

**INSURANCE AND PENSION FUNDS  
SUPERVISORY COMMISSION**

**INSURANCE**

**MARKET**

**2004**

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## **Most Important Facts**

### **Market in Numbers**

- 70 – number of insurance companies, including one Main Branch operating in Poland
- PLN 27.7 billion – premium collected
- PLN 14.3 billion – claims paid by insurers
- PLN 77.5 billion – value of insurers' assets
- PLN 3 billion – insurers' financial result
- 71 thousand – number of insurance agents

### **Legal Environment**

- Adjusting the Polish Act on Insurance Intermediation to the European Union Directive on Insurance Intermediation. Amendments were made in December 2004.
- Amendments to the Act on Compulsory Insurance relieving participants of car collisions from the necessity to call the police to visit the place of collision.
- Adaptation of the insurance acts made in connection to Poland's accession to the EU (including the case of Main Branches, European Economic Area)
- Commencement of comprehensive works on amending the insurance law. Beginning of the parliamentary procedure – 2005.

### **Insurance Market Events**

- By the end of 2004, nearly 140 insurance companies from the EU and EEA reported their intention to operate in Poland within the scope of freedom to provide services (in the first quarter of 2005 this number increased to approximately 200 entities)
- Four Polish insurance companies (two from Life and two from Non-Life Insurance) reported their intention of operating in other EU countries (in the Baltic countries, Germany and Hungary)
- In connection with Poland's accession to the EU, the Insurance & Pension Funds Supervisory Commission ceased to supervise the Main Offices of companies from the EU
- Since 1 May 2004, compulsory third party liability insurance of motor vehicle owners covers not only Poland but also the entire EU territory and European Economic Area countries
- Introduction by regulations of unlimited claims in some types of third party liability insurance (mainly Classes 10 and 13) caused problems with concluding reinsurance agreements by the Polish insurance companies
- Like in 2003, bancassurance and insurance similar to bank deposits were developing very fast
- In September, the Act on Individual Pension Accounts came into force. Unit-Linked Life Insurance was the most popular type of this extra retirement savings in 2004
- In 2004, foreign investors continued verification of their development plans on the Polish market. The latest event in this respect was the takeover of the Tryg insurance company by the HDI Group
- Increase of the cost of compulsory third party liability insurance for multiagents significantly hampered the operation of this type of insurance intermediaries. The level of these costs is a result of high guaranteed sums defined in the Regulation and of introduction of the insurance company liability for intentional damages.

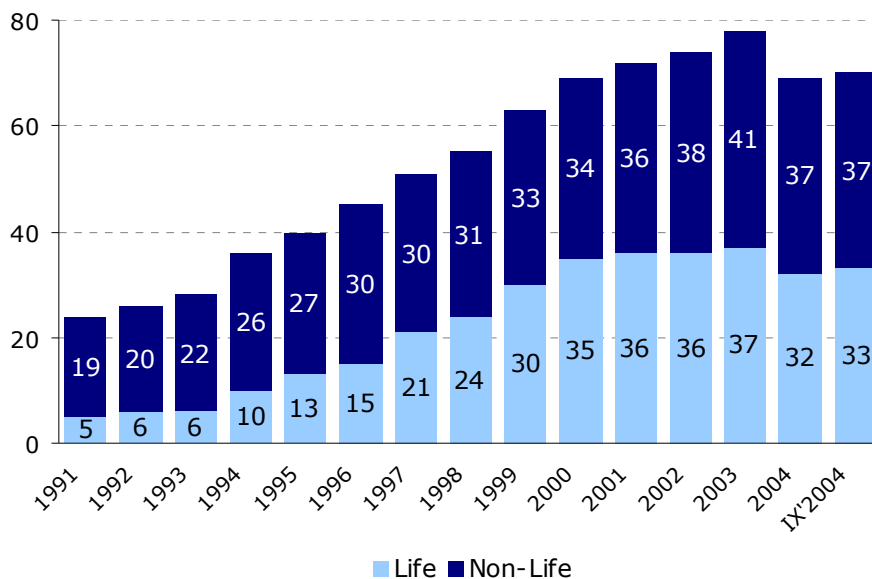
## Number of insurance companies

*At the end of 2004, 69 insurance companies and one Main Branch had a license to operate*

At the end of 2004, 69 insurance companies and one Main Branch from outside the EU had a license to carry out insurance business. As of the beginning of 2004, the Insurance and Pension Funds Supervisory Commission took over licensing of insurance companies from the Ministry of Finance. In November, the Commission issued its first license to carry out insurance business for the Mutual Insurance Company *Bezpieczny Dom*.

