Market Presentation
Poland
www.lloyds.com/PolandMI
21 April 2015
Witold Janusz, Country Manager, Poland
# Content

## The Market
- Economic Highlights
- Insurance Key Themes
- Key Classes
- Insurers Ranking
- Distribution Trends

## Lloyds
- Business Profile
- Local Presence

## Opportunities
- Key Areas
- Key Actions & Lloyd’s Events

## Conclusions
The Market

Economic Highlights
Insurance Key Themes
Key Classes
Insurers Ranking
Distribution Trends
**The Market**

**Economic Highlights**

**Economic Growth: +3.3% (2014)**

+3.4% (2015) forecast

► Russian embargo and tensions in the East less detrimental to country economy than expected

► EU cohesion funds as a solid foundation for long term growth

► Stronger domestic demand contributed to an acceleration of Polish GDP growth in 2014

► Pension system changes have eased public debt in the short term (57% of GDP) but fiscal discipline required

► According to IHS unemployment has decreased from 9% in 2014 to 8.03% in 2015

**Chart: 2011-2019 GDP**

(Nominal GDP in billion US; Real GDP Growth)

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Nominal GDP</th>
<th>Forecast Nominal GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>4.8%</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>1.7%</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>1.7%</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>3.3%</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>3.2%</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>3.8%</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>4.2%</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>4.0%</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>3.8%</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Market Intelligence calculation based on: IHS Global Insight, (2014); [www.ihs.com](http://www.ihs.com) & KNF, (2014); [www.knf.gov.pl](http://www.knf.gov.pl)

**Areas to focus on**

► Implementing a long term policy to turn unfavourable demographic trends

► Further restructuring of energy sector; departing from coal as well as Russian gas and oil supply

► Stronger support and promotion of innovative, not cheap labour segments of the country’s economy
First premium decrease in over 15 years (1.31%)*
- Property (-6.13%)* and Motor TPL (-4.65%)* mostly impacted
- Insignificant growth in GL (+3%)
- Underwriting replaced by simple distribution
- Both technical and financial results badly affected (-40%)
- Continental reinsurers follow demands of the local players

2009 – 2014 Market Premiums
(Gross Written Premium EUR mn)

A & H
Freight
General Liability
Long Term Business
MAT
Motor
Other Non-Life
Pecuniary Loss
Property

Source: Market Intelligence calculation based on: KNF, (2014); www.knf.gov.pl
*Note: Calculation based on local currency
The Market
Property- Hail, Frost & Burglary

Class Highlights
► Competition is pulling the rates down
► Challenging conditions for premium growth, but results are still positive
► Risk management requirements eased substantially
► New unexperienced players in big industrial risks; Unica and Interrisk
► New law on public tenders will provide more structured approach

Property (Hail, Frost & Burglary)
(Gross Written Premium EUR mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Written Premiums</td>
<td>356</td>
<td>440</td>
<td>483</td>
<td>537</td>
<td>581</td>
<td>582</td>
</tr>
<tr>
<td>Gross Claims Paid</td>
<td>110</td>
<td>133</td>
<td>181</td>
<td>218</td>
<td>142</td>
<td>211</td>
</tr>
<tr>
<td>Loss Ratio</td>
<td>30.8%</td>
<td>30.2%</td>
<td>37.5%</td>
<td>40.6%</td>
<td>24.4%</td>
<td>36.2%</td>
</tr>
</tbody>
</table>

Loss Ratio = Gross Claims Paid / Gross Written Premiums

Calendar Year

Detailed Analysis can be downloaded in the Class Review – Poland

Source: Market Intelligence calculation based on: KNF, (2014); www.knf.gov.pl
The Market
Third Party Liability

Class Highlights
► Modest premium growth
► More local players able to offer higher limits cover
► Main drivers of liability insurance growth:
  — Increasing awareness of clients
  — Societies are becoming more litigious
  — Increased interest of local clients due to the international market requirements (i.e. polish constructors company operating abroad)
► Further increase of personal injury claims

