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RELATIONSHIPS BETWEEN BANKS AND INSURERS VIS-À-VIS GLOBALISATION PROCESSES AND SOCIAL REFORMS IN POLAND

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Abstract

The aim of the article is an attempt to present tendencies and prospects of bank-insurance relationship development in Poland in the period of globalization and social insurance reforms. The evolution and financial system structure as well as the spheres of operation of the banking and insurance sectors, supported by examples are presented on the background of the current situation in Poland and European trends. The influence of social reforms as a factor determining creating banks-insurance companies structure (OFE market) is taken into consideration in the analysis.

Keywords: financial market**,** banks, insurers, bancassurance, globalization, social reforms.

JEL Classification: F30, G15, G20**.**

Introduction

The form and mode of operation of the Polish financial system have been changing more and more under the influence of processes related to the formation of a uniform, pan-European financial system. Along with the development of concentration processes, especially those of a globalising character, the world is witnessing deep transformations in the financial service markets. In the 1990s the economies of the developed countries underwent dynamic changes. Information Technology has made a great leap affecting the manner, speed and availability of financial services. Liberalisation and deregulation, that is the purposeful easing of limitations imposed on the financial markets, have considerably expanded operating opportunities for banks and other financial entities. This has been accompanied by an even freer flow of capital between the financial world's individual sectors (the so called unspecialisation), resulting in a growing number of strategic alliances, mergers and takeovers between or within the sectors[1]. The development of financial markets across the world brings about structural changes in the sector of financial institutions, and, subsequently, to the formation of new models of distribution which increase the sales of individual products and their profitability, reduce business costs and increase output and win over new customers.

The contemporary financial markets are fields where various relationships between the banking and insurance sectors are played. They can be seen in the institutionalised sphere, where banks and insurers form groups, as well as in the subjective sphere, where the same institutions create a joint offer. These relationships constitute a part of a more broadly understood activity – Allfinanz. It comprises: bancassurance – banks sell insurance products, assurfinance – insurance companies sell bank products. In other words it is an initiative by insurance companies to expand their offer with other financial services and the activity of these entities that run real businesses and which, owing to liberalised law, are capable to provide certain financial intermediary services. Not uniform, vague definitions of this phenomenon reflect the differentiated forms of this tendency in the finance sector.

Banking and insurance institutions have been operating in Europe for many years; in the case of France for more than thirty years. Bancassurance had already been fully fledged at the beginning of the 90s in France, Spain and Portugal, just about to enter Austria, Belgium, Italy, Holland and Scandinavia[2] to thrive there too. In effect the banks there assumed a dominant share in the sale of life assurance and pension insurance. In the majority of cases, because of their dominant position in the finance market structure, they initiated the formation of bank-insurer groups. Only some agreements (Sweden, Holland) were concluded on the initiative of the insurers. A model like that derives from a fact that banks run lower risk when they expand their scope of activities as compared to insurers. Liberal law regulations presently in force in the European Union allow to a large extent to diversify banking or insurance operations, which is a factor substantially facilitating this process. In Poland generally bank-insurer groups are not forbidden though such relationships are not regulated by law. Only the Second Council Directive[3] in force in the Union (relevant provisions included in the Polish law) defines binding limits on capital concentrations. Moreover, Western retailer banks of long-established tradition have well developed distribution networks, which is not a strong point of the insurers. Additionally, banks enjoy a favourable image on the market, and, hence, customers place greater trust in these institutions.

Cooperation bonds between banks and insurers can virtually be created in two ways: through capital (investments) or without any capital engaged (capital-free). The capital-free approach is based on cooperation in the areas of banking and insurance between institutions that do not share any capital, yet are integrated by various alliances such as: promotion contracts, distribution agreements or cross-selling solutions. This means that such relationships can take on a twofold form of cooperation - entitative or both entitative and as a subject-of-law. Whichever it is, the bank cooperates frequently with many insurance companies (a characteristic of the first phase of the development of *bancassurance*). The next phase in the formation of a bank-insurance group is a selection of a single insurance company with whom cooperation is carried on until financewise the bank and the insurance company form a holding structure (in the capital approach). Such a capital-based relationship may take on a form of a joint venture, merger or takeover, a de novo strategy (establishing the group's own financial structure) or a strategic alliance[4]. An analysis of 180 European banks active in the area of bancassurance shows that 80 of them had their own insurance company, 40 went into joint ventures, while 70 played the role of an insurance intermediary under their distribution agreements. Presently, a tendency to form integrated structures (holdings, conglomerates) is on the rise and so is a drive towards joint ventures. On the contrary, in France a dominant solution is the bancassurance[5].