A drop in the number of companies operating on the Polish insurance market in 2004 was, first of all, the result of some foreign investors withdrawing from the market. As a result, the number of companies decreased by four in Life Insurance (including one resulting from a merger with another insurance company) and by two in Non-Life Insurance. The official deletion from the insurance companies' register took place in 2004. At the time of Poland's accession to the EU, three Main Branches of the EU companies (one in Life Insurance and two in Non-Life Insurance) transformed into ordinary branches not subject to the Polish supervision.

**Picture 1. Number of insurance companies in the years 1991-2004**



Source: KNUiFE (Insurance & Pension Funds Supervisory Commission)

*Interest in the Polish market was expressed by nearly 140 companies from the EU*

Poland's accession to the EU caused broadening of the insurance offer accessible on the domestic market. Interest in sales of policies in Poland had been expressed by nearly 140 insurance companies from the EU countries by December 2004.

## Insurers' Balance Sheet

*Insurance companies' assets grew by over PLN 10.1 billion in 2004*

In 2004, the balance sheet sum of insurance companies reached PLN 77.5 billion. This means that the number grew by PLN 10.1 billion, i.e. 15.1%. The pace of growth of the balance sheet sum was much higher than inflation.

In 2004, balance sheet sum of insurance companies from Life Insurance grew by nearly PLN 7 billion (18.0%). At the same time, in Non-Life Insurance, the growth of assets and liabilities reached nearly PLN 3.2 billion (11.1%). Faster growth of assets in Life Insurance has been characteristic for the Polish insurance market for many years.

**Table 1. Balance Sheet of Insurance Companies (PLN million)**

Item	1.01.2004	31.12.2004	Change (%)
A. Intangible assets	624.1	591.7	-5.2
B. Investments	49 901.3	57 264.5	14.8
C. Investments of resources under life insurance where risk is borne by the policyholder	11 083.7	13 508.6	21.9
D. Receivables	3 312.7	3 561.0	7.5
E. Other assets	850.8	901.0	5.9
F. Prepayments	1 574.6	1 671.7	6.2
<b>TOTAL ASSETS</b>	<b>67 347.2</b>	<b>77 498.6</b>	<b>15.1</b>
A. Equity	14 266.6	17 740.5	24.4
B. Subordinate liabilities	5.0	5.0	0.0
C. Technical provisions	50 541.6	57 498.8	13.8
D. Reinsurers' share in technical provisions (negative value)	3 889.2	3 929.3	1.0
E. Other provisions	1 108.6	1 152.9	4.0
F. Liabilities under reinsurers' deposits	814.9	936.9	15.0
G. Other liabilities and special funds	3 086.2	2 706.2	-12.3
H. Accruals	1 413.4	1 387.6	-1.8
<b>TOTAL LIABILITIES</b>	<b>67 347.2</b>	<b>77 498.6</b>	<b>15.1</b>

Source: KNUiFE

*91% of the assets are various types of investments, and 45% of liabilities are technical provisions*

In the assets of the entire insurance industry, the highest pace of growth was observed in unit-linked insurance policies (Class 3 of Life Insurance). At the end of 2004, the value of these investments was by over 1/5 higher than at the beginning of the year. The sum of investments (positions B and C of the assets) was 91% of the balance sheet sum. For liabilities, the dominating position are technical provisions (position C of the liabilities). They constitute over 74% of the balance sheet sum.

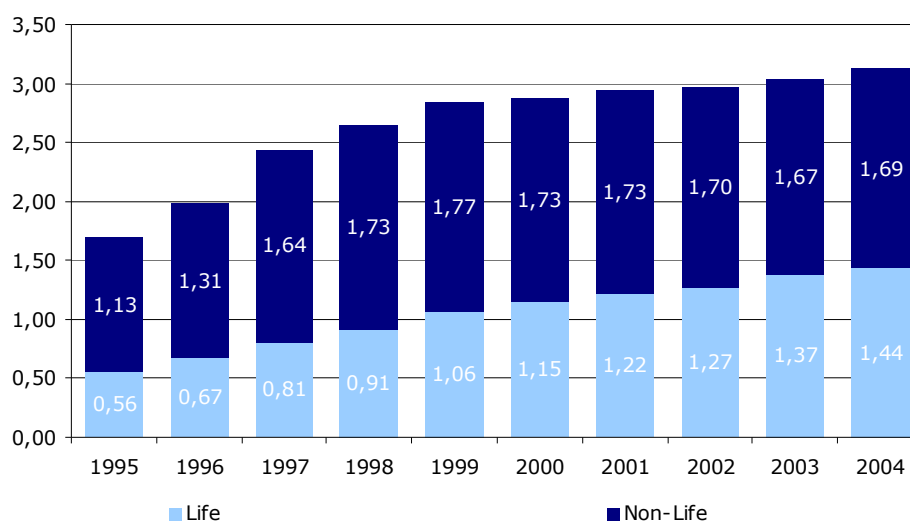
## Share of premiums in GDP

*In 2004, written premium for the first time exceeded 3.1% of GDP*

After 12 months of 2004, the value of gross written premium in Poland was equal to 3.1% of GDP. This was the highest level of this ratio in history. In 2004, growth of insurance share in GDP amounting to 0.09 per cent was highest since 1999. It is worth noting that increasing significance of insurance in the economy took place at the time of high pace of economic growth.

