

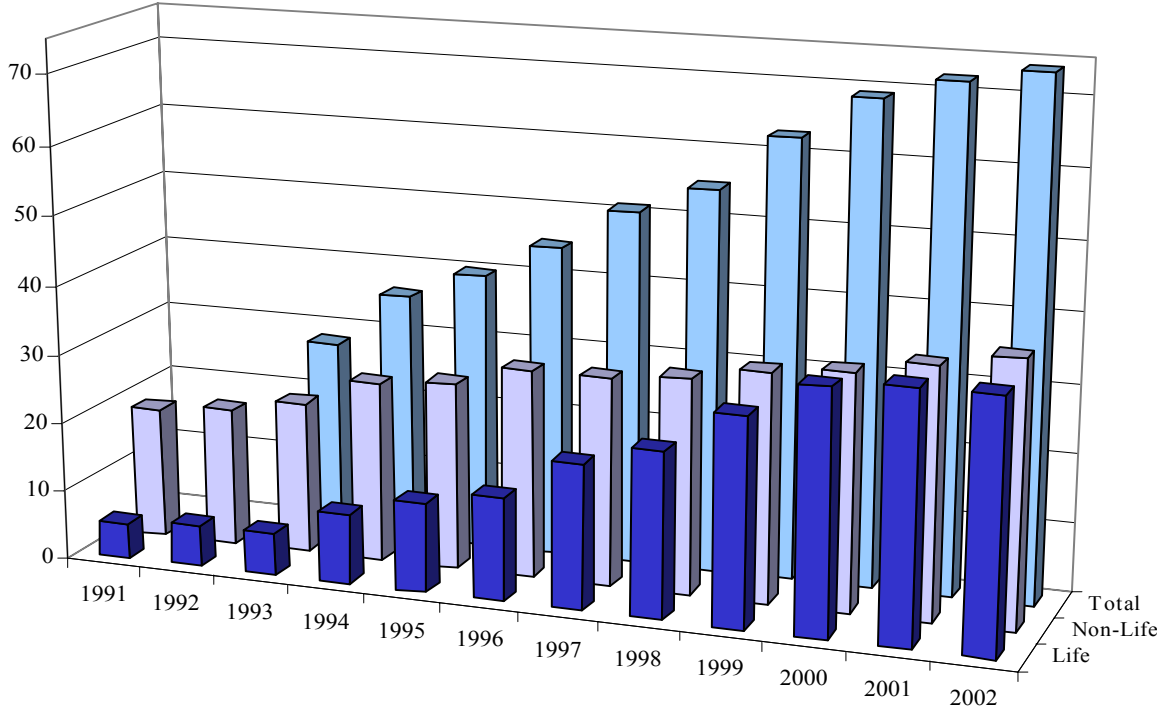
POLISH INSURANCE MARKET IN 2002

This material presents selected financial items aggregated on the basis of audited annual financial statements of domestic insurance undertakings* for 2002. Dynamics of development of insurance market in 2002 is evaluated with reference to 2001 and based on numerical data in domestic currency (Zloty). On the beginning of 2002 legal regulations on accounting and reporting of insurance undertakings were changed. Therefore it is not possible to analyse directly for several periods those reported items whose definitions were changed considerably.

1. Subjects of insurance market

72 domestic insurance undertakings and 2 main offices of foreign insurance undertakings were authorised to carry on insurance business in Poland as of 31 December 2002. 70 domestic undertakings and 2 main offices were selling insurance policies.

Chart 1. Number of Insurance Companies Having an Authorisation to Carry on Insurance Business



* Domestic insurance undertaking – an insurance undertakings carrying on insurance business on the territory of Poland as a joint stock company or mutual insurance company as authorised by the Minister competent for matters of financial institutions.

Depending on the division criteria the number of domestic insurance undertakings conducting operating activity totalled at

- 35 life assurance undertakings and 35 non-life insurance undertakings (including 1 reinsurance undertaking),
- 50 insurance undertakings with prevailing foreign capital and 20 with prevailing Polish capital,
- 64 joint stock companies and 6 mutual insurance companies.

