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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

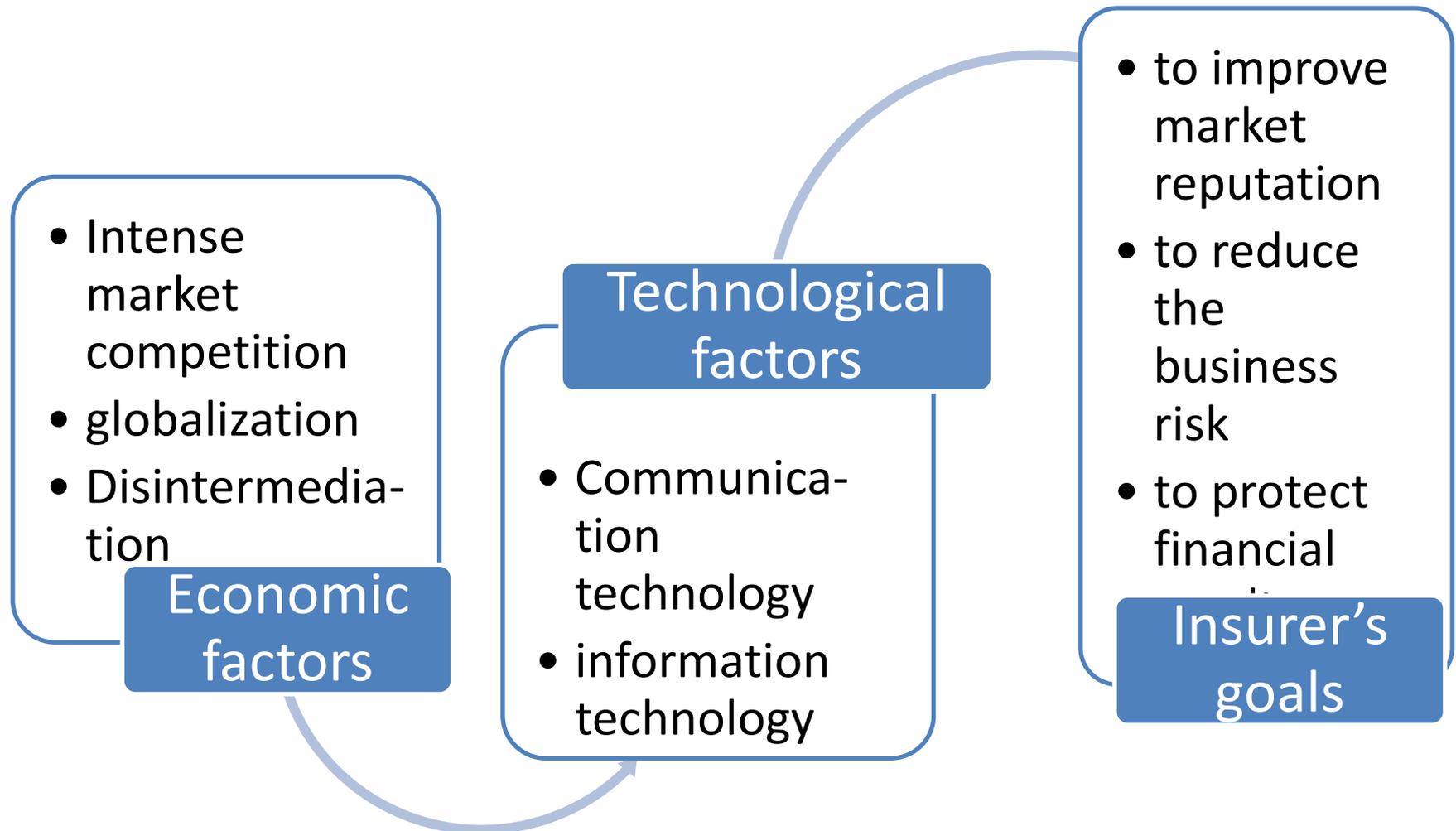
Defining innovation at insurance market, discovering insurance innovation drivers and its application in non-financial enterprises risk management – 1st part of the paper

