

Polish Market of Estate Insurance. Changes for Future Tendency

Jarosław W. Przybytniowski¹

Abstract

The purpose of this article is insurance market's changes analysis in second sector with tendencies of changes in Poland after European Union (EU) access. Observation and presentation of insurance market by second sector's prism shows actual conditions and changes directions. Common market of 21 century and unification of EU law allowed creating integrating standards though big difference between internal markets of member countries. At the same time the market must cope with²: globalisation, structural changes, growing meaning of services in economy and getting old societies³ as well as more and more differential EU.

Together with improvement of economic situation on world's markets in 2006-2007 economic situation in Poland also improved. Evaluation of economic situation in the scope of financial market (especially insurance market) was much better than in other sectors, we could say that insurances were the motor of economic development.

Poland and European Union

The characteristic parameter to describe insurance activity is height of gross written premium. It is differential. Total premium income at the end of 2006⁴ was about 25 times higher in western Europe than in Eastern Europe. The part of gross written premium in Western Europe was on the level of 38,37% while in Eastern Europe 1,51%. Polish part in world's market is on the level of 0,9% what places our country in the fourth ten of world's market⁵.

In the second sector gross written premium in Eastern Europe countries was almost 12 times lower than in Western Europe in 2006.

Europe's part in total gross written premium in 2006 was 35,95% and was worse than in USA about 12,13%. In 2000 the difference between USA and Europe was 20,5%. Analysis of basic macroeconomics rates in Europe, with poor results in USA connected with recession on real estate market indicates changes favouring stable growth of insurance sector on our continent.

Considering the number of citizens and economic potential Poland exceeds other countries of the region in gross written premium.

¹ The Jan Kochanowski University of Humanities and Sciences in Kielce

²(see) Jędrzejczyk I., *Catastrophic risk and a necessity of using an insurance protection*, [in:] (red) Jędrzejczyk I., Bożyk – Węglarz S., *The insurance of catastrophic risk in the European Union and the Global Changes*, Publisher of the Karol Adamecki University of Economics in Katowice, Katowice 2007, pages 9-10

³ (see) Przybytniowski J.W. *Tendencje zmian na rynku ubezpieczeń gospodarczych w wybranych krajach Europy Środkowowschodniej po 1993 roku* [in:] (red) Sułkowska W., *Nowe wyzwania dla rynków ubezpieczeń w krajach Europy Środkowej i Wschodniej*, Uniwersytet Ekonomiczny w Krakowie, Kraków 2007, page 21

⁴ Up based on European Insurance in Figures, CEA - Comité Européen des Assurances Completa, Paris - Brussels 2007 date

⁵ Work up based on European Insurance in Figures, CEA - Comité Européen des Assurances Completa, Paris - Brussels 2007 data

In collection of total gross written premium as well as in first sector Great Britain leads but in second sector Germany leads for several years. Among middle and eastern Europe countries EU members at the end of 2006 Poland had the highest rate of gross written premium as well as in the second sector. The rate was 2 times higher than in Czech Republic which placed on the second position.

The highest premium per capita in both insurance sectors has been gained in Great Britain Germany and The Netherlands. This situation does not change for seven years⁶. The premium gained in the first sector is over 2,5 times higher than the rate in second sector. The increase in this scope in Poland is incomparably low. The premium per capita in Poland is over 20 times lower than in Great Britain and over 2 times lower than in Czech republic which leads in middle and eastern Europe in this scope.

It is important to consider not only the numerous aspects while analysing insurance market but mainly the development of insurance consciousness (quality characteristic element) and further going insurance education in both demand and supply market and insurance services distribution.

Economical and financial situation of insurance market in Poland

Insurance market concentration

The research of concentration is one of essential elements of particular branch of given economy research. Comparative research in time allows to evaluate development or regress of concentration and eventual connection with economic process efficiency.⁷ The theorem of market organisation indicates reason – result dependency consisting in market structure determining companies strategy calling out specified effects evaluated next on the public point of view by production and allocation efficiency.⁸

Table 1. Gross written premium divided to risk groups in 2006. Poland and EU

Specification	Euro zone ¹²	Other ¹²	Poland
Motor	74,90%	22,96%	2,14%
Personal	87,19%	12,58%	0,23%
Liability	67,66%	31,68%	0,65%
Estate	63,62%	35,42%	0,97%
Transport	51,95%	47,39%	0,66%
Rest	69,88%	28,94%	1,18%

