DOMESTIC INSURERS IN POLAND AND THE GLOBAL CRISIS

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Abstract: *The article contains the analysis of the impact of global crisis on Polish insurance sector. The main areas of the crisis impact on the activity of Polish insurance companies has so far been the change in the assets value and the associated decline in the profitability of investment activity. The danger arising from the economic downturn has not been realized so far in the Polish insurance sector. Although the premium written is high, the structure of the portfolio in life insurances is changing. In 2008, however, a significant retreat from saving insurance policies with capital funds in the direction of structured products is observed. A significant increase in premiums written resulted in a good financial situation of Polish insurance companies. Despite the turmoil in financial markets it also seems that solvency of Polish insurance sector is unthreatened as measured by statutory ratios.*

Keywords: *insurance companies, Polish insurance market, global crisis*

JEL Classification Code: G22, G01

1. INTRODUCTION

The global financial crisis that began in mid-2007 in the USA affects the global economy in the scale compared to the Great Depression of the 30s. Since the source of this crisis was the collapse of the US real estate market and the liberal credit policy in the scope of mortgage loans the first institutional beneficiary of the financial crisis was the banking sector. However, other institutions including insurance companies have been affected by the consequences of the crisis.

This article aims to analyze the impact of financial crisis on Polish insurance companies. The impact of crisis will be considered at three levels:

- the impact of changes in macroeconomic environment on the activities of insurance companies;
- the impact on the financial situation of Polish insurance companies;
- the potential consequences of affinity of domestic insurers to international capital groups.

The study relates to the years immediately preceding the financial crisis (2005-2006) and the period of 2007 – the first half of 2010.

2. THE EFFECTS OF THE INFLUENCE OF THE CRISIS ON INSURANCE COMPANIES

As a result of the financial crisis, the market value of insurance companies has dropped significantly. In case of life insurance companies, the depreciation of their trading is higher than of other companies. Property insurance companies have been less severely affected by this situation (Figure 1).

(a) **(b)**

Source: www.ambest.com/stox

Figure 1. AM Best Index for life insurance (a) and non-life (b), versus S&P 500 index

The downturn of insurance companies and the breakdown of the financial markets have become a major problem not only for the shareholders of insurance companies but also for the insurance companies themselves which as the effect of such activity have a limited access to external financing. Such a situation becomes, paradoxically, an opportunity for insurance companies based on the idea of mutuality (mutual insurers) when the investors limit their investment activity due to incurred losses (Laux C., Muermann A. 2006). Moreover, mutual companies, for which the problem of limited access to external financing is quite common also in the stable market[1] can take advantage of internal financing in a more efficient way.

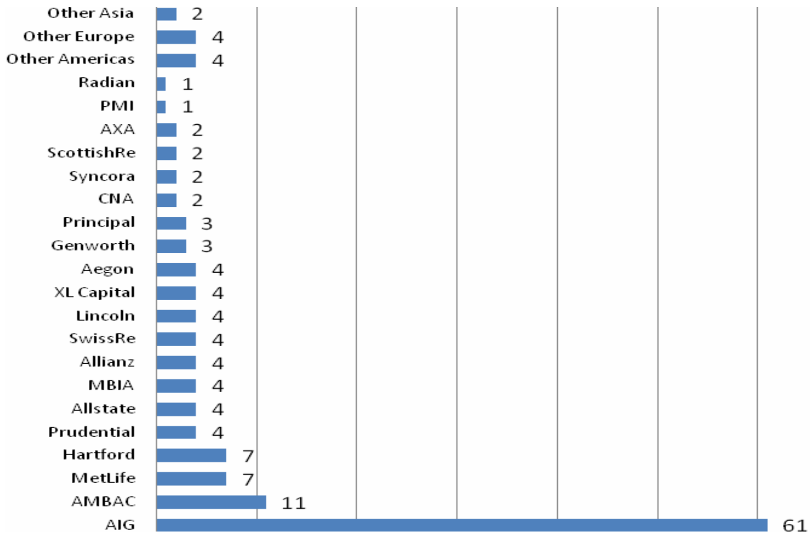
Depreciation of assets is another result of the impact of current financial crisis. It was the hardest blow for the insurance companies from the American market. The value of the assets in the insurance sector dropped there by the amount of USD 125 billion (representing - 3.2% of assets). However, it did not bypass European institutions (decrease by about USD 17 billion) which are also on the list of insurance companies that recorded the largest depreciation of assets in terms of their value (Figure 2).