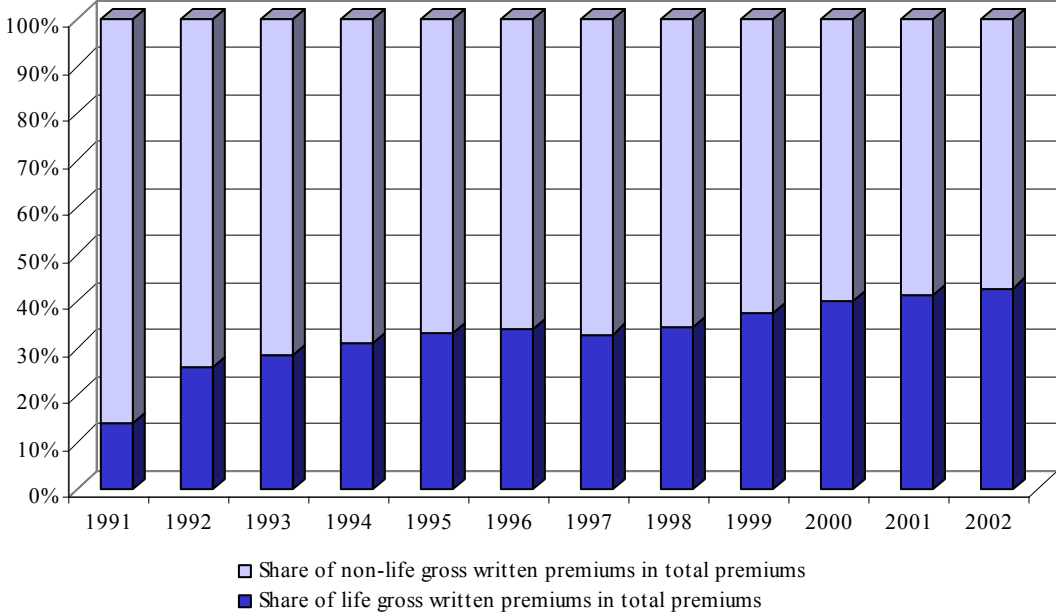
As to main offices of foreign insurance undertakings they operate in two different insurance branches.

2. Income of insurance undertakings

The main source of income of insurance undertakings is the gross premium written. In 2002 that premium amounted for domestic undertakings to 23 155.6 million Zlotys (6 005.6 million Euros).

In 2001 insurance undertakings collected 22 379.3 million Zlotys (6 100.4 million Euros) of premiums. Income on premium of main offices of foreign insurance undertakings totalled at 1.7 million Zlotys (0.4 Euro).

