

INSURANCE MARKET 2005

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Key events

Market in numbers

- 70 – number of insurance companies, including one Main Branch operating in Poland and three insurance companies in liquidation;
- PLN 31 billion – collected premiums;
- PLN 16 billion – claims paid by the insurers;
- PLN 90 billion – value of the insurers' assets;
- PLN 5.2 billion – net financial result of the insurance companies;
- over 80 000 – number of persons performing agency activities.

Legal environment

- Adoption of the act on financial conglomerates.
- Amendment of the insurance acts to make certain insurance-related terms more precise.
- Adjustment of the act on insurance mediation to the new EU Directive which regulates this segment of the insurance market.

Events in the insurance market

- In 2005 – for the first time since 1990 – all domestic insurance companies complied with statutory prudential standards.
- The insurance market began a discussion on the “Collection of good practices of insurance companies” prepared by the KNUiFE (Supervisory Commission). This document may become a set of *corporate governance* principles for the insurance sector in Poland.
- For the first time in history the market share of the non-life PZU (the largest domestic insurance company) fell below 50%; the share of the PZU Życie in life market fell to 38%.
- In 2005 the largest Polish insurance company achieved the largest net profit in the financial sector.

Market environment

- As in the two previous years, bancassurance products similar to bank deposit have been quickly developing.
- An inflow of more than 1.6 million used cars (after Poland's accession to the EU) enhanced the market of third party liability insurance of car owners.
- Life insurance linked to capital investment funds was the most popular solution in the case of Individual Pension Accounts (IKE).
- In 2005, as in the previous years, there were ownership changes on the Polish insurance market. The entities from Austria were the most active in that respect. Those changes have altered the structure of the whole Polish insurance market, particularly with regard to non-life insurance. It also provided an opportunity for the establishment of a strong group of the medium-sized companies on the Polish market.
- In 2005 for the first time a company, which had withdrawn from the market due to unsatisfactory results (MetLife TU), returned back.
- In 2005 mutual company TUW Florian transferred its insurance portfolio to HDI Samopomoc and on 30 March 2005 the Insurance and Pension Funds Supervisory Commission withdrew TUW Florian's authorisation to perform insurance activity.
- Despite a fall in the number of insurance agents, the number of persons who deal with agency activities has increased.

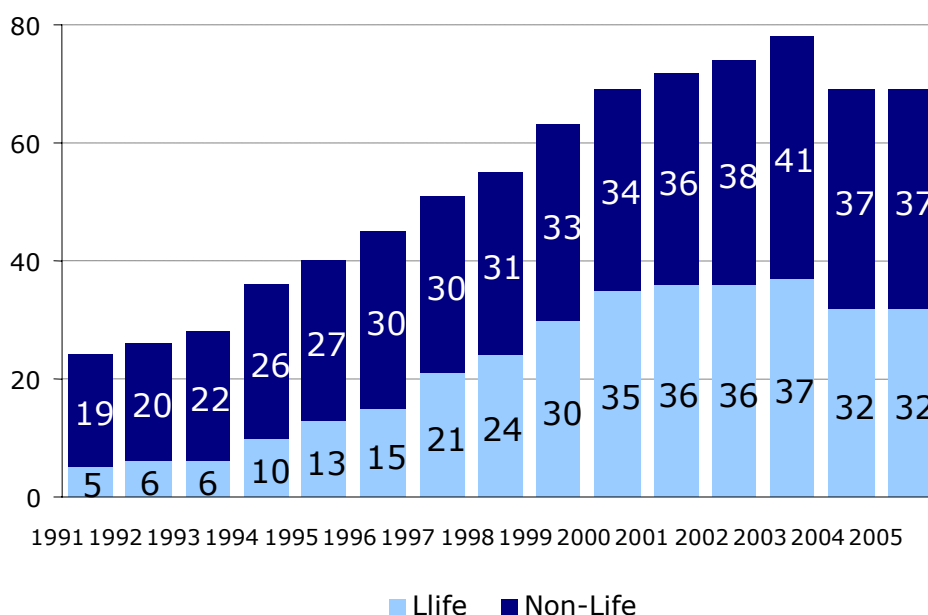
Number of insurance companies

In 2005 69 insurance companies and one Main Branch from outside the EU had been authorised to carry out insurance activity in Poland. In 2005 the Insurance and Pension Funds Supervisory Commission did not issue any authorisations for insurance company. It does not mean, however, that there were no new entities interested in the Polish insurance market. They decided to acquire already operating entities to enter Polish market.

At the end of 2005, 69 insurance companies and one Main Branch from outside the EU had been authorised to carry out insurance activity in Poland. In 2005 the Insurance and Pension Funds Supervisory Commission did not issue any authorisations for insurance company. It does not mean, however, that there were no new entities interested in the Polish insurance market. They decided to acquire already operating entities to enter Polish market.