Serious consequences for the insurance sector result from the source of the current crisis. Insurance or guaranteed mortgage debt repayment and the insurance of collateralized mortgage bonds are the areas where the risk associated with an increased scale of compensation and benefits payment is realized. An additional burden for the insurers may become the third party liability claim compensations of directors and board members (D&O) and for damage and omissions (E&O).

In the case of mortgage loans insurance or guarantees of their repayment the insurance loss is estimated to approximately USD 10 billion, in the case of underwriting of mortgage-backed securities to approximately USD 50 billion[2].

[1] Capital motif is indicated as the main cause of mutual transformation of plants out in public limited companies.

[2] The projected losses shall amount to 0.05% and 0.27% of the total assets of the insurance sector. (T. Hess, K. Karl ,C. Wong, 2008, p 6)



Source: (F. Blom, J.W. Kuenen, 2009, p. 12)

Figure 2. Depreciation of assets as a result of financial crisis (since December 2008)

The economic downturn brings a decline in the insurance sales. Swiss Re Experts predict significant differences in premiums written changes in different insurance markets and the slow breaking of recession in 2010 (Table 1)

Table 1. Real growth of premiums in different countries in the years 2008-2012 (in%)

Country	*Global market share (2008)*	*Real growth of premiums*									
		2008		2009		2010		2011		2012	
		Life	Non life	Life	Non life	Life	Non life	Life	Non life	Life	Non life
USA	28,03	-3,6	-5,8	-12,2	-2,8	-2,9	-0,5	2,8	1,7	3,6	3,3
Canada	2,43	-0,1	0	3,4	2,4	4,7	1,9	4,4	2,6	4,7	3,3
Japan	12,44	1,4	-4	4,7	-1,1	0,3	1,7	1,9	1,9	2	1,9
UK	7,61	-31,9	-1,3	-11,3	1	6,7	1,1	2,7	1,1	3,7	3,6
France	6,96	-14,1	0,8	16,2	1,3	4,9	0,8	4,3	1,6	4,3	2
Germany	5,86	-1,5	-2,6	6	3,3	8	-1	-2,3	1,8	0,7	2,5
World	100	-7,3	-1,4	-0,1	0,2	4,4	1,3	4,1	2,8	4,4	3,7

Source: Based on (Hess 2008, SwissRe 2010)

The effects of the recession are also evident in the increase of claims payments. Product line characterized by the largest connection with the effects of the outlook in non-life insurances are credit insurances and insurance guarantees. In the context of current financial crisis, this problem concerns not only the mentioned question of the increase in liabilities for mortgage loan insurance and the guarantees of its repayments. The aim of all financial insurances is to provide protection in a situation where a contractor is unable to meet their obligations (usually financial). As a result, during the economic recession, when the number of bankruptcies, composition agreement proceedings and the unemployment rate rise the burden of claims of this type of insurance increases. The variability of results may be very large – in case of warranty activity (very popular in the US market), with an unfavorable business outlook the claims indicators can reach the level of several hundred and more percent (J. Kukiełka, 2003, p 40-41). Another characteristic feature of the alleviation of the economy is also the increase in the number of insurance frauds in property insurances.

The most visible effects of the financial crisis, however, are observed in investment activities of insurance companies. The essential purpose of insurance companies' deposits is not to make profits from investments but to secure their future obligations to policyholders. Hence, they are usually characterized by relatively low risk and a significant diversification, and time synchronization of the obligations and deposits. Investment activity of insurance companies is in addition, in most countries, fortified with a number of restrictions resulting from the provisions of insurance law and control activity of the supervisory bodies. Despite the cautious investment policy, insurance companies cannot, however, be unaffected by the dramatic decline in the value of financial asset – the drop of the shares value on the weakened capital market or the reduced profitability of other securities dependent on the market interest rates. This translates into a deterioration of their financial performance, both in the form of realized and unrealized losses on assets. These effects are particularly acute for life insurance companies, where the investment activity is closely related to insurance activities.

The negative effects of market downturn may be weakened, however, because the continuation of insurance activity and continual inflow of insurance premiums allow for financing of claims from current operations, without the need to dispose of the assets in the market seized with crisis.

