

The Distribution Channels of Insurance Products in Poland and in Selected European Countries

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Every production company has to find the answer to the question: “How to sell their own products?” (It is no secret that most of production companies face the difficult task of finding the answer to the question of how to sell their own products.) Should it be sold directly to a customer or with the assistance of an agent? Which methods are the most appropriate for a company? The same questions should be answered by an insurer, especially that insurance products are immaterial and they cannot be touched, seen or packed. As a result insurers have to find other adequate distributions channels which can help them to achieve the highest possible revenue.

The main purpose of this article is to compare insurance distributions channels used in Poland to ones in selected European countries.

This article consists of three parts. The first part describes insurance distributions channels, which could be used by insurer. The second part contains information about intermediaries in Poland. The third part concentrates on insurance distribution channels in selected European countries which include Poland, Germany, Italy, Slovakia and Croatia.

Sources used to write this article include international reports like for example “*CEA Insurers of Europe*” (reports of “Insurance Europe”), and data from the “Polish Financial Supervision Authority” and “Polish Insurance Association”. Information used covers years from 2006 to 2012.

Please not that this article provides only an outline of information about insurance distribution channels used in Europe.

Distribution of insurance products, distribution channels

The distribution means the chain of businesses or intermediaries through which a good or service passes until it reaches the end consumer. In case of insurance from insurer to policy holders, insured.

In distribution it is very important to understand that distribution can be the key to worksite success. But, in order to achieve success the insurer must target distributors who can provide the required volumes and design a proposition to address what is important to these organizations, be it compensation, product range, customer service, etc. (Mungall, 2005).

Insurers sell their products either directly or through a variety of distribution channels. A direct distribution means the movement of goods directly from the insurance company to the client without intermediates. In a traditional sense it is, for example, the sale of insurance product in the branch of the insurance company. Technological developments, such as the Internet and mobile phones, have opened up new opportunities. Today it is possible to buy the insurance product directly from insurer via the Internet.

The intermediate distribution means situation when in distribution channel intermediaries are placed. In traditional sense there are agents (insurance agents performing activities on behalf of one insurance company or more than one insurance company but in another branch), independent agents (insurance agents performing activities on behalf of more than one insurance company of the same branch) and brokers (KNF 2013). In modern sense it could be, for example, bancassurance (the channel created by a cooperate insurer with banks), assurfinace (insurer build they own distribution network to offer financial products), car sailors, finance intermediaries, call centers or travel agents. The success of channel in some products and markets may have been aided by banks. Banks have been motivated to generate income by selling to their customers additional risk-based/wealth management products and services such as an insurance. The insurer can cut the cost of marketing, wages, because of this relationship (Capgemini, 2012). Today bancassurance plays a major role in different European countries.

Technological, operational changes and customer behaviour preferences have led to the development of multiple distribution channels in the insurance industry. The insurers have to change traditional channels, such as agents or brokers, and develop alternative, modern channels to drive growth at lower costs (Capgemini, 2012). By choosing one of the insurance channel it does not mean inability to use another channel. There are situations when in distribution channel there are placed two intermediaries, or when the intermediaries use the Internet.

Insurance distribution in Poland

The Polish Financial Supervision Authority differentiates the following intermediaries: agents performing activities on behalf of one insurance company or more than one insurance company but in another branch, independent agents (insurance agents performing activities on behalf of more than one insurance company of the same branch) and brokers (KNF, 2013).

The number of total agents registered in Poland in 2012 is 34 300. 19 000 of those agents work for only one insurer, 2 200 work for two insurers in two branches, and 13 100 independent agents work for more than one insurer in the same branch (KNF 2013). What is interesting, there are in total 152 200 people who work as insurance agents.

The number of brokers in Poland is 1 098. 1 074 of them are insurance brokers, only 24 are reinsurance brokers. Premium volume of this distribution channel amounts to 6 985 140 727 zloty (about 2 328 380 242 USD).

