

# How insurance changes Poland and its people

Report on the influence of the insurance industry  
Abridged version



# Key factors of influence\*



## economy

**2%** GDP

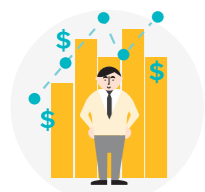
total contribution of the industry to the Polish economy

**PLN 160 bn**  
the industry's investment in the Polish economy

**PLN 35.9 bn**  
added value in the Polish economy generated by the industry

**PLN 60 bn**  
the industry's investment in treasury bonds

**225k**  
jobs created by insurers in all industries (excluding self-employed)



## businesses

**PLN 460 bn**

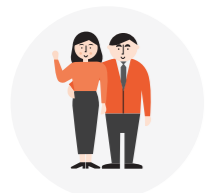
insured turnover of Polish companies in 2016

**PLN 114 bn**  
value of Polish exports protected by insurers

**PLN 874 m**  
value of compensation and benefits paid out from civil liability insurance of entrepreneurs and other people

**60%**  
assets of Polish companies covered by insurance

**30%**  
agricultural cultivation land in Poland insured against extreme weather events



## society

**10 m**

home insurance policies in Poland (including household property)

**2 m**  
Poles have private health insurance (end of Q1 2017)

**PLN 18.3 bn**  
value of compensation and benefits paid out from life insurance

**up to 25%**  
increase in pensions thanks to regular saving (PLN 100 monthly)

**PLN 12.1 bn**  
in salaries received by employees in various sectors thanks to the actions of insurers

# How the insurance sector is changing Poles and Poland

*Insurance is a foundation of Poland's social and economic security. It not only stabilizes but also enables development. The industry affects Poles' security, and also contributes significantly to economic growth and rises living standards. Insurers support the growth of companies and stabilize the country's public finances by providing the necessary capital. The Polish Insurance Association indicates the main areas of influence and the indexes defining it. The report beforehand was produced in collaboration with Deloitte.*

The idea behind insurance is a social contract which enables mutual coverage of the needs arising due to fortuitous events. Insurance guarantees the economic balance of families, businesses and public and private assets. The role of insurance in contemporary societies cannot be replaced by even the most organized preventive action, such as flood protection or intelligent traffic management. Although insurance is associated with protection against negative events, it performs an important stabilizing function, thus supporting the development of Poland and Poles in many fields.

### → Polish economic growth and capital for public investment

The influence of the insurance industry on the Polish economy is more than just the PLN 1.6bn in taxes paid in 2016, or 225,000 jobs created in various sectors. Above all, it means more goods and services produced in the Polish economy thanks to insurance payouts. The scale of this influence can be seen in the total added value generated by the industry. This stands at PLN 35.9bn, equivalent to **2% of the country's GDP**. Insurers are also the **third largest institutional investors in Poland**, just behind banks and foreign investors. By investing 60bn of their assets in bonds, and PLN 17.4bn long term in company shares, they are not only providing capital for companies to expand but also financing public expenditure on infrastructure, education, health and other key areas.

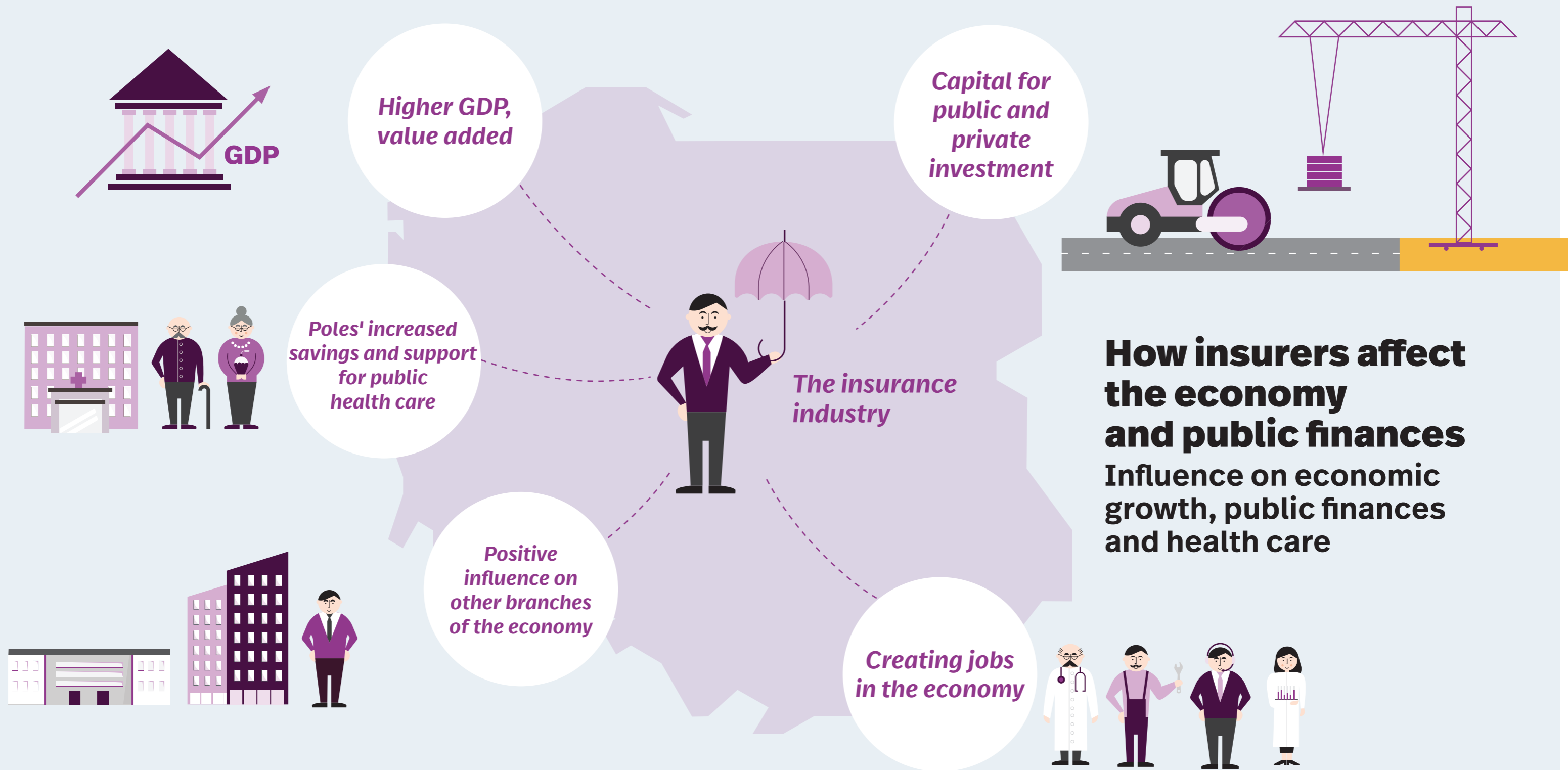
### → Protection of operations and the development of Polish companies