In 2005 Florian mutual insurance society withdrew from the Polish market but earlier transferred its insurance portfolio to HDI Samopomoc. The reason for those changes was the bad economic condition of TUV Florian. At the end of March 2005 the Insurance and Pension Funds Supervisory Commission withdrew the TUV Florian's authorisation to perform insurance activities.

Figure 1. Number of insurance companies between 1991 and 2005



Source: Insurance and Pension Funds Supervisory Commission

Almost 290 companies from the EU want to sell their policies in Poland.

Poland's accession to the EU resulted in the widening of the insurance offer available on the domestic market. By December 2005 almost 290 insurance companies from the EU Member States expressed their interest in the sale of insurance policies in Poland, out of which only 16% in Life. At the same time 7 domestic insurers (3 from Life and 4 from Non-Life), one of them in the form of a branch, offer their services abroad.

Balance sheet of insurance companies

The assets of insurance companies increased by approximately PLN 11.7 billion in 2005.

In 2005 the balance sheet total of the insurance companies increased by approximately PLN 11.7 billion. The increase in the assets has been caused in about 95% by an increase of various types of investments and as for the liabilities it is in about 68% by the increase of technical provisions.

The assets of the insurance sector constitute approximately 10-11% of the assets of the financial sector in Poland. To compare, the share of the banks in the assets of the financial sector amounted to approximately 74% at the end of 2004.

From the beginning of 2005 the balance sheet sum of the life insurance companies increased by PLN 7.7 billion. The most increased (by as much as PLN 4.5 billion) the investments (net assets) where the risk is borne by the policyholder. Within the same period the increase in Non-Life amounted to PLN 4 billion, including the PLN 3.7 billion increase of investments.

Table 1. Balance sheet of insurance companies (PLN million)

Item	1.01.2005	31.12.2005	Change (%)
A. Intangible assets	596	550	-7.7
B. Investments	56 850	63 509	11.7
C. Net assets of life insurance where the investment risk is borne by the policyholder	14 271	18 786	31.6
D. Debtors	3 557	3 762	5.8
E. Other components of the assets	899	1 057	17.6
F. Prepayments and accrued income	1 679	1 899	13.1
TOTAL ASSETS	77 851	89 563	15.0
A. Equity	18 362	22 204	20.9
B. Subordinate liabilities	5	5	0.0
C. Technical provisions	57 180	65 184	14.0
D. Share of reinsurers in insurance technical provisions (negative value)	3 943	3 945	0.0
E. Estimated recourses and recoveries (negative value)	163	176	7.7
F. Other reserves	1 181	1 350	14.3
G. Liabilities due to reinsurers' deposits	932	966	3.6
H. Other liabilities and special funds	2 861	2 446	-14.5
I. Accruals and deferred income	1 373	1 374	0.1
TOTAL LIABILITIES	77 851	89 563	15.0

Source: The Insurance and Pension Funds Supervisory Commission

92% of assets are various types of investments and 73% of liabilities are technical provisions.

The various types of investments constitute around 92% of the assets while technical provisions are around 73% of the liabilities. The share of investments in the assets did not change because of a quick growth of the investments where the risk is borne by the policyholder. The share of reserves in the liabilities decreased due to, among others, the increase in the capital.