Source: Own work up based on European Insurance in Figures, CEA - Comite Europeen des Assurances Completa, Paris - Brussels 2007 date

After the stage of very intensive development the number of insurers on the Polish market stabilised. At the end of 2007 the total number of insurers (companies) having operate activity was 67 including 35 in second sector (including 7 TUW and 7 departments with

⁶European Insurance in Figures, CEA - Comite Europeen des Assurances Completa, Paris - Brussels 2007 date

⁷ (see) (red). Sosnowska A, *Koncentracja produkcji i zachowania rynkowe przedsiębiorstw*, Oficyna Wydawnicza Szkoły Głównej Handlowej, Warszawa 1998, page 13

⁸ *Konkurencja na rynku usług bankowych- miary koncentracji*, Bank i Kredyt, maj 2001

one main department)⁹. Compared with former year small growth was noticed. It was connected with gaining permission for insurance activity by societies giving direct services.

Besides deregulation process in action the market part of biggest insurer decreases but at the end of 2007 is almost 44%.

Table 2. Second sector's structure in 1998-2007 (%)

	Insurance societies	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1.	PZU S.A.	58,9%	55,1%	57,1%	57,3%	55,8%	53,1%	50,3%	48,8%	46,6%	43,6%
2.	WARTA S.A.	13,2%	13,2%	11,7%	13,0%	13,5%	12,8%	11,6%	11,4%	10,6%	10,1%
3.	ERGO HESTIA S.A.	3,8%	4,6%	4,6%	5,5%	6,3%	6,9%	6,4%	6,7%	7,0%	8,1%
4.	ALLIANZ POLSKA S.A.	X	x	3,7%	3,8%	3,7%	5,1%	5,1%	5,9%	6,9%	7,5%
5.	HDI ASEKURACJA S.A.*	X	x	2,1%	2,4%	2,7%	2,8%	3,6%	3,6%	5,0%	4,7%
6.	OTHER	24,1%	27,1%	20,8%	18,0%	18,0%	19,3%	22,9%	23,7%	24,0%	26,0%

Source: Own work up based on annual report Insurance 2007; Report Polish Chamber of Insurance and Polish Financial Supervision Authority, 2007 date

Analysis of gross written premium in 2001-2007 of 3 and 5 insurance companies indicates that the biggest three corporations of second sector collected almost 80% of premium in 2001 and besides the still decreasing tendency their part at the end of 2007 was 61,8%. The five biggest insurance corporations of the second sector collected 85,2% of the premium in 2001 and at the end of 2007 their result was 74%. It shows the high concentration of whole sector¹⁰.

Deregulation process has gone without sudden fluctuations since 1993 when some insurance corporations fell. The decrease of concentration was visible but evolutionary – not revolutionary. This state was indirectly connected with appearance of new operating business entities. Polish access to EU did not bring sudden growth of number of insurance activity in first and second sector.

Employment

Characteristic for insurance market is that number of employed in insurance companies is few times lower than number of people working as insurance intermediaries or connected with these markets in other way. Reasons of these proportions are in specifics of insurance distribution – the essential form remains insurance intermediary. The number of employed in insurance companies increased from 26000 in 1996 to 30250 in 2007. Employment in polish insurance companies increased about 4250 people and was almost 7300 in first sector and almost 23000 in second sector at the end of 2007¹¹.

In insurance intermediary sector in Poland in 1996-2001 we could notice stable increasing tendency. It was particularly visible regarding insurance agents and the biggest dynamic in this group was noted in 1997 what was connected with Social Insurance reform and using

⁹ Connected with liquidation process since 1st April 2006, on the insurance market there is no TUIR Partner S.A., and as a result of owner change HDI Asekuracja TU S.A. Connected with HDI Samopomoc TU S.A. Besides: Gerling Polska TU S.A. Changed the name to HDI Gerling Polska TU S.A., and 19th March 2006 Winterthur TU S.A. Changed the name to AXA TU SA.

20th May 2008 Komisja Nadzoru Finansowego allowed to connect ASPECTA ŻYCIE T.U. S.A. and Gerling Polska T.U. to Życie S.A.