Life insurers who have savings products in their portfolios, where the risk is borne by the insurer (so-called unit-linked) transfer the investment risk in full to their customers. In case of life insurance the weakening of investment operation performance may be associated with the risk of a mass resignation from long-term savings policies and lack of continuation of short-term single-premium policies, thus reduction of premium written and the need for increased withdrawals.

Negative effects of the financial crisis should also be sought in connection with the possibility of a "domino effect" occurrence. Insurance companies as a part of a larger financial group may be affected by problems which originate in other entities of the group (mainly from the banking sector). (CEA, 2008)

The effect of drop in the sales of insurance products for both property and life, may also be associated with the decrease or even lack of confidence in financial institutions in general. The reputation risk is a characteristic component of current financial crisis.

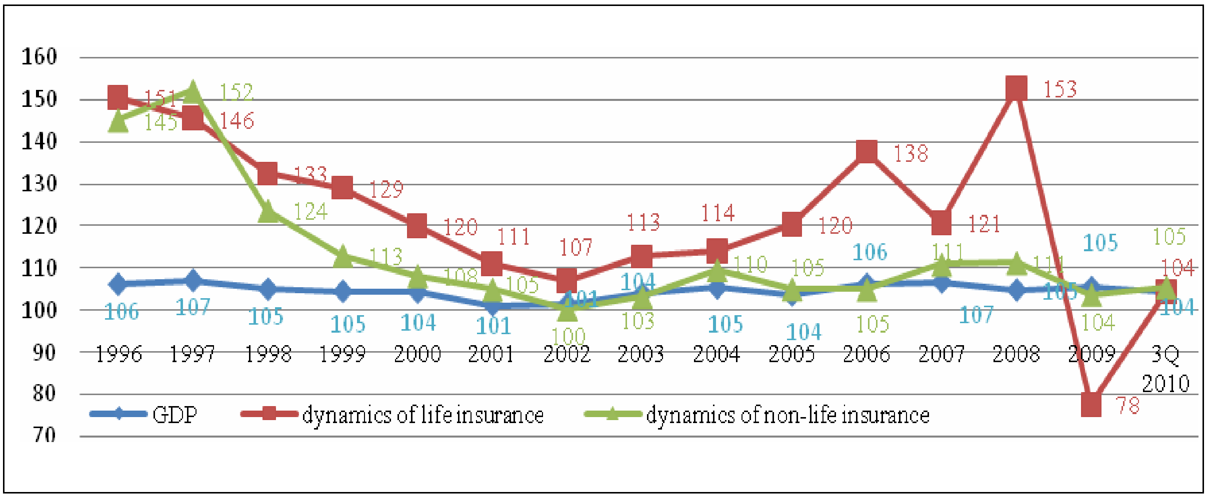
3. THE SITUATION OF THE POLISH INSURANCE SECTOR

In life insurances the tendency of premiums dynamics and GDP are similar in the years 2000-04 with the dynamics of life insurance being of a few percent higher (Figure 3). The situation has radically been changing since 2005. It is happening so thanks to short-term products with an investment fund, which allow to avoid the capital gains tax. In 2008 life insurance companies experienced a record-breaking growth in insurance premiums. The earlier popularity of unit-linked products has ended. The policyholders liquidated or discontinued those insurances (due to losses on deposits), acquiring more and more often the so called structured products – with no capital fund and with the guaranteed protection of capital or profit. The amount of the premium for the policies with a single-premium payable with the capital fund has dropped from PLN 7.24 billion in 2007 to 2.07 billion with a parallel increase of the premium in insurances without investment funds with a single-premium payable up to the amount of PLN 22.9 billion (from 4.34 billion in 2007). The first quarter of 2009, however, is a period of economic collapse in savings insurances. Life insurances have noted a decline in insurance premiums collection by 0.41 points (compared to the first quarter of 2008) when in a corresponding period the premium growth amounted to 11.33 points. A decline of products with the capital fund is still being recorded by nearly 20 percentage points but there is a slight increase in insurance class 1 – 4.9 points.

Life insurances record a decline in insurance premiums collection by nearly 30 percent (as compared to the 1st half of 2008) but most of it is the result of nearly 40 percent drop in structured products. In addition, during this period there is still recorded a decrease in premiums collection of products with capital fund by nearly 15 percentage points. This decrease is at the same time accompanied by a very large increase in the amount of claims paid (in the insurance class 1 by more than 250 percentage points in comparison to mid-2008), which may indicate a reluctance to continue these insurances by insurance companies' customers.

