

# **Annual Report of the Polish Chamber of Insurance for 2009**

Edition I

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## Ladies and Gentlemen,

I would like to invite you to get acquainted with the “Annual Report of the Polish Chamber of Insurance for 2009” and the “Insurance 2009” report, summarizing last year’s activities of the reinsurance market and forecasting its development within the next several years.

2009 was one of the most difficult years for the global economy in the last two decades. The slowdown observed on the international markets did not spare Poland, which could be noticed in the financial results of the companies as well as the assets of investment and trust funds, and in the engagement of the Poles on the stock exchange. This situation also forced the European and world governments to take measures to counteract the effects of the recession.

During that difficult time the Polish insurance market confirmed the stabilizing role for the economy and the consumers. This fact was reflected by the growing trust put by the customers in their services. The Poles entrusted PLN 51 B worth of premiums to the insurance companies. At the same time the insurers properly fulfilled their main duties and paid approximately PLN 40 B worth of claims in 2009.

Together with the growing trust put by the consumers in insurance companies, and with the systematic development of the market, the formula in which the industry’s self-government is organized has changed. For that reason 2009 was one of the most busy years in the history of the Polish Chamber of Insurance. It did not only bring about a new formula of organization of the insurance self-government but also a number of solutions in the field of auto-regulation, standardization and good market practices. It also led to a fruitful support of the Legislator in shaping the insurance law. Previous year was also specific in terms of the number of events emphasizing and strengthening the rank of the insurance sector in the economic and social life.

Among the most important legislative work carried out by the Legislator, in which the Polish Chamber of Insurance participated, we should mention the amendments to the Civil code as regards redress and group insurance contracts, amendments to the Act on insurance activity, particularly in the area associated with the implementation of the Solvency II Directive, a draft of the solutions for the healthcare financing system, a legislative proposal on travel services and a draft of the natural disaster insurance system.

In 2009 the Polish Chamber of Insurance also pursued intensive auto-regulation activities. It formulated or co-formulated good market practices and organized standardization processes. The most important ones include – “Rules of Good Insurance Practice”, “Recommendation of Good Bancassurance Practices” and the “Motor Insurance Recourse Agreement”.

Committees, Sub-committees, Teams and Work Groups of the Polish Chamber of Insurance, acting as consultation and opinion-giving bodies, constituting the basis for functioning of the insurance self-government, played a leading role in this context.

One of the most important and most effective activities pursued by the Polish Chamber of Commerce in cooperation with the Committees and Sub-committees is provision of insurance know-how to the market participants by organizing open conferences and scientific seminars. The largest conference was held on 3 November 2009 in Warsaw under the motto “Redress after the amendment of the Civil code in the light of European experiences”. The honourable patronage over the Conference was taken by the Minister of Justice. In 2009 the Polish Chamber of Insurance also organized 14 conferences and seminars concerning insurance matters.

We also participated in numerous events important to the entire Polish economy such as the Economic Forum in Krynica-Zdrój, where the insurance matters were presented by the Polish Chamber of Insurance for the first time.

The Polish Chamber of Insurance played an important role in raising the importance of Polish insurance on the international arena. We participated in the process of opinionating legislative proposals undertaken on the European Union's level. Thanks to cooperation with the CEA we actively participated in opinionating the draft regulations of the European Commission and the European Parliament concerning insurance business, making endeavours to assure proper representation of the interests of Polish insurers and consumers.

As regards international cooperation, the most intensive and fruitful relations with various countries include those with the French Federation of Insurance Companies (FFSA), the Association of Austrian Insurance Companies (VVO), and with the German Insurance Industry Association (GDV), with which the Chamber exchanged experiences in reforming the organizational structures in conditions of creating a uniform insurance services market in Europe and discussed the perspectives of development of each insurance group and the sector's situation in the light of the turbulences on the financial markets and the economic slowdown.

The Chamber expanded its international relations by participating in the conference organized by the International Association of Insurance Supervisors, in which the Polish Chamber of Insurance is an observing member. Expanding its relations beyond the European countries, in 2009 the Chamber became a member of an international forum for exchanging views and experiences of associations of insurers – the International Meetings of Insurance Associations (IMIA).

Improvement of the form in which the Polish Chamber of Insurance operates pertained not only to substantive matters. One of the superior tasks in 2009 was refreshment and strengthening of the Chamber's image, as well as improving the reputation of the entire sector. In this respect the reconstruction of the website service was most important, which let the website take on a role of an insurance education portal. The Chamber also opened up new a communication channels with the external environment, the most important one being the Online Insurance Weekly Magazine providing regular insight into the work of the Polish Chamber of Insurance as well as into the most important events in the insurance business in Poland and abroad.

The above and numerous other issues have been presented in the publication which we deliver to you. I am convinced that you will find it interesting and that it will serve not only as a compendium of knowledge about the Polish insurance market but will let you become acquainted with the activities of the Polish Chamber of Insurance and its role in the development of this sector in our country.

Have a pleasant time reading it.

Sincerely yours,

**Jan Grzegorz Prądyński**

President of the Management Board  
Polish Chamber of Insurance

# Activity of the Polish Chamber of Insurance in 2009

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## 1. ACTIVITY OF THE POLISH CHAMBER OF INSURANCE IN 2009

### 1.1. Governing bodies of the Polish Chamber of Insurance in 2009 and 2010

#### 1.1.1. Management Board of the Polish Chamber of Insurance

The present Management Board of the Polish Chamber of Insurance is composed of:



Jan Grzegorz Prądyński  
– President of the Chamber's Management Board



Witold Walkowiak  
– Vice-president of the Chamber's Management Board



Andrzej Maciążek  
– Member of the Chamber's Management Board

### a) Chamber's Management Board until 8 June 2009

Jan Grzegorz Prądzynski – Vice-president of the Chamber's Management Board  
Andrzej Maciążek – Member of the Chamber's Management Board

### b) Chamber's Management Board since 9 June 2009

Jan Grzegorz Prądzynski – President of the Chamber's Management Board  
Andrzej Maciążek – Member of the Chamber's Management Board

### c) Chamber's Management Board since 12 January 2010

Jan Grzegorz Prądzynski – President of the Chamber's Management Board  
Witold Walkowiak – Vice-president of the Chamber's Management Board  
Andrzej Maciążek – Member of the Chamber's Management Board

## 1.1.2. Audit Board of the Polish Chamber of Insurance

### d) Audit Board until 10 February 2009

Ryszard Bociong	– Chairman of the Board
Piotr Dzikiewicz	– Member of the Board
Andrzej Jarczyk	– Member of the Board
Witold Jaworski	– Member of the Board
Andrzej Klesyk	– Deputy Chairman of the Board
Krzysztof Kudelski	– Member of the Board
Piotr Narloch	– Member of the Board
Jarosław Parkot	– Member of the Board
Ewa Stachura-Kruszewska	– Member of the Board
Grzegorz Szatkowski	– Member of the Board
Adam Uszpolewicz	– Deputy Chairman of the Board

### e) Audit Board since 11 February 2009

Ryszard Bociong	– Chairman of the Board
Piotr Dzikiewicz	– Member of the Board
Franz Fuchs	– Member of the Board
Andrzej Jarczyk	– Member of the Board
Witold Jaworski	– Member of the Board
Andrzej Klesyk	– Deputy Chairman of the Board
Krzysztof Kudelski	– Member of the Board
Piotr Narloch	– Member of the Board
Jarosław Parkot	– Deputy Chairman of the Board
Ewa Stachura-Kruszewska	– Member of the Board
Grzegorz Szatkowski	– Member of the Board

