Address by Krystian Wiercioch, Deputy Chair of the KNF, delivered during the opening of the 14th Congress of the Polish Chamber of Insurance

PIU Congress, Sopot 2026, 'When change becomes the norm'

Ladies and gentlemen,

thank you for inviting me to the 14th Congress of the Polish Chamber of Insurance and for giving me opportunity to speak to insurance undertakings.

Adaptation to constant changes

The title of this year's Congress accurately defines the current

reality. We live in times where the only stable aspect is an ongoing change,

and the pace of changes is growing.

The change also concerns the insurance environment. New risks are emerging,

and they require insurance, while the known risks have forms that are more complex and

more difficult to quantify.

We are speaking here about:

- pandemic-related risks, covering not only health issues, but also

the risk of long-term interruption of business continuity,

- risks of IT system failures that are not caused by breakdowns but by cybercrime, intentional sabotage or subversion; - war risks covering not only damage to assets but also increasing uncertainty in maritime and air transport, - climate change that results in increased incidence of weather events, such as floods, fire, torrential rains or ground frost. Those changes are no longer a matter of generations but rather of several years. This requires not only a new form of adaptability for insurance undertakings but also flexibility of the supervisory authority. To ensure security of the financial system, we need to keep up with ongoing processes and modify the supervisory approach and priorities. The foundation of this flexibility is a close, partnership-based relation with insurance undertakings and a continued, merit-based dialogue. Such an approach enables faster identification of newly emerging risks and early detection of irregularities in the market. Through an open communication, we are able to take efficient and appropriate remedial actions even before potential problems become systemic risks.

I am convinced that we are currently on the right path to the full implementation of such a model of cooperation. I will refer to this aspect later in my speech.

Solvency, stability, development

Now, I would like to focus on the supervisory assessment of the market in terms of its reaction to ongoing changes and emerging challenges. This will not be an exhaustive diagnosis of the entire sector but rather a synthesis of the most important matters from the perspective of fundamental goals of supervisory authorities. I am going to focus on three pillars: solvency, financial stability, and sustainable development of insurance market. They are safeguards both for insurers and their clients.

As for stability and solvency, data are optimistic. In 2025, almost all entities recorded a positive financial result, with the insurance sector generating the profit of PLN 12.5 billion. Additionally, all insurance and reinsurance undertakings showed excess of own funds over the solvency requirement, and the coverage ratio for the entire sector stands at 233%. In view of those data, one could say that the insurance market in Poland is solvent, and its situation is stable.

What is a source of concern is the development of that market, which is not as dynamic as it could be. When we look at the dynamics of the sector growth, in 2025, we can see a relatively small increase of written premium, amounting to approximately 2 p.p. above inflation. The situation was not much better in previous years. Even though Poles have enriched in recent years, insurance potential has not been fully utilised.

A deep disproportion can also be seen in the size of the market, when comparing Poland to OECD countries. It is particularly visible in the share of premiums in GDP (2.2% in Poland vs. the average of 6.2% for OECD countries in 2024) and in the average premium per person, which in Poland amounts to the equivalent of USD 555, while the average for OECD countries is USD 4 245. This leads to a conclusion that the Polish insurance market does not develop to the extent appropriate to the capital held and the growing wealth of the Polish society.

It is worth looking for an answer to the question why it is so and what actions should be taken in order to increase the dynamics of insurance development.

Low-price trap

There are many factors that hamper appropriate development and each of them should be discussed so that one can reflect on how they could be eliminated. Today, I would like to mention one of them, which we have been observing for years. The factor I have in mind is the low-price trap the insurance sector has fallen into. Selected segments of the market are dominated today by a discussion about prices; initially this concerned only motor third-party liability insurance, but now it concerns also other products for retail clients.

There is a belief that insurance must be, above all, cheap. Such an approach has negative consequences for the market. Underestimated premiums inevitably lead to an increase in the number of refusals to pay compensation or only partial coverage of damage. This boosts the development of solutions that limit the amount of compensation, such as, for instance, promoting cost estimates in motor insurance. The market, however, should move in the opposite direction, being the direction of increasing the compensation and benefits paid and of efficient claim adjustment, showing that insurance actually works and allows for effective protection of property, life or health. If a claim occurs, insurance makes it possible to receive appropriate compensation, benefit or direct support from an insurance undertaking. This, in turn, requires the creation of advanced products, with the minimum number of exemptions and with prices appropriate to risk.

Appropriate premiums

The low-price trap leads to a price war and to offering products in the case of which premiums do not cover risks and costs of pursuing the business. For several years now, also here, at the PIU Congresses, we have reminded of the necessity to ensure profitability of specific products and to take into account consequences of failure to ensure such profitability, namely market destabilisation. We have pointed to the growing costs of claim adjustment, increased complexity of property insured, which directly increases the cost of repair, and to inflation, which affects both claim adjustment and operational costs. These are factors that increase the cost of compensation.

Discussions about appropriate premiums are also continued as part of direct relations and cooperation as we present our expectations but also give you an opportunity to present your own specific circumstances and discuss plans aimed at adjusting premiums to existing requirements, in those product lines where profitability is getting worse. This is one of manifestations of the supervisor's flexibility that I have mentioned at the beginning of my speech.

