

INSURANCE SERVICES IN CHOSEN EUROPEAN UNION'S COUNTRIES

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ABSTRACT

Insurance intermediation activity in European Union is regulated by 92/WE/2002 directive. The directive divides insurance intermediaries in scope of insurance range into dependent and independent. Members countries in frames of directive implementation may have own division and intermediaries names. Insurance intermediation in individual countries is diverse. Its development is determined by economical social and psychological factors.

Insurance intermediaries position shows local markets development scale and is an element that makes these markets different. Insurance intermediation conditions analysis gives answers for questions concerning its further development.

Insurance market connections with whole financial market make it highly sensitive to passing fluctuations and market emotions.

Key words:

service, distribution, insurance intermediation, insurance market, insurance protection, insurance agent, insurance broker.

INTRODUCTION

Insurance share in individual EU countries¹ economies is different and symptomatic for market development stage determination, insurance consciousness determination and insurance protection need determination. National markets composing homogenous insurance market have different meanings in homogenous insurance space of EU². Modern insurance market requires creating different insurance

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¹ Przybytniowski J.W., *Rynek ubezpieczeń gospodarczych, (Institutional Insurance)* [in:] Economics and Organization of Enterprise, No. 9 (692), Warsaw, September 2007, page 39

² (por.) Słowiński A., Piaskowski W., Fedor M., Monkiewicz J., *Główne rynki narodowe jednolitego rynku ubezpieczeń (Main national markets of unified insurance)*, [in:] (red.) Monkiewicz J., *Jednolity rynek ubezpieczeń w Unii Europejskiej. Procesy rozwoju i integracji*, [Unified insurance market. Development and integration processes]. Branta Publishing House, Bydgoszcz – Warsaw, 2005

intermediaries forms³. Insurance products distribution in EU countries is done by different entities which fill distribution channels. Distribution channels structure undergo permanent changes adapting to environments conditions. The oldest historically and still having prominent position in distribution systems of all EU countries are insurance intermediation. EU legislation concerning insurance intermediaries activity derives from the Roman Treaty. The Roman Treaty assumes freedom of choosing activity place, this means that each Union's citizen can do the activity on other member country territory on rules this country defines for its citizens. The Treaty also assumes freedom of service. Service provider can do his activity on member country territory basing on the rules for these countries citizens. National legal acts may be an instrument leading some limits under this condition that these are the same for everyone and are objectively necessary.

The directive⁴ introduces registration system for all insurance and reinsurance intermediaries basing on wide range of firm conditions in scope of professional qualifications directed to strengthen consumers protection in insurance cases. Member countries are obliged to accept certain standards concerning professional qualifications and minimal requirements in scope of compulsory professional legal liability and in scope of owned financial guarantees. All intermediaries are obliged to inform their customers about their relations with insurance companies and to motivate given recommendations and advice. The range of directive obligation is not the same in all member countries⁵ (table 1). The directive desisted from using names broker and insurance agent (subjective range of insurance service). It assumes intermediaries subjects activities criterion (objective range of insurance service).

Table 1 Directive 2002/92/WE insurance intermediation implementation by European Union countries and the European Economic Community (on 10.01.2008)

Country	Directive Implementation	Supervisor	Implementation in progress
Belgium	Yes	Banking, Finance and Insurance Commission (BFIC)	Yes
Denmark	Yes	The Danish Financial Supervisory Authority (DFSA)	Yes – adaptation in progress
Estonia	Yes	Financial Supervision Authority	Yes
Germany	Yes	Provisional notification body: Federal Ministry of Economics and Labour	Yes
Greece	Yes	Ministry of Development: Direction of Insurance Companies and Actuaries	Yes
Spain	Yes	Dirección General de Seguros y Fondos de Pensiones (Ministerio de Economía y Hacienda)	Yes
France	Yes	Commission ALCA	Yes
Ireland	Yes	Irish Financial Services Regulatory Authority	Yes