For many years the ratio of insurance share in GDP has been growing mainly due to fast development of Life Insurance. In 2004, premiums in Life Insurance increased their share in GDP by 0.07 per cent to 1.44%. In the case of Non-Life Insurance, the share of premium in GDP grew for the first time since 1999. This growth by 0.02 per cent did not even offset the results of the drop in 2003.

**Picture 2. Share of premium in GDP in the years 1991-2004 (%)**



**Source:** KNUiFE, GUS (Main Statistical Office)

*In Poland, the ratio of Life Insurance premium to Non-Life insurance premium is lower than in higher developed countries in the world*

In Poland, premium in Non-Life Insurance is still dominating. The ratio of premium in Life Insurance to premium in Non-Life Insurance in our country is distinguishing compared to the situation of most of better developed countries all over the world. In their case, Life Insurance generates higher premium than Non-Life policies (even having taken into account medical insurance, higher than in Poland). Poland also has a generally low share of insurance in GDP – even compared to the newly accepted EU countries.

## Premium in Life Insurance

*The companies offering their policies through banks are developing fastest*

In 2004, written premium in Life Insurance grew as compared to the previous year by over PLN 1.5 billion. The pace of premium growth was high – and exceeded 14%, i.e. it was a little higher than in 2003. Like in 2003, the pace of growth (measured with premium) of smaller companies was higher than in the case of the four largest companies. Among the largest insurers, PZU Życie premium was growing fastest.

Very high pace of growth was observed by Nordea, who collected six times as much premium as in 2003. More than tripling the premium level was an achievement of Nationwide. These companies owe their results to products targeted at clients acquired through the bank network. However, the record pace of growth in 2004 was achieved by a company outside the first ten. In 2004, Uniqa collected over seven times as much premium as in 2003. Partly its result was due to a merger with another insurance company.

**Table 2. Gross written premium in Life Insurance (PLN million)**

<b>Company</b>	<b>2003</b>	<b>2004</b>	<b>Change (%)</b>
PZU ŻYCIE	5 128	5 480	6.9
COMMERCIAL UNION POLSKA - Tunż	1 686	1 759	4.3
PAPTunżIR AMPLICO-LIFE	1 047	1 037	-1.0
ING NATIONALE-NEDERLANDEN POLSKA	907	908	0.1
NATIONWIDE TU na ŻYCIE	192	641	233.3
TU ALLIANZ ŻYCIE POLSKA	290	341	17.6
Tunż WARTA VITA	483	303	-37.1
CREDIT SUISSE LIFE & PENSIONS Tunż	155	278	79.3
Tunż CARDIF POLSKA	156	277	77.5
NORDEA POLSKA TU na ŻYCIE	45	266	497.8
Other	1 066	1 447	35.8
<b>Total</b>	<b>11 154</b>	<b>12 739</b>	<b>14.1</b>

Source: KNUiFE

*In 2004, premium was growing fastest in Nationwide*

Nationwide was the leader of premium growth in nominal numbers in 2004. In this company case, written premium grew by nearly PLN 450 million. The second company – PZU Życie collected over PLN 350 million more than in 2003.

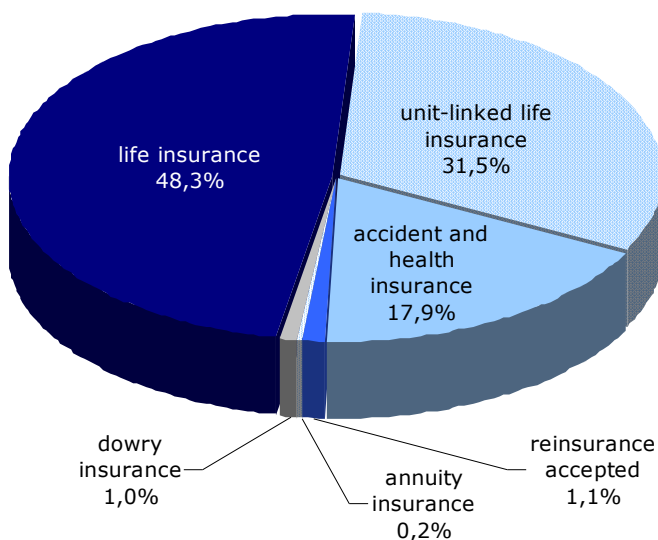
Not all the companies did equally well in 2004 as in 2003. One of the 2003 growth leaders, Warta Vita observed both the highest nominal drop in written premium (by nearly PLN 180 million) and the worst dynamics (collected only 63% of premium collected a year before).

