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Financial innovations offered by insurance sector to enterprises – Polish experience

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Introduction

- Financial innovations are defined as new financial products and services that change financial strategy and improve financial results of their users: households, business entities, financial institutions, government
- Insurance sector is regarded as the most traditional part of financial system. However financial innovations are also created and applied in insurance sector

Purpose of the study

To identify and analyze the types of **financial innovations** offered by **insurance sector** in Poland to **non-financial enterprises**

To confront the applied innovations with trends and solutions noticeable in the global insurance market

The method

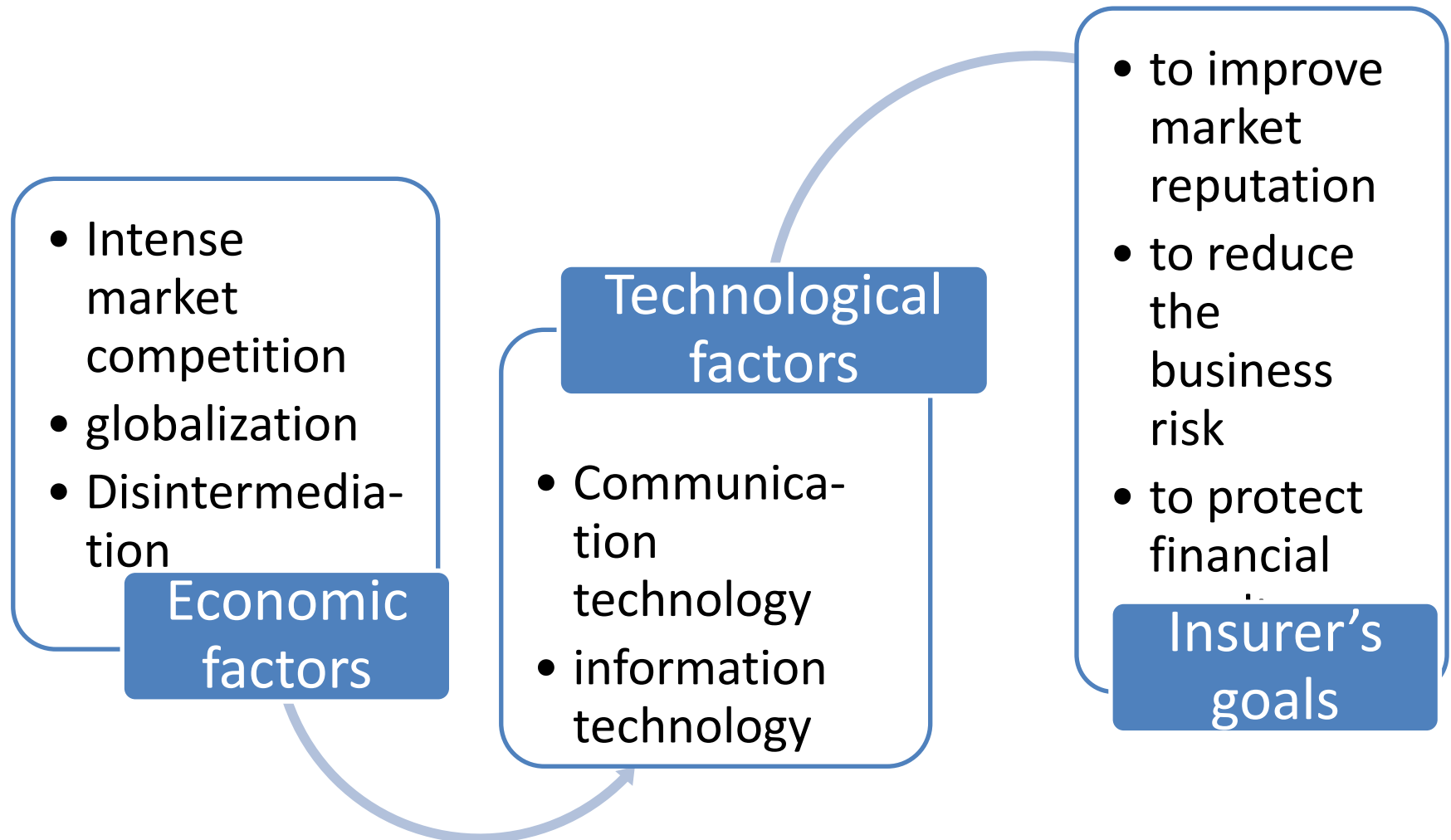
Defining innovation at insurance market, discovering insurance innovation drivers and its application in non-financial enterprises risk management – 1st part of the paper