Every day, Polish companies take advantage of insurance protection when doing their business. In the event of fire, theft or disruption to production, they can receive compensation which will allow them to avoid long-term stoppages, staff cuts or even bankruptcy. The value of companies' property insured against fires and other **elements is around PLN 1.7tr**. Insurance also means greater financial stability for companies. The industry **guarantees up to PLN 60bn worth of companies' receivables each year**. Finally, insurance provides genuine support for the growth of innovation (by insuring start-ups) and the expansion of Polish exporters onto foreign markets.

### → Safety of Polish families

The insurance industry provides Poles with a sense of security at every stage of their lives. It supports injured parties by evening out the negative effects of hundreds of everyday risks. In 2016 alone, the industry paid out **PLN 18.3bn from life insurance policies**. **Two million Poles are currently also covered by private health insurance policies**. Protection of life and health, and of property, travel insurance, wider access to health care or saving for one's retirement or to provide financial security of one's loved ones are all vital factors affecting a society's welfare.

\* As at the end of 2016, unless stated otherwise. Refers to all data provided in the report.



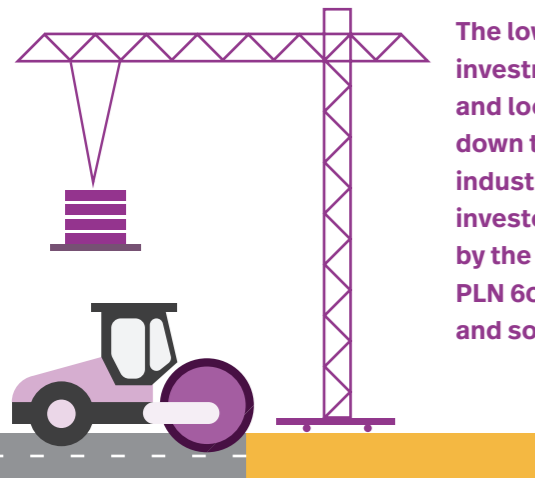
♦ **The insurance industry has a significant contribution to the development of the Polish economy, influencing the growth in GDP and economic well-being. It is one of the largest domestic investors, providing capital for companies' development and expansion, and co-financing state and local authority investments. It also contributes to the stability of the social security and health care systems.**

Insurers have invested over PLN 160bn in the Polish economy and provided capital for the development and innovation of businesses. By depositing PLN 60bn in treasury bonds, they are supporting public expenditure in infrastructure and state benefits for millions of Poles. At the same time, the industry increases the stability of public finances and reduces their exposition to external shocks.

The insurance industry has a powerful influence on the development of other branches of the Polish economy, including trade and vehicle repair, real estate, finance, industrial processing and transport and logistics. The total value added generated in this way is over PLN 35.9bn, 225,000 jobs and higher incomes for employees' households

Insurance also provides significant support to the public health care and national insurance systems. The industry contributes to the increased availability and quality of health care without burdening state finances. It also helps to gather more savings, which affects the living standards of Poles as they retire, and reduces the financial strain in the public pensions system

