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Report from the conference “EKF Insurance: sales, innovations, risk” (October 2-3, 2024) – discussion on selected parts

On October 2-3, 2024, the second edition of the „EKF Insurance: sales, innovation, risk” conference took place in Warsaw. The event was organized at the headquarters of the Warsaw Stock Exchange and gathered leaders of the insurance industry, representatives of regulatory institutions, scientific communities and experts in technology and strategic consulting. The conference was organized by the Center for Strategic Thoughts in cooperation with Deloitte, which was the main partner, and PZU as a strategic partner. This event became a platform for the exchange of thoughts and experiences on the current challenges and the future of the insurance market.

Conference Objectives

The main objective of the conference was to identify key threats and challenges facing the insurance sector and to determine the directions of its development. In the face of the dynamically changing economic and political environment, topics such as climate change, systemic risks, cyber risk and deglobalization became key points of the conference debates. The organizers emphasized that the conference was not only intended to discuss the current situation, but also to propose specific solutions for the insurance industry.

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Program and topics

The conference was divided into several thematic blocks, each of which was dedicated to a different aspect of the functioning of the insurance sector. During the event, lectures, debates and discussion panels were held, which allowed participants to deepen their knowledge on the most important trends and challenges.

Opening speech

Krystian Wiercioch, Deputy Chairman of the Polish Financial Supervision Authority, recalled during his opening speech that despite the growth of Polish GDP and the increasingly better macroeconomic and social situation, the rate of growth of insurance premiums in Poland is lower than the rate of GDP growth. As he pointed out, basic insurance education and product standardization are essential for the development of the insurance market. He emphasized the advantages of standardization, noting that it is not an easy process and would require the cooperation of all participants of the insurance market.

Redefining the value of insurance

Kai-Uwe Schanz from The Geneva Association, during his presentation entitled “Redefining the value of insurance” drew attention to new risks, which are systemic in nature and often non-diversifiable. According to Kai-Uwe Schanz, claims management, asset management and public-private partnerships will gain importance in the future in the activities of insurance companies. The issues raised in the presentation were then discussed.

“The Role of Insurance in a Fragmenting World”

Kai-Uwe Schanz and Marcin Warszawski, partner at Deloitte, took part in the discussion. It was titled “Role of insurance in a fragmenting world”. During the discussion, it was emphasized that the fragmentation of the world results, among others, from the trade war between the United States and China. This also affects the global insurance sector because it means less cooperation and weaker resilience. These circumstances will also affect the Polish insurance sector; among others, by increasing competitive pressure and possible consolidation.

Discussion participants pointed to the following possible factors limiting unfavourable trends:

- 1) public-private partnerships,
- 2) the state expanding the catalogue of compulsory insurance,

- 3) application of premium subsidies,
- 4) activities in the area of taxes (e.g. tax relief or other tax incentives),
- 5) creating insurance awareness campaigns sponsored or co-sponsored by the state.

Presentation of the EKF Research and Deloitte report: Analysis of key factors influencing the development of the insurance market in Poland in a three-year perspective

The report presented after the discussion described the most important opportunities and threats for the insurance market. The following were indicated as opportunities:

- demographics (ageing society and increasing demand for pension and health insurance),
- digital transformation (optimization of processes and reduction of operating costs) and
- infrastructure investments.

The greatest threats were identified as:

- market overregulation (implementation of regulatory projects and adjustment to changes in legal regulations often takes place at the expense of development research and significantly increases the operating costs of insurance companies),
- cyber risk,
- the geopolitical situation and the risk of economic crisis,
- demographic risk – an ageing agent network and a lack of interest in the industry among the younger generation.

Market Perspective – Opportunities and Threats – Debate

The debate was attended by:

- Jurand Drop, Undersecretary of State, Ministry of Finance
- Prof. Ilona Kwiecień, Head of the Department of Insurance, Wrocław University of Economics
- Artur Olech, President of the Management Board, PZU SA

The debate was led by Cezary Szymanek, deputy editor-in-chief of the Rzeczpospolita daily. The panelists described how extreme events such as floods, the COVID pandemic or the war in Ukraine change the way societies think. They emphasized that the insurance industry can show its role in the face of such events by properly educating society.

The panelists also focused on the development opportunities for the insurance sector, giving examples of public-private partnerships in Romania and Albania, where solidarity catastrophe insurance exists and, due to its universal nature, is very cheap.

The impact of the state's caring role on the insurance sector was also addressed. As indicated by the research conducted by the Economic University in Wrocław, the state's caring role has a negative impact on the willingness to insure and causes a lack of willingness to insure even for a low amount.