- **Extensive international literature review**

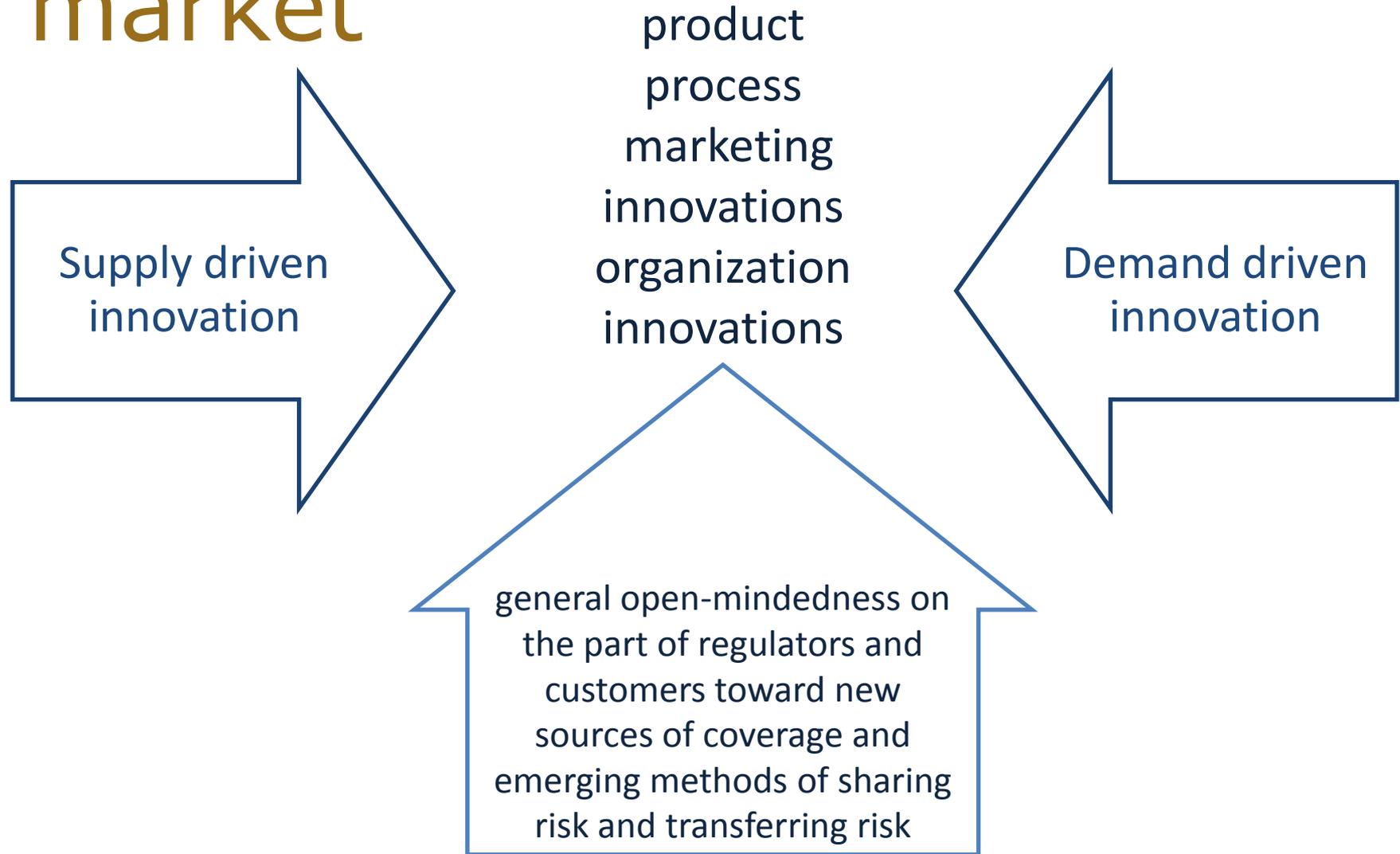
Investigating insurance innovation offered to non-financial enterprises at Polish insurance market – 2nd part of the paper