1. Evolution of size and structure of the financial system in Poland

The Polish financial system is very young in comparison to those operating in West Europe. Similarly to other East-Central European countries the banking sector constitutes the core of the financial system. Actual competition within this sector began as late as in the second part of the 90s. Privatisation and consolidation processes laid the foundations for a competitive banking sector where Western banks, themselves forming their banks from scratch or playing an active role in privatisation, stepped up competition by entering the Polish market.

Table 1. Changes in the volume and structure of the financial system in Poland between 1998 and 2006 split into asset volume (in millions PLN)

	1998		1999		2000		2001		2002		2003		2004		2005		2006		dynamics 1998/ 2006
		%		%		%		%		%		%		%		%		%	%
Commercial and co-op banks	318,7	92,4	363,4	90,3	428,5	87,7	469,7	84,9	466,5	79,9	489,0	76,4	538,5	74,1	587,0	70,2	681,1	66,8	213,71
Insurance companies	20,7	6,0	28,9	7,2	37,9	7,8	47,2	8,6	57,6	9,9	65,7	10,3	77,9	10,7	89,6	10,7	108,3	10,6	523,19
Open Pension Funds	0	0	2,3	0,6	9,9	2,0	19,4	3,5	31,6	5,4	44,8	7,0	62,6	8,6	86,1	10,3	116,6	11,5	116,6
SKOKs Co-op Savings and Credit Banks	0,6	0,2	0,9	0,2	1,2	0,2	1,8	0,3	2,5	0,4	3,4	0,5	4,2	0,6	5,3	0,6	6,1*	0,6	1016,67
Investment founds	1,8	0,5	3,2	0,8	7,1	1,5	12,1	2,2	22,8	3,9	33,2	5,2	37,7	5,2	61,3	7,4	98,9	9,7	5494,44
Brokers	3,2	0,9	3,6	0,9	3,9	0,8	2,9	0,5	2,8	0,5	3,7	0,6	5,5	0,8	6,9	0,8	8,1*	0,8	253,13
Total	345,0	100	402,3	100	488,5	100	553,1	100	583,8	100	639,8	100	726,2	100	836,2	100	1019,1*	100	295,39

* – estimates
Source: own study based on NBP (2005b, 2006b, 2007).

In the recent years the share of banking assets in financial sector assets in the Polish financial sector has still been dominant and in 2006 reached 66.9% (a drop by 3.3% compared to 2005 figures, 13% in comparison with the year 2002, and 22.5% compared to 1998), and its assets amounted to 681.1 billion PLN (an increase by 113,7% compared to 1998). It was retailer banks, and in particular mortgage banks, that showed the largest increase in the level of assets. At the same time the number of commercial banks in which the state was a majority shareholder dropped from 15 in 1997 to 4, while banks in which Polish private capital prevailed shrank from 39 to 7 in 2006. The share of these banks in banking sector assets followed the same trend: commercial banks in which the state was a majority shareholder decreased in their number from 49.3% in 1997 to 20.3% in 2005, while the banks with Polish private capital witnessed a drop from 30.9% down to 4.0% respectively.[6] The consolidation of the banking sector changed its character, effectively reducing the number of institutions (from 83 in 1998 to 63 in 2006) with a concurrent rise in their potential and range of operations (cf. tab. 1 and 2). This tendency is a natural consequence of recent transformations taking place on international financial markets and of market economy that leads to transformations in the banking system so that a competitive edge can be attained.

Table 2. Structure of the financial system in Poland between 1997 and 2006 (according to the number of institutions)