Chart 2. Structure of Insurance Sector Gross Written Premiums by Branches

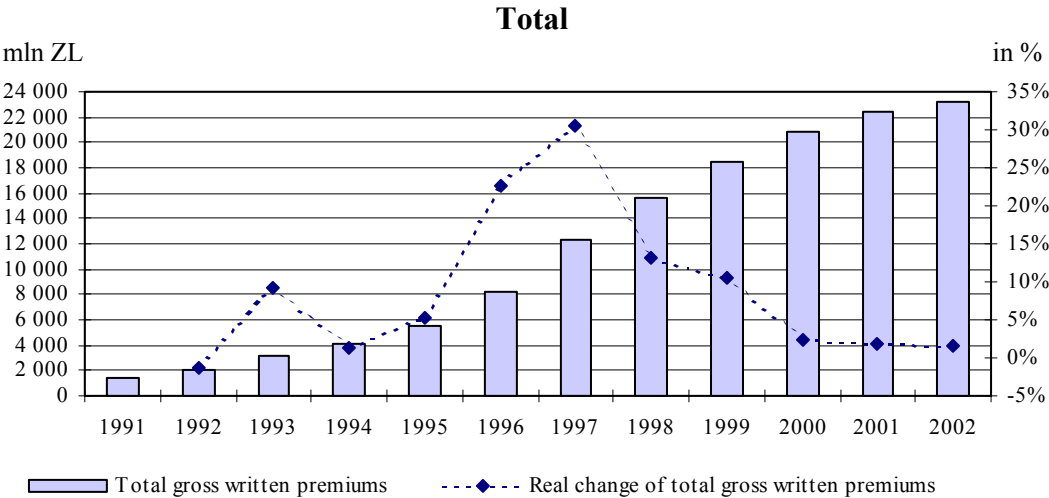


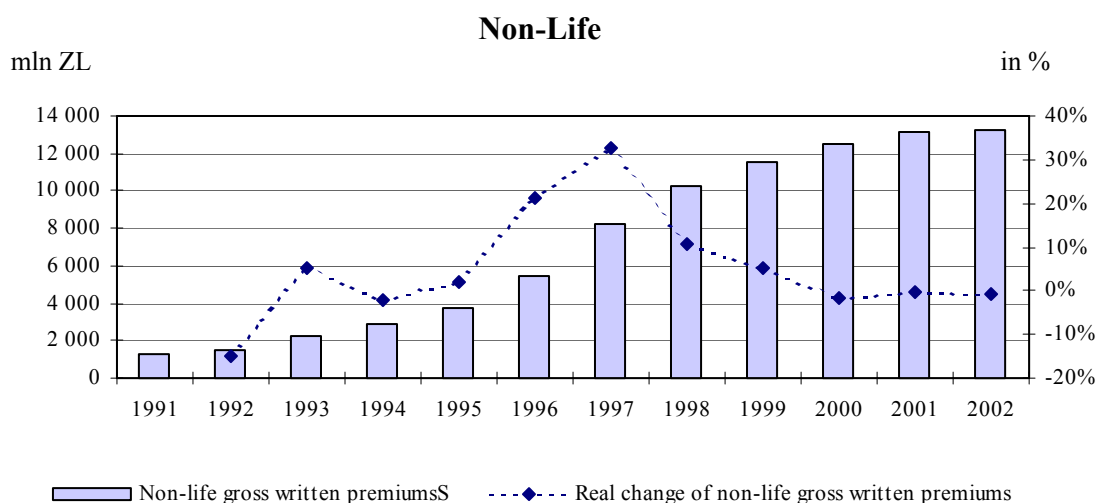
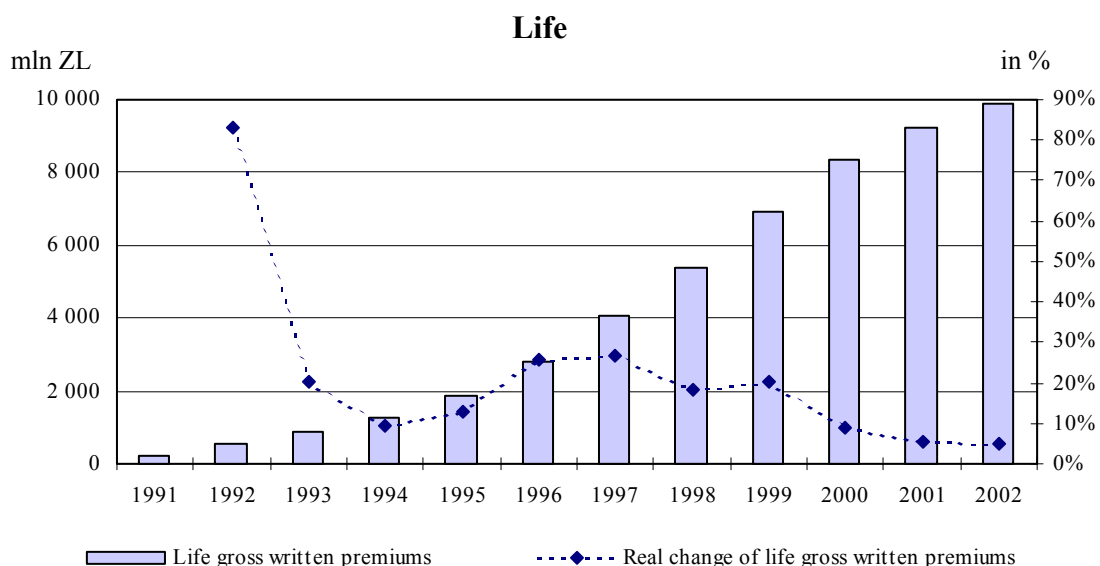
- Gross premium written of domestic insurance undertakings amounted to 42.8% of the total premium i.e. to 9 901.6 million Zlotys (2 568.0 million Euros) increasing by 6.9%. 9 life assurance undertakings showed the premium below market average and in 5 undertakings the nominal value of premium did not change.

- Gross premium written in non-life insurance branch of domestic undertakings achieved the value of 13 254.1 million Zlotys (2 568.0 million Euros) in 2002 and increased by 1.0%. As in 2001 13 insurance undertakings showed still the nominal drop of gross premium value. Only 1.6% (in 2002 1.7%) i.e. 215.2 million Zlotys of the branch II premium came from inward reinsurance.

In 2002 reinsurers' share in premium written of life assurance undertakings totalled at 190.0 million Zlotys i.e. 2.0% of gross premium written (49.3 million Euros) whereas in non-life insurance undertakings at 229.9 million Zlotys (578.3 million Euros).

Chart 3. Nominal Value of Gross Written Premiums of Insurance Companies and Real Change



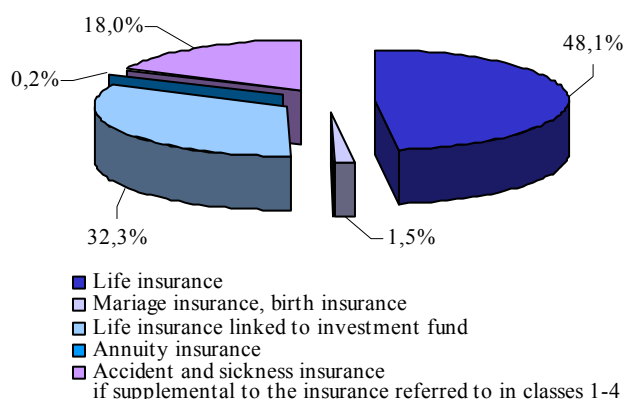


2.1. Structure of insurance portfolio

• Premiums of life assurance branch

In direct insurance classical life assurance keeps prevailing (class 1). In 2002 it amounted to 48.1% of branch total premium; however its share has been decreasing gradually for some years. Farther were life assurance linked to investment funds (class 3) achieving 32.3% of branch premium and supplemental accident and sickness insurance (class 5) amounting to 18.0%. The largest increase of premium was observed in class 2 insurance i.e. marriage insurance and amounted to 44.3%. However, the value of that insurance was still minor totalling at 142.6 million Zlotys (37 million Euros).