- **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**

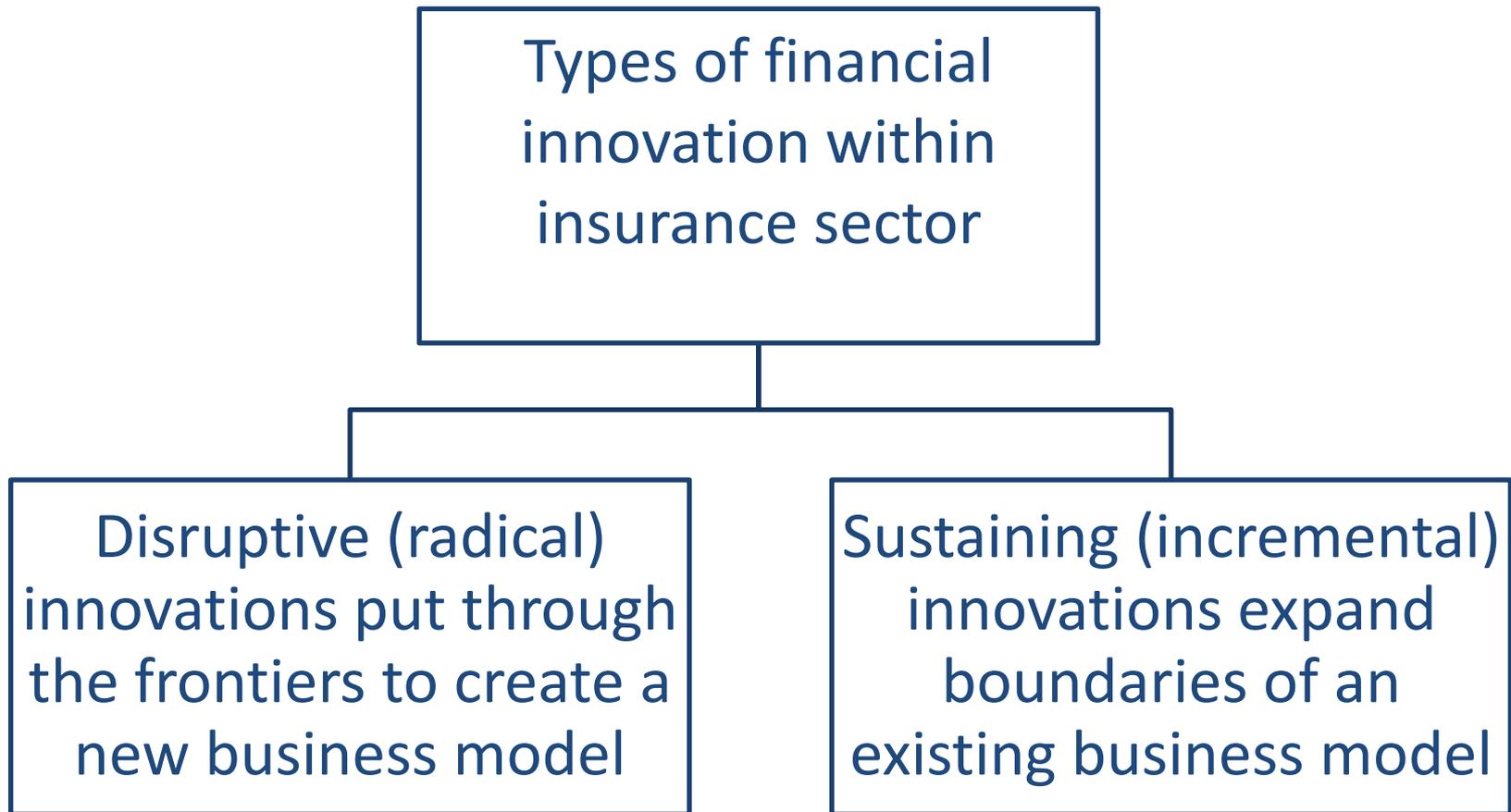
# Factors stimulating innovations at insurance market