	1997		1998		1999		2000		2001		2002		2003		2004		2005		2006		Dynamics
		%		%		%		%		%		%		%		%		%		%	
Commercial banks	81	4,82	83	5,16	77	6,27	73	6,91	69	6,87	59	6,35	58	6,39	57	6,50	61	7,00	63	-	2006/97 0,78
co-op banks	1295	77,04	1189	73,99	781	63,6	680	64,33	642	63,94	605	65,12	600	65,78	596	67,72	588	67,43	584	-	2006/97 0,45
Co-op Savings and Credit Banks	198	11,78	220	13,69	228	18,57	146	13,81	144	14,34	120	12,92	109	11,95	83	9,43	75	8,60	no data	-	2005/97 0,38
Insurance Companies	50	2,97	54	3,36	56	4,56	67	6,34	71	7,07	72	7,75	76	8,33	69	7,84	68	7,80	69	-	2006/97 1,38
Investment Fund Societies	10	0,59	15	0,94	17	1,38	21	2,0	19	1,90	19	2,05	17	1,86	20	2,27	23	2,64	no data	-	2005/97 2,3
PTE (General Pension Societies)	0	0	0	0	21	1,71	21	2,0	17	1,69	16	1,72	16	1,75	15	1,70	15	1,72	15	-	2006/99 0,71
Brokers	47	2,80	46	2,86	48	3,91	49	4,61	42	4,19	38	4,09	36	3,94	40	4,54	42	4,81	no data	-	2005/97 0,89
Total	1681	100	1607	100	1228	100	1057	100	1004	100	929	100	912	100	880	100	872	100	no data	-	2005/97 0,52

Source: data by NBP, KNUiFE, KPWiG and NBP (2007).

As regards assets, the dominant position on the Polish market has been taken by foreign investors, among whom the majority is made up by investors based in the European Union. The number of banks they control rose from 29 in 1997 to 40 in 2006, while their share in this sector's assets went up from 15.3% up to over 60,0% respectively, yet since 2000 it has remained unchanged (Figure 1). The share is now at the level close to the average one in the European Union countries 10[7].

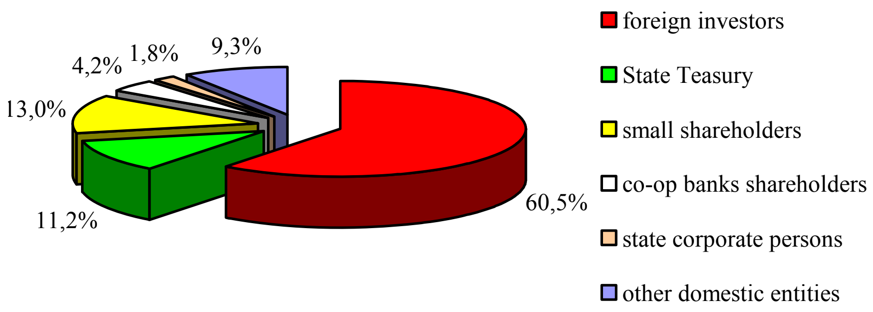

Fig. 1. Banking sector ownership structure in Poland (as at 31.12.2006)
Source: based on data from NBP (2007).

Similarly, the insurance sector is very young too, and the majority of insurers in Poland are owned by foreign investors from particular lines of business (an increase in foreign capital share in the initial capitals of insurance companies was from 18.2% in 1996 up to 76.2% in 2006, remaining at the level close to that of 2001), while the Polish insurers hold presently 8.5% of shares[8]). In the life insurance sector companies from Germany, the USA and Finland are active; however, there is no dominance by a single country, as compared to property insurance where the dominant position is taken up by German companies. Presently 32 companies are operating in a life assurance field and 37 in property insurance.

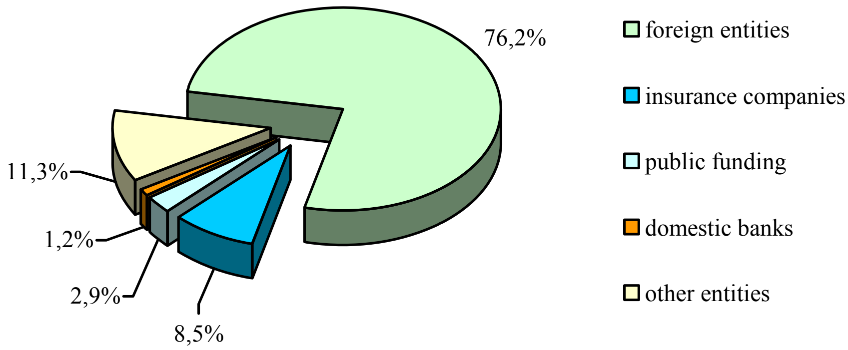

Fig. 2. Structure of insurance companies' initial capital in Poland in 2005 split into investor groups
Source: based on data from KNUiFE.

A low, i.e. 1.2% in 2006, share of banks as investors in the total of initial capitals of the insurance sector and a similar commitment of state capital (public funds) equal 2.9% is worth noting here too.