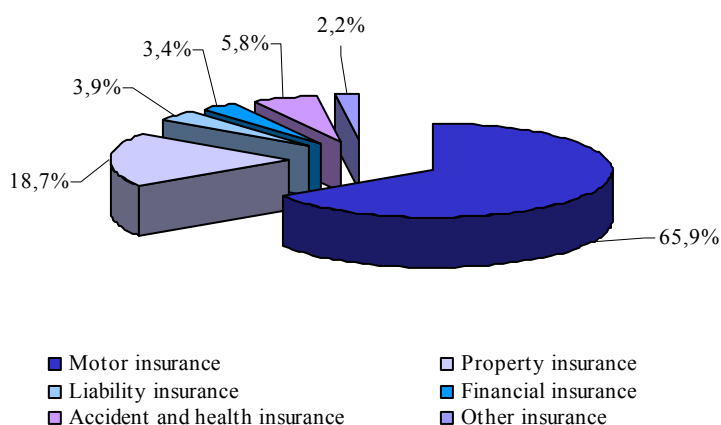
Chart 4. Structure of Gross Written Premiums from Direct Business in Life Insurance
for 01.01 – 31.12.2002



• Non-life insurance premium

Despite problems of car industry changes in the structure of sold branch II insurance were minor. In 2002 as in previous years Polish market was dominated by motor insurance amounting to 65.9% of branch II collected premium. However, auto casco insurance share decreased by 2.1 percentage points and the share of compulsory liability insurance of motor vehicle holders decreased slightly by 0.2 percentage point.

Chart 5. Structure of Gross Written Premiums in Non-Life Insurance
for 01.01 – 31.12.2002



As regards premium collection property insurance was placed second writing 18.7% of premium total (18% in 2001). It is also necessary to mention personal insurance with the market share of 7.8% and general liability insurance with the share of 3.5% of branch II premium. The share of other branch II classes of insurance increased by 0.6 percentage point amounting to 6.1%.

The nominal drop in value of gross premiums written as compared to the previous year occurred in the case of 5 insurance classes:

- Insurance guarantees - class 15 - by 14.0 percentage points,
- Auto casco - class 3 - by 5.6 percentage points,
- Goods-in-transit insurance – class 7 - by 2.7 percentage points,
- Aircraft liability - all liability arising out of the possession and use of aircraft – class 11 - by 2.7 percentage points,
- Insurance against other damage to or loss of property - class 9 - by 0.5 percentage point.

The largest increase was observed in classes of a very low share in direct insurance not exceeding 1.3%:

- Insurance of legal protection - class 17 - by 133.0%,
- Credit insurance - class 14 - o 34,1%,
- Casco insurance of railway rolling stock - class 4 - by 30.8%,
- Insurance of various financial risks – class 16 - by 28.6%,
- Insurance of vessels in sea and inland navigation - class 6 - by 21.9%.

2.2. Concentration of insurance market

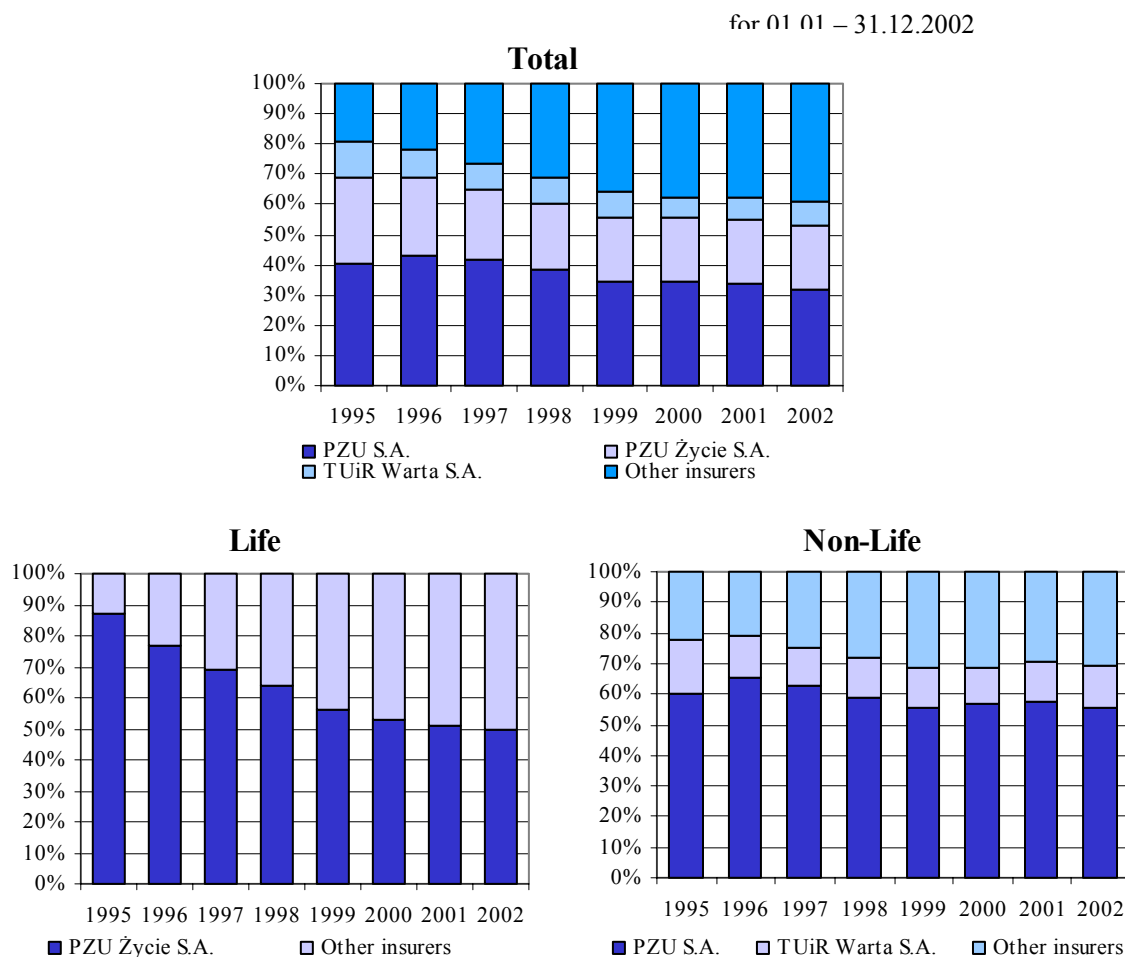
As regards collection of major insurance premium five undertakings collected in 2002 88.7% of life assurance gross premium and 82.0% of non-life insurance premium.