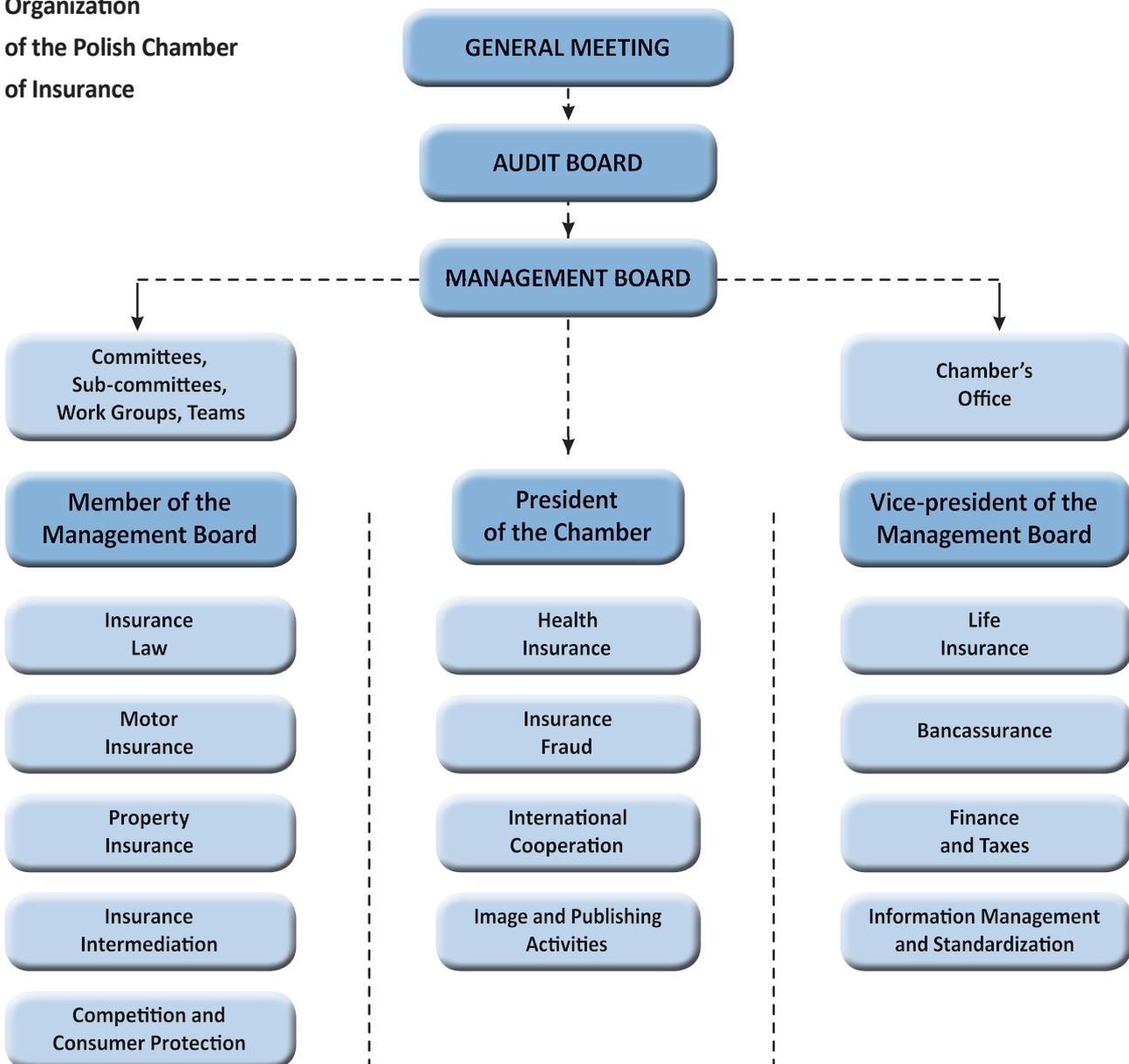
1.2. Organization of the Polish Chamber of Insurance

In 2009 the Polish Chamber of Insurance underwent a thorough reorganization. In result of a development of a new operating philosophy and strategy of the insurance self-government in 2008, aimed at increasing the legislative, consultative, standardizing, promotional (for the insurance market) and educational (for the society) function, it was necessary to adjust the structure of the Polish Chamber of Insurance to these requirements. The consequence of these activities was signif-

icant strengthening of the substantive and image position of the Chamber.

Moreover, to improve the organization of the self-government, the Management Board of the Polish Chamber of Insurance prepared and carried out the change in the way the Committees, Sub-committees, Teams and Work Groups of the Polish Chamber of Insurance operate, introduced measures aimed at increasing the Chamber’s competencies through staff exchanges

Organization of the Polish Chamber of Insurance



and training, and established a professional Public Relations and Marketing Department at the Polish Chamber of Insurance, which made it possible, among other things, to change the way the Chamber communicates with its members and to reorganize the educational and publishing activities.

### **1.2.1. Appointment of new Committees, Sub-committees, Teams and Work Groups of the Polish Chamber of Insurance**

The new composition of the Committees, Sub-committees and Work Groups prepared by the Management Board is effective since 1 January 2009. The rules governing the functioning of the Polish Chamber of Insurance and the work of the Committees, Sub-committees, Teams and Work Groups correspond to the practical needs of the market. The opinion exchange forum has been given up in favour of smaller expert teams. The new structure reduces the number of bodies of the insurance self-government (from 15 permanent committees only 7 will be left) as well as the rules governing their compositions.

Committees which are permanent opinion-giving and consultation bodies are appointed by the Chamber's Audit Board and the Management Board defines the scope of their activities and appoints their members, including their chairpersons. The committees' members are representatives of insurance companies, and their number is limited to 10 persons, named by the Committee's Chairperson. However, in justified

cases, at the request of the Committee's Chairperson, the number of members may be increased to 20. Each Committee also has a Secretary who is a full-time employee of the Chamber. Also, each committee has been obliged to convene an open meeting for all members of the Chamber at least once a year. Sub-committees (comprised of minimum 3 persons) operate under some committees, which are appointed by the Management Board at the request of the chairpersons or at its own initiative. There were 12 sub-committees in 2009. The Management Board also appointed interdisciplinary Teams to carry out long-term tasks (currently there are 3 Teams) and Work Groups to carry out ad hoc tasks (currently there are 4 Work Groups).

### **1.2.2. New formula of communication between the Chamber and its members**

Organizational changes, followed by qualitative changes, led to the revision of the approach to the communication process with the insurance market, in particular, to consultation of legal acts being designed.

The Polish Chamber of Commerce transformed itself into a friendly and useful institution. It strengthened the process of opinionating proposals, established three new communication channels dedicated to domestic matters, consultation of legislative proposals and current international issues.

This method of communicating with the market gave this process a more useful and practical character.

## **1.3. Legislative, standardization and auto-regulation activities of the Chamber**

Legislative activities pursued by the Chamber were aimed at protecting and improving the conditions in which the market operates. As part of this work the Management Board led to creation of a sys-

tem to monitor legislative proposals. Overall, in 2009 work was carried out on approx. 70 legislative proposals and the Chamber prepared approx. 50 opinions on new bills.

### 1.3.1. Cooperation of the self-government with the Parliament, administration and domestic insurance market institutions

The Polish Chamber of Insurance intensively developed its relations with the Polish Parliament, the government administration and the representatives of insurance institutions. In 2009 the Chamber participated in 34 sittings of the Parliamentary and Senate Committees and Sub-committees and held 59 approval meetings and conferences with the representatives of the government administration.

As part of the legislative and auto-regulation work of the self-government the Chamber's statutory bodies were supported by the work of the Committees, Sub-committees, Teams and Work Groups. In 2009 these bodies held 144 sessions based on the annual work plans approved by the Management Board, which consisted in:

- opinionating domestic and EU legislative proposals,
- initiating strategic projects undertaken by the Chamber,
- cooperation with competent Committees of the European insurance and reinsurance federation (CEA),
- exchanging views and experiences between market participants.

The Committees' members also actively participated in the sittings accompanying legislative work carried out by the Government bodies and in the Parliament as the Chamber's experts. They also presented the stance of the insurance sector at conferences and seminars organized by the Chamber and other institutions.

The most important subjects of work carried out in 2009 included:

- in the life insurance field:
  - protection of group life insurance (such as the amendment of Article 829 of the Civil code),

- interpretation of the Public Procurement Office of the need to organize tenders for group life insurance products,
- assumptions to the legislative amendments introducing a new guarantee system for life insurance policy holders,
- introduction of real preferences for voluntary savings in the third pillar of the retirement pension system,
- in the health insurance field:
  - promotion of the self-government's draft of the private health insurance system,
  - work on the ministerial draft on additional health insurance,
  - adjustment of the status of health insurance and medical subscriptions in the light of the Act on insurance activity and other laws,
- in the property insurance field:
  - development of a natural disaster insurance system,
  - ordinance concerning the sum insured in occupational third-party liability insurance,
- in the agricultural insurance field:
  - amendment of the Act on crop and livestock insurance,
  - draft of the indexed draught insurance system,
- in the travel insurance field:
  - work on creating a Travel Protection Fund and on amending the Act on travel services,
- in the motor insurance field:
  - abandonment of the obligation to tow away vehicles without the proof of possessing the obligatory third-party liability insurance cover,
  - coverage of the costs of extra safety inspections from insurance,
  - consideration of opinions prepared by independent appraisers when calculating compensation,

- rules of reducing the premium for third-party liability insurance in case of temporary withdrawal of the vehicle from operation,
- support of the campaign run by the Right to Repair Coalition to extend the EU regulation (MV BER 1400/2003),
- in the economic and financial field:
  - implementation of the VAT directive with respect to financial institutions,
  - provisions concerning the application of technical rates in the regulation of the Ministry of Finance,
  - rules governing the appointment of certified auditors,
  - exclusion of Branch 2 insurance companies from the catalogue of obliged institutions in the amendment to the Act on counteracting money laundering,
- in the insurance intermediation field:
  - improvement of the register of intermediaries,
  - regulation of distance sales of insurance products,
- as part of the legislative activities of the Financial Market Development Council at the Minister of Finance:
  - work on amending the acts:
    - on insurance activity,
    - on obligatory insurance,
    - on insurance intermediation.
- the contractual and corporate law field:
  - codification of the insurance contracts (Insurance Code),
  - Act on group actions,
  - draft of the EU directive on consumer rights,
  - proposals of provisions concerning mutual insurance companies,
  - work on the regulation of the Ministry of Finance concerning reinsurance

In 2009 the Chamber worked on the stances on a dozen most important domestic legislative proposals

### **1.3.2. Cooperation of the self-government with the insurance market administration and institutions in the European Union**

The Chamber actively participates in opinionating the legislative proposal considered on the European Union's level.

Cooperation with the European insurance and reinsurance federation (CEA) is the basic way in which the Chamber participates in opinionating the legislative proposals of the European Commission and the European Parliament concerning insurance activities, soliciting for appropriate representation of interests of Polish insurers.

In 2009 the CEA set itself 21 tasks concerning, mainly, draft directives or regulations of the European Union currently being prepared, opinionated or approved.