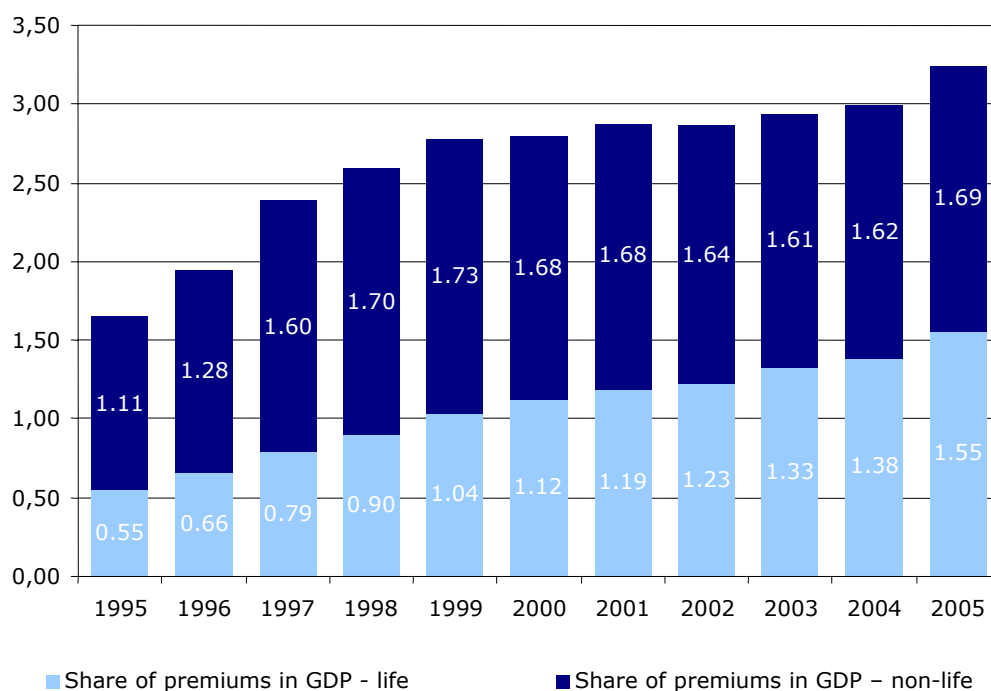
Share of premiums in the GDP

In 2005 the gross premiums written exceeded 3.25% of the GDP.

IN 2005 the value of gross written premiums in Poland amounted to 3.25% of the GDP. It was the highest level of this indicator in history. The share of the insurance in the GDP has been increasing for several years as a result of the fast development of Life insurance. Within last year the share of this type of premiums in the GDP increased by as much as 0.25%. The similar increase was last recorded in the 1990s.

As regards Non-Life, the share of premiums in the GDP increased slightly. Despite the increase, the share of Non-Life premiums in the GDP is lower than at the end of the 1990s.

Figure 2. Share of premiums in the GDP between 1991 and 2005 (%)



Source: Insurance and Pension Funds Supervisory Commission, Central Statistical Office

The value of life insurance premiums will be soon higher than the premiums of non-life insurance.

The Non-Life premiums still prevail in Poland. A fast growth rate of life insurance allows to estimate that the relation of life premiums to non-life premiums will change within several or a dozen or so months at the most. It will be consistent with the situation in the majority of better developed countries of the world. In those countries life insurance generates higher premiums than property insurance policies. In general, Poland also has a low share of insurance in the GDP even as compared to the neighbouring EU Member States.

Premiums of life insurance companies

The companies cooperating with the banks develop particularly fast.

In 2005 the value of premiums written in Life increased by PLN 2.6 billion as compared to the same period in the previous year. The growth rate of the premiums was dynamic and amounted to over 20%. Such result was last recorded at the end of the 1990s. In 2005 there was a change of the company at the fourth position. It has been the first such case since the mid 1990s.

The fast growth rate is most often associated with the use of bank distribution channels. The products which allow to avoid the payment of the capital income tax have gained a particular popularity. They include short-term life insurance policies and endowment policies, insurance linked to capital investment funds (where the protective part has a small share in the policy) and insurance products related to banking services. The last category includes the insurance of borrowers as well as payment and credit cards.

Table 2. Gross written premiums of Life (PLN million)

Company	2004	2005	Change (%)
PZU Życie S.A.	5 480	6 096	11.2
Commercial Union Polska - TUnŻ S.A.	1 759	1 897	7.9
PAPTUnŻiR Amplico-Life S.A.	1 037	1 224	18.0
AEGON TU na Życie S.A.	641	1 016	58.3
ING Nationale-Nederlanden Polska S.A.	908	1 005	10.7
TU Allianz Życie Polska S.A.	341	440	29.1
Generali Życie TU S.A.	175	436	149.1
TUnŻ WARTA S.A.	303	398	31.1
Nordea Polska TUnŻ S.A.	266	366	37.3
TUnŻ EUROPA S.A.	221	361	63.4
Other	1 602	2 097	30.8
Total	12 735	15 336	20.4

Source: Insurance and Pension Funds Supervisory Commission

In 2005 the largest increase of premiums written exceeded PLN 600 million.

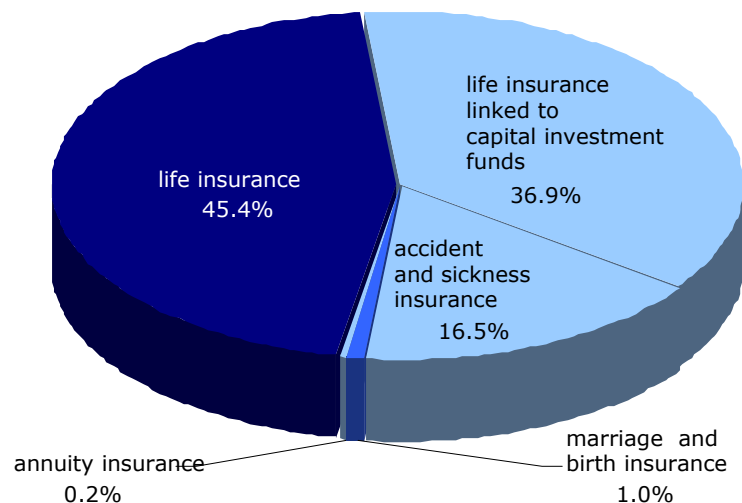
The largest nominal increase of premiums written exceeded PLN 600 million in 2005. Eight companies increased their premiums by at least PLN 100 million. Not all companies did equally well as in the previous year. Three rather small companies recorded a decrease of premiums. Their premiums were in total by PLN 12.5 million lower than a year ago.