## Structure of premium in Life Insurance

*Premium in Life Insurance constitutes half of the written premium of Life Insurance*

In 2004, the structure of premium in Life Insurance was not subject to any significant changes. Like in the previous years, most premium was collected under Class I insurance. Written premium in this Class constituted nearly 49% of premium written in the entire Life Insurance. This group includes both life insurance policies and endowment policies as well as combinations of these products. Unit-linked policies of Class 3 in Life Insurance, which greatly succeeded in the previous decade, constitute nearly 1/3 premium collected in Poland under Life Insurance. It should be reminded that 3-4 years ago the market of unit-linked products was faced with a serious crisis resulting in many policy surrenders.

**Picture 3. Structure of premium in Life Insurance in 2004 (%)**



Source: KNUiFE

Next comes premium collected under accident and health insurance. This type of premium constitutes nearly 1/5 premium. It should be remembered that this type of insurance is not sold on a stand-alone basis but constitutes options added to other policies.

*For many years, the Poles have been buying very few child provision and annuity policies*

For many years the other two types of insurance, i.e. child provision insurance and annuity insurance policies constitute a margin of the Polish Life Insurance market. Reinsurance accepted, having 1% market share is the result of one company operation, which has been developing this type of business for years, taking advantage of differences in interest rates in Poland and Japan.

## Premium written in Non-Life Insurance

*In 2004 written premium grew by over PLN 1.3 billion*

In 2004, written premium in Non-Life Insurance grew as compared to 2003 by over PLN 1.3 billion. In 2004, the pace of premium growth reached 9.7%. This was the highest value in several years and significantly exceeded inflation. This growth was to the greatest extent owed to the companies outside the largest three.

Various pace of growth caused changes in the ranking of largest companies outside the first three. The most spectacular example from the first ten is Generali. Dynamic growth of premium collected by this company results from a takeover of another insurance company. PZU maintained its dominating position on the market collecting 50% of gross premium. This happened despite the fact that PZU was developing slower than the market. Warta lost its market share too, having also collected less premium than a year before.

**Table 3. Gross written premium in Non-Life Insurance (PLN million)**

<b>Company</b>	<b>2003</b>	<b>2004</b>	<b>Change (%)</b>
PZU S.A.	7 221	7 485	3.7
TUIR WARTA S.A.	1 746	1 733	-0.7
STU ERGO HESTIA S.A.	938	957	2.0
TU ALLIANZ POLSKA S.A.	695	873	25.6
HDI SAMOPOMOC T U S.A.	380	537	41.5
UNIQA TU S.A.	329	347	5.4
TRYG POLSKA TU S.A.	304	342	12.4
TU COMPENSA S.A.	205	330	61.2
GENERALI TU S.A.	81	297	266.2
TUIR CIGNA STU S.A.	217	273	26.2
Other	1 439	1 746	21.4
<b>Total</b>	<b>13 603</b>	<b>14 920</b>	<b>9.7</b>

*Source: KNUiFE*

*Highest growth was observed in accident insurance*

In 2004, highest premium growth - by PLN 351 million - was observed in accident insurance (Class 3) and in third party liability policies - Class 13 (by PLN 75 million). Written premium only dropped in two Classes - 12 (third party liability for ships) and 15 (insurance guarantee).

In respect of the pace of growth, insurance of Class 4 should be distinguished (railroad vehicle accident insurance) - growth by 90% and legal protection (growth by 76%). A relative drop in written premium was observed in Class 15 and 12 (respectively: 13% and 2%).

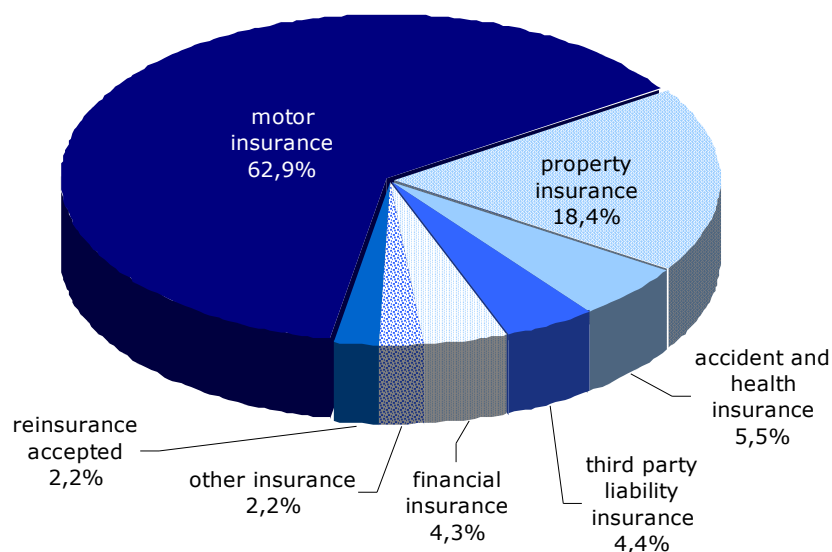
## Structure of premium in Non-Life Insurance

*Poles spend most money on motor policies*

In 2004, Non-Life Insurance, just like in the years before was dominated by motor policies. However, their market share dropped by almost 2 percentage points. A significant part of spending on accident and health insurance is made while buying motor policies (third party liability and accident insurance). This means that insurance connected to owning a car constitutes an even larger segment of the market than results from the very data.