- **Extensive international literature review**

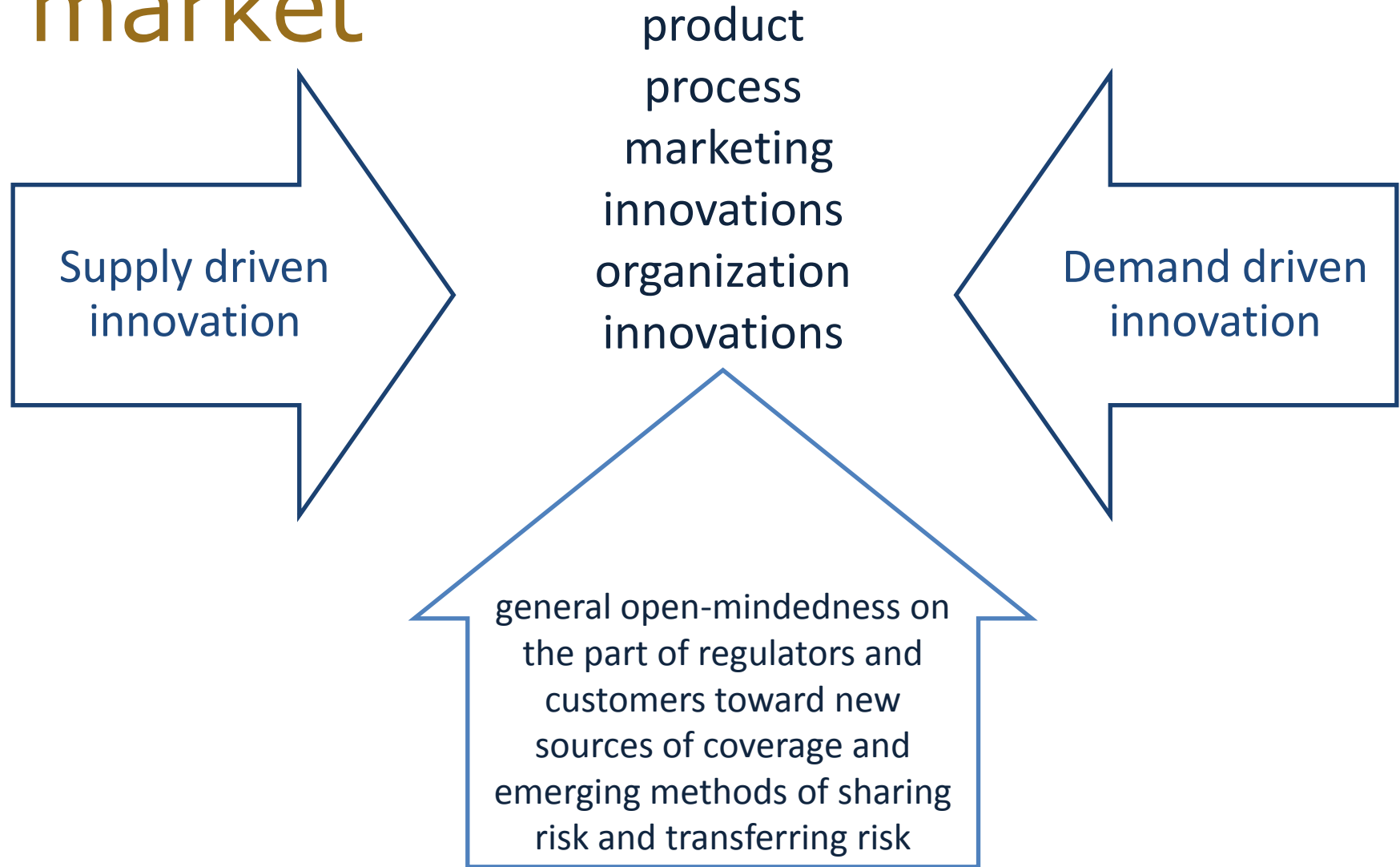
Investigating insurance innovation offered to non-financial enterprises at Polish insurance market – 2nd part of the paper