Structure of life premiums

Only the share of class 3 has increased.

The structure of life premiums did not change significantly in 2005. As in the previous years the largest amount of premiums were the class 1. The share of this type of insurance decreased slightly (by less than 3%). The class includes both life insurance policies and endowment policies as well as the combinations of those two products. Class 3, i.e. the policies linked to capital investment funds, was the only one to increase its share of the market. The popularity of this group stems from the fact that it is more attractive in terms of taxes than the participation in investment funds. Within a year the share of class 3 increased by almost 5.5%.

Figure 3. Structure of premiums in life in 2005 (%)



Source: Insurance and Pension Funds Supervisory Commission

For many years Poles have hardly used marriage/ birth or annuity insurance policies.

The second most important group are the premiums collected from accident and sickness insurance. It receives one sixth of money spent by Poles on non-life policies. However, it should be remembered that in Poland such insurance policies are not sold independently but they are options bought with other policies.

The insurance from the two remaining classes i.e. marriage/birth and annuity insurance constitute only a small margin of the Polish life insurance market. Their share in the market decreased in 2005 despite an increase of the premiums collected.

Premiums of non-life insurance companies

According to estimates, the value of premiums written increased by PLN 755 million in 2005.

In 2005 the value of premiums written in non-life increased by PLN 755 million. The increase rate of the premiums amounted to 5%. It was significantly lower than a year ago (it was almost 10% in 2004) but nevertheless higher than inflation rate and GDP growth rate. The growth of premiums was mostly attributed to small and medium-sized companies.

An important event in 2005 was the fact that the market share of PZU fell below 50%. However, the decrease of the share was significantly lower than a year earlier and mounted to 1.3 percentage point as compared to 2.8 percentage points in 2004.

The different development rates resulted in the changes in the order of the companies from non-life. Only the largest insurance companies maintained their position. Among the first ten companies CIGNA society improved its position (from the end to the middle of the first ten). The improvement of the position of this company was not attributed to the acquisition of another entity.

Table 3. Gross written premiums of non-life (PLN million)

Company	2004	2005	Change (%)
PZU S.A.	7 485	7 654	2.3
TUiR WARTA S.A.	1 733	1 792	3.4
STU Ergo Hestia S.A.	957	1 046	9.3
TU Allianz Polska S.A.	873	980	12.2
HDI SAMOPOMOC TU S.A.	537	567	5.5
TUiR CIGNA STU S.A.	273	378	38.3
UNIQA TU S.A.	347	357	3.0
TU Compensa S.A.	330	331	0.4
PTU S.A.	270	321	19.2
Generali TU S.A.	297	282	-5.1
Other	1 793	1 941	8.3
Total	14 895	15 650	5.1

Source: Insurance and Pension Funds Supervisory Commission

PZU recorded the largest increase of premiums.

As in the previous years, in 2005 the largest increase of premiums (by PLN 168 million) was recorded by PZU. A significant increase (exceeding PLN 100 million) were also recorded by MTU, Allianz, CIGNA and PTU.

In 2005 thirteen societies had less premiums written than in the previous year. The premiums decreased by PLN 189 million in total. From among the companies which do not withdraw from the Polish market the largest decrease was recorded by HDI Asekuracja (PLN 69 million) and PTR (PLN 28 million).

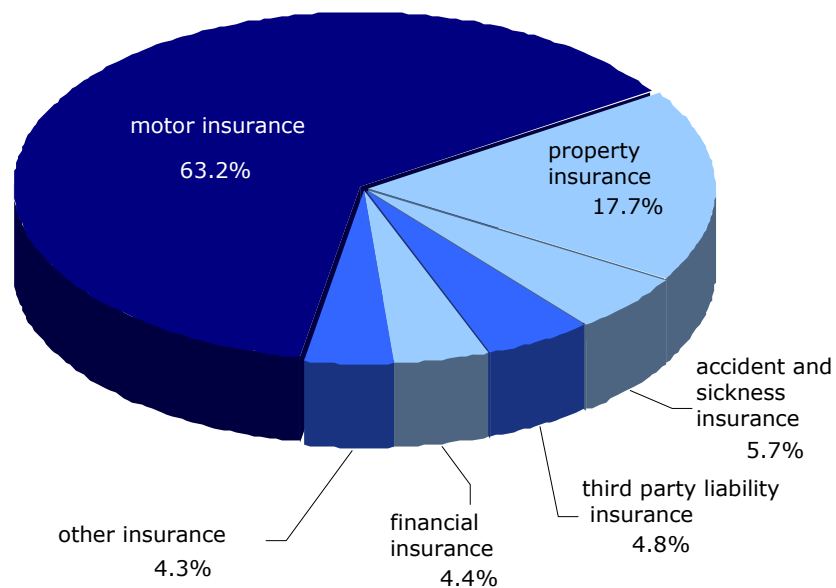
Structure of premiums in non-life

Poles spend the most on motor insurance policies.