The second segment of Non-Life Insurance in terms of its significance are policies protecting property from the consequences of elements, thefts, etc. They constitute nearly 1/5 of the market, though their share has dropped by 0.8% since 2003.

**Picture 4. Structure of premium in Non-Life Insurance in 2004 (%)**



Source: KNUiFE

*Share of „other insurance“ has doubled since the end of 2003*

Financial insurance and third party liability (other than motor insurance) still constitute a small part of the Polish Non-Life insurance market, despite their growth, constituting jointly nearly 9% of written premium. Other types of insurance and reinsurance accepted play a marginal role in Poland (2.2% each).

In Poland, the structure of premium in Non-Life Insurance significantly differs from the situation in the countries of the „old“ European Union. In these countries, motor insurance constitutes approx. 1/3 of the market. Out of the countries belonging to the EU before 2004 only in Italy the share of motor policies exceeded 50%.

## Claims and benefits in Life Insurance

*In 2004, the pace of claims paid exceeded the pace of premium growth*

In 2004, the pace of claims growth in Life Insurance was close to that of 2003 and reached nearly 20%. Claims were growing at the pace much higher than premium. Growth of claims reached PLN 1 billion in 2004.

Increase of claims value in 2004 resulted from the insurance market development. Claims were growing e.g. due to more frequent cases of benefit payments under policies sold during the insurance boom in the 90-ties. This was a result of both payments on policy maturity date (for term life policies) and higher mortality of ageing clients.

**Table 4. Gross claims and benefits in Life Insurance (PLN million)**

<b>Name</b>	<b>2003</b>	<b>2004</b>	<b>Change (%)</b>
PZU Życie S.A.	3 182	3 561	11.9
Commercial Union Polska - TUnŻ S.A.	795	792	-0.4
PAPTUnŻiR Amplico-Life S.A.	278	363	30.8
TunŻ WARTA VITA S.A.	202	356	76.1
TunŻ ING Nationale-Nederlanden	306	311	1.7
TunŻ EUROPA S.A.	10	178	1 642.5
PRAMERICA Życie TUIR S.A.	78	90	15.3
TU Allianz Życie Polska S.A.	52	67	28.5
STUnŻ Ergo Hestia S.A.	36	61	68.6
Credit Suisse Life & Pensions TUnŻ S.A.	28	56	102.1
Other	184	311	68.9
<b>Total</b>	<b>5 152</b>	<b>6 147</b>	<b>19.3</b>

Source: KNUiFE

*Specializing in anti-tax products results in a high claims dynamics*

An important factor of claim growth was payments of resources accrued in policies allowing avoidance of tax on capital returns. It seems that life insurance policy surrenders by unsatisfied Clients were of less significance than in the previous years.

Very high pace of claims growth in the Europa company results from the fact that it is a relatively young company, specializing in short-term products, protecting clients from the consequences of the tax on capital returns. Commercial Union was the only one company in the first ten and one of the three insurance companies in total that paid less in claims in 2004 than a year before. This means that Commercial Union is facing an end of the crisis connected to mass surrenders by clients acquired in the 90's.

## Claims and benefits in Non-Life Insurance

*Drop in claims paid concerned only few companies*

In 2004, the pace of growth of claims payment was lower than the pace of premium growth but opposite to 2003, claims did not decrease. In 2004, only one of the two largest insurance companies observed an absolute decrease of claims paid (the 2003 decrease of claims paid concerned both companies). On the entire market there were only few insurance companies that observed a drop in claims paid that was not directly related to their withdrawal from operating in Poland.

A high dynamics of claims – exceeding 100% - characterized a few small insurance companies (not specified in the table), which have only recently entered the market or changed their business.

**Table 5. Gross claims and benefits in Non-Life Insurance (PLN million)**

<b>Name</b>	<b>2003</b>	<b>2004</b>	<b>Change (%)</b>
PZU S.A.	4 330	4 443	2.6
TUIR WARTA S.A.	960	900	-6.2
STU Ergo Hestia S.A.	557	615	10.4
TU Allianz Polska S.A.	266	346	29.9
HDI SAMOPOMOC TU S.A.	209	264	26.4
UNIQA TU S.A.	199	217	8.8
TU Compensa S.A.	130	216	66.0
Tryg Polska TU S.A.	171	205	19.7
PTU S.A.	132	165	24.9
PTR S.A.	108	134	23.8
Other	551	661	20.1
<b>Total</b>	<b>7 613</b>	<b>8 167</b>	<b>7.3</b>

Source: KNUiFE

*On average, each day insurers pay PLN 22 million claims*

PZU still pays over half of all the claims. Its share in gross claims is 54% against 50% in gross written premium.