- **The internet survey covered product description and general terms of insurance products offered to enterprises by Polish insurance companies**
- **the telephone interviews with insurance brokers**

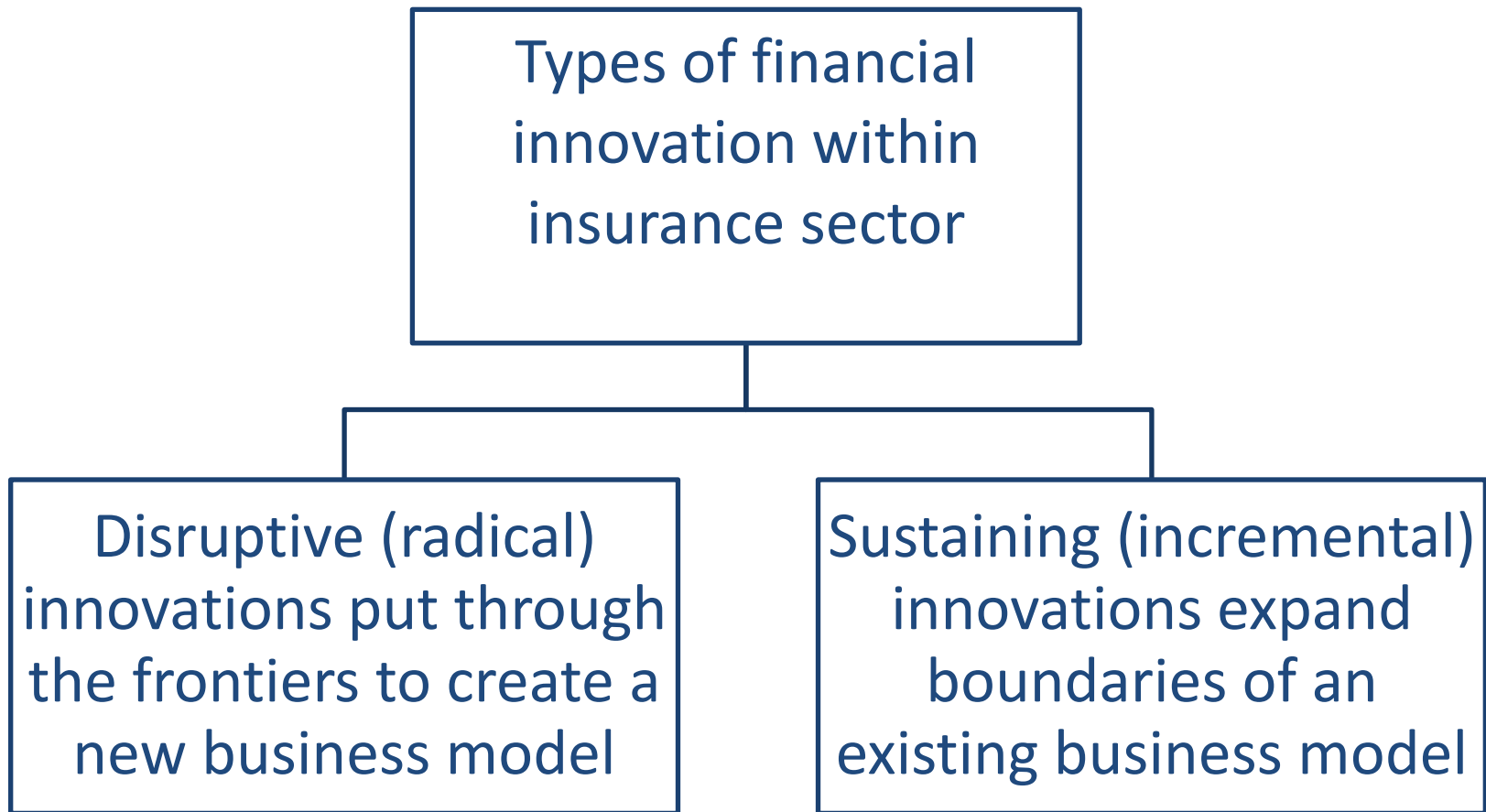
Factors stimulating innovations at insurance market