The amount of assets in this sector keeps growing: in the life insurance group it grew from 14.7% billion PLN in 1999 up to 53.5 billion PLN in 2005; while the property insurance sector marked a growth from 14.2 billion PLN up to 36.1 billion PLN respectively (a slower increase). Banks and insurance companies cross their operations on the open pension fund market (more on that further on).

2. Spheres of operation of the banking and insurance sectors

The growth of the Polish financial market caused a gradual increase of interest in the strategy of Allfinanz, resulting from the increasingly tougher business struggle for savings which has been waged between traditional banks and other financial institutions. Presently in Poland certain banks and insurers make alliances where the businesses have capital ties or have concluded distribution agreements.

Table 3. Spheres of operation of the banking and insurance sectors

COMPETITION	COOPERATION
• providing life policies together with incentives from investment funds and bank deposits, • acquisition of capitals on financial markets, • running loan facilities by banks and an offer by insurance companies as to loans secured by mortgages or lien on policies, • financial consultancy, • management of finances, • investing capitals on financial markets, • management of pension funds, • agency activities in the sale of banking services by insurance companies.	• comprehensive pooling of insurance and banking services; • sale of insurance policies through a bank, • acquisition and a possibility to sell insurance products through banks and bank products through insurance companies, • mutual advantage of prestige and market position when selling products of both entities, • reducing business costs through joint investments, • a stabilising influence exerted on bank operating activities by taking over part of credit risks by insurance companies, • exchange of customer data bases, • professional consultancy provided by insurance companies to improve credit risk assessment and assistance in debt collection.

Source: Kurek, (1998), p.15.

Table 4. The bank-insurer alliances in Poland

GROUP	INSTITUTIONS
American AIG	inter alia AIG Bank, TU AIG Poland, Amplico Life, PTE AIG,: a loan intermediary AIG Credit, an Investment Fund Society (TFI) is planned
Austian-German-British BPH/ Ergo Hestia/ Royal & Sun Alliance	apart from capital relationships between BPH PBK and the Sopot-based Ergo Hestia Group, BPH on merging with PBK became a minority shareholder in TUnŻycie Royal PBK

American CitiCorp.	inter alia Citibank Handlowy, Tuż CitiInsurance Polska, a bank call-centre and its agencies are the only channel to distribute CitiInsurance policies
Belgian-Polish Kredyt Bank/Warta	inter alia TUwRiGŻ Agropolisa (taken over by TUiR Warta), the Belgians from Kredit Verzerkeringen took over a control bloc of shares in TUiR Warta (joint strategic shareholder Bank KBC NV)
French Credit Agricole	inter alia Lukas Bank, Europejski Fundusz Leasingowy and TU Europa, TUnŻ Europa
Dutch NG Group	Inter alia ING Bank Śląski, Tuż Nationale-Nederlanden Polska, PTE ING, TFI ING
German DB24 (Deutsche Bank) Gerling Życie	DB24 (Deutsche Bank), Gerling Życie, although DB24 attaches Amplico Life or TUiŻ Warta policies to its products,
Polish	a distribution agreement between PKO BPO and the PZU Group for distribution of selected insurance products via the bank's network (The State Treasury as the majority holder considers a merger into a single financial concern[9])
Polish-Dutch Bank Millenium/PZU	Bank Millenium, a parent company, through BIG BG Inwestycje is the holder of minority interest in the largest Polish insurance company, the second shareholder in PZU is the Dutch Eureko which holds shares in Millenium bank
Scandinavian Nordea AB	inter alia Nordea Bank Polska, Tuż Nordea Polska, a leasing company Nordea Finance, Nordea Group have concluded cooperation agreements with property holding TU Tryg Polska
Italian-German Pekao/Allianz	the Italian UniCredito together with Allianz AG made a consortium which is a majority shareholder in PKO S.A. bank and cooperates closely with two Polish line companies belonging to Allianz, selling property insurance and life insurance
Swiss-Belgian distribution agreement	concluded between Credit Suisse Life&Pensions Group and Fortis Bank Polska

Source: company profiles and Brzeziński (2004).

In practical terms all bank-insurance groups in Poland were formed as a result of takeovers of Polish financial institutions by foreign shareholders.

Other bank-insurance groups expanding their operations in Poland are: Generali and Commerzbank Group (investor in Bank Rozwoju) and the Commercial Union Polska Group (member of the CGNU Group) in cooperation with three other banks: Bank Zachodni, WBK and BPH PBK in the sphere of life assurances, and with Citibank, where the CU underwrites holders of credit cards and individual loaners enjoying consumer credits[10].

