



UNIWERSYTET
EKONOMICZNY
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The impact of legislative and technological changes
on distribution of insurance in Poland

Wpływ zmian legislacyjnych i technologicznych na
dystrybucję ubezpieczeń w Polsce

Doctoral dissertation summary

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1. Research topic relevance

Around the transition between the 20th and 21st centuries, the internet was celebrated as a monumental discovery for humanity, reaching an estimated 3.5 billion individuals, approximately 70% of the global population as we know it today. By contrast, in 1999, less than 1% of people worldwide had internet access. Therefore, it can be concluded that the internet, along with other modern technologies, has become a widely accessible resource. With the rapid advancement of technology in the consumer market, the notion of a "digital customer" has emerged, referring to individuals who utilize the internet or mobile applications daily for various everyday tasks like bill payments and online shopping. The digital customer not only raises expectations for the service industry but also holds higher demands for the financial sector, including the insurance industry.

Alongside technological changes, there is a second trend encompassing all legislative changes created by legislative bodies, both at the national and international levels. Just 15 years ago, Poland, not being a member of the European Union in terms of financial market legislation, enjoyed a high degree of freedom and almost voluntariness. Currently, every regulation implemented within the European Community must be automatically transposed into the national regulations of all member states. In the case of directives, such as those concerning the insurance market, there is no obligation for automatic transposition, as directives themselves serve more as minimum guidelines that should then be adapted to the realities of the market where they are being implemented.

It should be acknowledged that regulations in Poland prior to joining the European Union were often imprecise and allowed companies to act to the detriment of consumers. In this case, EU regulations had an advantage as they had been implemented for a longer time in older EU member states and were more comprehensive. After Poland's accession to the European Union in 2004, a long and laborious journey began for national legislative bodies to align local regulations with the Community's guidelines.

The main issue addressed by the author in this doctoral thesis will be the insurance distribution. Selling insurance products, communicating with customers, and providing support in the event of a claim are currently among the most crucial areas of operation for insurance companies, which can determine their competitive advantage and serve as their strong point, sometimes even a differentiator. The economies of all countries worldwide are based on creating products and attempting to sell them at the highest possible price. The endless struggle between supply and demand, price competition, and the constant improvement of the quality of produced goods are the realities of the 21st century, not only in the realm of insurance but also in everything that can be produced for profit-making purposes.

2. Research problem

The main objective of the work has been defined by the question:

How will technological and legislative changes impact insurance distribution in the Polish market?

To achieve this goal, the author will address the following detailed questions:

- 1) What is the history and characteristics of insurance distribution in different channels?
- 2) What is the definition of a modern insurance distribution channel referred to as InsurTech?
- 3) What are the differences in insurance distribution in selected countries, and what conclusions can be drawn for the Polish market?
- 4) What legislative changes have occurred between 2000 and 2019, and what was their impact on insurance distribution?
- 5) What technological innovations have emerged in the global insurance markets between 2000 and 2019, and what is their impact on insurance distribution in Poland?

Additionally, the author will attempt to answer questions regarding the efficiency of insurance distribution:

- 6) What is the definition of efficiency in insurance distribution, and how can it be measured?
- 7) What impact do marketing activities, the number of insurance distribution channels, and the product offering of insurance companies have on the efficiency of insurance distribution?
- 8) What impact do technological and legislative changes have on the efficiency of insurance distribution in Poland?

3. Sources and methods

To achieve the main goal and specific objectives, the author will conduct analyses covering the years 2000-2019 regarding the impact of legislative and technological changes on insurance distribution, as well as the years 2015-2018 in the context of studying the efficiency of insurance distribution. This temporal differentiation is justified by the availability of data necessary to determine the value of the insurance distribution efficiency model. The primary data source used by the author to build the model was the Solvency and Financial Condition Reports (SFCR), which were first published in 2017 and contained data from 2015 onwards.

To achieve the main goal and specific objectives, the author will employ both qualitative and quantitative research methods. The main research methods used in the doctoral dissertation are:

- a) Descriptive and comparative analysis of literature sources (bibliographic sources),
- b) Qualitative research conducted through Focus Group Interviews (FGI),
- c) Individual In-depth Interviews (IDI),
- d) Statistical measures in relation to sales and financial results.

The bibliographic sources will include Polish and foreign literature, websites of insurance companies, online articles by Polish and foreign authors, as well as market studies prepared by various research and consulting agencies.