Innovation at insurance market



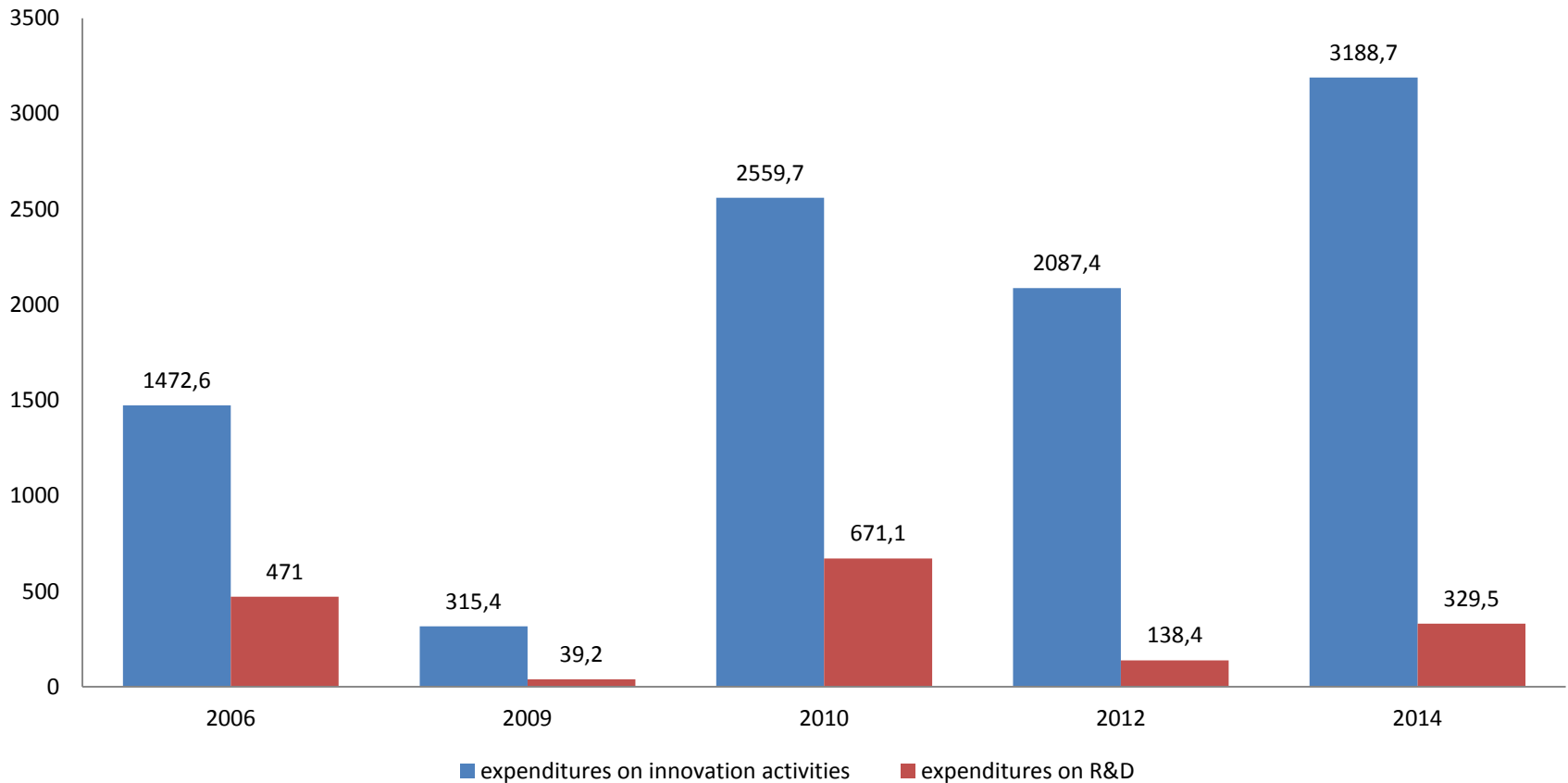
Financial innovations at insurance market