CEA's most important and priority activity areas in 2009 pertained to:

- improving the insurance risk management by creating appropriate frameworks for supervision (such as Solvency II and the International Accounting Standards),
- promoting insurance solutions related to old age security and health protection,
- defending the conditions of insuring old and new risks (such as the debate on climate changes, proposals concerning anti-discrimination, consumer group actions, obligatory occupational third-party liability insurance),
- promoting a consolidated insurance market and consumer protection (such as proposals concerning insurance guarantee systems, regulation allowing for agreements between insurers and review of the informational obligations of the insurers),
- improving the internal and external image of the insurance industry (including the reaction to the consequences of the financial crisis),
- developing the agenda for the new European administration.

Representatives of the Polish Chamber of Insurance participated in the work of various CEA Committees and Work Groups and related the current Europe-wide problems to the work being carried out by the Chamber's Management Board, the Chamber's Office and competent Committees, Sub-committees, Teams and Work Groups.

Moreover, the Chamber asked the European Commission to interpret the compliance of the proposed amendments to the provisions concerning enforcement of the obligation to conclude motor third-party liability insurance policies (elimination of the obligation to tow away vehicles not possessing documents confirming the conclusion of the insurance contract) with the laws of the European Union, which led to the modification of the bill in the Polish Parliament.

### **1.3.3. Activities initiating and supporting the legislative and auto-regulation work**

One of the most important and most effective activities pursued by the Polish Chamber of Insurance in cooperation with the Committees and Sub-committees is providing the market participants with the know-how in the field of insurance by organizing open conferences and scientific seminars. The Chamber developed a new formula of organizing substantive conferences and seminars. When organizing open events – aimed at presenting the stances and exchanging views on important issues concerning the insurance market – the Chamber acquires renown press titles and institutions to act as media patrons. Press conferences organized as part of these events assure appropriate dissemination of information in the media. Conference materials in the form of substantive publications are distributed during these events.

In 2009 the Polish Chamber of Insurance organized 7 scientific conferences concerning the most important aspects of functioning of the insurance market, including:

- a conference dedicated to redress, in which judge circles participated,

- an International Conference on Solvency II,
- a seminar on insurance fraud at the Police College in Szczytno,
- 2 conferences concerning the Insurance Code (in Toruń and Poznań),
- 2nd International Conference on Agricultural Insurance.

The largest of these conferences was held on 3 November 2009 in Warsaw under the motto "Redress after the amendment of the Civil code in the light of European experiences". The Chamber's substantive partner was the WKB Wierciński Kwieciński Baehr law firm, and the honourable patronage over the Conference was taken by the Minister of Justice. The media patrons included Rzeczpospolita and Dziennik Ubezpieczeniowy. The conference was attended by approx. 300 representatives of the judge, barrister, legal counsel and insurance circles. A publication documenting the course and the findings made during the conference is planned to come out.

The Polish Chamber of Insurance participated in the Economic Forum in Krynica for the first time. In the 2009 edition, which took place between 9 and 12 September, the Polish Chamber of Insurance organized a discussion panel under the motto "Private health insurance as an element of healthcare in Europe". The panel attracted numerous participants in the Economic Forum who, despite that this was the last substantive part of this event, filled the hall where discussions concerning health insurance were taking place. The event managed to promote the self-government's proposal concerning private health insurance in Poland.

To support insurance companies' staff in implementing the regulations the Chamber has been organizing seminars and courses for many years dedicated to various technical aspects of running the insurance business. 7 free seminars and conferences were held in 2009 for the employees of the member companies, for instance, courses on tax regulations, audits, accounting, Solvency II and the quality of data in the IT systems of insurance companies.

In 2009 the Chamber organized a total of 14 conferences and courses in which over 1,500 people participated.

### 1.3.4 Most important legislative proposals

#### 1.3.4.1. Amendment of the Civil code (Article 446 par. 4) concerning redress for the injuries suffered

The act of 30 May 2008 amending the act – the Civil code and certain other acts (Journal of Laws no. 116, item 731) introduced a new provision in the act – Article 446 § 4. This provision stipulates that the court may award an appropriate amount of money to the relatives of the deceased person as a cash redress for the injuries suffered.

The amendment raised huge interest within the insurance community as well as among judges and attorneys ad litem. It raised numerous questions and interpretative doubts as well as numerous practical problems associated with lack of standardization of the values of the redress payments. The aforementioned conference “Redress after the amendment of the Civil code in the light of European experiences”, organized by the Polish Chamber of Insurance, was an attempt to find answers to those questions.

The effect, and simultaneously a scientific achievement, of the conference will be the publication planned to come out in 2010, which will contain deliberations based on the Polish law as well as information about selected foreign systems.

#### 1.3.4.2. Amendment of the Civil code (Article 829) concerning group insurance contracts

The Chamber continued its efforts to limit the obligation to obtain a consent from the insured party or the beneficiary only to a situation where the group insurance contract would be changed to that party's detriment. Such provisions, introduced in Article 829 § 2 of the Civil

code, should make life easier for the customers as well as the insurance companies, and for persons organizing insurance programmes at work establishments.

During the legislative work the Chamber pointed out numerous times that lack of amendment and leaving the provisions unchanged will be burdensome not only to the insurance companies but, above all, to the customers. The Chamber's efforts proved successful. In the end the amendment reported to the Budget and Public Finance Committee at the Senate of the Republic of Poland concerning Article 829 of the Civil code was adopted in accordance with the expectations of the Polish Chamber of Insurance and the entire insurance community. In effect the provision of Article 829 § 2 received a new wording. The amendment of the Civil code was made hand-in-hand with the amendment of the Act on insurance activity and came into force on 19 June 2009.

#### 1.3.4.3. Amendment of the Act on insurance activity

In 2009 the Work Group for the review of the commercial insurance law of the Financial Market Development Council (RRRF) at the Minister of Finance continued work on the amendment of the Act on insurance activity. By assumption, the amendment was supposed to cover only a limited catalogue of most urgent matters. The Chamber put forward its proposals concerning, among other things, the provisions related to the functioning of mutual insurance companies, counteracting insurance fraud and capacity of the branches of foreign insurers to conclude legal and court transactions, and took a stance on the proposals put forward by the Polish Financial Supervision Authority and the Insurance Ombudsman. In the beginning of 2010 the Ministry of Finance suspended further work on the fundamental reconstruction of the Act with an intention to do so during the implementation of the new Solvency II Directive. During that time the Act will be amended to a limited extent necessary for the market to develop properly.

### 1.3.4.4. Amendment of the Act on compulsory insurance, the Insurance Guarantee Fund and the Polish Motor Insurers' Bureau

During 2009 the Polish Chamber of Insurance participated on an on-going basis in the work of the Work Group for the review of the commercial insurance law of the Financial Market Development Council (RRRF) at the Minister of Finance, analyzing, opinionating and putting forward postulates to change the legislative proposals as regards changes in the insurance law, including the Act on compulsory insurance, the Insurance Guarantee Fund and the Polish Motor Insurers' Bureau.

Among the numerous changes in the Act on compulsory insurance the Polish Chamber of Insurance proposed, among others:

- to reduce the phenomenon of the so-called double coverage by withdrawing from automatic conclusion of the insurance contract for the next period of insurance, if the ownership of the vehicle has been transferred over,
- to make it possible to file notifications and declarations associated with the insurance contract not just in written form (with a reservation that the contract may be terminated only in writing as has been done up to now), as well as through agents,
- to place a signature reprinted mechanically on the document confirming the conclusion of the insurance contract at a distance in understanding of the Act on protection of certain consumer rights,
- to delete in the bill a provision stipulating a 30-day deadline by which the insurance document must be delivered to the insuring party,
- to set the deadline by which the Polish Financial Supervision Authority is to be notified about the change in the compulsory insurance rates.

In result of that work a version of the bill amending the Act on compulsory insurance, the Insurance Guarantee Fund and the Polish Motor Insurers' Bureau and cer-

tain other acts has been drawn up, which was forwarded at the end of 2009 to be approved by different ministries.

### 1.3.4.5. Amendment of the Act on insurance intermediation

The Financial Market Development Council at the Minister of Finance carried out work in 2009 on a draft amendment of the Act on insurance intermediation. A Work Group for Insurance Intermediation has been appointed by the Chamber's Management Board to prepare the Chamber's stance in this case. This Group identified the following issues that needed to be discussed with the Minister of Finance:

- uncluttering of the process of registering insurance agents and reducing the costs associated with the registration, borne by insurance companies,
- normalizing the rules governing the functioning of claims agents and putting them under the supervision of the Polish Financial Supervision Authority,
- shifting of the pressure in the act from the person performing agency activities to the insurance agent and, due to the above, remodelling of the requirements placed on both groups of entities,
- increasing the transparency of activities of the agents towards the insuring parties as well as the insurance companies,
- allowing the insurance companies to outsource some of their prerogatives related to the supervision of agency activities to specialized entities, including to distribution companies.

A preliminary proposal of the amendment of the Act on insurance intermediation prepared by the Ministry of Finance regarding the functioning of claims agents took into account the Chamber's concept to include claims agents under the supervision of the Polish Financial Supervision Authority. The Financial Market Development Council will continue working on the amendment in 2010.