The last case is an exception on the Polish market, although present on European markets - *Assurfinance* (otherwise *reverse bancassurance*). Three characteristic evolutionary phases can be discerned here: a) cooperation with banks in selling individual policies, b) establishing its own public pension society, e) expansion – making use of customer databases to create an offer of banking services to be delivered by its agents; formation of a number of specialist companies (e.g. an investment fund society, CU Investment Management, CU Financial Services)[11]. On account of the fact that the banking sector plays a dominant role in the Polish financial sector, and capital weakness of Polish insurers, *assurfinance,* i.e. expanding insurance mediation by banking services, in the opinion of specialist, has no chance to develop in Poland.

Table 5. Examples of insurance products available in banks

Insurance company	Cooperating bank	Types of insurances
Warta	Kredyt Bank	tourist insurance Warta Travel; house insurance: Warta Mieszkanie, Warta Dom Serwis, Warta Dom w Budowie, Warta Dom Letniskowy; comprehensive automobile: civil liability (OC), green card (ZK), comprehensive and collision (AC), Warta Moto-Assistance, accident insurance (NNW), civil liability (OC) in private life, Warta Ekstrabiznes
Warta- Vita	Kredyt Bank	EUROPA 2001; individual life and endowment insurances Warta Gwarancja, Warta Gwarancja Plus and Warta Klik Światowy; cash credit or loan life insurance for those obtaining it to buy a car or a flat; individual insurance with an investment fund
	DB24	tourist insurance package for Visa card holders
TU Allianz	Pekao S.A.	credit card and pay card insurance, civil liability (OC) for package “Firma i ja” holders; assistance package
TU Allianz Życie	Pekao S.A.	Life insurance: EuroOpieka, Prosperita, Mieszkać lepiej; group life insurance for debtors jointly with credits received insured until mortgage is registered
PZU	Millennium Bank	accident group insurance (NNW); accident group (NNW) and baggage insurance; house insurance; building and housing premises not being business property insurance for those obtaining house credits,
	PKO BP S.A	house insurance; civil liability (OC) in private life; accident insurance (NNW)
	Inteligo Financial Services	house insurance; tourist insurance; civil liability (OC) in private life; accident insurance (NNW)
PZU Życie	Millennium Bank	group life insurance for debtors jointly with credits received insured; Pogodna Jesień, Biznes Menedżer
	PKO BP S.A.	group life insurance for selected types of bank accounts
	Inteligo Financial Services	group life insurance
Nordea Polska TUnŻ	Nordea Bank Polska	insurance for those taking out real estate credits- Hipoteka Życie
	Nordea Bank Polska/ Kredyt Bank	life insurance - Kredyt Życie
	Any bank	death insurance for those obtaining bank credits
ING NN	ING Bank Śląski	life insurance for holders of Visa Electron credit cards

Nationwide	Citibank Handlowy	investment scheme jointly with life insurance
CitiInssurance	Citibank Handlowy	savings scheme together with life insurance
Polisa Życie	PKO BP S.A.	group life insurance - PKO Gwarancja (Cooperation finished on 30.06.2007)
	Invest Bank	group life insurance for debtors (car credit) and group insurance for Families 2000 for holders of interest bearing current accounts

Source: based on materials from banks and Insurance Offices.

The examples presented above allow a conclusion that the ties between banks and insurance institutions on the Polish market can be quite easily identified.

It is also possible to conclude that the Polish market is just entering the bancassurance path (cooperation agreements outnumber capital ties), which is testified by the scale of the phenomenon. Insurance companies in Western Europe sell about 30% of insurance policies, of which 13% are life insurance, 10% property insurance and 7% house insurance policies via banks. In France (where bancassurance has the oldest tradition) banks sell through their channels 50% of individual life policies and 10% of other insurance policies. Revenues generated by insurance companies in Poland from sales of their products through banks are growing. In 2003 the insurers collected 651.7 million PLN in premiums via banks in the life insurance group (Group I) that is 5.84%, while in 2006 it was 4,513.48 million PLN (21.8%). In Group II – property policies – 7 and 119.8 million PLN respectively (that is an increase from 0.05% to 0.73% of the total collected premiums)[12]. All told more than 4.6 billion PLN was collected, which makes 12.5% of all premiums in the insurance sector, whereas in 2002 the sum was as little as 74 million, and in 2003 2.6% of the gross premiums underwritten in Groups one and two altogether (Table 6).