High pace of claims in the Compensa company results from its takeover of another insurer last year. After an appropriate correction, this pace would have been three times lower.

It should be noted that on average, each day of 2004 Poles received over PLN 22 million as damages paid from Non-Life insurance. For comparison, average daily expenses for Non-Life policies is nearly PLN 41 million, i.e. more than PLN 1 per day per person living in Poland.

## Investments of Life Insurers

*Insurers of Life Insurance lost 18% on investments in subsidiaries*

In the end of 2004, the value of investments by insurance companies in Life Insurance reached a total of PLN 44.1 billion. Most of the investments – over 97% - were placed in Poland. Most resources – over PLN 24.7 billion – were placed in debt securities. They constituted 80% of all the investments from position B of the balance sheet. Assets covering technical provisions in the case when the risk is borne by the policyholder (position C of the balance sheet) constituted over 30% of total investments.

On average, the present value of investments was 4% higher than the purchase value. The best relation of the present value to purchase characterized investments into investment fund units which were worth nearly 49% more than at the time of purchase.

Insurers experienced greatest losses on investments in subsidiaries, whose present value was 18% lower than their purchase value.

**Table 6. A list of investments by Life Insurance Companies (PLN million)**

Specification	Total investments			Coverage of technical provisions
	Purchase	Present	Balance Sheet	
A. Real estate	253	263	227	73
B. Investments in subsidiaries	1 986	1 622	1 622	260
C. Other financial investments, including:	27 249	28 800	28 804	27 852
I. Stocks and shares	1 530	1 884	1 884	1 781
II. Units and investment certificates in investment funds	249	370	370	345
III. Derivatives	-	-	-	-
IV. Other securities with variable rate of return	0	0	0	0
V. Debt securities and other securities with fixed rate of return	23 634	24 721	24 725	23 990
VI. Shares in joint undertakings	-	-	-	-
VII. Mortgage loans	6	6	6	1
VIII. Other loans	78	81	81	81
IX. Term deposits in credit institutions	1 732	1 717	1 717	1 632
X. Other investments	21	21	21	21
D. Deposits at the ceding companies	-	-	-	-
E. Total (A+B+C+D)	29 489	30 685	30 652	28 186
F. Position C from the balance sheet – Investments of resources under life insurance where the investment risk is borne by the policyholder			13 509	
Total (E+F)			44 161	

Source: KNUiFE

## Investments of Non-Life Insurers

Over PLN 17.9 billion was placed in debt securities

In the end of 2004, the value of placements by insurers in Non-Life Insurance reached PLN 26.6 billion in total. Most resources were placed in debt securities. Their value was PLN 17.9 billion, which constituted 67% of all the investments. High share – of over 15% – was held by investments into subsidiaries. Both term investments in financial institutions (i.e. bank deposits) and investment fund units covered 3% to 4% of the investments. The share of stocks (excluding subsidiaries) was 6.5%.

On average, present value of the investments was by almost 12% higher than their purchase price. The best ratio of present value to purchase characterized investments into subsidiaries, which were worth over twice as much as was invested in them. Those investments include shares in subsidiary insurers. Another profitable investment was units of investment funds, which were worth over 46% more than at the time of the purchase. A significant lowering of value is characteristic for real estate and mortgage loans. They were lower by respectively 59% and 57%.

**Table 7. A list of investments by Non-Life Insurance Companies (PLN million)**

Specification	Total investments			Coverage of technical provisions
	Purchase	Present	Balance Sheet	
A. Real estate	962	398	791	220
B. Investments in subsidiaries	1 977	4 070	4 070	34
C. Other financial investments, including:	20 548	21 743	21 728	21 143
I. Stocks and shares	1 398	1 738	1 735	1 699
II. Units and investment certificates in investment funds	648	943	943	942
III. Derivatives		1	1	
IV. Other securities with variable rate of return	3	3	3	1
V. Debt securities and other securities with fixed rate of return	17 295	17 893	17 882	17 358
VI. Shares in joint undertakings	5			
VII. Mortgage loans	20	9	9	9
VIII. Other loans	6	5	5	5
IX. Term deposits in credit institutions	1 137	1 118	1 118	1 101
X. Other investments	37	33	33	30
D. Deposits at the cessionaries	23	23	23	15
E. Total	23 511	26 233	26 612	21 411

Source: KNUiFE

## Income and expenses in Life Insurance

*In 2004, retained premium and income from investments were higher by over PLN 2 billion in total*

In 2004, income grew by PLN 2.1 billion, i.e. by over 14%. Increase of the income of insurers in Life Insurance was connected to the greatest extent with the growth of retained collected premium by over PLN 1.5 billion. At the same time, premium constitutes nearly 75% of total income. Income from investments was higher by nearly PLN 500 million. As far as income is concerned, other technical income was growing fastest in 2004 – by 80%, i.e. PLN 47 million. Other operational income and extraordinary profits were lower in 2004 than a year before.