It is worth emphasising that many insurance undertakings undertook effective measures whose effect was prevention of profitability loss or quick improvement in profitability.

But not all of them did so. Some of them offered products at prices that did not cover risks and costs of business in the long term, in full awareness of potential consequences. This was not the right approach and we show this in public communication by sharing, on an ongoing basis, information about actions taken and decisions made.

Through such communication, we want to give assurance to those entities that are not willing to take part in price wars and have a responsible approach to stability and solvency of insurance market that they have made the right choice.

Insurance distribution

Moving to regulatory matters, I would like to refer to the process of consultations on the Recommendation on insurance distribution. The draft that I mentioned at the Congress last year has evolved considerably as a result of broad consultations with the market.

The main assumption of the consultation process was to strike a balance between elimination of market irregularities and the need to maintain operational efficiency of the sector. In my opinion, we have already managed to achieve that balance

Work on the final document is still pending: right now we are considering remarks submitted as part of the second round of consultations concerning the draft. It is our goal to finalise the draft without another round of consultations.

As for the date of the Recommendation's entry into force, we strive to determine timeframe which will enable insurance undertakings to duly introduce necessary changes. We are analysing the proposal communicated to us by the market in this regard. We are also working simultaneously on the position addressed to distributors, which is a necessary completion of the Recommendation, related strictly to the functioning of insurance distributors. We are formulating this position in a manner that is as balanced as possible, in order not to hamper the development of entities that pursue their business in a responsible manner and in accordance with the provisions of law. Before communicating the official position to distributors, we will arrange consultations concerning the draft to ensure that the expected balance has been achieved.

One of the positive outcomes of the process of consulting the draft Recommendation was the creation of a platform for cooperation between the KNF and insurance undertakings, supporting an open dialogue about expectations from both sides. During the consultations, we held a large number of hours-long meetings, where we could freely talk about irregularities that occur in insurance distribution and ways to eliminate them. Such 'eliminating', however, should not destroy solutions that work very well.

I would like to express my gratitude to all representatives of insurance undertakings who were involved in the activities of the working group and actively participated in the process of consulting final solutions. Thanks to you it was possible to prepare solutions that are good for the insurance market. In reference to the beginning of my speech, this is the model of cooperation that we would like to develop with you.

Planned activities and supervisory priorities

In the last part of my speech, I would like to share with you information about selected actions and priorities that we are facing today. Some of them have been already outlined, and I am going to only briefly mention the rest of them.

We are analysing the impact of geopolitical, climate and demographic changes on the solvency of insurance or reinsurance undertakings. In this regard, we pay more attention to assessing the management of interest rate risk and liquidity risk. We verify assumptions used in the valuation of technical provisions related to insurance for solvency purposes in light of changes in morbidity and health situation after the COVID-19 pandemic. We also want, as part of stress test scenarios, assess the impact of specific exemptions and clauses related to a broadly understood war risk on solvency.

As for the insurance gap, we focus on the quality of insurance in terms of key parameters, such as the scope of risks covered, appropriateness of the sum insured, exclusion of liability, and the quality of claim adjustment.

From the perspective of insurance distribution, we analyse if it is carried out with clients' interests being taken into consideration and if products offered respond to identified needs and requirements. We also want to estimate the scale of underinsurance of real property against catastrophic events.

We conduct work aimed at aligning supervisory practices with new requirements, which have been defined in the changed Solvency II directive and in the new insurance recovery and resolution directive, in particular in terms of tasks on preventive recovery plans assigned to the KNF. We want to be prepared to apply new solutions from day one after their entry into force.

We change our approach to the assessment of timeliness in claim adjustment in the case of compulsory motor third-party liability insurance. As part of our activities, we will be paying more attention to the assessment of timeliness against the market benchmark in order to identify entities in the case of which claim adjustment takes much longer than the market average. Dynamics of proceedings concerning violations of time limits in claim adjustment under compulsory motor third-party liability insurance will also be increased.

As far as digital security is concerned, we exercise supervision under DORA. Advanced IT systems and effective use of AI and predictive analytics give a real competitive advantage these days. They allow almost every process to be optimised: from the personalisation of the offer, through effective sale, to the precise claim adjustment and advanced fraud detection. This is why security of IT systems as well as appropriateness and correctness of AI systems' functioning are critical matters today. These are matters that should become permanent elements of internal control systems and operational risk management framework at any insurance undertaking.

Conclusion

To summarise my speech: on the one hand we can see solid financial foundations and a large potential of growth in the Polish insurance market, and one the other hand, we can see systemic threats in the form of low-price trap and insurance gap, which may hamper this growth.

The objectives we should set as the market include developing appropriately priced insurance products that meet clients' needs and ensure high-quality claim adjustment and compensation payment to show that insurance makes sense and that it pays off.

The KNF is ready to support the market in actions aimed at stimulating safe growth and looking for solutions to problems that hamper that growth. As part of today's Congress, representatives of the KNF will take part in a number of discussion panels.

I encourage you to listen to their opinions, ask difficult questions and together try to look for answers to the challenges I have mentioned today.

Lastly, let me say that both me and my colleagues are available for side discussions during the Congress. Let us talk: this is a good opportunity to share, in casual atmosphere, your concerns, observations and ideas on how to improve our market.

Thank you.