Table 6. Share of banks in the distribution of insurance between 2003 and 2006 as per the price of the gross written premium in Groups one and two (in thousands PLN)

		2003		2004		2005		2006	
		thousand PLN	%	thousand PLN	%	Thousand PLN	%	thousand PLN	%
GROUP I	BANKS insurance agents-corporate persons	651650	5,84	1482557	11,61	2205809	14,40	4513433	21,79
	TOTAL**	11165870	100	12767972	100	15323517	100	20710633*	100

GROUP II	BANKS insurance agents- corporate persons	6 985	0,05	20218	0,14	88555	0,57	119817	0,73
	TOTAL	13596740	100	14814024	100	15571457	100	16283698	100

* – excluding data from Cardiff Polska,
** – sole sales of individual and group insurance collectively.
Source: own study based on data by: KNUiFE, PIU (2006a, 2006b), NBP (2004, 2005a, 2006b).

As it becomes apparent from the data presented in Table 5, subject to sales are life insurances securing debtors (real estate credits, credit cards), life insurances as alternative solutions to bank deposits[13], and property policies (insuring cards, casualty insurance). The bulk of the sales measured with premium dues is – as in the developed countries – life insurances (Table 7).

Table 7. Shares of banks in insurance policy sales in chosen countries (%)

Country	Group I – life insurance	Group II – property insurance
France	50	10
Belgium	30	5
United Kingdom	24	5
Sweden	25	5
Spain	55	8
Netherlands	55	12
Italy	40	6
Germany	14	4

Source: Barańska (2005), Pajewska (2002), p.345.

Bancassurance products do not result from mere pooling of two offers: that by a bank and that by an insurance company, but by creating an integrated product comprising the qualities of both. Bank-insurance products can virtually be divided into three product groups according to the relations between options offered by insurers and banking services. The first group has bancassurance products whereby both banking and insurance products show interdependence (the so called stand-alone products), the second group features mutually complementary products, whereas the third group has substitutes.

In Poland initial failures in cooperation between banks and insurers resulted from lack of understanding of the idea behind bancassurance, a longer time to notice cooperation come into fruition, and differences between the institutions forming a group. The first attempts to cooperate were launched out in 1990 between AIG and Bank PeKaO S.A., in 1993 between Commercial Union na Życie and Wielkopolski Bank Kredytowy, or in 1996 between BGŻ and Allianz, but eventually they failed. The interest shown then in those cases came from the presence of foreign financial institutions in Poland and their drive to implement strategies already verified in other circumstances.

3. Reform of social insurance as a factor creating bank-insurance structures in Poland

The reform of the social insurance system, ushered in on 1 January 1999 and forced by the looming crisis in the provision of funds to the then re-allotment system, the former itself being connected with a number of other reformatory measures in other walks of life (administration, education, health care) affected the whole financial sector in Poland and intensified in particular the converging processes attracting the banking and insurance sectors.

The core concept which the reform was based on is a distribution of risks related to the provision of the system with funds which was worked out through the differentiation of sources of pension contributions.

Things being so, the first and second social insurance pillars are generally and compulsorily contributed to, while the third pillar rests on voluntarily created supplementary contributions. The first and second pillars are related to the labour market and capital market. The rate of return in the first pillar (which in itself is a continuation of the former system) is related to the growth rate prevailing in the wages fund; in the second pillar it is matched to the return rate on investments.

In order to provide services offered in the second pension system pillar option in an active manner banks and insurers often make a joint effort by becoming shareholders in many General Pension Societies (PTE) that manage funds collected by the Open Pension Funds (OFE), cooperate managing one society (e.g. Commercial Union PTE BPH CU WBK S.A.), perform the custodian function or compete for a client, striving to win over customers for the benefit of a particular PTE[14].

Despite the fact that, as far as the amount of assets is concerned, it is the banks that create the core of the financial system in Poland, a dynamic growth in assets held by open pension funds (OFEs), insurance companies (ZUs) and investment funds (FIs) makes, especially since the year 2000, the role of non-banking financial institutions become more and more serious.

The growth rate that their assets show more than twice exceeded the similar growth in the banking sector. The expansion displayed by non-banking financial institutions has increased their share in the whole financial system by more than 30% (Figure 3).