**Table 8. Income and expenses in Life Insurance (PLN million)**

Name	2003	2004	Change (%)
Total income	14 562	16 659	14,4
Retained collected premium	10 851	12 415	14,4
Return on investments	3 486	3 984	14,3
Other retained technical income	59	106	80,3
Other operational income	166	155	-6,6
Extraordinary profit	0	0	-53,8
Total expenses	13 323	15 196	14,1
Retained claims and benefits (+/- change of balance in provisions)	5 214	6 119	17,4
Changes of balance in other technical reserves	4 511	5 586	23,8
Retained discounts and rebates for the insured with a change of balance in provisions	7	17	151,4
Expenses related to insurance business	2 340	2 511	7,3
Expenses related to investments	634	441	-30,4
Other retained technical expenses	107	101	-5,6
Changes of balance in loss ratio equalization provisions			
Other operational expenses	176	82	-53,1
Extraordinary losses	0	0	-58,5
Obligatory loads on the financial result	335	338	0,9
Net financial result	1 238	1 463	18,1

Source: KNUiFE

*In Life Insurance, the expenses related to investment activities fell significantly*

In 2004, expenses in Life Insurance grew by nearly PLN 1.9 billion, i.e. by 14%. Growth of expenses was thus not much slower than the growth of income. Expenses were growing mostly due to claims higher by PLN 905 million and a change in provisions of over one billion. The expenses would have grown even higher if it had not been for a significant (by PLN 193 million, i.e. 30%) fall in the expenses related to investment activities and other operational expenses (by PLN 93 million, i.e. 53%).

## Income and expenses in Non-Life Insurance

*Income in Non-Life Insurance grew by PLN 800 million*

In 2004, income of insurance companies in Non-Life Insurance grew by nearly PLN 800 million, i.e. 5.9%. This growth was mostly due to an increase in retained premium by PLN 694 million and nearly doubling other operational income (which grew by PLN 198 million). A fall was observed in income from investments (by PLN 97 million, resulting in their share in total income falling from 16.1% in 2003 to 14.5% a year later). Premium generated 82% of income of insurance companies, i.e. the same as a year before.

**Table 9. Income and expenses in Non-Life Insurance (PLN million)**

<b>Name</b>	<b>2003</b>	<b>2004</b>	<b>Change (%)</b>
Total income	13 538	14 338	5,9
Retained collected premium	10 999	11 693	6,3
Return on investments	2 174	2 077	-4,5
Other retained technical income	151	155	3,0
Other operational income	214	413	92,6
Extraordinary profit	0	0	-22,0
Total expenses	12 743	12 826	0,7
Retained claims and benefits (+/- change of balance in provisions)	7 359	7 560	2,7
Changes of balance in other technical reserves	213	-10	-104,8
Retained discounts and rebates for the insured with a change of balance in provisions	9	35	310,6
Expenses related to insurance business	3 390	3 632	7,1
Expenses related to investments	660	498	-24,5
Other retained technical expenses	401	440	9,8
Changes of balance in loss ratio equalization provisions	-20	27	-232,1
Other operational expenses	350	277	-20,9
Extraordinary losses	0	0	148,6
Obligatory loads on the financial result	383	367	-4,1
Net financial result	795	1 512	90,2

Source: KNUiFE

*Expenses related to insurance business scarcely changed*

In 2004, expenses in Non-Life Insurance grew a little in 2004 (by PLN 83 million). This was due to a fall in technical reserves by PLN 223 million and in expenses related to investment activities by PLN 162 million. Also, other operational expenses and taxes decreased. In total, the four expense categories as mentioned were lower by PLN 474 million than in 2003. The expenses that were higher than a year before included: claims (by PLN 201 million) and expenses related to insurance business (by PLN 242 million).

## General Profit & Loss Account – Life Insurance

*Net profit in Life Insurance topped PLN 1.3 billion*

Financial results of insurers in Life Insurance indicate a further improvement of the sector's position in 2004. Technical result of insurance companies in Life Insurance improved by PLN 162 million, i.e. by 14%. An increase in technical profit and a drop in operational expenses by PLN 93 million influenced a record financial result so far in the history of the entire Life Insurance, reaching over PLN 1.3 billion. It was better than last year's result for the same period by nearly PLN 225 million, i.e. 18%. Despite gross profit that was higher by 14.5%, lowering CIT rates made taxes paid by insurers in 2004 not much higher than a year before.