This phenomenon indicated high sensitivity to new solutions of financial institutions' customers. In bank activities a new solution that allowed avoidance of the capital gains tax, has been created. This product was based on the breakdown of the entire value of the deposit into multiple smaller ones, each of which was determined in such a way that the interest accruing each day did not exceeded the minimum level specified in the Tax Act (at the interest rate of 5.5% and the capitalization every 1 day, the maximum account balance from which no tax on capital gains shall be calculated amounts to PLN 16 557.72). It was to be assumed that most customers of insurance companies have moved their savings to banks.

In the year 2010 we can observe a phenomenon of stabilization and the growth of life insurance market is similar to changes in GDP. Although the level of premiums collection for class 1 (structured insurances) is lower than this realized in the difficult year of 2009 but at the end of the 3rd quarter of 2010 a rise by almost 30 percent of the insurance written with the capital fund was recorded.



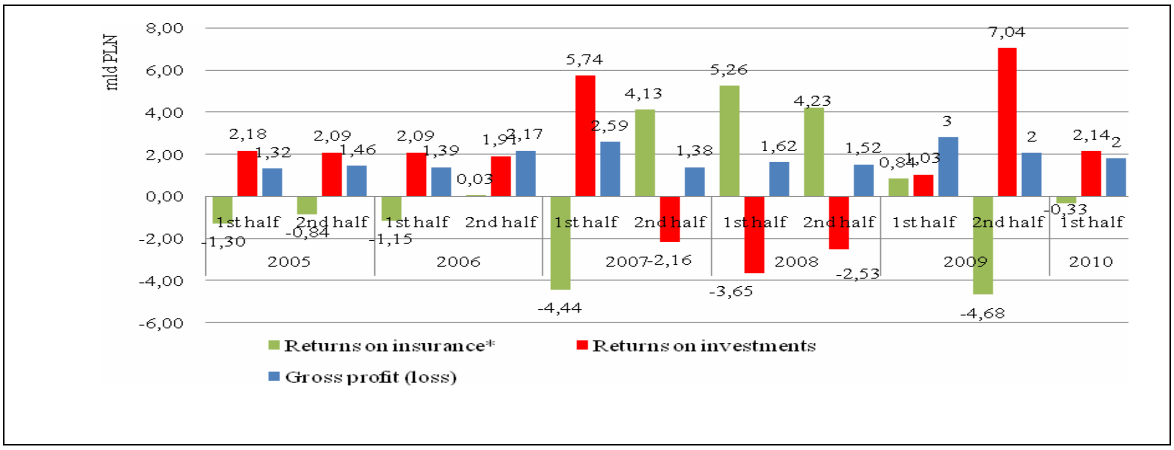
Source: Own calculations based on FSC and GUS

Figure 3. Dynamics of gross written premiums in life and non-life insurances and GDP growth in the years 1996-2010 (in%)

In case of non-life insurance companies since 2000 the dynamics of premiums shows a trend similar to the dynamics of GDP. The decline in the dynamics of GDP in 2007 and 2008 did not move, though, to the decline in the dynamics of premium, which even slightly increased (10.95% in 2007 and 11.31% in 2008). In the first quarter of 2009, however, a decline in the dynamics of premium is observed (it "follows" the drop in the dynamics of GDP, which amounted to 100.8%) to 104.54% (when in the first quarter of 2008 it amounted to 112.41%). A high premium growth was recorded in compulsory third party liability insurances – with the exception of third party liability insurances for farmers and drivers (86%), third party liability insurances for the navigation (73.7%), insurance guarantees (42%) legal protection insurances (25%). There was a decrease in revenues from insurance of objects in transit by 17.6%, on hull by 26% and loans by 16%. There is still a small share of financial insurances in the portfolios of Polish insurers (5.7%), which ultimately has not resulted, and will not result in significant adverse effects observed in these insurances in the event of an economic crisis. Only about 1.8% of the gross premiums are the insurance products that reduce the mortgage risk in Poland (S. Kluza, 2008) so very sensitive to a possible real estate crisis. Lack of abrupt changes in the financial position of the national insurance companies also stems from the extremely conservative product structure of Polish insurers. Nearly 55% of the products are motor insurances (over 31% are the third party liability insurances for drivers) and another 22% are property insurances against the elements and other risks.