Third Party Liability
(Gross Written Premium EUR mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Written Premiums</th>
<th>Gross Claims Paid</th>
<th>Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>256</td>
<td>123</td>
<td>47.8%</td>
</tr>
<tr>
<td>2010</td>
<td>311</td>
<td>144</td>
<td>46.5%</td>
</tr>
<tr>
<td>2011</td>
<td>349</td>
<td>203</td>
<td>58.3%</td>
</tr>
<tr>
<td>2012</td>
<td>418</td>
<td>218</td>
<td>52.3%</td>
</tr>
<tr>
<td>2013</td>
<td>443</td>
<td>213</td>
<td>48.1%</td>
</tr>
<tr>
<td>2014</td>
<td>459</td>
<td>159</td>
<td>34.5%</td>
</tr>
</tbody>
</table>

Detailed Analysis can be downloaded in the Class Review – Poland

Source: Market Intelligence calculation based on: KNF, (2014); www.knf.gov.pl
The Market

Class Highlights

► Insignificant growth compensated by healthy loss ratio
► Poor quality products offered by the local insurers
► Rising number of employees looking for enhanced insurance products
► Freelancers (doctors, dentists, lawyers) interested in better insurance cover
► Growing role of multi-agents in distributing PA products

Accident

(Gross Written Premium EUR mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Written Premiums</th>
<th>Gross Claims Paid</th>
<th>Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>279</td>
<td>61</td>
<td>21.9%</td>
</tr>
<tr>
<td>2010</td>
<td>317</td>
<td>71</td>
<td>22.3%</td>
</tr>
<tr>
<td>2011</td>
<td>302</td>
<td>72</td>
<td>23.8%</td>
</tr>
<tr>
<td>2012</td>
<td>306</td>
<td>79</td>
<td>25.7%</td>
</tr>
<tr>
<td>2013</td>
<td>310</td>
<td>70</td>
<td>22.4%</td>
</tr>
<tr>
<td>2014</td>
<td>320</td>
<td>69</td>
<td>21.7%</td>
</tr>
</tbody>
</table>

Source: Market Intelligence calculation based on: KNF, (2014); www.knf.gov.pl
The Market
Insurers Ranking

2013 & 2014 Market Premiums of Top Insurers
(GWP in EUR)

<table>
<thead>
<tr>
<th>Insurer</th>
<th>2013 GWP</th>
<th>2014 GWP</th>
</tr>
</thead>
<tbody>
<tr>
<td>PZU</td>
<td>136,330</td>
<td>1,976,496</td>
</tr>
<tr>
<td>Ergo Hestia</td>
<td>209,252</td>
<td>823,894</td>
</tr>
<tr>
<td>warta.</td>
<td>216,379</td>
<td>801,486</td>
</tr>
<tr>
<td>Allianz</td>
<td>241,468</td>
<td>422,475</td>
</tr>
<tr>
<td>Compensa</td>
<td>216,379</td>
<td></td>
</tr>
<tr>
<td>Uniqa</td>
<td>257,858</td>
<td></td>
</tr>
<tr>
<td>InterRisk</td>
<td>241,468</td>
<td></td>
</tr>
<tr>
<td>Europa</td>
<td>216,379</td>
<td></td>
</tr>
<tr>
<td>Generali</td>
<td>209,252</td>
<td></td>
</tr>
<tr>
<td>Gothaer</td>
<td>136,330</td>
<td></td>
</tr>
</tbody>
</table>

Source: Market Intelligence calculation based on: KNF, (2014); www.knf.gov.pl

- Ongoing domination of PZU
- After their merger with MTU, Ergo Hestia occupy second place
- Unexpected changes at Allianz management
- Credit Agricole as a new player
- Generali under substantial restructuring
The Market
Distribution Trends