# Increase in Poles' savings and capital for investment

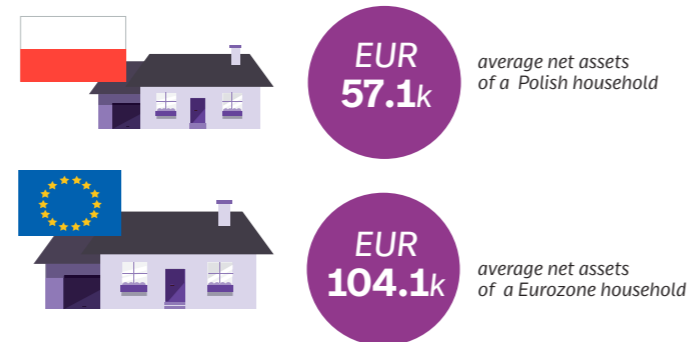


The low levels of savings in Poland and the resulting lack of capital limits investment by companies in innovation and development, and by the state and local authorities in transport and public infrastructure. This slows down the process of catching up with the richest countries. The insurance industry, by investing PLN 160bn and being the third largest institutional investor in Poland, is responding to this need. Every tenth zloty borrowed by the state now comes from insurance companies. This is almost PLN 60bn which has financed public expenditure on infrastructure and social benefits.

## 2 largest domestic investors in treasury bonds

Poland needs more savings and investment to boost economic growth. The insurance industry is one of those which can provide the capital needed. The available savings have for many years been insufficient to finance the necessary investment in this country. This concerns both private and public sector investments. The average national savings deficit during the past 25 years has been 3.6% of GDP. This has had a detrimental effect on economic growth and has simultaneously made it more necessary to borrow abroad. Without large institutional investors such as insurers, it will be impossible to provide the necessary funds for development in the future. Support for an increase in savings and investment is an essential part of the government's Responsible Development Strategy (Capital for Development) and the Capital Building Program.

Poles have half as many assets as inhabitants of the Eurozone. Despite a major increase in earnings and capital raised in recent years, Poles remain one of the poorest nations in the EU. The average household has assets worth EUR 57,100, while the average per family in the Eurozone is EUR 104,100 (ECB data for 2016).



The insurance industry's products allow it to support Poles' long-term saving. Through market activities connected with customer acquisition, information campaigns and the ready products and solutions on offer, insurers are actively contributing to Poles' awareness of the benefits of saving, and encouraging them to set money aside.

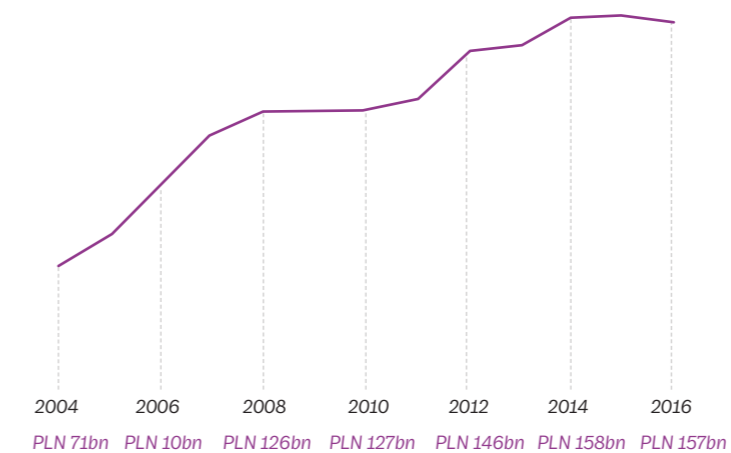
### Insurers provide capital to businesses and the state.

Regardless of the policy type, the contributions paid by the average Pole are money saved, which through the capital market helps finance public and private investment. In spite of the low investment to GDP ratio in Poland, its influence on the development rate over the last 20 years has been immense (half of the GDP increase achieved has been due to capital expenditure). Insurers played a significant part in this, consistently increasing the value of funds invested in the Polish economy. The value of the industry's investment is currently almost PLN 160bn.

### The insurance industry is reducing the costs of financing state expenditure and increasing the stability of public finances.

Insurance companies are the country's second largest investor on the treasury bond market. Insurers are reducing the cost of financing the budget deficit and increasing stability. This second effect is connected with the fact that as a domestic investor they are less vulnerable to external risks such as fluctuating exchange rates, and their investment policy is long term oriented and to safeguarding resources for paying out provisions and compensation.

INSURERS PROVIDE THE POLISH ECONOMY WITH CAPITAL  
Insurance companies' investments

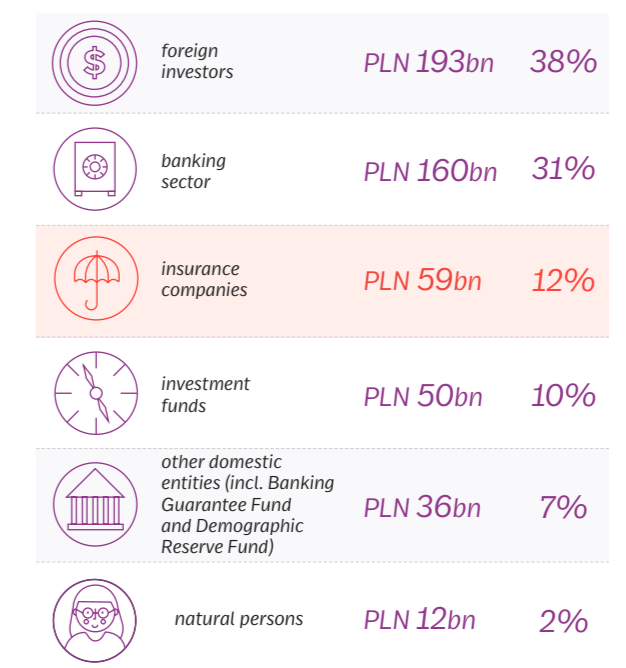


Source: Deloitte based on data provided by PIU and GUS.