³ Legal regulations for insurance intermediation were regulated by Council's directive 77/92/EEG from 13th December 1976 in scope of sources enabling effective realisation of freedom of business and service according to insurance agents and maklers activity and particularly temporary sources connected with this activity; in European Community Recommendations 92/48/EEG and directive 2002/92/WE of the European Parliament and Council of 9th December 2002 considering insurance intermediation

⁴ Directive 2002/92/WE considering insurance intermediation

⁵ CEIOPS published in April 2006 protocol considering proper member countries authorities cooperation in scope of use of European Parliament's and Board's directive 2002/92/WE of 9th December 2002 considering insurance intermediation. The protocol gives cooperation frames in scope of directive implementation. It gives agreement's conditions for authorities to ensure effective supervision of insurance intermediaries and enable them single registration in UE, CEIOPS – DOC – 02/06; See also: Majtánová A., Bláhová M., *Aspects of the insurance intermediary in the insurance market of the European Union* [in:] *Rozprawy Ubezpieczeniowe* 4 (1/2008), Warszawa

Italy	Yes	ISVAP	Yes
Cyprus	Yes	Ministry of Finance	Yes
Latvia	Yes	Financial and Capital Market Commission	Yes – adaptation in progress
Luxembourg	Yes	Commissariat Aux Assurances	Yes
Malta	Yes	Malta Financial Services Authority	Yes
Hungary	Yes	Hungarian Financial Supervisory Authority	Yes
Austria	Yes	Bezirksverwaltungsbehörde	Yes
Great Britain	Yes	Passport Notification Unit Regulatory Decisions Department The Financial Services Authority	Yes
Sweden	Yes	Finansinspektionen	Yes
Slovakia	Yes	The Financial Market Authority	Yes
Poland	Yes	Insurance Supervisory Commission	Yes
Portugal	Yes	Instituto de Seguros de Portugal	Yes
Slovenia	Yes	Insurance Supervision Agency	Yes
Lithuania	Yes	Insurance Supervisory Commission of the Republic of Lithuania	Yes
Czech Republic	Yes	Office of the State Supervision in Insurance and Pension Funds of the Ministry of Finance	Yes
The Netherlands	Yes	Provisional info Netherlands Authority for the Financial Markets Department Toezicht Financiële Dienstverlening / Toetreding	Yes
Finland	Yes	The Insurance Supervisory Authority	Yes – adaptation in progress

Source: Own study basing on Council's directive 77/92, art. 2 and European Union countries legislation⁶

1 ECONOMICAL FUNCTIONS OF INSURANCE INTERMEDIARY

Insurance agents as well as brokers more often play the role of „infomediaries” – advisors⁷ who can help their customers in navigating through cyberspace to gain the best insurance.

According to J. D. Cummins and N. A. Doherty while analyzing economical functions of insurance intermediaries we should focus on their transactional properties. Independent intermediaries: brokers and independent agents need special attention. The factors that influence competition on the market, brokers and agents salary preparation and cooperation with insurers should be analyzed⁸.

Insurer's workers share in gross written premium generation in 1996 was different. The highest stability in this range had British market. Direct channel in 1996 brought 23% of gross written premium and 23,3 % in 2006⁹. Changes tendencies

⁶ On 30th September 2002 EU directive considering insurance intermediation was accepted (Insurance Mediation Directive - 2002/92/WE) which replaced the directive from 1977 (77/92/WE) and Recommendation (92/48/WE). New regulations lead solutions having direct influence on companies and agents work, also in Poland. Each EU member country was to introduce directive's regulation into its law. The most important rulings are: freedom of service on whole EU territory to intermediaries registered in any Union country under certain minimal conditions, consumers protection against intermediaries insolvency, written form of informing about offer properties, public accessible registry creating, encourage to solve litigations extrajudicial; see also: Anna Majtánowa, Mária Bláhová, *Aspekty pośrednictwa ubezpieczeniowego na rynku ubezpieczeniowym Unii Europejskiej*, (Aspects of the insurance intermediary in the insurance market of the European Union) [w:] *Rozprawy Ubezpieczeniowe*, No 4 (1/2008), Warsaw 2008, page 54