Table : Premiums volume by brokers

<i>Premiums by brokers (PLN)</i>		
	2011	2012
total	5 924 738 890	6 985 140 727
life	1 273 327 487	1 534 196 345
non-life	4 651 411 403	5 450 944 382
<i>Premiums by brokers (USD)</i>		
	2011	2012
total	1 974 912 963	2 328 380 242
life	424 442 496	511 398 782
non-life	1 550 470 468	1 816 981 461

Source: Raport o stanie rynku..., 2013

In life branch in Poland is not predominant distribution channel. Year-on-year is growing importance of bancassurance. In 2010 played with agents and direct writing a similar role. In non-life branch more than one half of premiums came from agents. The detailed information on the insurance services in Poland is placed in the next chapter.

The distribution channels in selected European countries

In 2012 the total premiums collected in the world amounted to 4 612 514 mio USD. Almost 34% of those premiums was collected in America (in 2010 – 32%), the next 34% of them in Europe (37% in 2010), almost 30% in Asia (27% in 2010). Africa and Oceania oscillate about 4% of global premium amount. The total premium volume in Europe in 2012 amounted to 168 737 mio USD, which means the increase of 8,7% comparing with 2011. (Swiss Re 2013, Swiss Re 2011).

The bancassurance model was introduced in Europe in the 1980s and it is the main distribution channel for life insurance products in many European countries. In countries such as Malta, Austria, Spain, Portugal, Italy accounts it the main distribution channel if life insurance. In 2009 in Portugal 87% of insurance products was sold through this channel (in 2007 about 90%), in Malta more than 90% in 2010 (in 2007 about 90%). In Bulgaria Luxembourg, Romania, Slovenia, Slovakia it is predominant among agents. Following that, in Bulgaria it accounted for about 55% (62% in 2009, alike in 2007), and in Slovakia in 2007 more than 80%. In the UK 74% of life insurance were sold through brokers. This channel is either predominant in Ireland, respectively with market shares of 48% (Statistics 2013, CEA Statistics 2011, CEA Statistics 2010, European Insurance – Key facts, 2009).

In Croatia a direct writing is the main distribution channel of non-life insurance (more than 70% in 2010 and in 2009). In 2009 direct writing was an important channel in the Netherlands, but in 2010 it accounted for about 30% of sale. In 2010 the agents were particularly well established in Italy (82%), Slovakia (70%), Turkey (68%) and Slovenia (65%). This channel is also popular in Poland, Portugal and Germany. In the UK and Ireland the most important channel of distribution of non-life insurance are brokers. In 2010 about 60% of non-life insurance in Ireland was distributed through this channel (just like in 2007) (Statistics 2013, CEA Statistics 2011, CEA Statistics 2010, European Insurance - Key facts, 2009).

The tables below show breakdowns of life and non-life insurance premiums by distribution channels in selected countries: Germany, Poland, Italy, Croatia and Slovakia.

Table 1: Breakdown of life and non- life premiums by distribution channel in Germany and Poland

	GERMANY					POLAND				
<i>Breakdown of life premiums by distribution channel</i>										
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Direct writing	n.a.	3,3%	3,4%	2,5%	2,6%	28,2%	27,3%	22,9%	32,5%	32,5%
Agents	n.a.	55,0%	54,5%	53,5%	48,3%	38,9%	42,9%	27,9%	28,8%	28,8%
Brokers	n.a.	20,5%	19,6%	20,9%	23,2%	3,5%	2,4%	1,6%	4,7%	4,7%
Bancassurance	n.a.	18,5%	19,9%	20,6%	23,6%	20,5%	23,4%	44,4%	32,6%	32,6%
Other	n.a.	2,7%	2,6%	2,5%	2,3%	8,9%	4,0%	3,2%	1,4%	1,4%
<i>Breakdown of non-life premiums by distribution channel</i>										
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Direct writing	n.a.	3,7%	3,8%	3,9%	4,2%	24,1%	22,1%	24,0%	19,9%	19,9%
Agents	n.a.	63,4%	62,3%	63,1%	60,9%	58,6%	59,2%	58,8%	58,5%	58,5%
Brokers	n.a.	23,3%	24,4%	24,5%	25,0%	15,4%	14,2%	14,3%	16,5%	16,5%
Bancassurance	n.a.	5,9%	6,0%	5,8%	6,2%	1,0%	1,4%	2,1%	3,5%	3,5%
Other	n.a.	3,7%	3,5%	2,7%	3,7%	1,0%	3,1%	0,8%	1,6%	1,6%