### 1.3.4.6. Regulations concerning the economic and financial matters of insurance companies

In 2009 the Chamber presented stances of the insurance market on a number of ministerial drafts of amendments to the regulations regulating the functioning of insurance companies. The proposed amendments ensued, among other things, from the need for Poland to implement the European law.

Reservations to the draft regulation of the Minister of Finance of 10 April 2009 amending the regulation regarding the quarterly and additional annual financial statements and statistical reports of the insurance companies were sent to the Ministry of Finance. The Ministry of Finance put off work on the draft until 2010.

In connection with the implementation of the Reinsurance directive a need arose to prepare amendments and new regulations of the Minister of Finance concerning, in particular: calculation of the solvency margin and own funds to cover it and reporting to the supervisory body. These amendments were being carried out through draft amendments prepared by the Ministry of Finance in the form of draft regulation packages. The Chamber actively participated in the process of preparing their final version.

The Ministry of Finance was presented with the reservations approved by the market concerning a package of five draft regulations of the Minister of Finance of 18 June 2009 and a package of seven regulations of 17 August 2009 regarding the determination of own funds of the insurance companies and reinsurance companies and reports on the status of the insurance and reinsurance portfolio.

In October and November the Ministry of Finance was sent a stance of the insurance market prepared by the Chamber regarding the new regulation proposed by the Ministry of Finance concerning special accounting rules of insurance companies and reinsurance companies, with a special consideration for appropriate pro-

visions concerning the application of technical rates in Branch 2 when establishing the provisions for capitalized value of pensions. A provision was introduced in result of the Chamber's efforts where no restrictions are applied to technical rates used in the process of determining the provisions for the capitalized value of pensions in Branch 2.

In connection with the implementation of the VAT Directive by Poland, the Ministry of Finance put forward a draft of the amendments in the Act on VAT. Because the proposed amendments will pertain to the entire financial sector, it was possible to work out a joint stance with other sectors of the financial market, the Polish Bank Association, the Lewiatan Confederation and the Conference of Financial Enterprises. The Chamber sent its reservations to the Ministry of Finance between July and December 2009 regarding the draft amendments to the act. We are happy to announce that they have been largely taken into account by the legislator as regards matters which are most important to the insurance sector.

The Chamber represented the insurance market in the work on the changes to certain rules regulating accounting and reporting of the insurance companies, especially as regards the new approach to diversification of bank deposits constituting the cover for technical provisions and system changes in the reporting of Insurance Capital Funds. The effect of this work will be preparation of a new draft of the regulation on the reporting obligation of the Insurance Capital Funds in 2010 jointly with the Polish Financial Supervision Authority.

### 1.3.4.7. Solvency II Framework Directive

The Chamber, in cooperation with CEA, has been involved for several years in the preparation and consultation of a new solvency regime of the insurers. The final version of the directive was ratified by the European Parliament on 22 April 2009 and then by the EU Coun-

cil on 9 November 2009. The framework text of the Directive included the removal, also postulated by Poland, among others, of certain provisions concerning group supervision which were weakening the role of the local supervision. This stance was fully supported by the Polish Chamber of Insurance and presented on the national and European forum and during the work carried out by CEA's work group, working out a joint stance of the European insurance market. The Chamber also prepared answers and remarks to the Consultation Papers presented by CEIOP at the request of the European Commission. They will serve as the basis on which the European Commission will issue secondary legislation to the Solvency II Directive in 2011.

### 1.3.4.8. Draft of the natural disaster insurance system

The Chamber, in accordance with the findings and in cooperation with the Ministry of Internal Affairs and Administration, worked on implementing a natural disaster insurance system. In July 2009 the Chamber sent the Ministry of Internal Affairs and Administration materials on the "Natural disaster insurance system in Poland" as well as materials covering the report prepared by KPMG at the request of the Polish Chamber of Insurance called "Review of natural disaster insurance systems in selected countries of the European Union".

The system proposed by the Chamber was supposed to cover 4 risks: hurricane, flood, earthquake and land subsidence. It was assumed that the system should function as compulsory insurance, ensuing from the adopted act, and that the obligation will be placed on natural persons being the owners of residential buildings, excluding farms.

The system is also supposed to regulate the financial issues associated with offering this type of insurance and assumes subsidies to the premiums from the state budget and subsidies for insurance companies to cover

some of the claims. It was also assumed that a natural disaster fund will be established at each insurance company which will be maintained and administered by the insurance companies. The assumptions of the system prepared by the Group were presented to the Ministry of Internal Affairs and Administration and discussed in July 2009.

In the fourth quarter of 2009 the Ministry of Internal Affairs and Administration asked the Polish Chamber of Insurance to consider the possibility of developing an insurance product that is not compulsory in nature. The Chamber prepared a rough version of a voluntary product based on products already available on the market. At the same time measures were taken to construct an economic model which, based on statistical data, could justify the business interests of insurance companies in introducing the new product. The data obtained show that the building coverage level may reach even 65%. In this case, in the Chamber's opinion, the system in question should propagate insurance against fire and other fortuities already present on the market among the home owners rather than creating new products.

In the Chamber's opinion increasing the popularity of home insurance products will require the participation of the State in subsidizing the premiums and claims to the extent precisely defined in the act. Also, serious consideration should be given, on conditions specified in the act, to the possibility to create a special fund for natural disasters at insurance companies.

### 1.3.4.9. Amendment of the Act on certified auditors and their self-government, audit companies and public supervision

The Chamber's activities were aimed, in particular, in two directions:

1. Introduction of exclusion and then maintenance of the exclusion of mutual insurance companies introduced at the Chamber's request during the legislative

work stage from the requirement to assure the independence of the member of the audit committee appointed from among the members of the supervisory board.

In effect of the Chamber's efforts the mutual insurance companies have been excluded from that requirement in the adopted act.

2. Introduction of a provision repealing the currently binding rotation (as per the current Act on insurance activity) of the entity conducting the audit of the financial statement at the insurance company.

The Chamber's efforts led to the introduction of such change by the Senate of the Republic of Poland in the act previously ratified by the Parliament, although the Parliament did not adopt that amendment in the end for procedural reasons.

#### 1.3.4.10. Amendment of the Act on counteracting money laundering

In 2009 the Chamber's work was focused, in particular, on working out a stance of the insurance companies on the bill, and then on activities aimed at amending the provisions contained in this bill which are particularly unfavourable to the insurance industry. The basic drawback of the bill was the inclusion of domestic insurance companies offering property insurance in the category of obliged institutions. According to the Polish Chamber of Insurance classification of these insurance companies in the bill under obliged institutions was unjustified, even if due to lack of a practical risk of laundering money through property insurance companies. Payments of claims under property insurance are, as a matter of principle, a derivative of chance events and not orders placed by the customers of insurance companies. Moreover, the circumstances surrounding such event are always analyzed by the representatives of the insurance companies in view of a possible insurance fraud.

That is why extension of the obligation to report transactions and to thoroughly check the customers would lead to significant operating expenses while the effects consisting in a detection of money laundering would be faint. At the same time the bill stipulated only certain exclusions and simplifications for small transactions and transactions not bearing the risk of money laundering, made by a life insurance company, whereas it did not do that with respect to property insurance companies.

The Chamber's efforts led in the end to exclusion in the adopted act of domestic insurance companies offering property insurance from the obliged institutions category.

#### 1.3.4.11. Bill on additional health insurance

An informal bill on additional health insurance drawn up by the Minister of Health appeared in 2009. It stipulated the introduction, among other things, of a definition of health insurance, a tax break for natural persons buying health policies, or the possibility to finance them from companies' social benefits funds. Representatives of the Health and Accident Insurance Committee, during the meetings with the Ministry's officials, referred to many inadmissible provisions, such as the supervisory role of the National Health Fund with respect to insurance companies, or the possibility for the National Health Fund to regulate the prices of benefits contracted by the insurers and public providers. The Ministry of Health withdrew in the end from the bill after the Minister of Health did not agree to the introduction of the tax break in the light of the decreasing budgetary proceeds or the global crisis.

#### 1.3.4.12. Bill on travel services

One of the activities associated with the amendment of the Act on travel services was a proposal to de-

velop the assumptions of the travel security system which would contribute to the implementation of Article 7 of Directive 90/314/EEC on package travel, package holidays and package tours. The work was the result of the need to fulfil the postulates commonly accepted by the travel industry. It was deemed that a necessary element of such system should be a non-commercial fund supporting the currently functioning commercial securities in the form of insurance guarantees. The concept of such fund was presented during the Travel Trade Show – TT Warsaw. However, lack of a consensus in this regard within the travel industry itself made it impossible to agree on this issue. In the Chamber's opinion this matter is not closed and work on the fund should be continued in 2010.

### **1.3.5. Most important auto-regulation initiatives**

#### **1.3.5.1. Good Bancassurance Practices**

Dynamic growth of bancassurance has shown that the current legal regulations, scattered throughout several legal acts, do not fully correspond to the ever changing market conditions. The model of the bank-insurer relationship in the form of group life insurance prevalent on the market raised reservations of the market regulator. In mid-2009 a meeting was held between the representatives of the Polish Chamber of Insurance and the Polish Financial Supervision Authority which was completely dedicated to identifying problems associated with the functioning of group contracts during the conclusion, maintenance stage and after the period of insurance is over. It was determined that there is a need to solve the problems noticed by the Polish Financial Supervision Authority by implementing the recommendations and good practices. Such procedure makes it possible to achieve the same effect at significantly low-

er expenditures and monitoring of the implementation of the recommendations provides huge experience which may later serve as the basis for creating a hard law. Such mechanism eliminates potential errors which may have, as the recent years have shown, a significant impact on a stable growth of the insurance market.