In 2005 the motor insurance policies prevailed among non-life insurance. The share of this type of insurance has slightly increased within the last 12 months. The increase may be associated with the purchase of third party liability insurance for cars imported to Poland after the accession to the EU. Those cars were not covered by the motor hull insurance as demonstrated by the premiums related to this type of insurance.

The policies which insure the property of both natural persons and businesses against the effects of natural disasters, theft, etc. are the second most important segment of non-life in Poland. Their market share dropped by approximately 0.7% within a year. It may be partly attributed to Poland's membership in the EU. The companies which are a part of transnational concerns began to use the insurance programmes of their parent companies.

Figure 4. Structure of premiums in non-life in 2005 (%)



Source: Insurance and Pension Funds Supervisory Commission

The role of the third party liability insurance increases.

The role of the third party liability insurance (other than motor insurance) increases systematically. Their market share increased by approximately 0.4%. It is the result of statutory regulation of numerous types of obligatory third party liability insurance.

Within last months the financial insurance and "other" insurance (including reinsurance) did not change their position and still amount to 8.7% of the market.

Claims in life

A high rate of claims increase results from the popularity of bancassurance products.

In 2005 the increase of claims in life exceeded the increase of the premiums. In 2005 the claims grew by PLN 1.4 billion. Numerous companies recorded significant rate of changes in the value of claims. It stems from the fact that increasingly popular bancassurance products cause the increase of claims in statistics since the "prolongation" of such policies includes first the claim and then a new premium. Only six companies on the market decreased the value of claims paid while ten companies doubled them.

High rate of the claims change in many companies resulted in a situation when only 3 insurance companies from the top ten remained on the same places as a year ago. There were no such significant shift in the case of similar calculation for premiums.

The increase of the value of claims in 2005 was not, unlike in the previous years, related to mass abandonment of life insurance policies.

Table 4. Claims in life (PLN million)

Name	2004	2005	Change (%)
PZU Życie S.A.	3 565	3 982	11.7
Commercial Union Polska - TUnŻ S.A.	792	846	6.8
PAPTUnŻiR Amplico-Life S.A.	363	500	37.6
TUnŻ ING Nationale-Nederlanden Polska S.A.	311	361	16.0
Nordea Polska TUnŻ S.A.	38	283	646.5
Winterthur Życie TU S.A.	56	243	337.2
TUnŻ EUROPA S.A.	178	240	34.5
Generali Życie TU S.A.	47	204	331.8
Gerling Polska TUnŻ S.A.	44	181	309.1
TUnŻ WARTA S.A.	356	167	-53.1
Other	400	541	35.2
Total	6 152	7 549	22.7

Source: Insurance and Pension Funds Supervisory Commission

PZU Życie pays out more than a half of claims.

PZU Życie still pays more than a half of claims (almost 53%) in Poland, while its share in the premiums is less than 40%. For the majority of remaining companies their share in claims is larger than their share in premiums.

Each day the insured receive over PLN 21 million of claims. As regards the premiums, the payments exceed PLN 42 million a day.

Claims in non-life

Three largest insurance companies recorded a decrease of claims.

In 2005 the growth rate of claims paid was significantly lower than the growth rate of premiums. The claims increased despite the fact that three largest insurance companies paid less claims than in the previous year. In 14 companies the value of claims decreased while in four insurance companies the claims at least doubled.

As compared to 2004 there were two changes in the ranking list of the 10 largest companies in terms of claims. They concerned the companies which ranked sixth and seventh. If the claims of the HDI group companies were added, they would rank the fourth on the claims market and the growth of the claims paid by such a group would amount to 8.6%.

Table 5. Gross claims in non-life (PLN million)

Name	2004	2005	Change (%)
PZU S.A.	4 443	4 297	-3.3
TUIR WARTA S.A.	900	889	-1.2
STU Ergo Hestia S.A.	615	542	-11.9
TU Allianz Polska S.A.	346	477	37.9
HDI SAMOPOMOC TU S.A.	264	321	21.5
TU Compensa S.A.	216	212	-2.0
UNIQA TU S.A.	217	210	-3.2
HDI Asekuracja TU S.A.	205	189	-7.8
PTU S.A.	165	176	6.5
PTR S.A.	136	156	14.4
Other	661	827	25.2
Total	8 169	8 296	1.6

Source: Insurance and Pension Funds Supervisory Commission

PZU Życie pays out more than a half of claims.