As evidenced in the above analysis, the effect of the current economic slowdown has so far been rather poorly visible for the Polish insurers premiums collection, although it was noticeable for the global insurance market – the drop in premiums written in life insurance amounted to -7,3% in 2008 (in 2007 increase 8.8%) and property by -1,4% (up 0.2% in 2007) (Table 1).

To assess the impact of turmoil of financial markets on life insurance companies the technical result analysis is important together with its constituent results from the business of insurance and from investments, and the gross profit (Figure 4).



Source: Own calculations based on KNF

Figure 4. Financial Results in non-life insurances in 2005-the first half of 2010

In the 2nd half of 2007 a distinct change in performance of life insurance companies can be observed. The loss on investment activity is accompanied by a higher positive result on insurance activity. This situation reaches its extreme in the first half of 2008 when the loss on investments exceeds PLN 3.6 billion and at the same time is accompanied by an extremely high technical result of PLN 5.25 billion. The 2nd half of 2008 brings an alleviation of the situation. So, pronounced losses on investment activity are undoubtedly the result of the situation on the financial market. The profitability of investment activity in 2008 in life insurance companies was – 7.86% (in the 1st half of 2008 -4.68) and in 2007 5.06% while in the preceding years it was close to 10% (9.55% and 10.28% respectively in 2005 and 2006). The situation is clearly normalized in 2009. In the 1st half of this year the result on investments is positive and in the 2nd half of the year it is record high – higher than 1.7

billion, the best in the studied period 1st half of 2007. The profitability ratio of investment amounts to respectively 3.95 (in the 1st half of 2009) and 11.6% (in the 2nd half of 2009). In the 1st half of 2010 the result on investments reaches the value close to years 2005 and 2006, that is the period preceding the start of financial crisis. Significant changes in the investment activity taking place in insurance companies in 2007-2009 require a deeper analysis (Table 2).

Table 2. Components of the result on investments in life insurance in years 2007-2009 (in million PLN)

Item	2007		2008		2009	
	Total	(1)	Total	(1)	Total	(1)
I. Investment income	4 961.2	2 666.1	4 312.9	3 098.5	6 271.7	2 954.2
II. Unrealized gains on investments	1 905. 0	440.9	855.0	275.8	2 838.5	370.5
III. Investments charges	672. 6	265.6	8 067.7	571.9	707.9	80.9
IV. Unrealized losses on investments	2 615.3	549.3	3 282.3	913.9	327.3	164.5
V. Investments returns	3 578.3	2 292.2	-6 182.1	1 888.6	8 074.9	3 079.3

(1) with the exception of investments relating to insurance, where the policyholder bears the risk of allocation
Source: as Figure 4

Throughout the entire year of 2007 insurance companies eventually reach a positive result on investments only thanks to a very good 1st half of the year. In 2008 the source of losses on investment activity is already clearly visible – apply only to the investments corresponding to products in life insurance where the investment risk is borne by the policyholders. In addition, it should be added that a significant proportion of losses on the investment activity is the unrealized losses (III) resulting exclusively from the decline in the value of financial instruments below their acquisition value and the latest revaluation – in 2008 unrealized losses constituted almost half of the result on investment activity. A reverse situation is brought by the year of 2009 where over 35% of the result on investments are also due to investment revaluation. This time, however, it is a positive result arising solely from the increase in the market value of insurance companies investments. As one can see accounting operations have a very significant impact on the outcome of the investments of Polish insurers – the effect of revaluation of financial instruments. It is worth noting that the balance of the years 2008-2009 of all unrealized losses and profits on investment activity of insurers is almost neutralized (it amounts to PLN 83.9 million). This justifies the voices raised in the environment that financial instruments evaluation method adopted in recent years affected the performance of insurers during the crisis in an unnatural way.