# Innovation at insurance market



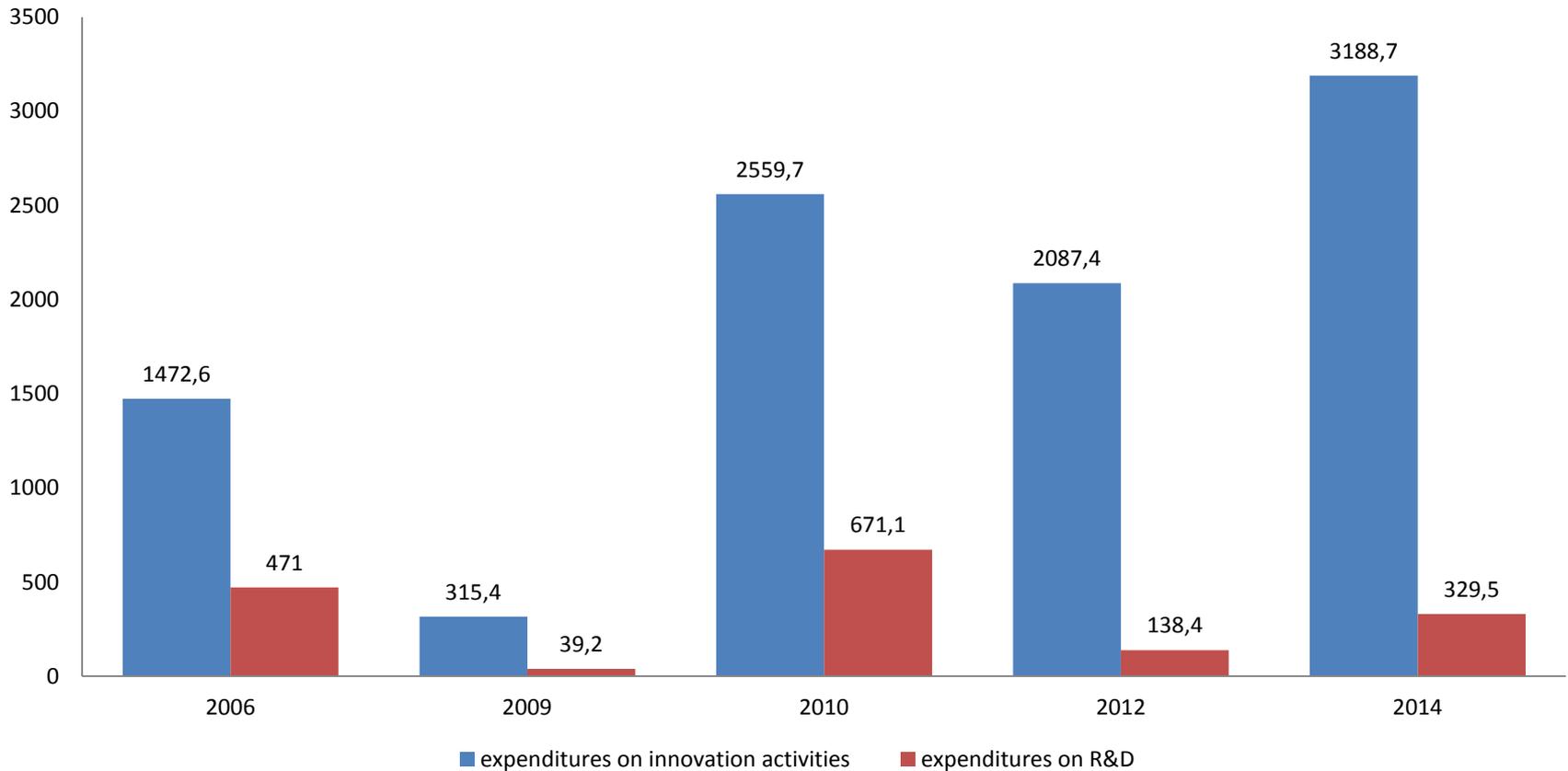
# Financial innovations at insurance market



# 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
<b>TOTAL</b>	<b>84,73%</b>

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**

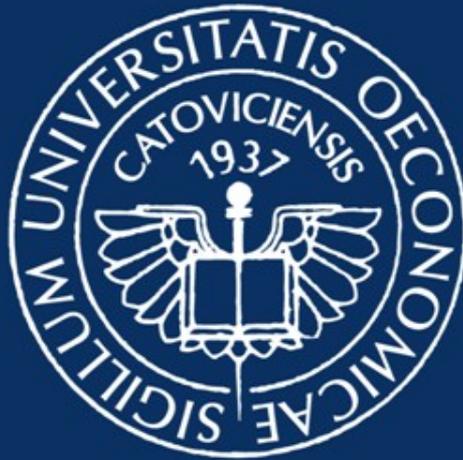
# Interviews results (4)

- **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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