**160bn**  
PLN  
is the value of the insurance industry's investment in the Polish economy

**60bn**  
around PLN  
the industry's investment in treasury bonds

Structure of the domestic market in treasury securities at end of 2016



Source: Deloitte based on data provided by PIU and GUS.

# Higher GDP, value added and jobs across the economy



The insurance industry through its business has a beneficial effect on economic growth, the enrichment of society and on the creation of new jobs, and increased innovativeness in companies. It is hard to imagine businesses functioning at any stage of development without the appropriate safeguards to limit their day-to-day risks. Insurance companies, through their own investments and compensation paid out, also support the development of such sectors as finance, real estate, industrial processing and health care. Insurance's total contribution to the Polish economy is 2% of GDP.

**2%**  
Polish GDP

equivalent of the industry's total contribution to the economy

**225k**  
jobs

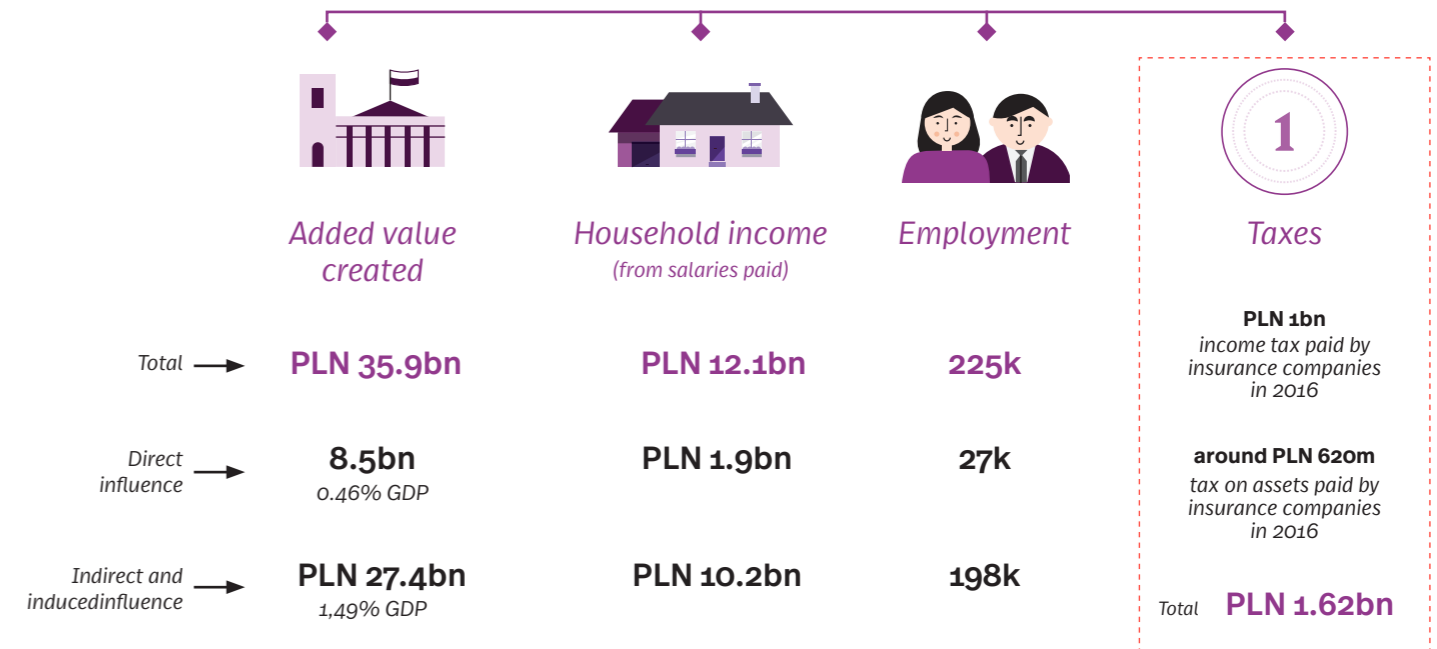
created by insurers in all industries

## How the insurance industry affects the Polish economy:

- Insurance's contribution to the development of the Polish economy goes far beyond the industry itself employing people, paying taxes and achieving profits. Insurers indirectly affect other branches of the economy because they pay out benefits and compensation, and also buy from suppliers just like other companies do. The positive effect on employees, resulting from salaries earned in related industries, should not be overlooked either.
- The industry's contribution can be shown by three major indexes – the gross added value created, employment generated, and increased household income (not only from benefits paid but also from the snowball effect caused by money from insurers).

- The insurance industry generates almost PLN 35.9bn of added value in the Polish economy. This accounts for nearly 2% of GDP and has a significant influence on the improvement of Poland's economic well-being. For comparison, this amount is double the state budget's expenditure on higher education in 2016.
- Added value measures how much value a given enterprise or industry produces. This enables companies to expand, invest in innovation, increase employment and pay tax. Gross added value is a key component of GDP, which measures the prosperity of an economy.