A significant change of the result on insurance activities of life insurance companies also requires a deeper analysis. A very clear loss in the 1st half of 2007 stemmed from an increase in insurance technical provisions for unit-linked products by the amount of over PLN 7 billion (in the analogous period of 2006 these provisions increased by PLN 1.3 billion).
The increase in provisions was caused by a rapid increase in the sales of these insurances (mainly short-term) – the written premium for 2006 amounted to PLN 9.06 billion and in the 1st half of 2007 almost PLN 7.5 billion. As a result of the resignation from class 3 insurances (with the investment fund) in 2008 the balance of the technical provisions decreased by more

than PLN 9 billion compensating the increase in life insurances class 1 (structured products) positively influencing the results of insurance business.
The drop in the sales of life insurances and the realized claims payments in 2009 resulted in the need to release of further technical provisions, which resulted in reduction of losses in insurance activity[3]. Thanks to these activities and strong investment performance in the 2nd half of 2009 life insurance companies showed a profit in the amount of nearly PLN 5 billion at the end of this period.

Non-life insurance companies in the entire study period achieved positive results on the investment activity (Figure 5). Throughout 2008 the profitability of investments was 7.53% and was better than the year 2007 by over 3 percentage points and only slightly worse than the profitability for the years 2005 and 2006 (about 2 percentage points). In 2009 profitability of investments is even better – 8.21%. High results on investment activity in 2008-2010, however, are the result of the income from shares in subsidiaries. In the 1st half of each of these years, the largest life insurer in Poland PZU Życie paid to the biggest Polish property company dividends – in the amount of PLN 2.167 billion in 2008, PLN 1.419 billion in 2009 and PLN 3.12 billion in 2010.

After "clearing" the results of investment activity from this emergency, one-off amount the profitability of the investments drops in 2008 to the level of 2.42% in 2009 to the amount of 5.63% and in 2010 to 2.61%. The results on investment activity in 1st halves of years 2008-2010 are respectively – 0.5 billion, 1 billion, 1.08 billion. Thus they become comparable to the period 2005-2007 and to 2nd halves of the years under study. These comparisons indicate that the financial crisis had no significant influence on activities of Polish property insurers.

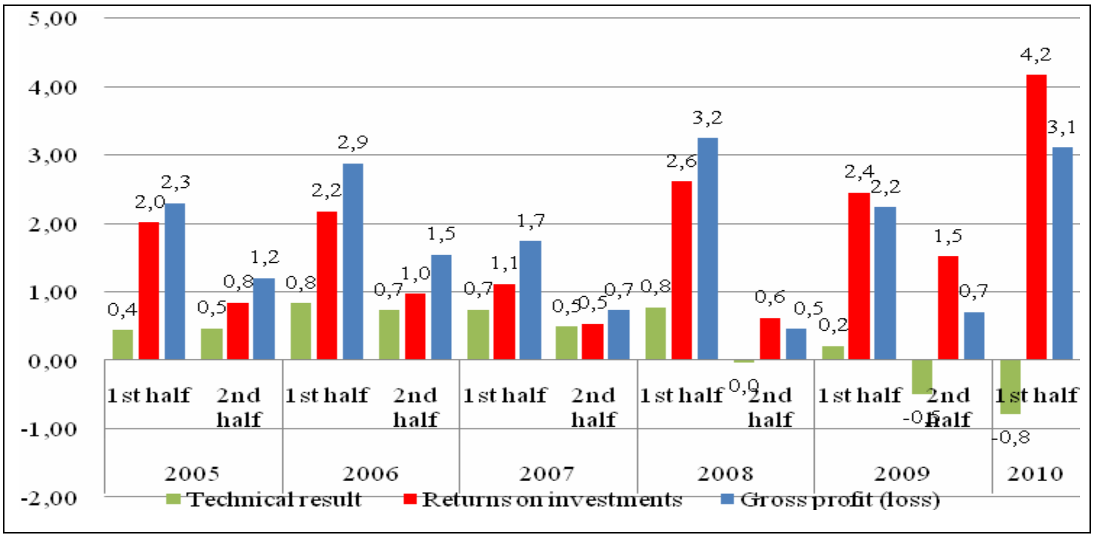
In the 2nd half of 2008 the technical result of insurers dropped. This decline is mainly caused by an increase in the dynamics of administrative costs and provisions for outstanding claims[4]. It should be noted, however, that the result of Polish insurance sector in 2008 is the second result after 2006 since 1991. Although clearly, the key contribution here is the high result of investment activity, which (as already mentioned) is the result of rather high dividend income from PZU Życie.
Despite the negative technical result of property insurers in the 2nd half of 2009 the final result for the sector for 2009 is also satisfactory. The technical result of non-life insurers in the 1st half of 2010 is negative largely due to the spring and summer floods, storms and torrential rains.