PZU Życie still pays out more than a half of all claims. Its share in gross claims is 52% as compared to less than 49% in the gross premiums written.

The high rate of claims in several companies results from the fact that they have developed very fast recently which had to be reflected also in the claims.

It is worth noticing that PLN 23 million on average were paid on each day in 2005 under the property claims. To compare, the average daily expenditure on policies protecting the property is almost twice as high – slightly less than PLN 43 million i.e. over PLN 1 a day per each citizen of Poland.

Investments of life insurance companies

The insurers earned 52% on investments in units of investment funds.

At the end of 2005 the value of the investments of life insurance companies amounted to almost PLN 51.7 billion in total. The overwhelming majority of investments (98%) were deposited in Poland. Most of the resources (over PLN 26 million) were invested in debt securities. The made up almost 50% of all investments. The assets covering the technical provisions where the risk is borne by the policy holder (item C of the balance sheet) amounted to over 36% of all investments.

The current value of assets was on average by almost 5% higher than the purchase value. The insurers incurred losses on investments in affiliated units whose current value was almost 12% lower than the purchase value.

The investments in units of investment funds proved to have the best current to purchase value ratio and were worth 52% more than on the day of the purchase.

Table 6. Investments of life insurance companies (PLN million)

Specification	Total investments Value			covering of tech. insurance reserves
	purchase	current	balance sheet	
A. Land and building	254.61	263.23	228.83	72.87
B. Investments in affiliated units	1 566.90	1 380.97	1 380.97	1.95
C. Other financial investments, including:	29 582.14	31 307.01	31 298.13	29 982.58
I. Shares and participating interests	1 618.43	2 010.49	2 010.49	1 898.81
II. Units or investment certificates in investment funds	306.81	467.06	467.06	392.64
III. Derivative instruments	-	590.00	590.00	-
IV. Other variable-yield securities	13.48	13.62	13.62	12.28
V. Debt securities and other fixed-income securities	24 954.66	26 118.08	26 109.19	25 185.01
VI. Shares in joint companies	-	-	-	-
VII. Loans secured by mortgage	0.27	0.27	0.27	0.27
VIII. Other loans	571.30	574.97	574.97	510.17
IX. Term deposits at credit institutions	2 117.16	2 121.89	2 121.89	1 983.40
X. Other investments	0.04	0.04	0.04	-
D. Deposits with ceding companies	-	-	-	-
E. Total (A+B+C+D)	31 403.66	32 951.22	32 907.93	30 057.41
F. Item C from the balance sheet – Investments of funds from life insurance where the investment risk is borne by the policyholder			18 785.90	
Total (E+F)			51 693.83	

Source: Insurance and Pension Funds Supervisory Commission

Investments of the non-life insurance companies

Over PLN 18.8 billion were invested in debt securities.

By the end of 2005 the value of investments of non-life insurance companies amounted to PLN 30.6 billion. As much as 97% were invested in Poland. The majority of funds were invested in debt securities. Their value was PLN 18.8 billion which was 61% of all investments. The investments in affiliated units also had a significant share (16%). Only shares (from item C in the investments) and other loans exceeded 5% of investments.

The current value of investments was on average almost 16% higher than their purchase price. Apart from derivative instruments (which are of marginal importance in the investment structure), the investments in subsidiary units were characterised by the best current to purchase value ratio and were worth 120% more than the amount invested. Such investments include also the shares in subordinate insurance companies. Another profitable investment were the units of investment funds whose value was almost 39% higher than upon purchase. The value of four items was lower than upon purchase. The insurers lost the most on land and buildings and loans secured by mortgage (decrease of 18%). The value of three other types of investments also slightly decreased (to 2%).

Table 7. Investments of non-life insurance companies (PLN million)

Specification	Total investments			covering of tech. insurance reserves
	purchase	current	balance sheet	
A. Land and buildings	990	811	728	177
B. Investments in affiliated units	2 160	4 946	5 063	22
C. Other financial investments, including:	23 272	24 804	24 787	24 153
I. Shares and participating interests	1 360	1 793	1 790	1 760
II. Units or investment certificates in investment funds	929	1 288	1 288	1 210
III. Derivative instruments	92	159	159	-
IV. Other variable-yield securities	10	10	10	10
V. Debt securities and other fixed-income securities	18 050	18 795	18 781	18 283
VI. Shares in joint companies	4 500	-	-	-
VII. Loans secured by mortgage	5	4	4	4
VIII. Other loans	1 718	1 717	1 717	1 708
IX. Term deposits at credit institutions	1 195	1 195	1 194	1 178
X. Other investments	0	0	0	0
D. Deposits with ceding companies	23	23	23	17
E. Total	26 446	30 584	30 601	24 368

Source: Insurance and Pension Funds Supervisory Commission

Income and costs in life

Premiums were the component of income which increased the fastest.

