for bancassurance market. The document which has been adopted this year on the initiative of PIU and Polish Bank Association, obliges the banks to expend proper care aimed at the conditions of cover, as specified in the agreements with insurers, to be advantageous to the clients. It is evidenced by the stipulation that any provisions which have been formulated in an ambiguous way, should be interpreted to clients' advantage. It was the authors' intention to create a text which is clear, legible and easily understandable for consumers, so that they can get familiar by themselves with their rights in their relations with banks which provide a certain type of services in the area of bancassurance.

3.2. Insurers' equities

Polish insurance market is dominated by foreign investors. They own 77 per cent of shares in life insurance companies and approx. 80 per cent in non-life business. Germany is the largest foreign investor in both life and non-life sector. The German investors control both large Polish players (Allianz, Hestia, Grupa HDI) and the smaller ones (Concordia, Signal Iduna). In respect of life business, United Kingdom (Aviva), the USA (Amplico Life) and the Netherlands (ING, Aegon) are also important players). PZU, the largest domestic insurance group, remains under control of Polish shareholders. Its dominating shareholder is the Treasury of State.

Table 1. Life insurers' equity data

No.	Insurer	Nominal capital (thous. PLN)	Value of foreign investments in the basic capital (thous. PLN)	Country of capital origin	Share of foreign investments in the basic capital (per cent)
1	AMPLICO LIFE	11000	11000	USA	100,00
2	AEGON	333000	333000	Netherlands	100,00
3	ALLIANZ ŻYCIE	118630	95260	Germany	80,31
4	AXA ŻYCIE	142500	35100	Switzerland	24,63
			49875	United Kingdom	35,00
			57525	France	40,36
5	BENEFIA TUnŻ	216761	216761	Austria	100,00
6	BZ WBK-AVIVA	21750	10875	United Kingdom	50,00
7	CARDIF POLSKA	30000	30000	France	100,00
8	AVIVA POLSKA TUnŻ	74288	66858	United Kingdom	90,00
9	COMPENSA TUnŻ	195208	138858	Austria	71,13
			56350	Germany	28,86
10	CONCORDIA CAPITAL	27000	26000	Germany	96,30
11	ERGO HESTIA TUnŻ	54000	50240	Germany	93,04

12	FINLIFE	147000	147000	Austria	100,00
13	GENERALI ŻYCIE	61000	61000	Netherlands	100,00
14	GERLING POLSKA TUŃ	25302	25302	Germany	100,00
15	ING TUŃ	41000	41000	Netherlands	100,00
16	INTER-ŻYCIE	38000	34296	Germany	90,25
17	LINK4 LIFE	38000	4000	Netherlands	10,50
18	MACIF ŻYCIE TUW	27600	27600	France	100,00
19	METLIFE TUŃ	50000	50000	USA	100,00
20	NORDEA POLSKA	172530	172530	Swedena	100,00
21	POLISA-ŻYCIE	65131	41	Germany	0,06
			13099	Netherlands	20,11
22	PRAMERICA ŻYCIE	60000	60000	USA	100,00
23	SIGNAL IDUNA ŻYCIE	26950	26950	Germany	100,00
24	SKANDIA	46000	46000	Sweden	100,00
25	SKOK ŻYCIE	21030	15547	Luxemburg	89,27
26	UNIQA TUŃ	48775	19555	Austria	47,51
			8421	United Kingdom	19,68
	TOTAL:	2092455	1930042		77

Source: Financial Supervision Authority (KNF)