## THE INFLUENCE OF THE INSURANCE INDUSTRY ON THE POLISH ECONOMY



## THE FIVE SECTORS WHERE INSURERS HAVE MOST INDIRECT AND INDUCED INFLUENCE



Source: Deloitte.



♦ **The total contribution to the economy by insurers is the total of the value added generated in three dimensions:**

**1. Direct contribution** – insurers directly create PLN 8.5bn of gross value added. This is the value generated based on revenue achieved and costs connected, for example, with employment, obtaining contributions and rectifying damage. Direct influence on value added is equivalent to 0.46% of GDP.

**2. Indirect contribution** – insurance's indirect contribution is PLN 11.4bn. This amount is created by the compensation and benefits paid out by insurers to companies and private individuals. It means that businesses increase their expenditure on investment and purchases, and their

customers profit. The indirect contribution also arises from goods and services being bought from other branches by insurers. The indirect contribution to value added is equivalent to 0.62% of GDP.

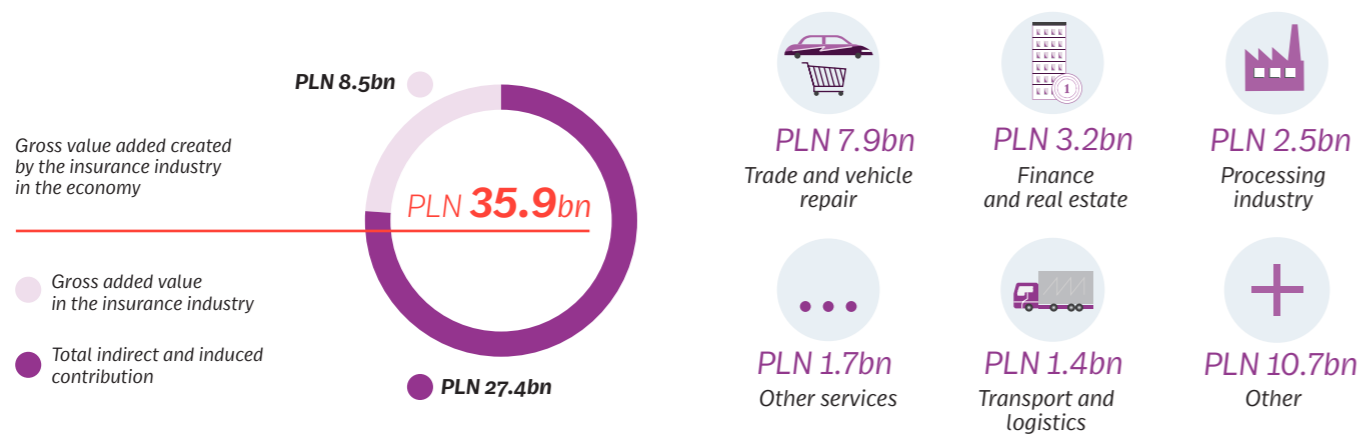
**3. Induced contribution** – the industry also has a beneficial effect on the economy via the increased incomes and expenditures of employees and their families. This concerns people employed in insurance firms and in related companies which make use of the compensation paid, or else work as suppliers for the insurance industry. Together they create an induced effect worth PLN 16bn, which constitutes 0.86% of GDP. This is additional value added created in industries benefiting from increased consumer demand.

**Insurers influence the development of other sectors of the economy**

♦ **Insurance most strongly affects the development of industries connected with the trade and repair of vehicles, finance and real estate, as well as the processing industry.** This structure results from the specific nature of the insurance market, which is dominated – in terms of benefits paid out – by life insurance and compulsory motor third party liability. This allows insurers to generate PLN 7.9bn of value added in retail, wholesale and repair of vehicles. The relatively high contribution to the financial and

real estate sectors (PLN 3.2bn) is due to insurance often being sold along with loans and other products. The significant value added produced thanks to insurance in the processing industry (PLN 2.5bn) and transport (PLN 1.4bn) is caused by the high value of the assets – buildings and vehicles – which are covered by insurers. Also significant is the contribution to health care (PLN 1.3bn value added created), which consists of expenditure on treatments, operations and rehabilitation financed by insurers.

The 5 sectors where insurance makes the greatest contribution – gross value added



Source: Deloitte.