⁷ (see:) Przybytniowski J.W., *Miejsce doradztwa w systemie pośrednictwa ubezpieczeniowego*, (*The role of advisory in insurance services market*), *Wiadomości Ubezpieczeniowe* (Insurance News) Warsaw No. 7-8; 1997 p. 32 and Przybytniowski J.W., *Edukacja ubezpieczeniowa i jej wpływ na świadomość ubezpieczeniową* (*Insurance Education and its influence on insurance awareness*) (*selected problems*), *Rozprawy Ubezpieczeniowe* No. 1, Warsaw 2007), pages 111 and next

⁸ Cummins J. D., Doherty N. A., *The economics of insurance intermediaries*, Wharton School University of Pennsylvania, Pennsylvania 2005, page 37

⁹ Insurance intermediaries market analysis in European Union countries concerns period 1996-2006 because of limited statistic data accessibility published by CEA Insurers of Europe

indicate that by 2010 direct channel share will increase to ca. 24%. Similar tendencies are characteristic for Italian market, however insurance companies workers share in gross written premium is considerably lower: 13,8% in 1996 and 11,6% in 2006. Tendencies for nearest future forecast ca 11% share of insurer's workers in gross written premium generation. Small decrease of insurer's workers share in gross written premium is observed on French market (24% in 1996 and ca 20% in 2006) and on Portuguese market (8,2% in 1996 and 6,7% in 2006). Both markets show decreasing tendency for insurer's workers share in gross written premium generation. It is foreseen that by the end of 2010 insurer's workers share in gross written premium generation in France will come to less than 19% and in Portugal to less than 6%. Significant decrease of direct channel share is observed on Austrian, Polish, Slovak and Slovenian market. In 1996 insurers collected by their workers from 46% (Austria) to 69,2% (Slovakia) of gross written premium. At the end of 2006 the share decreased to 26,2% in Austria, 26,5% in Poland, 49,8% in Slovakia and 3,4% in Slovenia. Further decreasing tendencies are anticipated for the nearest future. At the end of 2010 insurer's workers share in gross written premium generation in Austria and in Poland will come to ca 18%, in Slovakia to ca 39% but in Slovenia it is anticipated growth of insurer's workers share in gross written premium generation even to 25%. Only in the Netherlands, among analyzed countries, direct channel's share in gross written premium increased. It was on the level of 21% in 1996 and on the level of 31% in 2006. Growing tendency on Dutch market will remain in the nearest future. It is anticipated to come to 35% in 2010¹⁰.

2 INSURANCE AGENTS

Insurance agents meaning as insurance services channel is different and is different presented in chosen European countries. In 1996 the biggest share in gross written premium by insurance agents was noted in Italy (57,2%). This state did not remain for long. At the end of 2006 this share was 38,2% and changes tendencies anticipate ca 28% share of insurance agents in gross written premium in 2010 in Italy. High insurance agents share in gross written premium in 1996 was noticed in Portugal (33,4%) and Spain (30,5%). This channel's share in both countries is quite stable. At the end of 2006 29,9% of gross written premium in Portugal and 28,4% in Spain was generated by insurance agents. Tendencies for future anticipate that in 2010 agents' share will decrease to 28% in Portugal and 25% in Spain. High stability in agents' share in gross written premium is characteristic for French and English market. At the beginning of analyzed period, in 1996, agents' share in gross written premium in France came to 22% and in Great Britain to 13%. At the end of 2006 this share came to 23,3% in France and 13,4% in Great Britain. Changes tendencies assume that by 2010 agent's share will not change in France but in Great Britain will not exceed 15%. Lack of precise data allows analyzing Dutch market since 2000. Since then agents' share in gross written premium reaches the level of over 50%. At the end of 2006 it was 57,4 %. Tendencies for future assume further growth even to the level of 86% in

¹⁰ Calculations done basing on insurance intermediary markets analysis in European Union countries in 1996-2006 published by CEA Insurers of Europe, CEA 2008