¹⁰ up based on annual report Insurance 2007; Report Polish Chamber of Insurance and Polish Financial Supervision Authority, 2007 date

¹¹ Annual Report of Polska Izba Ubezpieczeń (Polish Insurance Chamber) „Insurance 2007”, page 28; and KNF date from April 2008. Further in chapter 3

intermediaries to intermediate for PTE (Powszechne Towarzystwa Emerytalne – General Rent Companies). But in 2002 we noticed decrease of number of intermediation agents. It afflicted insurance companies of both sectors. In 2002 visible fluctuation of previous proportion is connected with employment increase in insurance companies and sudden decrease of insurance intermediaries¹².

Since 2001 successive decrease of employment in both sectors has taken place. Next, almost 11% increase of employment in first sector and almost 5% in second sector was in 2007 (connected with increase of number of insurance companies). As a result of employment structure change at the end of 2007 permanent employees amounted below 35% and insurance intermediaries over 65% of people connected with insurance companies.

Primary capital

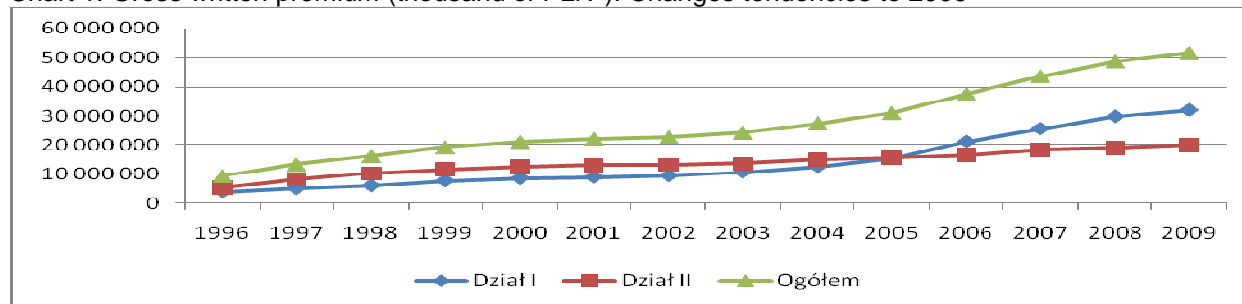
An important element is the level of primary capital financing insurance activity. It's value at the end of 2007 compared with 1997 increased by 120%¹³.

At the same time the foreign investments part increased. At the end of 2007 the part of foreign capital in primary capital of insurants gained almost 80% and increased almost 2 times compared with 1997. In 1997 the part of foreign investments in primary capital of insurance companies was on the level of 25%. Analysing the growth rate we can assume that in 2009 the foreign investments part in primary capital will be over 93%¹⁴.

Gross written premium

At the end of 2007 the level of gross written premium was 43 746 924 million PLN and was higher over 3 times than in 1997. The second sector insurances were on the level of 18 234 240 million PLN. The second sector's dynamic compared with first sector was 2 times lower (chart 1).

Chart 1. Gross written premium (thousand of PLN*). Changes tendencies to 2009



*) values in PLN given in real value in 2006 after inflation correct published by GUS

Source: Own work up based on information and statistics of GUS, and Insurance Companies, Warsaw 2007 date

Insurance market in Poland becomes similar to mature western markets: growth dynamic in first sector is bigger than gross written premium dynamic in second sector.

¹²To compare – according to American employment bureau data in USA, the biggest insurance market in the world, employment proportion is similar – agents and brokers are over 50% of employed in insurance sector where since 2000 decrease of intermediaries number is visible (from 48% to below 32%). (compare) *Employment in insurance 1992-2002*, dane U.S. Department of Labor, Bureau of Labor Statistics, w: Financial Services Fact Book 2002.

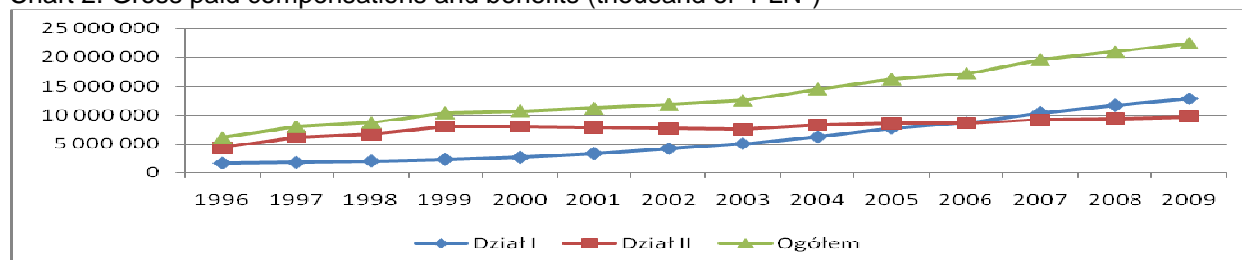
¹³ *Insurance 2006*, Polska Izba Ubezpieczeń (Polish Insurance Chamber), Warsaw 2007, page 93

¹⁴ up based on information and statistics of GUS, and Insurance Companies, Warsaw 2007 date

Compensations and benefits

In analogous period the level of gross compensation and benefits paid increased 2 times and was 19 670 496 million PLN at the end of 2007. In second sector the level of paid compensations was 9 238 665 million PLN (chart 2).