In 2005 income increased by around PLN 3.6 billion i.e. by over 20%. The income increase in the life insurance companies was mostly caused by the increase of premiums by almost PLN 2.6 billion (20%). It is the premiums that have the largest share in the structure of income, as they constitute 74% of all income. The income from investments increased by over PLN 1 billion (growth of over 25%). The income from investments accounted for almost 25% of all income. Other components of income are of marginal importance and in the case of other operating profits the nominal decrease of this item was recorded.

Table 8. Income and costs in life (PLN million)

Specification	2004	2005	Change (%)
Total income	16 727	20 335	21.6
Earned premiums	12 460	15 051	20.8
Investment income	4 002	5 058	26.4
Other technical income – net of reinsurance	116	124	7.2
Other operating income	148	101	-31.8
Extraordinary profits	0	0	38.7
Total costs	15 326	18 053	17.8
Claims – net of reinsurance (+/- change in provisions)	6 123	7 455	21.7
Change in other technical provisions – net of reinsurance	5 644	6 623	17.3
Bonuses and rebates including change in provisions – net of reinsurance	25	36	43.1
Net - operating expenses	2 518	2 759	9.6
Investments charges	445	464	4.4
Other technical charges – net of reinsurance	124	136	10.1
Change in equalisation provision	-	-	-
Other operating expenses	110	78	-29.1
Extraordinary losses	0	0	-27.5
Other mandatory profit reductions	337	502	49.1
Net financial account	1 401	2 282	62.9

Source: Insurance and Pension Funds Supervisory Commission

In life costs grew slower than income.

According to estimates, in 2005 the costs in life increased by PLN 2.7 billion. The increase and the growth rate of costs were lower than the increase of income. The claims – net of reinsurance and the change in provisions for claims had the largest share in the increase of costs (increase by over PLN 1.3 billion and PLN 979 million respectively).

Income and costs in non-life

Income in non-life increased by PLN 2.2 billion.

In 2005 the income of life insurance companies increased by PLN 2.2 billion. The increase was mainly the result of the increased investment income, which was higher by PLN 1.3 billion, and earned premiums which increased by PLN 1.1 billion. In 2005 other operating income decreased by almost 48%. The decrease of other operating income amounted to almost PLN 172. The premiums generated 78% of income of the companies (as compared to 82% in the previous year) while the investment income accounted for 19.5% (14% in the previous year).

Table 9. Income and costs in non-life (PLN million)

Specification	2004	2005	Change (%)
Total income	14 024	16 289	16.2
Earned premiums	11 633	12 734	9.5
Investment income	1 879	3 187	69.6
Other technical income – net of reinsurance	152	180	18.2
Other operating income	360	188	-47.8
Extraordinary profits	0	0	23.0
Total costs	12 619	13 327	5.6
Claims - net of reinsurance (+/- change in provisions)	7 504	7 897	5.2
Change in other technical provisions - net of reinsurance	-10	-64	509.9
Bonuses and rebates including change in provisions - net of reinsurance	35	43	22.6
Net - operating expenses	3 591	3 785	5.4
Investments charges	415	338	-18.5
Other technical charges - net of reinsurance	438	563	28.4
Change in equalisation provision	25	38	51.3
Other operating expenses	283	201	-29.1
Extraordinary losses	0	0	24.5
Other mandatory profit reductions	338	526	55.4
Net financial account	1 405	2 962	110.9

Source: Insurance and Pension Funds Supervisory Commission

The costs grew slower than income.

The costs in non-life increased by over PLN 700 million. The increase and the growth rate of costs were lower than the increase of income. The cost increase resulted mainly from the increase of claims (PLN 393 million), cost of insurance activity (PLN 194 million) and taxes (PLN 187 million). The increase of taxes was also high (over 55%). The claims accounted for almost 60% of non-life cost. The second most important element were the costs of insurance activity which accounted for 28% of non-life costs.

Profit and loss account – life

The net profit in life was almost PLN 2.3 billion

The financial results of life insurance companies show the improvement of the sector condition in 2005. The technical account of life insurance companies improved by over PLN 980 million i.e. by over 66%. The technical profit had a significant impact on the record financial results of the whole branch which amounted to almost PLN 2.3 billion. It was better than the last year result for the same period by PLN 881 million i.e. by 62.9%. The final financial account was also the results of good investments (increase by PLN 83 million). The gross profit increased by over 60%. The effective tax rate in life was 18% and was comparable to nominal CIT rate but lower by over 1%.