Table 2. Non-life insurers' equity data

No.	Insurer	Nominal capital (thous. PLN)	Value of foreign investments in the basic capital (thous. PLN)	Country of capital origin	Share of foreign investments in the basic capital (per cent)
1	AIG POLSKA	73500	73500	USA	100
2	ALLIANZ	347080	347080	Germany	100
3	AXA TU	40000	40000	Switzerland	100
4	BENEFIA	61500	61500	Austria	100
5	BZ WBK-AVIVA	27000	13500	United Kingdom	50
6	AVIVA POLSKA	36600	32940	United Kingdom	90
7	COMPENSA	254639	156859	Austria	62
			97479	Germany	38
	CONCORDIA POLSKA				
8	TUW	57286	56374	Germany	98
9	D.A.S.	10000	10000	Germany	100
10	ERGO HESTIA	167481	167481	Germany	100
11	EULER HERMES	12252	12252	Germany	100
12	GENERALI TU	190310	190310	Netherlands	100
13	HDI ASEKURACJA	142100	142100	Germany	100
14	HDI-GERLING POLSKA	19300	19300	Germany	100
15	INTER POLSKA	131200	131168	Germany	100
16	INTERRISK	78440	78383	Austria	100
17	LINK4 TU	111354	111354	Netherlands	100
18	PTR	105180	5000	United Kingdom	5
19	PZM TU	46000	42000	Austria	91
20	PZU	86352	3462	United Kingdom	4
			29892	Netherlands	35
21	SIGNAL IDUNA POLSKA	32810	32810	Germany	100
22	SKOK TUW	16337	14585	Luxemburg	89
23	TUW	23864	1618	Belgium	7
			11763	France	49

24	UNIQA TU	220308	150979	Austria	69
			66092	United Kingdom	30
25	WARTA	81277	81277	Belgium	100
	TOTAL:	2372170	2181057		79,98

Source: KNF

3.3. Life insurance

High dynamics of premiums collected was reported especially in respect of life market. Demand for the so called safe investments, accompanied by the policy of high interest rates, made the clients invest their money in the so called investments wrapped in policies. However, these products cover a protective component, as well. Because of that protective component, these products, like life insurance products, are capital yields tax-exempt.

Simultaneously, the premium collected from unit-linked policies dropped significantly, which was caused mainly by unfavorable situation on the market of securities. The drop amounted to approx. 50 per cent on year-to-year basis.

In 2008, the domestic insurers collected approx. 39 billion PLN of premium. It means a growth by above 50 per cent, as compared to 2007. At the same time, above 19 billion PLN of indemnities and benefits were paid, which is 86 per cent more than the year before. The benefits paid was mainly related to clients' withdrawal from unit-linked products.

Gross premium written of particular life insurers as well as the amounts of indemnities and benefits paid by them, have been shown in Table 3.

Tabela 3. Premium and amounts of indemnities paid by life insurers

No.	Insurer	Premium 2007 (thous. PLN)	Premium 2008 (thous. PLN)	Benefits 2007 (thous. PLN)	Benefits 2008 (thous. PLN)
1	AEGON	2 787 829	914 420	388 248	1 279 264
2	ALLIANZ ŻYCIE	1 639 348	1 509 060	393 060	757 743
3	AMPLICO LIFE	1 887 865	1 734 178	658 312	706 444
4	ASPECTA ŻYCIE	65 990	-	11 739	-
5	AXA ŻYCIE	382 270	1 604 890	120 360	584 638
6	BENEFIA TUnż	377 944	986 686	18 498	375 790
8	BZ WBK - AVIVA TUnż	-	59 013	-	149
9	CARDIF POLSKA	448 040	452 113	35 285	46 352
10	AVIVA POLSKA TUnż	3 139 073	3 993 935	1 287 363	2 533 417
11	COMPENSA TUnż	266 759	367 125	50 676	113 482
12	CONCORDIA CAPITAL	19 376	15 080	2 255	3 740
13	STUnż ERGO HESTIA	221 214	269 332	87 827	96 504
14	TUnż EUROPA	1 204 740	2 657 004	388 846	833 236
15	FINLIFE	69 416	-	22 777	-
16	GENERALI ŻYCIE	537 539	792 027	314 591	482 252
17	HDI-GERLING ŻYCIE	296 164	167 259	146 156	162 644
18	ING TUnż	1 381 771	3 876 007	471 772	561 669
19	INTER-ŻYCIE	8 290	6 041	4 936	3 690
20	LINK4 LIFE	7	1 357	-	322

21	MACIF ŻYCIE TUW	1 945	3 759	711	762
22	METLIFE	260 157	429 046	48 325	67 202
23	NORDEA POLSKA	882 490	1 336 407	331 713	989 060
24	POLISA-ŻYCIE	58 510	65 438	33 551	34 806
25	PRAMERICA ŻYCIE	120 472	125 250	32 170	29 414
26	PZU ŻYCIE	7 265 830	13 082 075	4 897 365	7 440 165
27	TUW REJENT-LIFE	10 568	10 748	2 227	2 959
28	SIGNAL IDUNA ŻYCIE	17 534	16 906	10 984	10 570
29	SKANDIA	913 462	377 560	153 044	255 329
30	SKOK ŻYCIE	55 811	48 532	21 385	30 353
31	UNIQA TUnŻ	230 090	1 154 891	174 121	643 745
32	UNIVERSUM-ŻYCIE	3 122	3 578	881	763
33	TUnŻ WARTA	721 800	2 926 256	305 479	1 344 145
	TOTAL	25 275 424	38 985 971	10 414 658	19 390 608