Key Trends

► 96 new licences granted in 2014 (1196 registered brokers in total)
► 277 intermediaries notified in 2014 intend to conduct their activities in Poland
► Fincon, as a first Polish broker approved as a Lloyd’s broker
► Rating of Polish brokers by ‘Home & Market’ (top 3: Gras Savoye, Greco JLT and AON)
► Further concentration of smaller market players
► All badly affected by soft market
► Strong competition (tenders organised by clients, several brokers represent one client)
► Brokers consortia in big industrial projects
► Acquisition of Donoria by Howden
► Merge of Gras Savoye and Willis possible this year

Key distribution trends

More regulatory oversight on market distribution (KNF recommendations)
Further consolidation of agency market towards large multi-agencies (177,000 registered agents)

Source: Market and Local Soft Intelligence; KNF, (2014); www.knf.gov.pl;
The Market

Summary

Growing economy

Country economy on a path of accelerated growth until 2020.

Soft market but still profitable

Insurance rates continue to slump but there are some prospects to reverse the cycle in 2015.

Selected classes of business with promising development

Casualty lines resistant to soft market and providing room for further development.

Source: Market and Local Soft Intelligence
Lloyd’s

Business Profile
Local Presence
Lloyd’s
Business Profile

2009-2014 Total Premiums
Gross Signed Premiums (EUR m)

2009-2014 COB Premium Trends
Gross Signed Premiums (EUR m)

2014 GROSS SIGNED PREMIUMS*

<table>
<thead>
<tr>
<th>Total</th>
<th>EUR 46.4m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinsurance</td>
<td>EUR 31.7m</td>
</tr>
<tr>
<td>Direct</td>
<td>EUR 14.7m</td>
</tr>
</tbody>
</table>

*COUNTRY OF ORIGIN PREMIUMS*

- Policyholders are based or headquartered in this territory;
- Premiums may be written outside this territory;
- Not necessarily where risks are located
- May differ to what is reported to local regulator (dependent on local requirements).

Source: Market Intelligence based on *Gross Signed premiums; Xchanging (2013); unaudited figures based on country of origin and processing by calendar year; see Appendix for details
Lloyd's Local Presence

Coverholders by Region

- **Warsaw**: 5
- **Torun**: 1
- **Tychy**: 2

**Number by Region**

- 5 Coverholders operating from Warsaw
- 1 new Coverholder domiciled in Torun
- 2 others in Tychy with operations across Poland

**Coverholders**

- Fine Art & Bloodstock
- GAP & extended warranties
- D&O Personal Accident Life Professional Indemnity
- Personal Accident
- Personal Accident
- Aviation
- Personal Accident
- Legal Costs

Source: Market and Local Soft Intelligence (2015)
Lloyd's Summary

Local market more interested in developing business with coverholders

- Coverholders well support Polish market with innovative and enhanced insurance products.

Local brokers bring more business dedicated to Lloyd’s as a specialist market

- Despite extremely soft market conditions Lloyd's remains the first point of contact as far as all specialist classes of business are concerned.

Lloyd’s position as a reinsurer of Polish cedants remains strong

- Ample room for further cooperation on big industrial and energy projects despite of mounting pressure from continental reinsurers.

Source: Market and Local Soft Intelligence (2015)
Opportunities

Key Areas
Key Actions & Lloyd’s Events
## Opportunities
### Key Areas

### Energy
**Key Drivers:**
- Ongoing modernisation and restructuring of Polish power plants
- More investment in the renewable energy sector
- 2 nuclear power plants on the government agenda

### Liability
**Key Drivers:**
- Comprehensive cover for Polish companies expanding abroad
- Litigious society and decisions of the local courts push the limits of cover up
- Cooperation with foreign investors in Poland requires higher limits of cover
- Requirement for innovative products in the market

### Personal Accident
**Key Drivers:**
- Growing demands for enhanced insurance products by some group professionals
- Life licence opens new areas for growth (short term life insurance products)