Chart 2. Gross paid compensations and benefits (thousand of PLN*)



*) values in PLN given in real value in 2006 after inflation correct published by GUS

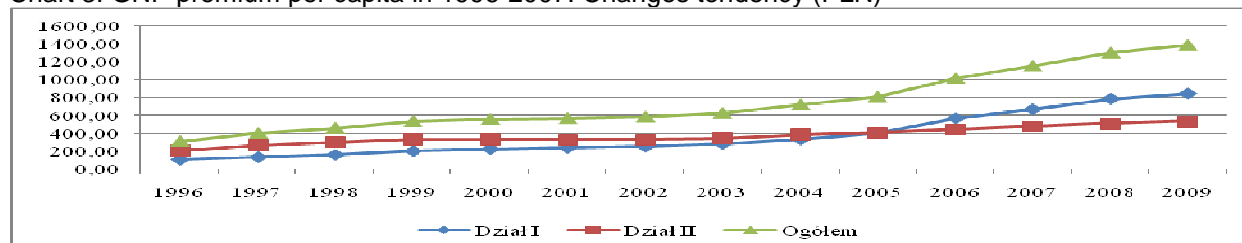
Source: Own work up based on information and statistics of GUS, and Insurance Companies, Warsaw 2007 date

GNP premium per capita

Penetration rate defining the part of insurance premium in GNP (gross written premium to GNP) was at the beginning of 90. of 20th century 1,83% and in 2006 it was on the level of almost 4%. The penetration rate in Poland is lower than average for old EU countries where this value oscillates by 9%.

Density rate – the value of insurance premium per capita besides the high dynamic was in 2007 on the level of 1150 PLN.

Chart 3. GNP premium per capita in 1996-2007. Changes tendency (PLN)



Source: Own work up based on information and statistics of GUS, and Insurance Companies, Warsaw 2007 date

I per capita premium the part of second sector's premium was 2 times higher than first sector's premium in 1996. At the same time the part of first sector's premium grew and in 2005 both sectors premiums were equal. The first sector's premium part was almost 670 PLN at the end of 2007 and the second sector's was 480 PLN. In the nearest future similar changes tendencies will continue.

Structure of personal and property insurance market

The biggest part in gross written premium in second sector comes from motor insurance (summary gross written premium from legal liability and auto casco is almost 60%). Domination of these groups have not changed for years. The part of next risk groups 8-9 places on the level below 17%. All other risk groups part in gross written premium structure below 7%.

Table 3. Gross written premium structure divided to risk groups in second sector (%)

Risk groups	Gross written premium structure divided to risk groups in second sector (%)													Changes tendencies	
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Other personal (gr.1+2)	6,5	5,8	4,9	4,9	5,1	5,3	5,4	5,7	5,7	5,5	5,7	6,0	6,3	6,6	6,6
property (gr. 8+9)	22,7	20,2	17,0	16,7	16,2	16,7	17,7	18,5	19,3	18,4	17,8	17,7	16,8	16,4	16,1
auto casco (gr.3)	33,4	35,8	33,0	32,0	31,5	30,6	30,6	28,7	30,1	29,7	27,8	25,7	25,9	23,9	23,5
Motor liability (gr.10)	28,3	28,4	36,2	37,8	36,9	37,3	36,0	36,1	34,0	33,2	34,9	34,7	33,9	34,7	34,1
Transport (gr. 4 do 7, 11, 12)	4,1	3,7	2,6	2,2	1,8	1,7	1,8	1,9	1,9	1,7	1,9	1,8	1,7	1,7	1,7
Liability in general (gr.13)	2,1	2,2	2,1	2,3	2,7	2,9	3,2	3,4	3,8	4,2	4,5	5,0	4,9	5,2	5,5
financial (gr. 14 do 17)	1,6	2,3	1,8	2,1	2,4	2,7	3,0	3,4	2,5	4,4	4,5	5,5	6,7	7,3	7,9
other (gr. 18+19)	1,3	1,6	2,4	2,1	3,5	2,8	2,3	2,3	2,8	2,9	2,9	3,6	3,8	4,1	4,4