Insurance as a response to key social challenges

During the session, Jarosław Mastalerz, CEO of PZU Życie SA, took the floor. The discussion was led by Eugeniusz Twaróg, deputy editor-in-chief of Puls Biznesu. The most important issues were healthcare, including the risk that Poland may soon face a shortage of doctors, medical personnel, and infrastructure. Insurers, in turn, can use their experience in data processing and support prevention and early diagnostics.

Risk Management and Product Innovation

During the debate on management and product innovation, it was recalled that the greatest climate risks for the Polish market are floods and hurricanes. Additionally, the frequency and severity of catastrophic events are increasing worldwide, and risks once considered insignificant are becoming significant (e.g. hailstorms in Italy). In turn, in life insurance, the key factor is the increase in mortality risk – which is also related to climate change, as it is often associated with heat. The participants of the debate also discussed the problem of reinsurance in the context of very dynamic, “point” climate events.

Health insurance – quo vadis

The second day of the conference began with a series of parallel debates. The debate on health insurance was dominated by the topic of prevention and coordinated patient care. The panelists cited data that showed that about 50% of susceptibility to illness depends on lifestyle, i.e. factors such as diet, sports or sleep. In Poland, 37% of deaths are still caused by heart disease, which is twice as much as in the European Union. The panelists had no doubt that medical packages are currently a mandatory element of employee benefits and employers cannot afford not to offer such a benefit. The need for coordination and ensuring data compatibility in the systems of insurers, medical service providers and the National Health Fund system was emphasized.

Climate Risks and Their Impact on the Insurance Sector

One of the key topics of the conference was climate change. Experts drew attention to the need to introduce new risk assessment models that would take into account the increasing frequency and intensity of natural disasters. Discussions also included issues related to infrastructure adaptation and investments in renewable energy sources as a way to minimize climate risks.

Market and regulations

The discussion on regulations in the insurance market was dominated by data on the number of newly created legal acts, with the emphasis being placed on the fact that new regulations are primarily the result of changes or new regulations in EU law and the need to adapt Polish legal acts to them. Representatives of the insurance market emphasized that in the event of any changes in regulations, cooperation between the industry and the regulator is beneficial.

Customer interest from the perspective of various market participants

During the debate on pro-customer solutions in insurance products, the topic of product standardization returned. The representative of the Financial Ombudsman proposed minimal standardization of retail products for individuals, which would concern the scope of protection and exclusions. Examples of such products that should be easy to standardize include AC, home insurance or health insurance. In such cases, insurance companies could build competitive advantages based on additional products, quality of service or innovation. According to the representative of the Office of Competition and Consumer Protection, standardization should apply not only to products, but also to product documents. The documents should be simple, short and accessible. Standardization should also apply to tied sales, such as bancassurance. The Polish Insurance Association emphasized that standardization can only apply to certain frameworks, because there is a risk of allegations of restricting competition and collusion. The Polish Insurance Association also reminded that it has about 70 members, so any work on standardization will not be easy.

Is there a climate for changing insurance – a debate of CEOs (Nationale-Nederlanden, Compensa, Allianz, PZU)

The 2nd edition of the insurance EKF was concluded with a debate of the presidents, in which the following took part:

- Paweł Kacprzyk, President of the Management Board, Nationale-Nederlanden TU na Życie SA

- Marcin Kulawik, President of the Management Board, TUiR Allianz Polska SA
- Artur Olech, President of the Management Board, PZU SA
- Anna Włodarczyk-Moczkowska, President of the Management Board, Compensa TU SA, VIG

The debate was led by Maciej H. Grabowski, President of the Management Board of the Center for Strategic Thoughts. The debate participants predicted further market consolidation and its transformation. As noted, customers expect “Netflix” in insurance, which requires transformation, modification of the product and service offer, as well as investment in data and its personalization. The message and communication must be clear and transparent, especially if companies want to reach the younger generation with their offer. The importance of “contextual insurance sales” was emphasized, i.e. the purchase of insurance should appear on the customer’s life path as if by the way, and not as a separate event.

As noted, investments in transformation may be significant and it will be harder for small entities to afford them. According to the participants of the discussion, consolidation will apply not only to insurance companies but also to distributors.

Summary

The “EKF Insurance: Sales, Innovation, Risk” conference confirmed that the insurance sector faces many challenges, but at the same time has the potential to adapt to the changing environment. The event was not only a place for exchanging knowledge and experiences, but also an inspiration to take action for the development of the industry and its transformation.