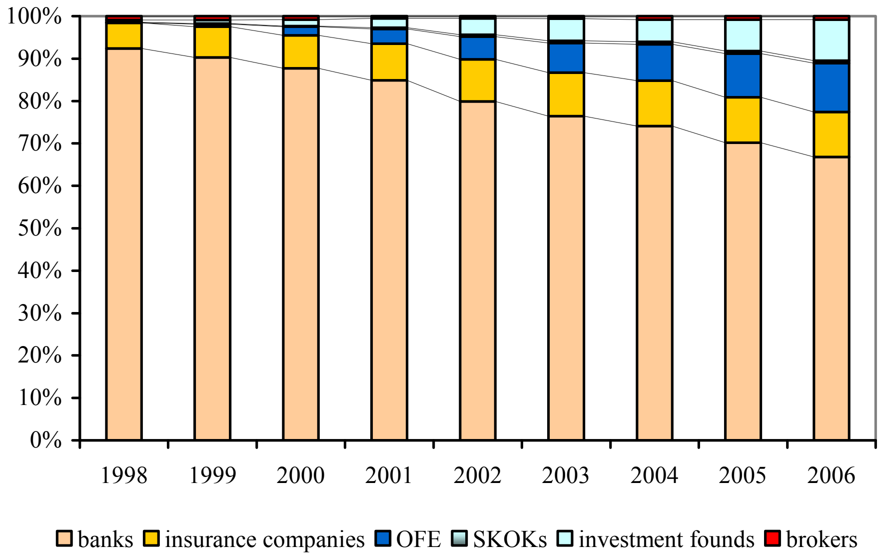

Fig. 3. Structure of financial system in Poland between 1998 and 2006 (%)
Source: based on data from Table 1.

As a result of mergers and takeovers out of the initial 21 OFEs starting their market operations in 1999 there are now 15 still active. Some of the non-banking financial institutions (inter alia insurance companies, General Pension Societies - PTEs) joined capital groups in which banks are dominant units. On analysis of the part the banks share in the initial capital of the financial institution the banks proved not to share much in ZUs and PTEs except for four cases which were PTEs.

Table 8. Bank shareholdings in the initial capital of insurance companies and PTEs (as at 31.12.2005)

Insurance companies (ZU)/ General Pension Societies (PTE)	The banks holding shares in ZU or PTE	The banks holding shares in ZU or PTE (percentwise)	Relationship between shareholdings in the initial capitals of ZU/PTE and the banks' initial capital (percentwise)
Commercial Union TUnŻ S.A	Bank Zachodni WBK S.A. Bank Przemysłowo-Handlowy PBK SA	10,0 10,0	0,4 no data
WTUŻiR Concordia Capital S.A.	Gospodarczy Bank Wielkopolski S.A.	5,1	0,5
Tuż Warta Vita S.A.	PKO BP S.A.	4,6	0,1
Commercial Union Polska - TU Ogólnych S.A.	Bank Zachodni WBK S.A	10,0	0,1
TUW Concordia Wielkopolska	Gospodarczy Bank Wielkopolski S.A. i inne banki spółdzielcze	1,2	0,3
TUW CUPRUM	Dominet Bank S.A.	2,9	0,5

Polskie Towarzystwo Reasekuracyjne S.A.	BWE S.A. DZ Bank Polska S.A. Bank Handlowy w Warszawie SA (since 2006 -EBOR S.A.)	11,9 4,4 11,9 4,76	36,1 2,4 0,4 no data
Towarzystwo Ubezpieczeń Wzajemnych TUW	BISE SA Gospodarczy Bank Wielkopolski S.A. Banki spółdzielcze	6,7 0,3 0,2	1,1 0,03 no data
Commercial Union PTE BPH CU WBK S.A.	BPH S.A. Bank Zachodni WBK S.A.	10,0 10,0	0,3 0,6
ING Nationale Nederlanden Polska PTE S.A.	ING Bank Śląski S.A.	20,0	0,3
Pekao Pioneer PTE S.A.	Bank Pekao S.A.	65,0	0,2
PTE Bankowy S.A.	PKO BP S.A.	100,0	3,9
PTE Polsat S.A.	Invest Bank S.A.	14,0	1,5
PTE Skarbiec – Emerytura S.A.	BRE Bank S.A.	100,0	6,2

Source: cf. websites of insurance companies, co-op banks, commercial banks, PTEs, and data from KNUiFE/KNF, NBP, Informator Spółdzielczej Grupy Bankowej.