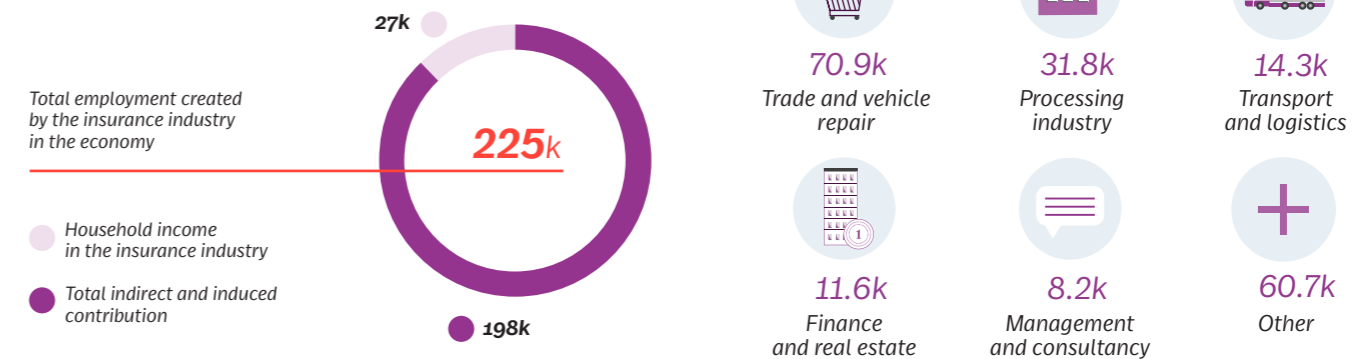
**Insurers create 225,000 jobs in the industry and in other sectors**

♦ **The insurance industry employs 27,000 people, and additionally generates nearly 198,000 jobs in other parts of the Polish economy by paying out benefits and compensation (not including the self-employed).**

The industry generates the most jobs – 70,000 – in retail, wholesale and repair of vehicles. Thanks to insurance, over 31,800 jobs have been created in the processing industry,

which includes manufacture of car parts and electronics. In addition, there are around 158,200 agents and multiagents working or running businesses thanks to insurance (PIU and KNF estimates).

Employment generated by industry:



Source: Deloitte.

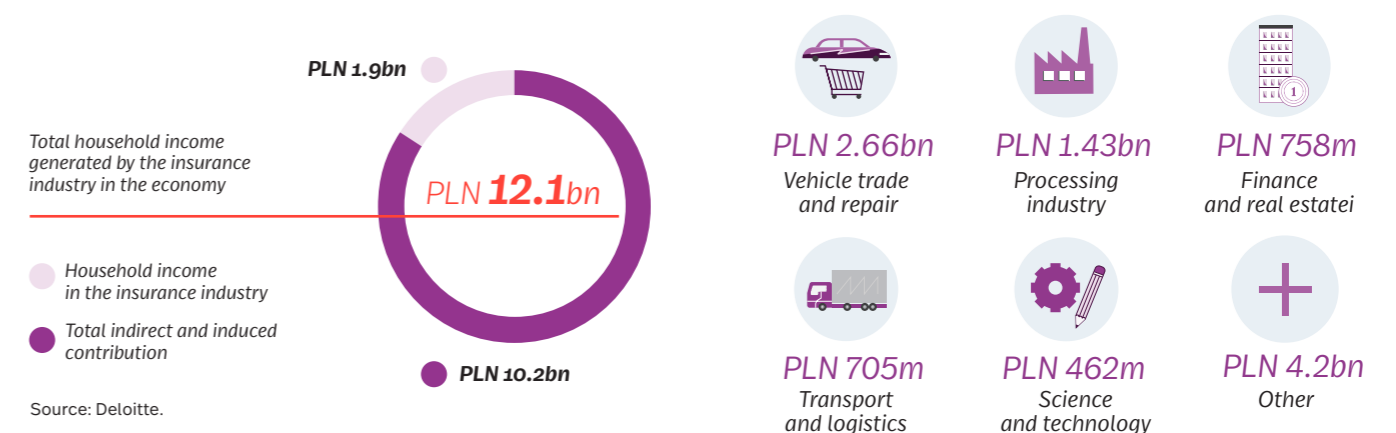
**Insurers significantly increase household incomes**

♦ **Apart from gross value added and the effect on GDP, insurers significantly increase household incomes.**

In this case, there is also an indirect effect, as companies using insurance are able to employ more people (or larger companies employ more people and pay higher salaries). In addition, benefits paid out mean that families can use more

services in the Polish economy, thus increasing the salaries of employees in those sectors where they buy. The total additional increase in other households is PLN 10.2bn.

Employees' household income generated by industry:



Source: Deloitte.

## The long-term influence of the insurance industry on the Polish economy

Insurance has a positive influence on the economy in the long term, supporting the development of the credit and capital markets. It also stabilizes public finances and contributes to better risk management, both by private individuals and by companies. These are so-called external effects which can be estimated over the long term.

Deloitte estimates that thanks to insurance, the Polish economy has grown an average of PLN 0.4-0.9bn more per annum over the past 20 years. This means that every year the Polish economy enjoys growth faster by 0.1 pp of GDP, which has resulted in faster rising earnings for both entrepreneurs and employees. This additional growth means that during this period Poland has grown faster than Slovakia, for example.

additional growth of the Polish economy over the last 20 years

# PLN 0.4–0.9 bn per annum

## Insurance guarantees stabilize the economy

Thanks to guarantees, the state avoids risk, and the economy copes with downturns. Insurance guarantees are of particular importance for the public sector. They safeguard all the services on its behalf, evening out potential risks and losses to the Treasury. They provide protection for bank loans, and also serve as a bid bond in public tendering processes, and in key investment contracts. They enable contractors to minimize the liquidity loss risk and the risk of having their assets frozen. Proper guarantees also safeguard imports from outside the European Economic Area.