The Chamber, jointly with the Polish Bank Association, commenced the preparation of the recommendation of good practices on the Polish bancassurance market. Development of recommendations being prepared jointly with the Polish Bank Association in the field of protective insurance combined with bank products was completed in the first half of the year. After a 6-month preparation period, on 1 November 2009, the recommendations were implemented at all banks belonging to the Polish Bank Association. At the present time the effects recommended in the procedures are being monitored by the insurance companies belonging to the Polish Chamber of Insurance. Development of assumptions was commenced in the second half of the year, followed by the development of the draft recommendations of good practices in the field of financial insurance combined with mortgage loans. Implementation thereof, after consultations with the representatives of the Ministry of Finance, the Insurance Ombudsman, the Office for Competition and Consumer Protection and the Polish Financial Supervision Authority, is planned to take place in 2010.

#### **1.3.5.2. Recourse agreement in motor insurance**

A very important activity achieved in 2009 was the development of the rules of mutual recognition of recourse claims between the insurers and their implementation. The agreement laid out the rules and method of mutual recognition and adjustment of recourse claims by the perpetrator's insurer (as part of the compulsory mo-

tor third-party liability insurance) sent to him by the aggrieved party's insurer who paid the damages as part of voluntary motor insurance.

The rules of filing and handling recourse claims vary depending on the value of the damages paid for specific claims as part of voluntary motor insurance. The procedure depends on three value ranges of the recourse claim.

The agreement on mutual recognition of recourse claims was signed in 2009 by 13 insurance companies.

The rightness of the initiative to unify the market practice in the field of mutual recognition of recourse claims was recognized by the market and in effect 5 new insurers joined the agreement in 2010, meaning that the agreement covers over 90% of the motor insurance market in Poland.

### 1.3.5.3. Commencement of work on direct claim adjustment system in motor insurance

One of the most serious challenges which may have a significant impact on the quality of adjusting claims and constitute a convenience for the aggrieved parties is the plan to implement a direct claim adjustment system in Poland as part of the standardization measures.

This system assumes full adjustment of a motor claim from the third-party liability insurance of motor vehicle owners, together with the payment of damages directly by the aggrieved party's insurer within the limits of third-party liability of the perpetrator. It has also been assumed that the direct claim adjustment system would function on the basis of reciprocity of insurers acceding the system on the basis of an appropriate agreement. To check whether implementation of such solution is feasible on the Polish market efforts were undertaken in 2009 to analyze the solutions currently in use in the European Union countries, a legal analysis of the possibility for

the insurers to mutually grant one another powers of attorney to adjust claims as part of the current laws was conducted and general assumptions of the direct claim adjustment system were adopted.

The basic criterion for implementing the direct claim adjustment system is adoption of uniform standards of the adjustment process. In this case, popularization of the mutual traffic event declaration form and implementation of the "Catalogue of traffic events" developed by the Polish Chamber of Insurance were adopted as one of the bases.

### 1.3.5.4. Work on standardization of information in the IT systems of insurance companies

In 2009 the Chamber was working on the development and publication of recommendations in the field of standardization of information. The Information Standardization Sub-committee authorized the recommendations issued so far regarding the rules of transliterating foreign first and last names in the IT systems of insurance companies, "Optical scanning" of the 2D AZTEC code from the vehicle registration cards for automatic and error-free entry of data into the IT systems of the insurance companies and a recommendation concerning the safety rules of electronic exchange of claim information between insurance companies as part of the disposition stipulated in Article 19 par. 2 item 22 of the Act on insurance activity.

Also, the Sub-committee issued recommendations to use country codes in accordance with the Standard PN-EN ISO 3166-1 in the IT systems of insurance companies. The aim of the work on the recommendation was to encourage insurance companies to use a glossary of standardized country codes and names in their IT systems, developed by the Polish Chamber of Insurance on the basis of the Standard PN-EN ISO 3166-1.

### 1.4. International cooperation

#### 1.4.1. Cooperation with CEA

The Polish Chamber of Insurance actively participated in CEA's work by having its representatives participate in the work and meetings of CEA's Committees and Work Groups and by combining CEA's work with the work of various Committees and Work Groups of the Polish Chamber of Insurance.

In 2009 the Chamber delegated its representatives to 50 plenary and work meetings of CEA's bodies, participating in all opinion-making bodies important from the point of view of the Polish insurance market.

The Chamber's representatives participated in 3 conferences organized by CEA in Brussels:

- I CEA Motor Insurance Conference,
- CEA International Conference "Global Lessons from Global Crisis",
- CEA Consumer Protection Conference.

#### 1.4.2. Bilateral cooperation

The Chamber's representatives participated in bilateral meetings with the representatives of Austrian, Belorussian, French and German associations.

As part of the Chamber's cooperation with the French Federation of Insurance Companies (FFSA) a meeting was held in Paris, the aim of which was to refresh bilateral Polish-French relations and to exchange the views on the current issues related to EU's legislation.

As part of the Chamber's cooperation with the Association of Austrian Insurance Companies (VVO), the Chamber's delegation paid a visit to Vienna, which was dedicated to the exchange of experiences in reforming the organizational structures of insurers' associations in view of the creation of a unified insurance market in Europe.

As part of the Chamber's cooperation with the German Insurance Industry Association (GDV), an annual meeting of the Polish-German group was held in Dortmund, in which representatives of the Polish and German insurance market participated. The following issues were discussed during the meeting: perspectives of health insurance, development of agricultural insurance, the market situation in the light of turbulence on the financial markets and economic slowdown.

#### 1.4.3. Cooperation with other organizations

The Chamber was expanding international relations participating in the conference organized by the International Association of Insurance Supervisors, of which the Polish Chamber of Insurance has been an observing member for many years.

Expanding its contacts beyond the European countries, in 2009 the Chamber became a member of the international forum for exchanging views and experiences of associations of insurers – the International Meetings of Insurance Associations (IMIA).

## 1.5. Chamber's activities related to its image

The Chamber's activities related to its image were focused around two key areas: fulfilment of the Chamber's mission relating to the reputation of the insurance sector in Poland and strengthening of the Chamber's image as the industry's representative.

The aim of both areas was to improve the internal and external image of the Polish Chamber of Insurance and the entire insurance sector.

### 1.5.1. Change in the logo and image settings of the Polish Chamber of Insurance

One of the priority tasks concerning the image in 2009 was the modernization of the Chamber's logo emphasizing the rank of the Chamber and the market represented by it. The assumption behind the new logo was to allow for coherent adaptation thereof in the materials being prepared by the Chamber. The former logo was not only outdated but did not fulfil the above criteria, which posed a serious barrier in creating an appropriate image of the insurance self-government. The new logo has been consulted with the entire market and unequivocally accepted by the insurance marketing community. The change of the image was conducted in the first quarter of 2009.

### 1.5.2. Reconstruction of the Chamber's website service

Another key stage of the image improvement process was the construction of a new website service. The former website had neither an informational nor educational character, and for that reason it did not fulfil the Chamber's communicative role.

The construction of the new service was based on the idea of an insurance education portal. After recon-

struction the Chamber's website became a peculiar portal informing about the most important events on the insurance market as well as a compendium of knowledge in this field, provided in clear manner.

The new website was launched in the third quarter of 2009. Work has been commenced on an English version of the website and on the extranet, as well as on a part dedicated to the work of the Committees, Sub-committees, Teams and Work Groups of the Polish Chamber of Insurance.

### 1.5.3. New forms of communication with the external environment

A modern industry self-government plays an important communication role in its environment. That is why the Chamber's newsletter had to undergo modernization. The former daily but not very practical publication has been replaced by Internetowy Tygodnik Ubezpieczeniowy (Weekly Online Insurance Digest) that regularly informs, above all, about the Chamber's work as well as about the most important events pertaining to the insurance industry in Poland and abroad.

The informative and educational role of the Polish Chamber of Insurance also manifested itself through communication with broader social circles. The most accessible channel of such communication are mass media. That is why in 2009 the Chamber commenced, in cooperation with the leading newspapers, the publication of special supplements in the form of guidebooks. Supplements appeared in the third and fourth quarter of 2009 in magazines such as "Pani Domu" and "Dziennik Gazeta Prawna".

Together with the establishment of the Public Relations and Marketing Department at the Polish Chamber of Insurance professional media services and regu-

lar cooperation with the journalists have been launched. During the entire 2009 the mass media were regularly provided with information, commentaries and appearances of the Chamber's representatives, which resulted in approx. 200 articles in the press, approx. 60 appearances on the radio and TV and over 1,000 publications on the Internet. The Chamber also organized 3 large press conferences.

Close cooperation with the marketing and PR departments of insurance companies was commenced to assure regular exchange of information, approval of the messages to be published and to assure formulation of stances to be presented to the media.