Table 1. Share of the five biggest insurance companies' gross written premiums in insurance market

31.12.2001		31.12.2002	
Life			
PZU Życie S.A.	50,88	PZU Życie S.A.	49,47
Commercial Union Polska - TUnŻ S.A.	18,84	Commercial Union Polska - TUnŻ S.A.	17,72
PAPTUnŻiR Amplico-Life S.A.	10,41	PAPTUnŻiR Amplico-Life S.A.	10,38
TUnŻ ING Nationale-Nederlanden Polska S.A.	10,27	TUnŻ ING Nationale-Nederlanden Polska S.A.	9,36
TU Allianz Życie Polska S.A.	1,53	Prumerica TUnŻ S.A.	1,76
Non-Life			
PZU S.A.	57,32	PZU S.A.	55,79
TUiR WARTA S.A.	12,99	TUiR WARTA S.A.	13,50
STU ERGO HESTIA S.A.	5,55	STU ERGO HESTIA S.A.	6,28
TU ALLIANZ POLSKA S.A.	3,84	TU ALLIANZ POLSKA S.A.	3,72
TU SAMOPOMOC S.A.	2,38	TU SAMOPOMOC S.A.	2,71

Nine undertakings decreased their share in life assurance market whereas thirteen in non-life insurance market.

Chart 6. Degree of Insurance Market Concentration, Measured by Share in Gross Written Premiums



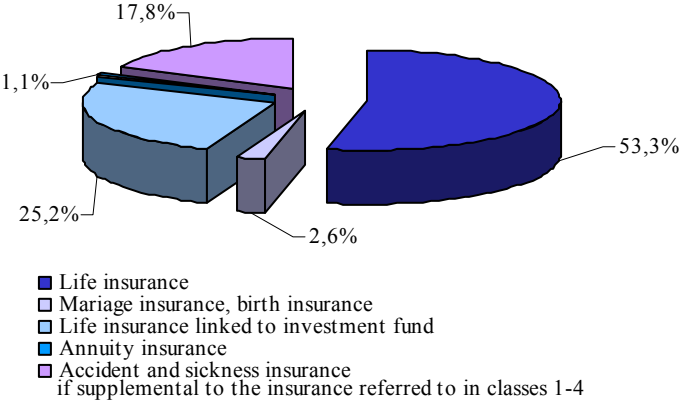
3. Costs of insurance operations

The main costs of operations of insurance undertakings were costs related to realisation of obligations arising out of insurance contracts. In 2002 insurance undertakings paid gross 12 102.7 million Zlotys (3 138.9 million Euros) of claims, whose value increased by 9.4 percentage points.

- 4 306.7 million Zlotys (1 117.0 million Euros) of claims were paid gross in life assurance branch i.e. 35.6% of claims total in insurance sector which is 27.4 percentage points more than in 2001. 22 insurance undertakings showed gross claim payments higher than average, 8 of them faced an increase of payments by over 100%. The most claims paid were in the life insurance class.