Source: Own work up based on information and statistics of GUS, and Insurance Companies, Warsaw 2007 date

It should be emphasized that motor insurances characterise with very low growth dynamic. Stable growth of financial insurances results with the highest growth dynamic on the level of 122,5%. However the part of this risk group in gross written premium structure of second sector is that small that does not influence the dynamic of whole sector. The positive growth dynamic was noted also on the end of 2007 in scope of other personal insurances (groups 1+2).

Table 4. Gross written premium dynamic divided to kinds of activity in second sector (%)

Risk groups	Gross written premium dynamic divided to kinds of activity in second sector (%)													Changes tendencies	
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Other personal (gr.1+2)	89,2%	84,5%	99,2%	105,1%	103,7%	101,3%	106,0%	99,5%	97,1%	103,6%	105,3%	105,5%	109,5%	108,2%	
property (gr. 8+9)	89,0%	84,2%	98,1%	96,9%	103,4%	105,9%	104,6%	104,3%	95,3%	96,7%	99,4%	94,8%	96,9%	93,4%	
auto casco (gr.3)	107,2%	92,2%	97,0%	98,4%	97,1%	100,0%	93,8%	104,9%	98,7%	93,6%	92,4%	100,7%	97,5%	96,9%	
Motor liability (gr.10)	100,4%	127,5%	104,4%	97,8%	101,0%	96,6%	100,2%	94,2%	97,6%	105,1%	99,4%	97,7%	98,6%	99,6%	
Transport (gr. 4 do 7, 11, 12)	90,2%	70,3%	85,0%	81,9%	93,9%	105,9%	106,7%	97,9%	90,4%	111,8%	94,7%	91,8%	94,0%	91,7%	
Liability in general (gr.13)	104,8%	95,5%	109,0%	116,2%	109,0%	109,0%	107,9%	110,9%	111,0%	107,1%	111,1%	98,2%	98,2%	98,6%	
financial (gr. 14 do 17)	143,8%	78,3%	114,4%	115,0%	113,9%	110,0%	115,2%	73,1%	176,0%	102,3%	122,2%	122,5%	95,6%	113,3%	
other (gr. 18+19)	123,1%	150,0%	87,5%	166,7%	80,0%	83,2%	97,9%	121,7%	104,5%	100,0%	124,1%	105,6%	115,4%	115,6%	

Source: Own work up based on information and statistics of GUS, and Insurance Companies, Warsaw 2007 date

Insurance consciousness

Insurance consciousness¹⁵ of a unit is a general set of views and beliefs common for whole groups, classes and societies considering scope and form of dangers of their existence and whole of means to eliminate or limit these influences.

The state of unit's or group's insurance need is determined by set of factors where we can include: individual ability to identify and qualify dangers, unit's environment influence, previous security satisfaction rate and individual risk disposition.

The consciousness of need of safety is created by dangers and safety guarantee sphere and does not equal insurance consciousness. Needs, knowledge and individual experience in scope of insurance can be stimulated by various instruments eg. self education, information campaigns joining, unit's environment opinions and contacts with insurance corporations representatives. Consciousness creating process leading in consequence to insurance agreement bases on coordinated information, experiences,

¹⁵ Absent and ignored in all analysis connected with function of insurance market is the consumer determined by set of factors

impulses coming from a unit itself or from the nearest environment as well as from insurance institutions and other outer institutions responsible for public order but not connected with insurances directly. The purpose of society insurance consciousness increase is demand for conscious insurance protection growth and bigger insurance distribution.

Summary of article

Economic and financial analysis indicates that Poland is a big insurance market with big chance to develop. Characteristic of this market is constant high monopoly rate. The essential problem of second sector of the market development is concentration on four risk groups – property risks of groups 8-9 (over 16% market part) and motor insurances of groups 3 and 10 – the part of these two groups is on the level of almost 60% of total collected premium.

The most important influencing insurance market of second sector factors are: development tendencies of financial markets (widely understood – capital market, money market, exchange market and insurance market) and consumer's behaviour (multispectral consciousness crating and dividing insurance consciousness of it).

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