#### 1.5.4. Special events

One of the largest industry events in 2009 was the formal General Meeting of the Polish Chamber of Insurance combined with the international conference called "Role of the insurance sector in the face of the recession". The conference was organized in the conference halls of the Sheraton hotel in Sopot. The guests included representatives of the governing bodies of the insurance companies, representatives of the European insurance and reinsurance federation (CEA) as well as the representatives of other national associations such as: GDV, VVO, FFSA. The following persons gave speeches at the conference: Jacques Attali, first President of the Eu-

ropean Bank for Reconstruction and Development, Józef Zych, Ph.D., chairman of the Constitutional Responsibility Commission of the Polish Parliament, Wiesław Rozłucki, Ph.D., former president of the Warsaw Stock Exchange and Robert Gwiazdowski, Ph.D., president of the Adam Smith Centre. A formal gala and concert by Waldemar Malicki added splendour to the event.

The Polish Chamber of Insurance participated for the first time in the Economic Forum held between 9 and 12 September 2009 in Krynica-Zdrój. The event was used as a tool to promote the self-government's project concerning privatization of health insurance in Poland. The Chamber intends to participate in the future Forums where it will promote the most important projects concerning the development of the insurance market.

The Chamber regularly participated in domestic or international trade fairs and congresses such as the Brokers' Congress, the Bancassurance Forum, the Travel Trade Show – TT Warsaw, or "Your Money" Trade Fair.

The Chamber's tasks also include integration of the insurance community. This objective is being fulfilled by organization of special events. In 2009 the Chamber organized a series of meetings with the representatives of public administration, domestic and international financial market and the world of culture. For employees of insurance companies sport events were organized: indoor football tournament, as well as rivalry between the insurers during the Warsaw Marathon.

### 1.6. Publication and educational activities

A magazine called “Wiadomości Ubezpieczeniowe” (Insurance Digest) plays an important role in the Chamber’s educational activities. The publication formula of the magazine featuring its scientific and industry character was revised in 2009. The quality level of “Wiadomości Ubezpieczeniowe” is overseen by the Programme Council appointed by the Management Board and the Editorial Team is managed by Prof. Jerzy Handschke, Head of the Department of Insurance at the Poznań University of Economics. 4 issues of the magazine were prepared and published in 2009.

In 2009 the Chamber also commenced the publication of sectoral reports. A report summarizing the functioning of motor insurance in recent years appeared in 2009. The Chamber also prepared a report on the insurance market in Poland for the Polish Information

and Foreign Investment Agency and an analysis concerning insurance fraud in 2008.

The Chamber organized the next edition of the Leon Kozicki Competition for the best thesis as well as the Competition for the Prize of the Polish Chamber of Insurance for the Journalist Community and another competition for the best paper on the insurance risk as part of the Economic Knowledge Olympics organized by the Ministry of National Education.

A new but very important educational project undertaken by the Polish Chamber of Insurance was the “Insurance Knowledge Share Programme” run jointly with the Faculty of Economic Science. The programme consisted in a series of seminars by insurance experts representing insurance companies. A traineeship programme has also been commenced at the Chamber.



# Activities of the insurance self-government in 2009

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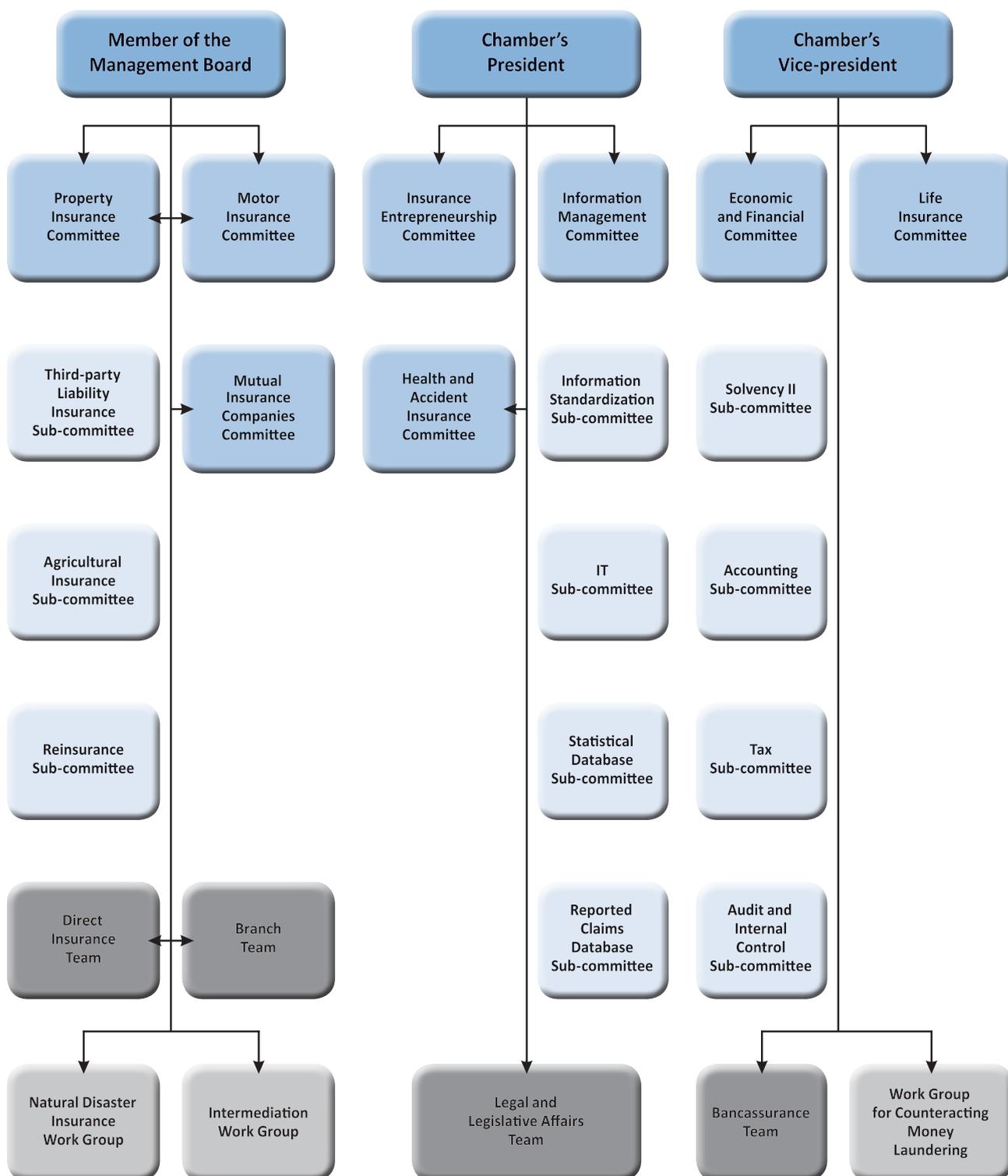




## 2. ACTIVITIES OF THE INSURANCE SELF-GOVERNMENT IN 2009

### 2.1. Committees and Sub-committees

Komisje, Podkomisje, Zespoły i Grupy Robocze



### 2.1.1. Mutual Insurance Companies Committee

**Chairwoman: Maria Kuchlewska**

**Secretary: Paweł Ilnicki**

The objective of the Mutual Insurance Companies Committee is to regularly monitor and give opinions on proposals directly associated with the operations of the Mutual Insurance Companies. The Committee's key work area in 2009 was the preparation of proposals of changes in the provisions of Chapter 4 of the Act on insurance activity. The Committee negatively assessed the general reference in Article 39 par. 3 of the Act on insurance activity to the provisions of the Commercial Companies Code proposed by the Polish Financial Supervision Authority, pointing out that the "separateness of mutual insurance makes an inclination towards a separate, comprehensive regulation of the issue concerning mutual insurance as well as organization and functioning of mutual insurance companies than referring to the commercial companies code in the part concerning joint-stock companies".

The Committee also assessed the impact of the Solvency II Directive on the activities of the mutual insurance companies in Poland.

### 2.1.2. Property Insurance Committee

**Chairman: Witold Janusz**

**Secretary: Andrzej Pityński**

The Property Insurance Committee monitors, on an on-going basis, bills associated with the activities of insurance companies in Branch 2 and develops Best practices in this area.

In 2009 the Committee's work was focused on the agreement on mutual recognition of recourse claims

in property insurance, the rules of information management at insurance companies and on creating a list of minimum informational requirements necessary to prepare offers for property, technical and third-party liability insurance. The Committee became acquainted with information of the Director of the Insurance Information Management Department about the existing databases, current work on their development, possibility to use them. The information also referred to the issues associated with information standardization, development of glossaries, cooperation between the Polish Chamber of Insurance and the Ministry of Internal Affairs and Administration, the Insurance Guarantee Fund regarding CEPIK (Central Register of Vehicles and Drivers).

#### 2.1.2.1. Reinsurance Sub-committee

**Chairwoman: Monika Woźniak-Makarska**

**Secretary: Andrzej Pityński**

The Reinsurance Sub-committee's work is focused on giving opinions on legislative proposals concerning reinsurance activities.

The Sub-committee's main activity area in 2009 was an analysis of amendments to the Act on insurance activity in the field of reinsurance activities and their potential impact on the operations of insurance companies. The Sub-committee also gave opinions on a package of 7 draft executive regulations of the Minister of Finance ensuing from the act amending the Act on insurance activity and certain other acts, pertaining to reinsurance activities.

The Sub-committee also organized an annual Seminar devoted to "Reinsurance and property/engineering insurance". The seminar was attended by the representatives of the Polish Financial Supervision Authority, reinsurers and reinsurance brokers.