During times of economic downturn, insurance guarantees have limited losses suffered by the state and by Polish companies and consumers. In 2012 alone, compensation from insurance guarantees reached the record amount of PLN 422m, paid into the accounts of provincial authorities, the General Directorate for

The insurance industry supports Poland's innovativeness through greater openness to risk taking by entrepreneurs, employees and shareholders as part of company business.

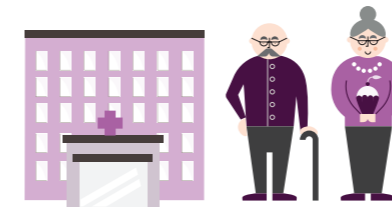
This concerns both extending the scale of their activities and looking for new products or expanding into new markets.

Insurance makes it possible to improve risk management and increase awareness of it. Until now we have been used to economic changes – periods of boom and bust have been occurring for several decades at least. Business cycles are currently becoming shorter and shorter, and crises deeper and deeper. Companies have to insure their investments and transactions to be able to cope with the challenges of the modern economy.

Insurance also has a positive effect on the economy by being a productive industry. The business of insurance generates high value added calculated per employee; in other words, it increases the value of products and services created more than construction, real estate services or industry.

National Roads and Motorways, and Polish investors. This was in connection with difficulties in the construction industry and the collapse of tourist companies. In comparison, compensation for Polish companies was a mere PLN 67m the year before. Over the following years, insurers also helped companies and customers, including those in the tourist industry, to a sum of PLN 329m in 2013, and PLN 179m in 2014, which shows how fundamental the role was which guarantees played during times of economic downturn and disturbances in the investment process, allowing customers of those companies to have a safe return home. Insurance guarantees strengthen contractual obligations. This can involve, for example, a building contractor's obligation to execute work properly and rectify any defects.

# Major support for the public health care and social insurance systems



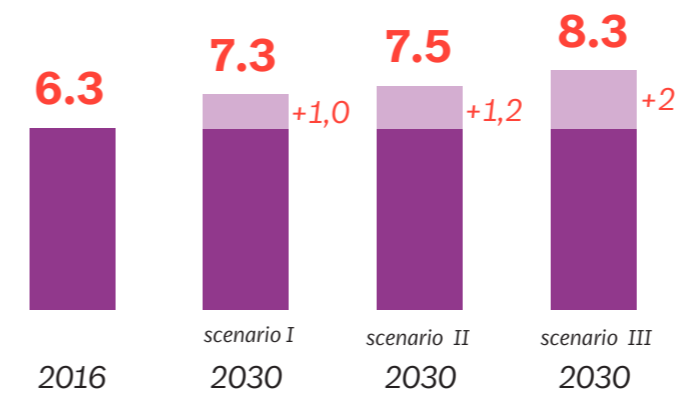
Poles are one of the fastest aging societies in the EU. This will result in an increase in spending not only on health care but also on pensions. Insurers can help the state by generating an additional 1% of GDP in health care expenditure by 2030, and by increasing the amount of savings held by Poles who are retiring. Insurance companies are also in a position to increase the scope of medical services and improve the quality of public health in Poland.

Polish society is one of the fastest-aging in Europe.

By 2050, the average age in Poland will exceed the EU average. After 2020, the post-war baby boom generation will reach retirement age, which on one hand will impact the labor market, and on the other the health care and social security systems (the over-65s currently constitute 16% of the population, this will reach 24% in 2030). The financial consequences on the public health care system will be immense, as Health Service expenditure per person is three times higher for the over-65s than for younger people.

Total health care spending in Poland is among the lowest of all developed countries. Poland spends 6.3% of GDP on health, while the average in OECD countries is around 10%. If we wanted to ensure a spending level proportionate to the OECD average, we would have to spend an extra PLN 60bn on the medical sector, which means that every household should pay the Health Service (NFZ) or private health insurers about PLN 450 a month more than now. How large the private sector's share will be in this spending increase depends, among other things, on changes to regulations covering additional private health insurance.

Health spending will have to increase (as % of GDP)\*



increase in funds in the health service

Source: Deloitte.

The insurance industry can influence access to and quality of health care without burdening state finances.

Health care spending in Poland will have to increase by 1-2 pp of GDP by 2030, which means PLN 26-45bn (in 2016 prices). The state cannot currently afford this, and the costs involved with a sudden increase in NFZ contributions could reduce Poland's GDP by 1.5% in 2050. The optimum solution would be to gradually increase private and public funding. Private spending on treatment from the level of today's 1% GDP could increase to just under 2% of GDP to satisfy society's growing needs.

\* Health spending in relation to GDP in 2016 and 2030. The 1st scenario assumes spending will rise in line with the current trend, the 2nd assumes the increase in over-65s will be taken into consideration, and the 3rd involves maintaining the level of health of over-65s at the 2016 level.