Chart 7. Structure of Gross Written Premiums from Direct Business in Life Insurance

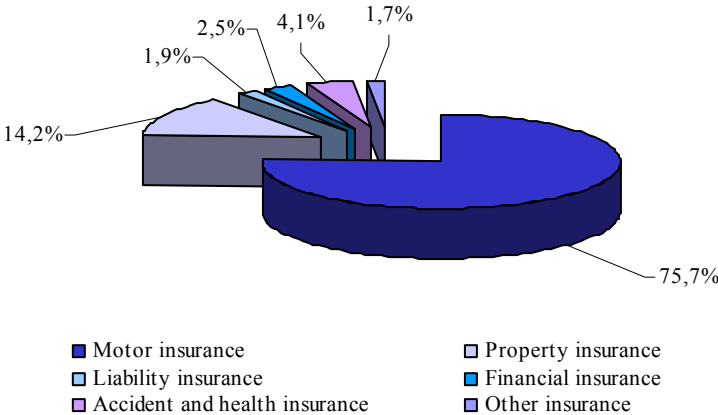
for 01.01 – 31.12.2002



• In non-life insurance branch gross claim payments decreased slightly by 0.3%, and their value totalled at 7 796.0 million Zlotys (2 021.9 million Euros). 19 undertakings showed higher than market values of gross claim payments, whereas 4 undertakings faced an increase of claim payments by over 100%. From the majority of claims paid by insurance companies 3/4 of the entire amount dealt with already concluded motor insurance contracts.

Chart 8. Structure of Gross Claims Paid in Non-Life Insurance

for 01.01 – 31.12.2002



Further costs of insurance operations included costs related to acquiring and servicing of customers (acquisition costs) as well as costs related to functioning of insurance undertakings (administrative expenses). Those costs considering reinsurance commissions received and reinsurers' share in profits totalled at 5 365.7 million Zlotys (1 391.6 million Euros). In 2002

those costs decreased in total by 3.7 percentage points; acquisition costs by 14.1 percentage points, administrative expenses by 2.4 percentage points. That may indicate significant cost savings made by insurance undertakings or may result from accounting changes as introduced in 2002 for which it is actually not possible to compare directly some financial values.

4. Results of insurance undertakings

Despite difficulties in acquisition of new customers profit of insurance sector increased in 2002 by 413.0 million Zlotys (by 105.0 million Euros) due to savings made by insurance undertakings. In 2002 insurance undertakings showed positive technical result of 575.8 million Zlotys (149.3 million Euros), with technical profit of 708.7 million Zlotys (183.8 million Euros) in life assurance and technical loss of 132.9 million Zlotys (34.47 million Euros) in non-life insurance.

- As regards life assurance 7 undertakings achieved technical profit totalling at 1 020.3 million Zlotys (264.6 million Euros). 28 undertakings showed technical loss totalling at 311.6 million Zlotys (80.8 million Euros).

- As regards non-life insurance 8 insurance undertakings achieved positive technical result. The total of technical profits amounted to 269.4 million Zlotys (69.9 million Euros) whereas technical losses of 27 undertakings amounted to 402.3 million Zlotys (104.3 million Euros).

In life assurance marriage insurance suffered a loss of 30.3 million Zlotys (7.9 million Euros), other classes of life assurance made within the year positive results with accident and sickness insurance making the highest profit. In non-life insurance accident and sickness insurance as well as insurance against other damage to or loss of property turned out most profitable making respectively 102.0 million Zlotys (26.4 million Euros) and 34.5 million Zlotys (9 million Euros) of profits. The highest loss of 231.0 million Zlotys (59.9 million Euros) was made in auto casco insurance.

Positive results on technical operations and maintaining despite falling interest rates of high gains on investments resulted in general improvements of financial results in insurance sector. Net financial result totalled at 1 437.8 million Zlotys (372.9 million Euros) increasing by 363.4 million Zlotys (80.0 million Euros) which was by 33.8%. Higher profit increases were observed in non-life insurance business (by 213.2 million Zlotys i.e. 46.4 million Euros) whereas in life assurance business net profit amounted to 552.1 million Zlotys (143.2 million Euros), which means an increase by 150.2 million Zlotys (33.6 million Euros) as compared to 2001.