The subject of the doctoral dissertation is customers (both retail and institutional) in the Polish insurance market. The author's considerations are limited to insurance companies, while reinsurance companies will be excluded from the analysis.

The object of the doctoral dissertation is insurance distribution in Poland. In order to compare certain processes and assess the current condition of insurance distribution in the Polish market, the author will also analyze insurance distribution in other markets.

One component of determining the efficiency of insurance distribution will be the results of the conducted FGI research with students from the Poznan University of Economics. By obtaining answers to questions regarding the websites and marketing materials of analyzed insurance companies, the author will be able to incorporate these factors in the attempt to determine the efficiency of insurance distribution.

In the author's assessment, Individual In-depth Interviews (IDI) are an important element of this doctoral dissertation as they complement the theoretical part with practical aspects. The outcomes of expert interviews conducted with professionals operating in the Polish and foreign insurance markets constitute an important added value.

4. Dissertation structure

The structure of the work has been subordinated to the achievement of the main goal and specific objectives. The doctoral dissertation consists of four chapters, preceded by an introduction and summarized in the conclusion.

In the first chapter, the concept of insurance distribution and its channels will be characterized. Based on the analysis of literature sources, the author will present the concept of distribution and distribution channels, discuss the history of insurance emergence worldwide and in Poland, and classify all currently existing distribution channels.

In the second chapter, the author will present the legislative environment and the main legislative changes that have indirectly or directly affected the area of insurance distribution in the Polish market. The chapter begins with a description of the Act on Insurance and Reinsurance Activity and the Act on Insurance Distribution. In the subsequent subsections, the author will present the Act on Considering Complaints by Financial Market Entities and the Financial Ombudsman, the Regulation on Personal Data Protection, the Act on Financial Market Supervision, and the Act Amending the Act on Payment Services (as the implementation of the PSD2 directive). The last part of the chapter will be devoted to the so-called soft law, including the recommendations of PIU and ZBP, and recommendations and guidelines from KNF.

The third chapter will focus on key technological changes that have emerged in the insurance market between 2000 and 2019. In the following sections, the author will describe current technologies that are already successfully used or could be used in the near future to improve distribution processes in the insurance market.

The first part of the final, fourth chapter will be devoted to the concept of efficiency, which the author has adopted based on the analysis of Polish and foreign literature sources. Then, based on the aforementioned definitions, the author will establish a definition of insurance distribution efficiency and present the principles for determining it. The description of the method for calculating this efficiency will justify the presence of its individual components and provide their interpretation.

In the second part of the final chapter, the author will present legislative and technological changes and their impact on insurance distribution in Poland. The review of literature and the author's subjective assessment will be supplemented with conclusions from in-depth interviews conducted using the IDI method. Additionally, the results of a study on the efficiency of insurance distribution for the top ten insurers operating in Poland between 2015 and 2018 will be presented.

In the conclusion, results of the conducted research are presented. It presents answers for both main and additional questions outlined in the introduction. Furthermore, the author has ventured to attempt to predict the future shape of insurance distribution in light of the changing legislative and technological environment.

5. Research results and final conclusions

The impact of legislative and technological changes on insurance distribution is a current and highly future-oriented topic. The sale of insurance products, thanks to the two described trends of changes, may take a completely different form in the future or may not change as much as other sectors of the economy evolve. The author considers the subject of their doctoral dissertation to be well chosen. Exploring this topic now and in the coming years seems necessary, and the conclusions can positively influence the further development of the insurance sector in Poland.

The main objective of this doctoral dissertation was an attempt to answer the question of how technological and legislative changes will impact insurance distribution in the Polish market. The author structured their work around the research problem and specific questions. The answer to the main question is presented in chapters 3 and 4. In particular, the final chapter, which summarizes the legislative and technological changes, allowed for drawing conclusions and organizing them into a logical whole. The conducted research enabled a forward-looking perspective on insurance distribution, which would be unattainable with an individual assessment of the issue.

Legislative changes so far have influenced insurance distribution by enhancing consumer protection in the insurance market and improving their information at the stage of insurance policy conclusion. On the other hand, regulators have tried to eliminate practices that worked against the insurance market. Future legislative changes are potentially expected to continue benefiting the customer, as the primary task of regulators is to protect the weaker party. However, it should be noted that additional requirements imposed on insurance distributors may result in further lengthening of the sales process, which could ultimately lead to a decrease in sales and lower customer interest in insurance products.