### 2.1.2.2. Third-party Liability Insurance Sub-committee

**Chairman: Paweł Wójcik**

**Secretary: Andrzej Pityński**

The Sub-committee, with its work being focused on issues associated with third-party liability insurance, participated in 2009 in the consultations concerning the regulation of the Minister of Finance regarding obligatory third-party liability insurance of entities authorized to audit financial statements.

Jointly with the Property Insurance Committee, it worked on an agreement between insurers concerning facilities in pursuing recourse claims against entities liable for flood damage.

The Sub-committee's representatives also participated in the meetings of CEA's General Liability Steering Group, during which the report of the European Commission dedicated to the functioning of financial instruments assuring the cover of the costs ensuing from the Ecological Directive was discussed. A paper on the impact of the crisis on the third-party liability insurance market in Poland has also been taken up.

### 2.1.2.3. Agricultural Insurance Subcommittee

**Chairman: Konrad Rojewski**

**Secretary: Andrzej Pityński**

In 2009, the Agricultural Insurance Subcommittee of PIU mainly issued opinions on legal acts related to agricultural insurance. It also held a debate on agricultural insurance which was attended by members of parliament, representatives of Chambers of Agriculture, Ministry of Agriculture and Rural Development and with participation of agricultural and general press. The Subcommittee took actions aimed at developing possi-

bilities of introducing index insurance against the risk of drought. In this context, it closely cooperated with Poznań University of Economics.

The Subcommittee also organised the 2nd International Conference on Agricultural Insurance.

### 2.1.3. Economic and Financial Committee

**Chairman: Przemysław Dąbrowski**

**Secretary: Piotr Piórek**

Starting from the second quarter of 2009, the Economic and Financial Committee, which deals with the financial aspects of insurance activities, is functioning in a new form. It is composed of four thematic sub-committees: accounting and reporting sub-committee, tax sub-committee, Solvency II sub-committee, and audit and internal control sub-committee.

In connection with the change in the Committee's form, its representatives worked last year on discussing the Sub-committees' work plans and their fulfilment.

The chairpersons of the different Sub-committees presented reports on their work and the representatives of the Polish Chamber of Insurance at CEA presented information about the issues being dealt with by their work groups and about the stance of the Polish Chamber of Insurance on those issues.

#### 2.1.3.1. Accounting and Reporting Sub-committee

**Chairman: Agnieszka Lewandowska**

**Secretary: Piotr Piórek**

The sub-committee focused its attention in 2009 on issues associated with the development of work on MSFF 4 phase II – insurance contract, as well as on the Financial Statements Presentation project concerning the changes

in the way the basic financial statements are presented.

The Sub-committee worked out a stance of the Polish Chamber of Insurance on the recognition of new financial instruments by the supervision, which may constitute the cover for technical provisions.

The Sub-committee consulted with the Ministry of Finance, on an on-going basis, draft regulations concerning, among others, quarterly and additional annual financial statements and statistical reports, determination of own funds and reports on the status of the insurance and reinsurance portfolio, with a particular attention being given to provisions concerning the application of technical rates in Branch 2 in the process of determining the provisions for the capitalized value of pensions.

The Sub-committee also organized, in cooperation with PricewaterhouseCoopers, a seminar for insurance companies called "Valuation of financial instruments in the light of the financial crisis and accounting of insurance capital funds."

### 2.1.3.2. Tax Sub-committee

**Chairman: Sławomir Chwierut**

**Secretary: Piotr Piórek**

In 2009 the Sub-committee's work was focused on working out a stance and remarks concerning draft amendments in the law pertaining to Poland's implementation of the VAT Directive. These activities called for constant contact with the Ministry of Finance.

Thanks to the Sub-committee's efforts it was possible to work out a joint stance with other players on the financial market. Meetings held at the Chamber's head office dedicated to the process of implementing the Directive were attended by the representatives of the Polish Bank Association, Lewiatan Confederation, and the Conference of Financial Enterprises.

In December 2009, in cooperation with PricewaterhouseCoopers, the Sub-committee organized a seminar called "Impact of the amendment of the tax laws on the functioning of insurance companies".

### 2.1.3.3. Solvency II Sub-committee

**Chairman: Robert Pusz**

**Secretary: Piotr Piórek**

The main objective of this Sub-committee is continuous cooperation, among others, with CEIOPS on implementing the Solvency II Directive. The Sub-committee works out stances on an on-going basis concerning the Polish market as regards Solvency II. Its efforts are continuously supported by Deloitte, which moderated all last year's meetings of the Sub-committee.

The Sub-committee prepares answers and remarks on an on-going basis to Consultation Papers presented by CEIOPS on behalf of the European Commission.

Being in constant touch with the market, the Sub-committee prepares regular courses, workshops and seminars on Solvency II.

In 2009 a conference was organized jointly with Mazars, which was dedicated to the comparison of the solutions of Solvency II and I based on the progress of the project as at 31.03.2009.

In June 2009 workshops were held, which were dedicated to the second wave of calls for advice addressed by the European Commission to CEIOPS, a result of which were Consultation Papers prepared by the supervisors.

In December 2009 a seminar called "Summary of legislative events of Solvency II, Level 2 of legal requirements of the European Union as part of Pillar 1, CEA's comments to CEIOPS' answers to the 2nd wave of calls for advice" was organized jointly with Deloitte.

### 2.1.3.4. Audit and Internal Control Sub-committee

**Chairwoman: Elżbieta Szambelan-Bakuła**

**Secretary: Piotr Piórek**

As part of its activities the Sub-committee prepared a brochure in 2009 called: "Audit programmes of selected processes/areas at insurance companies, part 1". This brochure comprehensively describes the audit programme: the process of calculating and paying the agency fees, the process of adjusting claims, the process of passive reinsurance as well as the process of assuring continuous operation (BCM).

The Sub-committee also commenced cooperation last year with the National Chamber of Statutory Auditor for the purpose of establishing a work group whose aim is to develop the standards of cooperation between internal and external auditors.

In cooperation with KPMG the Sub-committee organized a seminar in October 2009 called: "The role of internal audit at insurance companies in the light of Solvency II requirements".

### 2.1.4. Life Insurance Committee

**Chairman: Piotr Szczepiórkowski**

**Secretary: Grzegorz Krasieński**

The Committee's objective is to constantly monitor the law applied in life insurance. Its task is to develop the desired changes in the law and to prepare legislative assumptions.

The Committee also took measures to introduce real preferences for persons saving under pillar 3 of the reformed retirement system (Individual Retirement Account, Employee Pension Program).

Within the framework of the legislative work, the Committee's representatives played an important

role in successfully finished activities aimed at amending the wording of Article 829 of the Civil code hindering the functioning of group life insurance schemes.

The Committee also worked out a stance stipulating that the current system sufficiently protects the interests of the customers and potential change thereof should be correlated with regulations planned by the European Commission which will cover all EU member states.

### 2.1.5. Motor Insurance Committee

**Chairwoman: Katarzyna Lewandowska**

**Secretary: Krzysztof Glinka**

The basic objective of the Committee is representing the Chamber in legislative work concerning motor insurance and creating standards on this market. The Committee participates on an on-going basis in the work of the Team for the Review of the Business Insurance Law operating at the Financial Market Development Council supervised by the Minister of Finance.

The work being carried out in this forum concerns the amendment of the Act on obligatory insurance, the Insurance Guarantee Fund and the Polish Motor Insurers' Bureau and the Act on insurance activity.

As part of work on developing standards, the Committee prepared and led to the conclusion of an agreement on mutual recognition of recourse claims by the insurers. The agreement is being executed by insurers representing over 90% of the motor insurance market.

The Committee also conducted an analysis of the legal grounds and economic assumptions associated with the introduction of direct adjustment of motor third-party liability insurance claims and commenced work concerning the possibility of launching such system in Poland.

### 2.1.6. Health and Accident Insurance Committee

**Chairman: Paweł Kalbarczyk**

**Secretary: Jakub Owoc**

As part of its work the Committee identified three thematic areas which have been assigned to each work group. The first area involved work on sorting out the status of health insurance and medical subscriptions in the light of the Act on insurance activity and other regulations.

The second task consisted in updating the concept of development of private health insurance formulated by the Polish Chamber of Insurance.

The third area involved education. In September 2009 the Polish Chamber of Insurance participated for the first time in the Economic Forum in Krynica where it organized a panel called "Private health insurance as an element of health protection in Europe".

The Committee's Chairman participated, among other things, in two debates on the health protection organized by "Gazeta Prawna" and "Rzeczpospolita".

The Committee also participated actively on the international forum – for instance, the CEA Health Committee. Three such meetings were held in 2009. CEA Health Committee's work is currently focused on several areas such as Cross-border healthcare, E-health, monitoring of the judgments of the European Court of Justice in cases referring to the health protection sector and the statistics of private health insurance in Europe.

### 2.1.7. Information Management Committee

**Chairman: Tomasz Chelmicki**

**Secretary: Stefan Szyszko**

The main task on which the Committee was focusing its efforts in 2009 was assessing the needs and possibilities of the development of the information infrastructure in the insurance business.

The Committee intensified its work on analyzing changes in the law (including the insurance law) with respect to the regulation of protection of personal data and databases.

The Committee held regular consultations concerning the following legal acts: the Act on protection of personal data, the Act on insurance intermediation, the Act on making economic information available and the Act on electronic signatures as well as the Act on the Central Register of Vehicles and Drivers, important to the insurance companies.