According to information from the Polish supervision in the period of May-June the amount of about PLN 1 billion compensation for these losses was paid (including about 61% is the share of the reinsurers). However, due to the high profitability of investments the sector's result for the 1st half of 2010 is positive. If, on the other hand, the aforementioned dividend was to be subtracted, it would oscillate around 0.

The value of assets of Polish insurance sector, despite the decline in the value of investments, systematically increased until the end of 2008. A slight decrease in the value of

[3] Result on insurance activity in life insurance is not equivalent to the technical result since in the analyzed examples it is calculated by excluding from consideration the result on investment activity.
[4] From 1 Oct 2007 to the end of 2008 in the costs appears the so called Religa tax (named after the then Minister of Health) that is a mandatory flat fee in the amount of 12% of the premiums from third party liability insurance for drivers paid to the National Health Fund (the fund being the source of public health care financing) intended for treatment of traffic accident victims.

assets can be observed in life insurances in the 1st quarter of 2009 (by 2.3%) and it mainly results from the decline in the value of investments at the risk of the policyholder.



Source: as Figure 4

Figure 5. Financial results in life insurances in 2005-the 1st half of 2010

Unfavorable trends in investment activity had not effect on solvency of insurance companies. In accordance with the rules of Solvency I and their implementation in the Act on insurance activity essential requirements for the assessment of solvency concern the coverage of required solvency margin and guarantee fund with available solvency margin and the possession of assets in the amount of no less than gross technical provisions (Act of 22 May 2003 on insurance activity, Art. 146.1, 154.1) (Table 3).

Table 3 Statutory solvency ratios in 2007-2009

Item	2007		2008		2009		2010	
	30.06	31.12	30.06	31.12	30.06	31.12	30.06	31.09
Provisions cover ratio								
Life	112.20%	108.80%	107.40%	108.70%	112.20%	109.00%	108.70%	108.60%
Non life	152.30%	153.90%	157.30%	155.30%	153.40%	116.40%	122.90%	122.50%
Activity monitoring ratio								
Life	324.80%	347.30%	242.70%	290.50%	300.20%	349.50%	283.40%	306.70%
Non Life	695.00%	666.80%	645.50%	647.00%	707.10%	364.80%	346.60%	371.80%

Source: Prepared on the basis of reports KNF

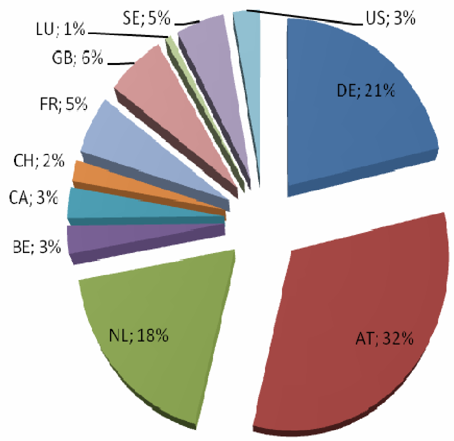
The analysis of the provisions cover ratio indicates its good and stable level, particularly in the scope of property insurances in non-life there is even observed a growing trend, however, slowed down in the 2nd half of 2008 and resulting from higher dynamics of assets than of provisions (13.3% - the average annual increase rate of investments in 2007-08, and of the provisions at the same time 10.1%). There is also a clear change of this ratio in the 2nd half of 2009 and in the year 2010.

As before, it results from a higher increase in provisions than the increase in assets (from 30.06.2009 to 30.06.2010 provisions increased by 4.8% and assets only by 1.6%). For life insurances this trend is reverse since the already mentioned significant increase in provisions (average annual rate of 13.01%) exceeded the increase in investments (11.46%).
However, it undergoes an insignificant change in the 1st half of 2009 and is stabilized in 2010 reaching the proper level from years 2007-2008. However, it should be noted that according to information from the financial supervision, insurance companies, despite opportunity arising from existing legislation, do not show all assets held to cover technical provisions (have no such obligation).