Analyses of ties between banks and insurance companies cannot focus on capital relationships only. Banks will strive to manage the accounts of insurance companies, e.g. by managing their insurance funds commissioned by pension societies and funds. They also play the role of depository banks for PTEs. Citibank Handlowy S.A in Warsaw, which is a depository bank for AIG PTE S.A, Commercial Union PTE BPH CU WBK S.A., Generali PTE S.A. , ING Nationale-Nederlanden Polska PTE S.A., Pekao Pionier PTE S.A., Pocztylion Arka PTE S.A. and Sampo PTE is a case in point. That function is played by BRE Bank for PTE Bankowy S.A., PTE Polsat S.A. and Wintherthur PTE S.A (now-AXA PTE). The other societies are serviced by PKO BP S.A, BPH S.A. and Deutche Bank Polska S.A[15].

4. Trends and perspectives in the development of bank-insurance relationships

A strategy to have bank, insurance and investment operations permeate each other closer and closer as a result from a drive to universalise financial institutions is inherently linked with an increase in capital ties between banking and non-banking institutions as well as mutual provision of services or creating hybrid products that combine deposit, insurance and investment properties.

If plans by successive foreign financial institution (credit, insurance and other institution taking advantage of a uniform passport), and the fact that the institutions which are suppliers on the financial markets have their operating planes overlap, are to be taken into consideration, it can be predicted that competition will grow stronger and stronger in the sphere of financial services in the years to come. By 2004 the Polish supervisory authorities had already been notified by 61 credit institutions (banks), out of which 50 credit institutions declared their will to provide investment services, 174 insurance companies (including 145 intending to provide property insurance), 5 investment funds and 90 investment companies, of their plans to launch their activities in Poland. In 2006 the Bank Supervisory Committee was notified by 36 banks (all the told 139 since Poland's accession). The expansion of foreign financial intermediaries is often based on cooperation with a domestic partner whose market position is solid. This is another determining factor making bank-insurer groups get more and more popular in Poland. It can be predicted that their product offer will become increasingly competitive, and cross-selling will be applied more and more often to deepen the existing distribution channel. Of no lesser importance is the economies scale, generally lowering average expenses[16]. On account of a considerable increase in the importance of the retail sector as a source of bank income as compared to the corporate sector, due to an increase in the volume of credits granted to households (home credits and credits resulting from the number of credit cards in circulation), banks will be looking for long term sources of finance. This will expand the interest in cooperation with insurance companies (bancassurance), and in building long term savings schemes for customers (e.g. combining advantages from bank deposit, sales of investment fund units, changes in stock exchange indices, etc.). As a result of the growing share of assets in the management of pension funds, their position as institutions shaping the Polish financial market will be reinforced too.

The consolidation of the banking and insurance sectors is a natural stage in the development of the financial sector, and a consequence of integrative processes taking place in modern economies. Just like boundaries between financial institutions and singular markets, and in particular the markets on which they operate, are becoming less and less visible. The development trend that bank-insurer groups have been following is similar to that observed in other countries where external strategic players were present.

Potential advantages from cooperation between banks and insurance companies are inter alia an increased potential of the whole group (synergy), reduced overheads, better brand identification and better customer satisfaction resulting from comprehensive services offered.

Notes

[1] Cf. Bitz (1996), p.22 and next.

[2] Śliperski (2002), p.83.

[3] Second Council Directive of 15 December 1989 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions, No. 89/646/EEC.

[4] Cf. KNUiFE (2002).

[5] Cf. KNUiFE (2002).

[6] Cf. NBP (2005b, 2006b, 2007).

[7] Cf. NBP (2005b, 2006b, 2007).

[8] NBP (2006b), p.142 (only registered capitals have been analysed in the ownership structure).

[9] Inter alia Kowalewski (2003).

[10] Grygutis (2003).

[11] Śliperski (2002), p.147.

[12] Data by KNUiFE/KNF and PIU.

[13] Fiscal regulations stimulated the development of the market for that product (the so called Belka tax – from the name of former minister) – savings were moved from bank deposits to untaxed capital policies, not offered against protective policies.

[14] Bohatkiewicz (2005).

[15] Own study based on data by PTE and OFE.

[16] In the assessment made by Instytut Badań nad Gospodarką Rynkową, an alliance between a bank and an insurance company may contribute towards a drop in the cost-profit ratio below 55%. In the estimates by other experts costs of police distribution via banks makes for only 8% of the collected premiums whereas if sold by insurance agents the same cost may go up as high as 22% of the premium price.

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