*Source: Market and Local Soft Intelligence (2015)*
Opportunities

Key Actions

Country Development Plan

The Lloyd’s Country Development Plan Contains Key Market Development Activities and a Clear Vision

Key Priorities

► Expanding of new distribution channels
► More tailored support for MA’s and brokers in accessing the local market
► Continual raising of Lloyd’s profile in Poland
► Contact Country Manager to further discuss opportunities and key contacts in the Polish Market (Witold.Janusz@lloyds.com)

Event Summary

► Meet the Market: Warsaw 25 November 2014

► Claims Seminar: Krakow, 19 March 2015

Future Events:

► Terrorism Consortium Presentation: Warsaw 21 May 2015
► Class of Business Event: Cyber Risk - Poznań 24 June 2015
► Meet the Market, joint event with Lithuania, with Inga Beale: Warsaw 19 November 2015

Source: Market and Local Soft Intelligence (2015)
**Conclusion**

**Growing economy and soft but profitable market**
- Promising prospects for long term development of the economy
- According to prevailing opinion, the insurance market should start to recover this year

**Ample room for the development of all classes of non–life business**
- Growing demand for specialist insurance products
- Casualty clients are looking for more enhanced and modern insurance cover

**Lloyd’s better recognised and understood on the local market**
- Stronger position of Lloyd’s Coverholders
- Growing number of local brokers interested in cooperation with Lloyd’s
- Local cedants interested to placing business with Lloyd’s, despite of the increased competition from the European Reinsurers side

Source: Market and Local Soft Intelligence (2015)
Knowing What Matters

Market Intelligence
Your Global Advantage

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Market Intelligence

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Appendix

Limitations & Disclaimer

Lloyd's Data Limitations

Please note the information contained in this document is based upon data collected from Xchanging and may be incomplete for some classes of business; for instance a substantial figure, which is missing from the REG 258 data set is comprised of UK Motor, which is not processed by Xchanging.

Gross Premiums: Original and additional inward premiums, plus any amount in respect of administration fees or policy expenses remitted with a premium but before the deduction of outward reinsurance premiums.

Lloyd’s figures are based on gross written premiums based on figures processed by Xchanging by processing year and country of origin.

Country of Origin: denotes the country from where demand for the insurance / reinsurance emanates; i.e. the coverholder or policyholder, irrespective of the country to which the risk is classified for regulatory reporting purposes.

Processing Year: relates to the calendar year in which the premium, additional or return premium is processed by Xchanging, irrespective of the actual underwriting year of account of the risks (which is determined by the inception date of each risk).

Example: A policy holder in the UK insuring a holiday home in France would be classified as a UK risk by Country Of Origin, but French for regulatory reporting purposes. Similarly a risk incepting on 1st December 2007 would be classified at 2007 underwriting year of account but may not be processed by Xchanging until 2008 and so be allocated to the 2008 processing year

Exchange Rate Policy

Annual average exchange rates are used in all conversions.

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</thead>
<tbody>
<tr>
<td>PLZ to US$ Annual Exchange Rate</td>
<td>0.3019</td>
<td>0.3118</td>
<td>0.2452</td>
<td>0.2573</td>
<td>0.2679</td>
<td>0.3093</td>
<td>0.3221</td>
<td>0.3625</td>
<td>0.4204</td>
<td>0.3227</td>
<td>0.3320</td>
<td>0.3389</td>
<td>0.3070</td>
<td>0.3185</td>
</tr>
<tr>
<td>USD to EUR Annual Exchange Rate</td>
<td>1.0842</td>
<td>1.0615</td>
<td>1.0606</td>
<td>0.8851</td>
<td>0.8048</td>
<td>0.8043</td>
<td>0.7968</td>
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<td>0.7190</td>
<td>0.7546</td>
<td>0.7188</td>
<td>0.7781</td>
<td>0.7532</td>
</tr>
</tbody>
</table>

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