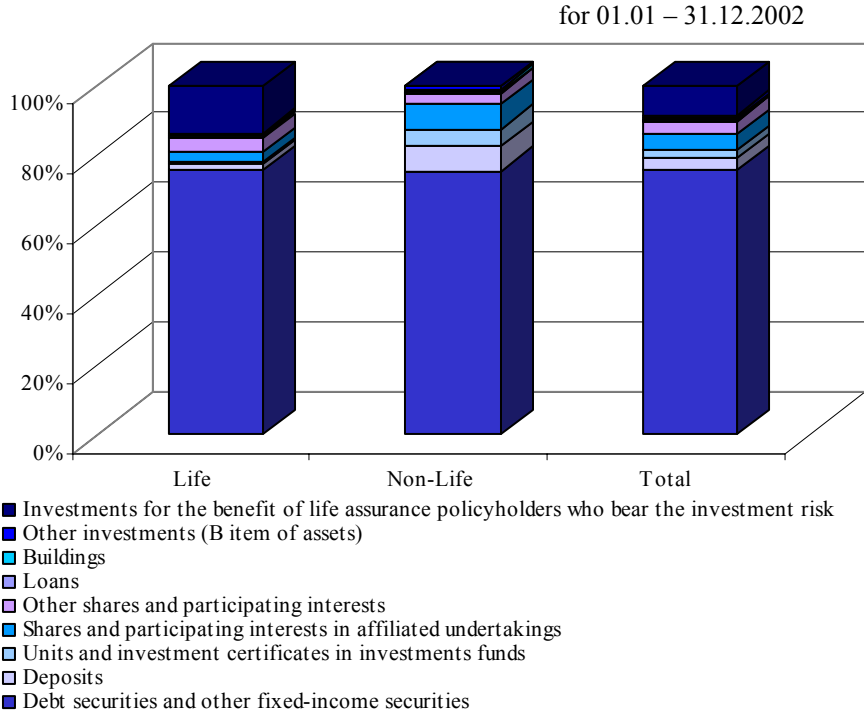
5. Assets of insurance undertakings

Assets of insurance undertakings increased by 19.5% as compared to 2001 amounting thus to 57 562.1 million Zlotys (14 318.2 million Euros).

- Assets of life assurance undertakings of 33 145.5 million Zlotys (8 244.7 million Euros) increased by 22.9%. Dominant investments in branch I assets structure amounted to 93.9%, whereas debtors of life assurance undertakings (2.2%) were second.
- In non-life insurance branch the assets total increased by 15.2% amounting to 24 416.6 million Zlotys (6 073.5 million Euros). Notwithstanding that in asset structure of the branch investments (78.4%) are prevailing too, the share of other assets was much higher comparing to asset structure of life assurance branch: debtors of insurance undertakings amounted to 12.5% of assets, other assets to 4.3%.

The main item of assets was investments of insurance undertakings totalling in 2002 at 87.3% (including life assurance investments where the investment risk was borne by the policyholder). In 2002 undertakings of insurance sector assigned 50 270.0 million Zlotys (12 504.4 Euro) for investments and the item increased by 21.1% within 12 months.

Chart 9. Structure of Basic Types of Insurance Companies Investments



- Investments of life assurance branch of 31 124.6 million Zlotys (7 742.1 million Euros) increased by 25.0% and the highest dynamics as regards that branch only was shown in life assurance investments where the investment risk was borne by the policy holder (increase by 37.2%).
- Investments in non-life insurance undertakings had lower dynamics as compared to life assurance branch since only 19 145.4 million Zlotys was assigned for investments and an increase of 15.4% was observed.

6. Liabilities of insurance undertakings

The dominant item in liabilities structure is technical provisions. They amounted to 77.9% of liabilities in the period under review increasing by 18.3% as compared to 2001. Insurance fund i.e. technical provisions net of reinsurance amounted to 71.0% of liabilities total. The value of capital and reserves grew too. Their share amounted to 18.8% in 2002. Reinsurers' share in technical provisions was 6.9% of liabilities.

6.1. Capital and reserves of insurance undertakings

Positive tendencies in 2003 include the increase of capital and reserves of insurance undertakings (by 28.3%) significantly exceeding the dynamics of gross premium written. The value of capital and reserves amounted to 10 828.0 million Zlotys (2 693.4 million Euros).

The increase of capital and reserves resulted in a 1.0 percentage point increase of capital and reserves share in assets of insurance undertakings. For customers of insurance undertakings it means better protection of insurance contracts and increased capacity of insurance undertakings too meet their obligations.

As of 31 December 2002 share capital of insurance undertakings authorised to carry on insurance business in Poland totalled at 4 137.3 million Zlotys (1 029.1 million Euros), thus 10.3% more than on the similar day of previous year.