Source: CEA Statistics N°40, CEA Statistics N°44, Statistics N°46

In Germany agents are the most important channel both in life and non-life insurance. More than half of the sales come from this channel. But, the percentage of distribution by agents has been falling year by year because of the growing importance of brokers in both branches. In Poland it is very difficult to determine the predominant channel in a life sector. In 2010 the direct writing, agents and bancassurance played a similar role. In the case of non-life insurance the most significant in distribution were agents.

Table 2: Breakdown of life and non- life premiums by distribution channel in Croatia and Italy

	CROATIA					ITALY				
<i>Breakdown of life premiums by distribution channel</i>										
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Direct writing	n.a.	34,7%	38,4%	40,2%	39,3%	11,7%	11,2%	12,5%	8,7%	7,4%
Agents	n.a.	42,7%	41,4%	41,6%	36,1%	19,9%	21,1%	23,6%	15,9%	15,3%
Brokers	n.a.	0,4%	1,5%	1,5%	1,4%	0,9%	1,4%	1,5%	1,0%	1,0%
Bancassurance	n.a.	18,7%	17,6%	16,1%	18,5%	67,5%	66,3%	62,5%	74,4%	76,3%
Other	n.a.	3,5%	1,1%	0,6%	4,7%	0,0%	0,0%	0,0%	0,0%	0,0%
<i>Breakdown of non-life premiums by distribution channel</i>										
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Direct writing	n.a.	69,8%	69,8%	72,4%	73,9%	6,6%	6,4%	6,3%	6,0%	6,6%
Agents	n.a.	20,3%	20,3%	21,3%	20,3%	84,2%	84,4%	83,8%	83,0%	82,4%
Brokers	n.a.	2,3%	2,3%	2,2%	1,7%	7,5%	7,4%	7,6%	7,9%	7,7%
Bancassurance	n.a.	1,0%	1,0%	1,6%	2,3%	1,7%	1,8%	2,3%	3,1%	3,3%
Other	n.a.	6,6%	6,6%	2,5%	1,8%	0,0%	0,0%	0,0%	0,0%	0,0%

Source: CEA Statistics N°40, CEA Statistics N°44, Statistics N°46

In Croatia the direct writing and agents were predominant channels in life insurance. In non-life insurance it is definitely the direct writing that plays a major role and, which is an important piece of information, it is still growing. In Italy the most important life distribution channel is bancassurance. In 2010 it accounted for more than three-quarters of the life market shares. More than 80% of non-life insurance come from agents.

Table 3. Breakdown of life and non- life premiums by distribution channel in Slovakia

SLOVAKIA					
<i>Breakdown of life premiums by distribution channel</i>					
	2006	2007	2008	2009	2010
Direct writing	2,6%	0,0%	62,0%	36,0%	36,1%
Agents	78,7%	81,0%	36,4%	64,0%	59,6%
Brokers	18,8%	19,0%	1,7%		4,3%
Bancassurance	0,0%	0,0%	0,0%	0,0%	0,0%
Other	0,0%	0,0%	0,0%	0,0%	0,0%
<i>Breakdown of non-life premiums by distribution channel</i>					
	2006	2007	2008	2009	2010
Direct writing	8,1%	0,0%	66,0%	21,0%	22,3%
Agents	48,4%	58,0%	31,5%	62,3%	70,1%
Brokers	43,5%	42,0%	2,4%	16,7%	7,6%
Bancassurance	0,0%	0,0%	0,0%	0,0%	0,0%
Other	0,0%	0,0%	0,0%	0,0%	0,0%