Source: KNF

3.4. Non-life insurance

Non-life market, like the life one, reported a growth of premium in 2008. Motor insurance (MTPL and casco) still remains the most important part of this segment. Insurers collected 6.8 billion PLN of MTPL premium which is 13 per cent more than the year before. Indemnities paid from MTPL policies were growing at a slightly higher rate. Insurers paid 4.2 billion PLN of indemnities in 2008 which is 13.3 per cent more than in 2007.

2008 has also brought the growth of the number of voluntary motor insurance, i.e. autocasco. Above 4.5 million drivers had such a policy by the end of 2008. This number reached the level of 4.2 million in the preceding year.

In the case of motor policies the so called Religa tax should be mentioned which was in force up to the end of 2008. All insurers operating in Poland were obliged to transfer 12 per cent of MTPL premiums to the account of the National Healthcare Fund. This money was assumed to serve the victims of road accident and to finance their treatment. In reality, the Ministry of Health, i.e. the initiator of that law, has never calculated how much the treatment of road accident victims in Poland really costs.

In 2008, insurers paid above 800 million PLN on the NHF account, as the Religa tax. Most insurers were forced to raise their prices because of Religa tax; however, MTPL policies remained the least profitable products. In 2008 the loss on MTPL (technical result) amounted to approx. 700 million PLN. For comparison, insurers earned 438.7 million PLN on autocasco insurance in 2008. Religa tax was lifted in Poland by the end of 2008.

Credit policy of banks as well as turmoil on financial markets caused the number of loan insurance policies to grow rapidly in 2008. By the end of the year there were nearly 200 thousand insurance policies for the so called various financial risks, with as little as 61 thousand the year before.

Above 20 billion PLN premium was collected on the market of non-life insurance in 2008. It is the result which is 11 per cent better than that for the end of 2007. Insurers paid 10.2 billion PLN of indemnities and benefits, i.e. 11 per cent more on year-to-year basis. It

was one of the best results during last few years, as far as the rate of premium growth is concerned.

The crisis did not cause any drop of the number of voluntary non-life policies. There were above 40 million of such agreements in Poland by the end of the year, which means 3.3 per cent more than the year before. However, the growth of the number of policies does not mean that the crisis is not observed on the non-life market. Among others, the number of house and apartment policies dropped from 7.9 million to 6.7 million.

3.5. Business non-life insurance

According to KNF, Polish companies spent above 8.7 billion PLN on insurance in 2008. This constitutes above 16 per cent more than the year before. Most premiums were collected for motor insurance, i.e. approx. 3.2 billion PLN. Policies for fire and other elements are another group of insurance which is of importance for the companies. The enterprises bought above one million of such policies last year (increase by 4.5 per cent on year-to-year basis), paying for them above 780 million PLN. TPL and accident policies are also popular among companies.

The value of gross premium written and that of indemnities paid on the whole non-life market, has been shown in Table 4.

Table 4. The value of benefits paid and of the premium collected (thousands PLN)