The Committee also participated in the process of opinionating the Government's Program for Protecting the Cyberspace of the Republic of Poland for the years 2009-2011 run by the Ministry of

Internal Affairs and Administration and submitted postulates to the Insurance Code of the Polish Chamber of Insurance.

#### 2.1.7.1. IT Sub-committee

**Chairman: Detlef Gaudyn**

**Secretary: Stefan Szyszko**

The main objective of the Sub-committee in 2009 was legislative work aimed at increasing the effectiveness of investments of the insurance companies in IT. The Sub-committee was actively involved in the process of amend-

ing the Act on the Central Register of Vehicles and Drivers to make the register accessible by insurance companies. It was also involved in work on amending the Act on personal data protection as well as in work aimed at resuming consultations concerning work associated with good practices in the personal data protection field.

It also supported the efforts of the Chamber's Insurance Fraud Committee in developing a draft system for exchanging claim information between the insurance companies and a project to revitalize the Road Traffic Support System (SWRD). The Sub-committee expressed its support for the initiative of creating mechanisms preventing and combating insurance fraud and for making information from databases created for this purpose available.

The Sub-committee joined a group of consultants of the "Government's Program for Protecting the Cyberspace of the Republic of Poland for the years 2009-2011" run by the Ministry of Internal Affairs and Administration.

### 2.1.7.2. Information Standardization Sub-committee

**Chairman:**

**Secretary: Stefan Szyszko**

The aim of the Sub-committee's work is to develop the Chamber's recommendations in the information standardization field.

Last year the Sub-committee authorized the recommendations issued so far, among others, recommendations concerning the rules of transliterating foreign first and last names in the IT systems of insurance companies, "Optical scanning" of the 2D AZTEC code from the vehicle registration cards for automatic and error-free entry of data into the IT systems of the insurance companies and a recommendation concerning the safety rules

of electronic exchange of claim information between insurance companies.

To increase the quality of data, the Sub-committee appointed a team of experts, the aim of which was to prepare a glossary of insurance terms in the field of sales, claim adjustment and other business support processes.

As part of its educational activities the Sub-committee authorized the organization of two series of the Chamber's seminars from the series "Quality of data in the IT systems of insurance companies".

### 2.1.7.3. Statistical Database Sub-committee

**Chairman: Arkadiusz Krzemiński**

**Secretary: Stefan Szyszko**

The main objective of the Sub-committee was substantive authorization of work of the Chamber's Insurance Information Management Department on developing the functionalities of the Insurance Market Statistics Database for Branch.

The Sub-committee's work was focused on acquiring new business partners for the statistical database and on the need to increase the scope of data gathered by the Polish Chamber of Insurance and on increased analytics of their quality.

In this area the Sub-committee cooperated on an on-going basis with the Chamber's other Committees and Teams such as the Branch Team, the Direct Insurance Team and the Property Insurance Committee.

### 2.1.7.4. Reported Claims Database Sub-committee

**Chairman: Joanna Miszczak**

**Secretary: Stefan Szyszko**

The area on which the Sub-committee's work is focused are consultations and authorization of solutions assuring high quality of data in the claims database, in cooperation with the Chamber's Insurance Fraud Committee.

As part of the consultations the Sub-committee expressed a positive opinion on the draft systems for exchanging fraud information between insurance companies and on the project to revitalize the Road Traffic Support System (SWRD).

The Sub-committee also participated in work on legislative solutions related to counteracting insurance fraud in the claims adjustment and benefits area.

### 2.1.8. Insurance Fraud Committee

**Chairman: Robert Dąbrowski**

**Secretary: Krzysztof Glinka**

The aim of the Committee is continuous work on solutions leading to the reduction of scale of insurance fraud.

In 2009 the Committee focused its efforts on developing a model for exchanging information for the purpose of counteracting insurance fraud between insurance companies in accordance with the powers ensuing from Article 19, par. 2, item 22 of the Act on insurance activity.

The Committee also worked on directional issues pertaining to amendments in the laws, associated with counteracting insurance fraud at insurance companies and commenced work on the Road Traffic Support System (SWRD), which, once implemented by the police, will make it possible to send insurance companies data about traffic events using dedicated communication links.

The Sub-committee participated in the preparation of an anti-fraud conference co-organized with the Police Headquarters at the Police College in Szczytno, and was involved in the preparation of the assumptions to the draft insurance information analysis system – AIU.

## 2.2. Teams and Work Groups

### 2.2.1. Legal and Legislative Affairs Team

**Chairman: Andrzej Gładysz**

**Secretary: Waldemar Kowalski**

The objective of the Chamber's Legal and Legislative Affairs Team is to review, on an on-going basis, the current legislative issues concerning the insurance market. The Team discusses the main assumptions and solutions contained in the bills and executive regulations

being at different stages of the legislative process. In particular, the Team reviewed the work of the Work Group for the review of the commercial insurance law operating as part of the Financial Market Development Council at the Minister of Finance on the bills amending the Act on insurance activity and the Act on compulsory insurance, the Insurance Guarantee Fund and the Polish Motor Insurers' Bureau.

The Team also discusses, on an on-going basis, the legal problems associated with the operations of insurance

companies pertaining to the interpretation and application of the law, among others, by the Polish Financial Supervision Authority, the Office for Competition and Consumer Protection and the Public Procurement Office.

### 2.2.2. Direct Insurance Team

**Chairman: Paweł Zylm**

**Secretary: Marek Kurowski**

The Direct Insurance Team was established in result of transformation of the Direct Insurance Work Group into a Team by the Chamber's Management Board.

The Team's tasks include opinionating legal acts, initiating draft legal and organizational solutions, developing standards and recommendations of best practices, monitoring and analyzing the market, exchanging experiences and supporting the Chamber's communication related to the conclusion and processing of direct insurance contracts.

The Team's representatives actively participated in the work of the Financial Market Development Council at the Minister of Finance concerning changes in the Act on compulsory insurance, especially in proposing provisions concerning conclusion of motor third-party liability insurance contracts at a distance. The Team also presented the stance on the rules and practices of direct insurers as regards withdrawal from motor third-party liability insurance contracts in the context of the act regulating contracts concluded at a distance.

### 2.2.3. Branch Team

**Chairwoman: Beata Siwczyńska-Antosiewicz**

**Secretary: Marek Kurowski**

The Team was established in July 2009 by the Management Board of the Polish Chamber of Insurance. The Team's responsibilities in 2009 included identification of problems, working out solutions and opinionating drafts of legal acts concerning the functioning of insurance companies in Poland organized in the form of the insurers' foreign branches.

The Team commenced its work from identifying the problems concerning the functioning of the insurers' foreign branches in Poland, and then assessed the practices of the courts associated with the recognition or non-recognition of the legal capacities of foreign branches. Not only great variation in the court's recognition of the legal capacities was discovered, but an increasing tendency not to recognize those capacities.

### 2.2.4. Bancassurance Work Group

**Chairwoman: Małgorzata Knut**

**Secretary: Grzegorz Krasiński**

The Work Group's tasks in 2009 included work on the recommendations of good practices on the Polish bancassurance market. The Work Group, jointly with the Polish Bank Association, finished preparing recommendations concerning protective insurance combined with banking products. After a preparation period lasting 6 months the recommendations have been implemented at all member banks since November 2009. At the present moment the effects of the recommended procedures are being monitored at insurance companies associated in the Polish Chamber of Insurance.

In the second half of the year work was commenced on preparing assumptions, and then on draft recommendations of good practices in the area of financial insurance associated with mortgage loans. Their implementation, after consultations with the representatives of the Ministry of Finance, the Insurance Ombudsman, the Office for Competition and Consumer Protection and the Polish Financial Supervision Authority is planned to take place in 2010.

### **2.2.5. Work Group for Counteracting Money Laundering**

**Chairman: Jakub Niedźwiedzki**

**Secretary: Jan Piątek**

The work of the Work Group for Counteracting Money Laundering in 2009 was focused on working out the stances of insurance companies on the bill amending the Act on counteracting the introduction of pecuniary values coming from illegal or undisclosed sources to financial trading, joint interpretation of amendments to the act and the preliminary thematic scope of Good Practices in the field of counteracting money laundering and financing of terrorism between the insurance companies and amending other acts, and then on activities aimed at changing provisions of this bill particularly unfavourable to the insurance industry.

### **2.2.6. Natural Disaster Insurance Work Group**

**Chairwoman: Anna Barańska**

**Secretary: Andrzej Pityński**

The Work Group, in collaboration with the Ministry of Internal Affairs and Administration, developed and recommended the launch of a natural disaster insurance system which was supposed to cover the risk of a hurricane, flood, earthquake and land subsidence.

It was assumed that the system should function as general insurance on the basis of the act, whereas the obligation will be placed on natural persons being the owners of residential buildings, excluding farms.

The proposed system would utilize the latest solutions adopted in Western Europe.

### **2.2.7. Insurance Intermediation Work Group**

**Chairman: Hubert Grochowski**

**Secretary: Jakub Owoc**

The Group was established to prepare amendments to the Act on insurance intermediation as part of work of the Financial Market Development Council at the Minister of Finance.

The Group's work was focused on the issue of simplifying the process of registering insurance agents, normalizing the rules governing the functioning of claims agents and putting them under the supervision of the Polish Financial Supervision Authority, and increasing the transparency of activities of the agents towards the insuring parties as well as the insurance companies, and the legislative regulation of activities of the claims agents.