# Insurers' social commitment

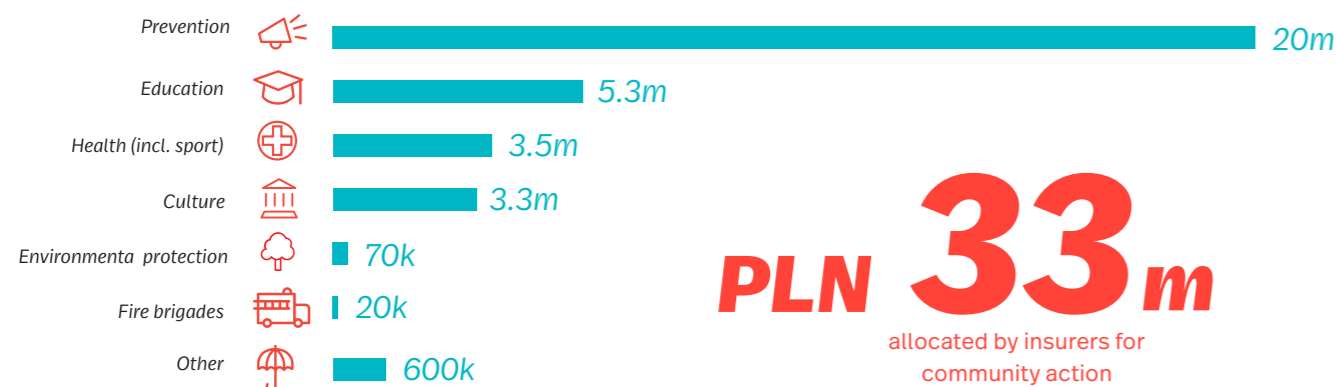


The business of the insurance industry extends well beyond the protection arising from contracts with customers. Insurance companies conduct wide-ranging community and educational campaigns, raising companies' and citizens' awareness of risks and promoting prevention. They also support socially important initiatives and institutions which provide assistance, such as the fire brigade, children's homes, police, hospitals and NGOs.

♦ **The most important factors for insurers are prevention and education.** In 2016, insurance companies allocated nearly PLN 21m to preventive actions reducing the number of road accidents (including those involving pedestrians). The second largest section of expenditure by insurance companies was education – PLN 5.2m. The third was health, including spending on promoting sports and a healthy lifestyle, which totaled PLN 3.48m in 2016. After that came culture, environmental protection and support for the fire service. For years, insurers have been cooperating with

the National Police Headquarters and the Road Traffic Bureau of the National Police Headquarters to support nationwide preventive campaigns and programs such as “Użyj wyobraźni” (Use your imagination), “Resztę opowiem, jak wrócę” (I will tell the rest when I come back) or “Wykręć numer złodziejowi” (Trick the thief). They also carry out actions aimed at improving the safety of police officers and employees, their health protection and preventive health care, and eliminating threats connected with workplace health and safety at police stations.

Spending on community action by category (PLN)



**PLN 33m**  
allocated by insurers for community action

Source: Deloitte based on data provided by PIU.

♦ **Companies and their employees are involved in community action.** Thanks to the involvement of insurers, 280 community projects have been implemented. Over 254,000 people have benefited from them – equivalent to the entire population of Gdynia. Another important element in community action is voluntary work done by company employees. In 2016, there were 2,900 employees engaged in this form of assistance, spending 13,000 hours doing community work. This assistance was worth PLN 560,000.

♦ **Insurers support children's homes, schools and medical institutions.** A total of over 740 organizations and institutions received assistance from the insurance industry. Help went to the Children's Home in Rypin, the Piękne Anioły Association, Felician Sisters Schools, Pelplin District, Integrational Kindergarten in Koziegłowy, the J. Korczak Children's Home in Warsaw, Nicolas Copernicus University, the Zdążyć z Pomocą Foundation, the Children's Home in Chetmno and the Friends of Children Society in Legnica. In cooperation with the “Misie Ratują Dzieci” children's aid society, children injured in traffic accidents received comprehensive rehabilitation and psychological care at the Therapy Centre in Dźwirzyno near Kołobrzeg.

♦ **NGOs also received support from insurers.** These included the Youth Enterprise Foundation, Civic Education Centre, Polska Ziemia Farmer's Support Foundation, Polish Red Cross, the Agata Mróz-Olszewska Kropla Życia Foundation, the Work Education Sport Integration Academy in Wołomin, the Three Kings Foundation, PARS Amazons Foundation, Fundacja Kapitan Światelko (Movember), Caritas, Cooperative Science Institute, Pomeranian Children's Hospice Foundation, Pomeranian Children's Foundation, SOS Wioski Dziecięce Association and the Przyjaciele Braci Mniejszych Foundation.

♦ **60% of insurance companies conduct regular educational and community campaigns aimed at various social groups.** Insurers contribute to preventive health care by increasing awareness of necessary examinations and promoting a healthy lifestyle. One such campaign was entitled “Stres w pracy? Nie, dziękuję!” (Stress at Work? No, Thanks!) and was carried out

**254<sub>k</sub>**

people received financial or material assistance from insurers

that's as many as live in Gdynia



Safety and Health at Work. Road accident prevention is a major area of activity. The Gramy w Znaki campaign was intended to increase the safety of the youngest road users, as is the annual Niestraszki campaign, which uses cartoon characters to teach children the principles of safety. The Dbam o Przyszłość program for young people informs them of life's risks and the role of insurance. Kierunek Ratunek teaches first aid, and is aimed at adults. Companies additionally carry out such projects as Young Agro-Entrepreneur, which instills entrepreneurship in rural areas, and organize Days of Entrepreneurship in schools to teach young people to better control their own fate.





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