**Table 10. General Profit & Loss Account – Life Insurance (PLN million)**

No	Position	2003	2004	Change (%)
I	Technical result	1158	1320	14.0
II	Returns on net investments moved to technical account	425	409	-3.9
III	Other operational income	166	155	-6.5
IV	Other operational expenses	176	82	-53.1
V	Profit (loss) on operational activity	1573	1801	14.5
VI	Extraordinary profit	0	0	-53.8
VII	Extraordinary loss	0	0	-58.5
VIII	Gross profit (loss)	1573	1801	14.5
IX	Income tax	333	338	1.3
X	Other obligatory loads on profit (increase in loss)	1	0	-83.6
XI	Gross profit (loss)	1238	1463	18.1
	Number of insurance companies with positive net financial result	13	14	
	Number of insurance companies with negative net financial result	18	18	

Source: KNUiFE

*Number of profitable insurance companies was still lower than companies generating losses*

Number of insurance companies grew in 2004 by only one. The number of profitable companies was still lower than of those generating losses. In 2004, only two in five insurance companies generated profits.

Like in the previous years, the total financial result generated by four largest insurance companies exceeded in 2004 the profits of the entire Life Insurance. This confirms the hypothesis of a positive influence of insurance company size on the insurer's financial results.

## General Profit & Loss Account – Non-Life Insurance

*In 2004, technical result exceeded PLN 1.5 billion*

In 2004, the technical result of insurance companies in Non-Life Insurance grew by PLN 328 million. This was the highest result in history, which deserves special attention as this result had been negative for many years. In 2004, for the first time in history insurance business brought over PLN 1.5 billion net profit. This result was better than last year's by PLN 717 million. This happened despite a drop in investments by PLN 218 million. The result was positively influenced by other operational income that was higher by PLN 198 million.

**Table 11. General Profit & Loss Account – Non-Life Insurance (PLN million)**

No.	Position	2003	2004	Change (%)
I	Technical result	38	366	858,3
II	Return on investments	1 766	1 549	-12,3
III	Non-realized return on investment	408	528	29,5
IV	Expenses related to investment activities	331	308	-7,1
V	Non-realized loss on investment	328	190	-42,1
VI	Net return on investments transferred to technical account	240	201	-15,9
VII	Other operational income	214	413	92,6
VIII	Other operational expenses	350	277	-20,8
IX	Profit (loss) on operational activity	1 178	1 880	59,6
X	Extraordinary profit	0	0	-22,0
XI	Extraordinary loss	0	0	148,6
XII	Gross profit (loss)	1 178	1 879	59,6
XIII	Income tax	385	368	-4,5
XIV	Other obligatory loads on profit (increase of loss)	-2	-1	-74,1
XV	Net profit (loss)	795	1 512	90,2
	Number of insurance companies with positive net financial result	18	25	
	Number of companies with negative net financial result	19	12	

Source: KNUiFE

*Most companies generate profits*

In 2004, the number of companies generating profits grew by 7. Thanks to this change, 2/3 of insurance companies generate profits which is happening for the first time in history.

Like in the case of Life Insurance, the final positive result of Non-Life insurance is generated by the largest companies.

## Agency contracts and insurance agents

*The total number of active agents reached 42 thousand*

Insurance companies distribute their products mostly through the agency network. Agency contracts are entered into with legal entities, irrespective of their legal status. At the end of 2004, the total number of agents reached 42 thousand. Most agents - 68% - were working for a single insurance company. There were twice fewer multiagents (only 13.5 thousand). Agents working exclusively for one insurance company slightly more often chose companies of Non-Life Insurance than Life Insurance.

**Table 12. Register of insurance agents**

Specification	Number of agents
Insurance agents working for one insurance company	28 765
including:	
- for insurers from Life Insurance	14 080
- for insurers from Non-Life Insurance	14 685
Multiagents (insurance agents working for more than one insurance company)	13 428
Total	42 193

*Source: KNUiFE*

In 2004, over 71 thousand people were distributing insurance policies in Poland. For comparison, the number of permanent employees of insurance companies in Poland was 30 thousand people and commercial banks employ over 120 thousand people.

**Table 13. Natural persons performing agency activities**

	Total	Working for one agent	Working for many agents
For Life Insurance	24 735	23 512	1 223
For Non-Life Insurance	20 072	17 506	2 566
For both Life and Non-Life Insurance	26 200	17 844	8 356
Total	71 007	58 862	12 145

*Source: KNUiFE*

*Most persons performing agency activities are working for both Life Insurance and Non-Life Insurance companies*

Most natural persons performing agency activities work for both Life Insurance and Non-Life Insurance companies. They constitute 37% of all the persons performing agency activities. At the same time, among persons performing agency activities – persons working for one agent are dominant – there are 83% of them.