Source: CEA Statistics N°40, CEA Statistics N°44, Statistics N°46

Year after year the situation of life insurance market in Slovakia had been changing. In 2006 and 2007 agents were a predominant channel, with almost 80% of shares. In 2008 more than 60% of premiums came from direct writing. In 2010 predominant channel were agents again. In non-life insurance the growing importance of agents was quite visible, mostly to the detriment of brokers (CEA Statistics N°40, CEA Statistics N°44, Statistics N°46).

To describe fully the situation on markets in the above-mentioned countries the premium volume should be shown. The information is placed in the below table:

Table 4. Premiums volume in selected countries (mio USD)

Country		2010	2011	2012
<i>Germany</i>				
	total	239 817	245 572	231 908
	life	114 868	114 319	125 497
	non-life	124 949	131 254	125 497
<i>Poland</i>				
	total	17 763	19 105	19 038
	life	8 977	9 235	9 721
	non-life	8 786	9 870	9 318
<i>Slovakia</i>				
	total	2 608	2 840	2 600
	life	1 247	1 332	1 215
	non-life	1 364	1 385	1 508
<i>Italy</i>				
	total	174 347	160 787	144 218
	life	122 063	105 056	93 273
	non-life	52 285	55 731	50 945
<i>Croatia</i>				
	total	1 256	1 711	1 545
	life	447	455	421
	non-life	809	1 256	1 124

Source: (Swiss Re 2013, Swiss Re 2011)

The biggest compared insurance market is the German one. Almost 200 times smaller is the insurance market in Croatia.

Summary

Insurance intermediary plays a very important role. The classical literature specifies two main insurance distribution channels: direct and intermediate. In order to achieve an advantage on market, insurers have to pick that distribution channel or channels which are preferred by their clients.

Each country is characterized by their own distribution profile. In life branch direct writing play an important role in countries like Croatia, Ireland and Slovakia. Distribution channel like agents dominate in Germany, Slovenia and Romania. Brokers have biggest market share in United Kingdom and Netherland. Bancassurance is predominate distribution channel in Malta, Italy, Austria, Spain, France, Portugal and Turkey.

In non-life branch direct writing dominate in Croatia. Agents play an important role in Italy, Luxembourg, Poland, Portugal, Turkey, Slovakia, Slovenia. Brokers are predominant channel in United Kingdom, Belgium and Ireland. There is currently no country where bancassurance is an important distribution channel.

The report called "*Trends in Insurance Channels*" defines four trends which could change the insurance market. One of them is easy access to the online world via computers, mobile phones, tablets and other hand-held devices which is nowadays a strong part of people's everyday life. It is highly probable that products like motor and home insurance will be sold online much more often than it is today. The second trend which was defined considers use of the social media as a distribution channel. Sites like Facebook and Twitter has grown over the last few years and today many insurers relate to the social media as it is an ideal mass marketing tool. The social media can help to gain customer feedback, provide product updates or even answer clients questions in real-time. The next trend is concerned around the usage of SaaS solutions in order to enable the insurance distribution process. It has resulted in growing number of distribution channels. Insurance firms are therefore leveraging SaaS solutions to speed up insurance distribution processes across multiple channels. The final trend talk about using technological solutions to automate the underwriting process and increase direct sales. Availability of newer electronic applications help insurers to automate the selection and pricing of risk, and reduce the distribution cycle time. To remain competitive in the marketplace, insurers need to redesign their business processes to facilitate speeding up of the automation process and automated underwriting solutions (Capgemini..., 2012).

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