Table 10. Profit and loss account – life (PLN million)

No. Item	2004	2005	Change (%)
I. Technical account	1 454	2 433	67.3
Net returns on investments including			
II costs, transferred from the technical life insurance account	245	328	33.8
III Other operating income	148	101	-31.8
IV Other operating expenses	110	78	-29.1
V Profit (loss) on operating activity	1 738	2 784	60.2
VI Extraordinary profits	0	0	38.7
VII Extraordinary losses	0	0	-27.5
VIII Gross profit (loss)	1 738	2 784	60.2
IX Income tax	335	499	49.1
X Other mandatory profit reductions (increase of losses)	2	3	48.1
XI Net profit (loss)	1 401	2 282	62.9
Number of insurance companies recording net financial profit	15	19	
Number of insurance companies recording net financial loss	17	13	

Source: Insurance and Pension Funds Supervisory Commission

The number of insurance companies generating profits was significantly higher than the number of companies incurring losses

The majority of life insurance companies show profits. Although as many as 7 companies have recorded worse results, only 3 of them incurred a loss. There were 25 companies which improved their results.

As in previous years, the largest companies had the largest share in the profits. Three largest insurers generated over 91% of positive net results.

Profit and loss account – non-life

The net profit in 2005 amounted to almost PLN 3.5 billion

In 2005 the technical account of non-life insurance companies increased by over PLN 500 million i.e. it was over twice as high as in 2004. The net profit at the end of 2005 was almost PLN 3.5 billion (it increased by over PLN 1.5 billion). Almost PLN 1 billion of the net profit came from dividends received from subordinate entities. Non-life owes its good results to the increase of investment income by almost PLN 1.4 billion.

Table 11. Profit and loss account – non-life (PLN million)

No. Item	2004	2005	Change (%)
I. Technical account	403	905	124.3
II Investment income	1401	2772	97.8
III Unrealised gains on investments	478	416	-13.1
IV Investments charges	221	181	-18.2
V Unrealised losses on investments	194	157	-18.8
VI Net returns on investments transferred from the technical life insurance account	202	254	25.8
VII Other operating income	360	188	-47.8
VIII Other operating expenses	283	201	-29.1
IX Profit (loss) on operating activity	1743	3488	100.1
X Extraordinary profits	0	0	23.0
XI Extraordinary losses	0	0	24.5
XII Gross profit (loss)	1743	3488	100.1
XIII Income tax	338	523	54.7
XIV Other mandatory profit reductions (increase of losses)	0	2	-6236.5
XV Net profit (loss)	1405	2962	110.9
Number of insurance companies recording net financial profit	24	24	
Number of insurance companies recording net financial loss	13	11	

Source: Insurance and Pension Funds Supervisory Commission

66% of insurance companies generates profits

In 2005 the number of companies generating profits did not change although two companies, which incurred losses in 2004, became profitable in 2005. There was nine companies which had a lower profit in 2005 than in 2004. The number of companies which incurred a loss decreased by two. As a results of those changes 66% of the insurance companies generate profits from their activity.

The final result of property insurance is determined by the largest insurance companies. Its profit accounts for over 90% of the profit of the whole sector. In 2005 the total loss of the companies with net loss amounted to PLN 114 million.

Agency contracts and insurance agents

In 2005 the number of active agents amounted to 35 000

A significant part of insurance contracts are concluded by the insurance companies with the mediation of insurance agents. Agency contracts are concluded only with entrepreneurs. In 2005 the total number of insurance agents was over 35 000, including 34 000 natural persons. The number of agents decreased in 2005. It was connected with the amendment of the act on insurance mediation and the related activities of the insurers. The change of the minimum guarantee sum of the third party liability insurance (increase from EUR 50 000 to EUR 1-1.5 million) also played a significant role. The majority of the agents (64%) provided insurance mediation services for one insurance company.

Table 12. Register of insurance agents

Specification	Number of agents (in thousands)
"Exclusive" insurance agents	22.9
Multiagents (agents acting for more than one insurance company)	12.7
Total	35.6

Source: Insurance and Pension Funds Supervisory Commission

In 2005 the number of multiagents obliged to have the third party liability insurance policy significantly decreased. Their number fell from 4 500 at the end of 2004 to 3 800. As many as 3 200 multiagents work exclusively for non-life companies and around 10% for both life and non-life. There were 9 000 multiagents not obliged to have the third party liability insurance policy (over 9 100 at the end of 2004).

Table 13. Natural persons performing agency activities (in thousands)

Number of persons	31.12.2004	31.12.2005
Working for one agent	58.9	66.6
Working for many agents	12.1	16.6
Total	71.0	83.2

Source: Insurance and Pension Funds Supervisory Commission

**estimate*

83 000 people in Poland distribute the policies

In 2005 over 83 000 people were involved in the distribution of insurance policies in Poland. In 2005 their number increased by over 12 000. The number of persons performing agency activities increased especially dynamically (by almost 33%). Currently they account for 20% of all natural persons who perform agency activities.