2010. Constant and dynamic growth of agents channel share in gross written premium acquisition is characteristic for Austrian market. Insurance agents increased their share in gross written premium in total from 0,4 % in 1996 to 7,2 % in 2006. Changes tendencies anticipate growth to ca 10% in 2010. But insurance agents visibly loose their share in Belgian market. In 1996 with their intermediation 8,7 % of gross written premium was collected and in 2006 only 3,9%. Tendencies for future assume further decrease to the level of 2% in 2010. In Poland and Slovenia insurance agents' share in gross written premium in total was constantly growing from the level of 37,7 % in Poland and 23,4% in Slovenia in 1996 to the level of 58,7% in Poland and 51,5% in Slovenia in 2006. Higher agents' share in gross written premium growth rate in Slovenia allows assuming that in 2010 this share will come to almost 68% and in Poland ca 63%. Agents' share in gross written premium growth was also noticed in Slovakia (11% in 1996 and 20,1% in 2006). Growth tendency will remain in the nearest future.

3 INSURANCE BROKERS

Similarly like in case of other channels insurance brokers' share in gross written premium is highly diverse. The biggest share in gross written premium insurance brokers gained in 1996 in Belgium (59,2%). However, their share in gross written premium acquisition was constantly decreasing. In 2006 it came to 35,5% and changes tendencies assume that by 2010 it will decrease to the level of 26%. Similarly as in case of insurer's workers and insurance agents the most stable market is Great Britain. Insurance brokers' share in gross written premium in 1996 was on the level of 50% and increased to 54,7% in 2006. Changes tendencies assume small decrease to the level of ca 54% to 2010. Also on the French market no significant changes of brokers' share in gross written premium was noticed. In 1996 this share came to 12% and increased to the level of 14,4% in 2006. Tendencies for future indicate growth to ca 15,6%. Also in Portugal brokers' position established. In 1996 with their intermediation 7,7% of gross written premium was acquainted and ca 7,5% in 2006. Tendency for future does not assume changes in this case. Poland can also be included to the list of countries with stable insurance brokers' position. In 1996 brokers' share in gross written premium came to 10,6%. Changes tendencies for future assume further moderate growth to the level of ca 12,8% in 2010. Insurance brokers' share in gross written premium in Austria came to 12% in 1996. It doubled in ten years. Changes tendency assumes that in 2010 it will come to 27,5%. In Spain, however, at the beginning of analyzed period, in 1996 insurance brokers' share gross written premium came to only 5,5% and in 2006 came to 21,7%. Growth tendency will probably remain and the share will come to ca 27% in 2010. Decreasing tendency is noticed on Italian market. In 1996 brokers' share in gross written premium came to 7,2% but in following years it decreased and gained 2,9% in 2006. This decreasing tendency will remain and the share may come to 1,9% in 2010. Insurance brokers intensively increase their share in gross written premium in Slovenia. Their share in 1996 came to 4,8% and after ten years was almost ten times bigger and came to 45%. Specialists anticipate further growth in the nearest future to the level of over 56%. Insurance brokers' share in gross written premium in

the Netherlands was characterized by high changes amplitude. Despite kind of stabilization since 2003 and gaining 10,1% of share in 2006, changes tendencies anticipate significant decrease of brokers' share in gross written premium (even to ca 4% in 2010). High changes dynamic of brokers' share in gross written premium is noticed in Slovakia. In 1996 the share came to almost 20%. Quickly it doubled and even tripled to come to the level of less than 30% in 2006. But the tendency for the nearest future assumes growth to 35% in 2010¹¹.

4 DIRECT CHANNEL

Till 2000 the share of the rest of distribution¹² net (banks, dealers etc.) practically came to 0%. However, since 2000 it shows growing tendencies. In 2000 it came to 1,43%, in 2006 crossed the level of 15% and changes tendencies assume growth of this channel related to average of EU to the level of over 21,5%.