Technological changes in the first decade of the 21st century primarily involved widespread computerization and the use of the internet by insurers. Although the world has become accustomed to computers and the internet as if these technologies had always been available, not all insurance companies actively utilized the internet 15 years ago, both in customer interactions and internal operations. In the future, technology will gain importance,

and its main effect will be the simplification of processes, cost reduction for insurers, and ultimately, improved customer satisfaction.

In Chapter I, the author presented the history and characteristics of insurance distribution in various channels, which also served as an answer to the first detailed question that elaborated on the main objective of the work. In the same chapter, the author defined the modern distribution channel InsurTech as a company aiming to use all technological innovations in insurance operations to facilitate the intensive development of insurers, understood as improving and modernizing distribution processes.

In the second chapter, the author addressed the detailed question regarding legislative changes between 2000 and 2019 and their impact on insurance distribution. The final part of this chapter focused on three key changes: IDD, GDPR, and PSD2. Regarding IDD, it can be stated that in 2019, all insurers in Poland complied with the new regulation, but with varying degrees of enthusiasm. The examination of customer needs before concluding an insurance policy is a necessity for one insurer with a single question, while another insurer may ask five or more questions. GDPR introduced changes related to consent management and personal data. The General Data Protection Regulation was the most significant legislative change in 2018 for the entire European Union, attracting considerable media attention, and non-compliance with it carries substantial penalties. Therefore, all insurers in Poland adapted to the new regulations. The last significant legislative change, PSD2, for now, provides more opportunities for banks that see it as a chance to acquire new customers and generate additional profits. Insurance companies in Poland treat the new directive regulating the payment market with caution, and as of early 2019, according to the author's knowledge, they have not taken any actions in this regard.

To answer the last two detailed questions, regarding technological innovations worldwide and their current utilization in the Polish market, the author examined the most important categories of technological changes, such as telematics, biometrics, Internet of Things, artificial intelligence, and blockchain. Insurers in foreign markets are conducting advanced work on the development and utilization of these technologies in their operations. Noticeable effects include reducing customer waiting time for claim processing, reducing insurer costs, and improving customer satisfaction. In Poland, only the largest insurers have begun work on

implementing some of the above-mentioned technologies. The most advanced work is being done on the widespread use of telematics.

The answer to the sixth question, the definition and measurement of insurance distribution efficiency, was included by the author in Chapter Four. Based on a detailed analysis of literature, it was assumed that for the purpose of this doctoral dissertation, the efficiency of insurance distribution is defined as the sum of insurance company actions aimed at maximizing the ratio of effects (gross premium written) to inputs (distribution costs), adjusted to consider the product offering, marketing activities, and the number of distribution channels. This definition is a good reflection of the model of insurance distribution efficiency presented and applied in practice in Chapter Four.

After a detailed analysis of the ten largest capital groups of insurance companies in Poland between 2015 and 2018, it was found that the most efficient insurers in insurance distribution are PZU, ERGO Hestia, Nationale Nederlanden, and Compensa. The main factor influencing the value of the model is the ratio of gross premium written to distribution costs. The higher this ratio, the more solid the foundation is before "adjusting" it with a correction factor derived from the number of distribution channels, product offering, and marketing indicator.

The next detailed question concerned the evaluation of the impact of the number of insurance distribution channels, marketing activities, and product offering on the efficiency of insurance distribution. The author demonstrated through several examples that even insurers with lower gross premium written (in the context of the entire market) can be more efficient, for example, through competitive pricing and up-to-date product offerings, activity in social media, or offering their products through many different distribution channels.

The author explored the differences between Polish and foreign insurance markets, noting the technological advancements in Asian countries and the maturity of the UK market. France capitalizes on the integration of insurance companies and banks, utilizing technology effectively. Poland should learn from more developed markets to enhance insurance distribution. Legislative and technological changes have a noticeable impact but analyzing their effect on premiums is complex and may take time. Separate analysis of legislative and technological changes is appropriate, and interviews with experts provide valuable insights. Insurance distribution is a significant aspect of the market, subject to ongoing consideration.

Predicting the future is challenging but considering global development and technological advancements, possibilities may emerge in the coming decades.