Solvency margin cover ratio for life insurances decreased in the 2nd quarter of 2008 to rise slowly until 2009 inclusive and to drop slightly in 2010 (in connection with the dividend paid by PZU Życie) and then to rise in the 3rd quarter of 2010. The increase in solvency margin primarily associated with the increased risk for short-term structured products was accompanied by a decline in the value of available solvency margin. In case of non-life insurances the increase of solvency margin associated with the increase in gross premiums was also accompanied by the increase in the level of available solvency margin. The situation is changed dramatically in the 2nd half of 2009 as in the 3rd quarter of the year the largest property insurer is making advance dividend payment for 2009 in the amount of PLN 12.7 billion[5], which causes a decrease in available solvency margin of the entire property insurance department by 48.3%. Despite this the cover ratio is the level of available solvency margin is very good.

4. FOREIGN CAPITAL IN THE POLISH INSURANCE SECTOR

Since the beginning of formation of a competitive insurance market in Poland (since the Act of 1991) there is a noticeably high involvement of foreign entities in capital investments in Polish insurance companies. According to the data at the end of the 1st quarter of 2010 the share of direct foreign investments in the primary capital of life insurers amounted to 71.90% and non-life 83.58%. The countries from which most foreign capital came are Austria (32%), Germany (21%), and the Netherlands (18%) (Figure 6).



[5] PZU result for the year 2009 was only at the level of PLN 2.51 billion. So high dividend was the result of blocking the payments from previous years and the agreement entered into by the State Treasury with Eureko (in 2009 the owner of 32 % stake in PZU), where this dividend was a part of the compensation. This settlement agreement that ended the dispute, in which Eureko demanded the sale of a majority stake in PZU.

Source: Own calculations based on information KNF

Figure 6. The structure of foreign investments in Polish insurance companies as of the second half of 2010

Such a situation obviously favors the integration of Polish insurance market with the world market and the transfer of knowledge and experience from developed markets to a relatively young and still growing insurance market in Poland, but it also increases the sensitivity of the risk during the global downturn. On the Polish insurance market operate insurance companies being a component of financial groups in which are present entities that have suffered significant losses as a result of the financial crisis – AIG (AIG Polska TU[6] and PAPTUnŻiR AMPLICO LIFE S.A.[7]), ING Group (ING TUnŻ SA.) or KBC Group (TUiR WARTA S.A. and TUnŻ WARTA S.A.).

According to KNF data 8 of the national insurance companies have passed to the supervision authority information on the presence in the group of entities sensitive to the collapse of mortgage market failure in the USA. It is therefore possible to reduce the capital results of the group and to transfer the financial problems of banks to insurance companies (the risk of loss of the bank's reputation and its lowered rating, financial flows aimed at improving liquidity of the entities at risk in the group). (S. Kluza, 2008)

5. ACKNOWLEDGEMENT

The main area of impact of the crisis on the activity of Polish insurance companies has so far been the change in the assets value and the associated decline in the profitability of investment activity. As no insurance company had in its portfolio structured instruments based on mortgage loans (according to KNF data) therefore the decline in the value of assets was associated with the decline in the value of shares listed on the stock market, treasury securities with the interest rates dependent on market exchange rates and the participation certificates in the investment funds.

In light of the analysis carried out it seems that the situation on the Polish market has stabilized. At the same time, property insurers have had to face new difficulties – an exceptionally cold winter of 2010 and several flood waves. The year 2011 and those following shall still remain quite difficult years for the insurance market. The increased credit and market risk and the risk of macroeconomic environment and the resignation from insurance policies are the main areas of risk to which insurance companies will be exposed in this period.

The perspectives for global insurance are good (preliminary estimates for 2010 indicate an increase of 4.4% of life insurance written premiums and an increase of 1.3% in non-life insurance) and the forecast for Poland is very good. There is a two-digit increase expected in life insurance premiums. In case of property insurances Poland and Russia are perceived as main markets of Central and Eastern Europe with the dynamics of premiums at the level of more than 12% (T. Hess, 2008).

The crisis situation could not have been left without the response from regulatory bodies. The EU proposes to accelerate works on the introduction of a new system to assess

[6] The company abandoned the business in Poland (after almost 19 years of operation on 6 May 2009.) and now operates as a branch Chartis Europe S.A. based in Paris, France.

[7] 1 November 2010 the company MetLife Inc. Finalized a purchase transaction of American Life Insurance Company and as a result Amplico Life is operating also within the framework of combined structure of insurance companies.

solvency of insurance companies (Solvency II), which is to include the assessment of the risks occurring in the insurers activities and to motivate insurance companies to implement risk management systems. As a result of the crisis there was a need to review some previous works within the framework of Solvency II.

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