Within insurance risk transfer three areas of financial innovations may be analyzed

- the changing conditions of insurance protection
 - changes of co-insurance features
 - changes of insurance caps;
 - multi-year covers;
 - changes in insurance protection subject-, object- or space dimensions;
 - multi-trigger solutions
 - innovative way of calculating deductibles
- parameterization
- new insurance products

Expenditures on innovation activities in the financial sector in Poland in 2006-2014 (data in PLN millions)



The internet survey of insurance product general terms of insurance

Name of insurance company	Share in non-life branch premiums (in %)
PZU S.A.	35,848
STU Ergo Hestia S.A.	14,382
TUiR Warta S.A.	13,628
TUiR Allianz Polska S.A.	6,616
Compensa TU S.A. Vienna Insurance Group *	3,605
InterRisk TU S.A. Vienna Insurance Group	2,925
TU Europa S.A.	2,322
Gothaer TU S.A.	2,131
Generali T.U. S.A.	1,879
Aviva TU Ogólnych S.A.	1,393
TOTAL	84,73%

Following types of insurance products were analyzed:

- property and casualty insurance products,
- general liability insurance products and other types of liability products,
- technical insurance products,
- transport insurance products,
- car insurance products,
- bank assurance products and other combined products,

personal insurance (for workers), including life insurance, health insurance and accident insurance products

Interviews with brokers

- The number of interviews required to realize the aim of the paper was established basing at the method of saturation.
- In case of the paper 15 interviews emerged as the sufficient number of interviews
- All interviews were transcribed. The content was analyzed by both authors

Internet survey results

- new ways of enhancing risk management and risk transfer in SMEs,
- combined products,
- new insurance products dedicated to new risks,
- new risk covered by well-established insurance products,
- assistance,
- industry focused products,
- teleassurance, energyassurance, households goods/rtv assurance.

Interviews results (1)

- *“There is no revolution at the market”* (4 brokers)
 - *“There is strong competition at the market, thereof they always must show something new: new clause or new risk in the basic product’s coverage.”*
 - *“We design clauses”*
- (3 brokers claim that innovations come as a result brokers influencing insurers)

Supply driven incremental innovation

Interviews results (2)

- *„Relationship is crucial. Internet is not good for insurance“.*
- *„There is no communication between client as a person and someone responsible at insurer’s side. There is only a client and a “system”, which “spits” some results“ .*
 - *„E-mail communication fails totally“*

Technology-driven cost-cutting solutions within insurers’ processes don’t bring value added for non-financial customers and sometimes increase costs of risk management process

Interviews results (3)

- *„I don't believe that these (combined) products were prepared basing at an in-depth analysis of SMEs risk exposure”,*
- *„They (clients) would never even think about paying for this type of insurance unless they were granted this coverage “in package” once”.*
- *“They (insurance companies) want to saw the seeds. When clients get used to this, they will be able to sell more”*

Brokers remain skeptical about combined products usefulness in risk-management

Interviews results (4)

- **six interviewed brokers put an accent on cyber insurance:**
 - *"More and more enterprises are interested in cyber-insurance (...). They know that they have a lot of data and in case of data leakage they will suffer".*
- **six interviewed brokers focused on novelties in liability insurance products**
 - *„there is a number of targeted liability products (eg. D&O or gross negligence insurance) that actually fit a growing need for thus type of coverage"*

Innovation in products

Conclusion

- Innovations offered by Polish insurance companies for enterprises have different forms and scope but are rather incremental
- Some novelties emerge as new products are offered, new risks are covered by well-established products, that combined products are prepared for SMEs and that insurance companies have started to engage in some new types of risk management enhancing.
- Analyzed innovations are driven by diverse factors (demand, technology, competition)
- Not all innovations are evaluated positively (in some cases it seems that a product is constructed carelessly and new difficulties faced by brokers and their clients due the ongoing technological change and de-personalisation of relationship between insurance companies and insured enterprises)



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