No.	Insurer	Premium 2007 (thous. PLN)	Premium 2008 (thous. PLN)	Benefits 2007 (tys. zł)	Benefits 2008 (tys. zł)
1	AIG	27 037	-	18 961	0
2	ALLIANZ	1 378 813	1 611 609	580 630	818 456
3	AXA	2 580	26 111	621	3 105
4	BENEFIA	136 027	161 290	61 688	88 250
5	TUW BEZPIECZNY DOM	1 662	922	-	-
6	BRE UBEZPIECZENIA	24 462	126 570	1 185	10 313
7	BZ WBK - AVIVA	-	15 614	-	68
8	AVIVA POLSKA	113 346	193 161	19 447	41 915
9	COMPENSA CONCORDIA POLSKA	491 687	585 633	248 248	314 117
10	TUW	96 398	141 093	59 898	50 238
11	TUW CUPRUM	24 697	23 273	10 599	7 991
12	D.A.S.	10 181	11 827	2 227	2 619
13	ERGO HESTIA	1 484 505	1 805 029	617 644	811 273
14	EULER HERMES	134 336	154 253	37 909	69 275
15	EUROPA	214 320	253 083	9 270	208
16	FILAR	239 296	-	128 130	-
17	GENERALI	403 193	600 138	176 279	245 703
18	HDI ASEKURACJA	855 848	856 590	475 519	499 797
19	HDI-GERLING	102 773	89 521	35 633	41 633
20	INTER POLSKA	42 278	59 072	14 963	18 887
21	INTERRISK	611 453	715 428	194 388	249 375
22	KUKE	17 675	15 014	5 302	9 716
23	LINK4	225 311	255 842	98 859	137 840

24	MTU	255 392	358 338	114 070	147 431
25	PARTNER	-	483	732	257
26	POCZTOWE TUW	52 643	32 874	36 274	30 388
27	PTR	283 860	283 707	186 431	179 568
28	PTU	392 809	425 524	232 571	235 197
29	PZM TU	28 027	184 226	5 548	43 924
30	PZU	7 981 990	8 217 789	4 512 263	4 586 363
31	SIGNAL IDUNA	73 920	76 389	37 666	45 991
32	TUW SKOK	71 909	92 694	2 339	3 451
33	TUW TUW	143 894	188 136	71 416	89 446
34	TUW TUZ	49 795	39 898	19 854	22 915
35	UNIQA	402 620	664 871	258 000	368 970
36	WARTA	1 848 226	2 018 311	929 607	1 045 281
	TOTAL	18 222 963	20 284 314	9 204 171	10 219 963

Source: KNF

3.6. Health insurance

Poland is a country which has experienced the problem of a poor condition of healthcare system for many years. Polish system is a public one, where everybody is obliged to pay contribution every month to the public payer, i.e. the National Healthcare Fund (NFZ). The lack of competition from private payers (they are not admitted to the system), continual shortage of means in the public system and an extremely small number of private hospitals, make Poles pay more and more for healthcare services from their own resources. It results from PIU data that the costs of healthcare services in Poland amounted to approx. 81 billion PLN in 2008, out of which 25 billion PLN was paid by Poles from their own means and 2 billion PLN was paid by employers. Only two years ago, the individual expenses amounted to 21.2 billion PLN.

In spite of Poles' readiness to participate in healthcare costs, health insurance still constitutes an extremely small part of the insurance market. It results from the PIU data, that insurers collect as little as 120-150 million PLN of medical policy premiums, every year. Such a poor development of health insurance is caused above all by the lack of a consistent system in respect of the presence of private companies on the market. Moreover, the so called subscription companies which offer quasi-insurance services without any supervision and, additionally, make use of tax concessions, constitute a real problem on the healthcare.

Several months ago, Polish Chamber of Insurance submitted a draft of a complex health insurance reform. The draft was appreciated by both experts and the representatives of governmental bodies and was based on the creation of private payers which would be competitive towards NFZ. The draft assumed healthcare services to be co-financed out of the own means, but with the rule of social solidarity being kept.

3.7. Insurers' profits

Admittedly, the insurers' technical result (of basic activities) dropped by approx. 10 per cent, to the level of 4.2 billion PLN, in 2008. Net profit of the whole sector has also decreased. Non-life insurers reported the net technical result of 1.19 billion PLN*, i.e. 40 per cent less than the year before. The total net result of the whole sector amounted to

above 3.7 billion PLN being 28 per cent worse than the year before. Because of unfavorable situation on stock exchange, the 2008 net result of life insurers dropped from 3.3 billion PLN to 2.6 billion PLN.

Table 5. Insurers' financial results of 2008.

Item	Result 2007 (billion PLN)	Result 2008 (billion PLN)	Change (per cent)
Total technical result	4,687	4,188	-11
Life insurance technical result	3,452	3,447	0
Non-life insurance technical result	1,234	0,74	-40
Total net profit	5,289	3,775	-28
Life insurers' net profit	3,289	2,579	-22
Non-life insurers' net profit*	2	1,19	-40

Source: KNF

* net profit as calculated without the dividend transferred from PZU Życie to PZU in 2008