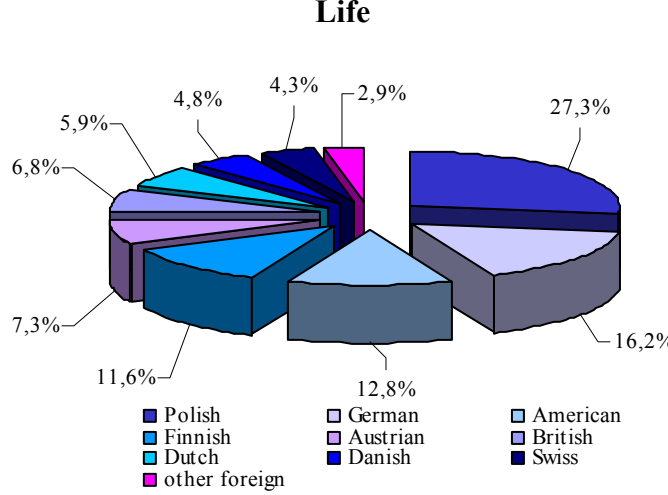
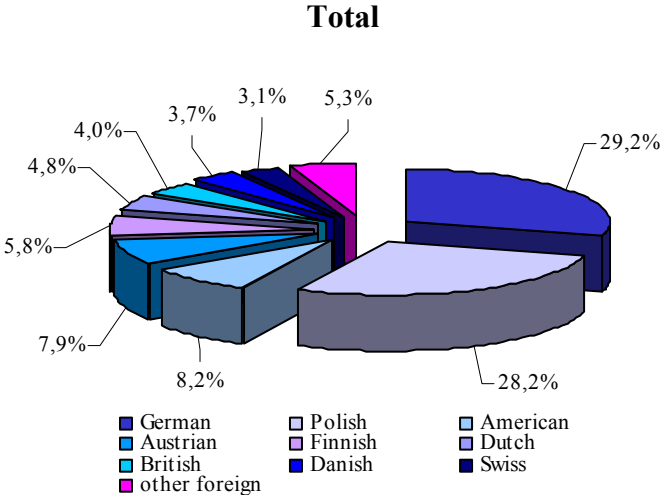
Branch I insurance undertakings' share capital amounted to 2 070.0 million Zlotys (514.9 million Euros) and increased by 11.2% yearly. Share capital of non-life insurance undertakings grew somewhat lower i.e. by 9.5% amounting thus to 2 067.3 million Zlotys (514.2 million Euros). Degree of share capital payments totalled at 99.0% (98.0% in branch I and 100.0% in branch II).

Foreign capital averaged end 2002 both for the whole market and for each of insurance branches about 72% of share capital (end 2001 some percentage points lower: market total – 67.1% in branch I 65.8% and 68.4% in branch II).

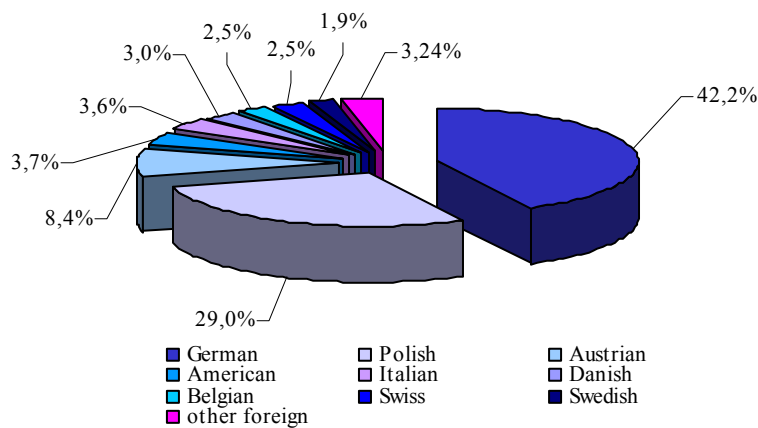
As regards the origin of capital German investments prevailed amounting to 1 206.3 million Zlotys (300.1 million Euros) and were present in 21 undertakings. Second as regards the value of invested capital was the United States with the amount of 339.5 million Zlotys (84.5 million Euros) of capital in 7 insurance undertakings. Third was Austrian capital investing 325.0 million Zlotys (80.8 million Euros) in 10 insurance undertakings.

Chart 10. Structure of Insurance Companies' Subscribed Capital by the Country of its Origin

for 01.01 – 31.12.2002



Non-Life



6.2. Technical provisions

In 2002 the value of gross technical provisions in the whole insurance sector amounted to 44 823.5 million Zlotys (11 149.6 million Euros) which was an increase by 18.30% and the value of technical provisions net of reinsurance totalled at 40 860.4 million Zlotys (10 163.8 million Euros) increasing by 20.7%.

- Gross technical provisions of life assurance branch amounted to 27 257.3 million Zlotys (6 780.1 million Euros) which was 60.8% in total of insurance sector's provisions, the increase was by 24.2%. Life assurance provision with the share of 79.2% and life assurance technical provisions where the risk was borne by the policy holder with the share of 15.3% prevailed in the life assurance branch.
- The main items in the structure of gross technical provisions in non-life insurance branch were provisions for outstanding claims with the share of 58.6% as well as provisions for unearned premiums and provisions for unexpired risks with the share of 34.1%.

7. Compliance with statutory solvency ratios

The result of analysis of statutory safety ratios i.e. own funds covering solvency margin or guarantee capital (operations monitoring indicator) or assets covering technical provisions is likely to indicate improved financial condition of insurance undertakings.

- 2002 results show significant increase of operations monitoring indicator (own funds up to the maximum of solvency margin or guarantee capital). For life assurance undertakings that indicator amounted to 206.18% (175.09% in 2001). Even better situation was in non life insurance undertakings where the value of the above indicator amounted to 335.18% increasing by 56.34 percentage point. The indicator improved for 13 branch I undertakings and 19 branch II undertakings.

- Despite more restrictive requirements in 2002 for higher values of assets covering technical provisions the value of the indicator averaged about the 2001 level amounting to 111.0% for life assurance branch (1.22 percentage point change) and 113.0% for non life insurance branch (drop by 3.52 percentage points).