Data in individual insurance sectors vary. In 1. sector insurance companies workers' share related to average EU values reaches the level of ca 200% and changes tendencies to 2010 anticipate remaining the level of over 200%. Very high share related to average EU values considers also agency channel. In 1996 insurance agents' share came to less than 175% and was the lowest per cent of share in analyzed period. This channel dynamically increased its share which came to over 230% in 2006. Anticipated growth assumes the share of over 240% in 2010. However, the brokers' share related to average EU values comes to the lower level. In 1996 the share came to less than 10% and in 2006 almost 22%. Changes tendencies assumed decrease of share in 2007-2009 and small growth to the level of less than 14% in 2010. Till 2001 in 1. sector the share of the rest of distribution net was not noticed. The net since 2002 systematically increases its share related to average EU values. In 2002 the share came to 0,25% and in 2006 13,31%. Changes tendencies anticipate growth related to average EU values to the level of over 16%.

In 2. sector insurance companies workers' share related to average EU values in 1996-2001 shows decreasing tendencies. In 1996 the share came to almost 182%. The lowest value of 116,25% was gained in 2001. But at the end of 2006 it came to 151,27%. Changes tendencies to 2010 anticipate decrease to the level of ca 115%. In 2. sector the share of agency channel related to average EU values is characterized by high stability. In 1996 insurance agents' share came to 116,27% and systematically grew till 2001 when it came to 145,69% and was the highest per cent of share in analyzed period. Since then the share of agency channel related to average EU values decreased and gained the level of 115,89% in 2006. For 2007 further decreased was anticipated but since 2008 growth was noticed which will bring 117,28% of share in 2010. However, brokers channel's share related to average EU values shows constant growth tendencies. In 1996 the share came to less than 13% and in 2006 to almost 68%. Changes tendencies assume growth of the share to the level of 83,76% in 2010.

¹¹ Calculations done basing on insurance intermediary markets analysis in European Union countries in 1996-2006 published by CEA Insurers of Europe, CEA 2008

¹² Calculations done basing on insurance intermediary markets analysis in European Union countries in 1996-2006 published by CEA Insurers of Europe, CEA 2008

Till 2000 in 1. sector the share of the rest of distribution net was not noticed. The net since 2000 systematically increases its share related to average EU values. In 2000 the share came to 3,53% and in 2006 to 33,59% Changes tendencies anticipate growth of the share related to average EU values to the level of over 47,24%¹³.

SUMMARY

Among EU member countries in scope of usage of distribution channels there are certain similarities but also many differences may be noticed. On European markets there is coincident tendency to increase the share in local markets of the rest of distribution net consisting of direct, bancassurance,¹⁴ etc. Wide usage of bancassurance contributed intensive growth of life insurances in Italy and in France (over 60% of personal insurances are bought in this channel)¹⁵.

Final conclusions:

1. Related to average EU values the share of individual distribution channels in Poland shows strong insurance agents' position. They are the dominant channel
2. The share of insurance companies workers in the market related to average EU values in 1996 came to 194,58% and had decreasing tendency in following years. Changes amplitude of the share of insurance companies workers related to average EU values was particularly intensive in 2001 - 2005
3. At the end of 2006 brokers' share related to average EU values came to over 48% and changes tendencies assumed further moderate growth to the level of ca 55% of share in 2010
4. Individual EU countries have developed different distribution systems for insurance services of different level of the share in the market.

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¹³Calculations done basing on insurance intermediary markets analysis in European Union countries in 1996-2006 published by CEA Insurers of Europe, CEA 2008

¹⁴Swacha-Lech M., *Bancassurance. Sprzedaż produktów bankowo-ubezpieczeniowych (Banking and insurance products sale)*, CeDeWu, Warsaw 2008, pages 41 and next

¹⁵Fedor M., *Rynek ubezpieczeń we Francji [Insurance market in France]*, [in:] (red.) Monkiewicz J., *Jednolity rynek ubezpieczeń w Unii Europejskiej. Procesy rozwoju i integracji*. [Unified insurance market. Development and integration processes]. Branta Publishing House, Bydgoszcz – Warsaw, 2005, p. 255

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