

# *The Polish life insurance market in view of consumer protection issues*

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*Abstract.* The article describes trends observable on the Polish life insurance market. The market structure analysis leads to the presentation of tendencies and directions of growth, with particular emphasis placed on the demand for investment-type life insurance products, which have superseded traditional insurance policies and have given rise to numerous risks for continued market development. The article identifies the causes of clients' negative attitude towards certain products, which results from their structure, low return, and the sales policies adopted by insurance providers. These aspects are diagnosed from the consumer perspective. An attempt is made to apply pro-consumer solutions in information and protection policies, which are a new challenge to the entire insurance sector as well as supervisory and protection institutions in respect of providing adequate protection of customer rights in the life insurance market.

*Keywords:* life insurance market, unit-linked insurance, consumer protection.

*JEL Codes:* D18, D53, G22, G23, P46.

## **1. Introduction**

The life insurance market is characterised by long-term insurance agreements and a considerable variety of products. From the perspective of customers, whose knowledge about the variety and possibilities of the solutions offered is usually insignificant, this is often a problem, which makes them doubt that the service was properly performed by the insurer. The uncertainty is even higher in situations where the customer has a life insurance policy for investment purposes, such as a policy with unit-linked insurance funds (ULF) under which the customer bears the investment risk. Customers may, in particular, be concerned about risks regarding the benefits planned and received in the future as a result of negative economic consequences of financial market disruptions. Additionally, the customers' negative perception

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of these services is undoubtedly formed by information about infringements committed by insurers in respect of collecting fees and commissions or their failure to inform about the details of insurance agreements at the stage of their conclusion. These aspects affect the demand for this type of products and the shape of the life insurance market, while also being an important challenge for the insurance providers in respect of creating a positive image of the market related to improved standards of consumer protection, increased trust through a change of the information policies adopted by the insurers, as well as extension of the scope of operations of regulatory, supervisory and protection institutions.

This study is intended to present the operation of the Polish life insurance market with particular emphasis on:

- transformations and development tendencies from the perspective of customer demand for specific groups of life insurance;
- identification of major market problems from consumers' perspective with respect to the effectiveness of products, complaints and claims raised by consumers;
- indication of possible new pro-consumer solutions regarding information and the protection policy, which are a challenge to the insurance sector and offer a chance for further growth of the life insurance market.

## **2. Outline of development trends on the Polish life insurance market from the perspective of demand for specific types of insurance products**

The current life insurance market and the rules of its operation are formed by a variety of factors. Various developmental trends can be observed from the onset of the Polish life insurance market based on the principle of free competition. Implementation of successive legal regulations, with the initial ground-breaking Act of 1990, opening the Polish insurance market to foreign insurers [Kurek 1999, p. 40], and subsequent intensification of integration with the European Union, and consequently substantial penetration of the market have led to marked changes in organisation and structure of the Polish life insurance market.

Since the previous statutory insurance market was largely unwelcome by the society and was often perceived as coercive, the shift to contractual-type insurance, based on free competition, certainly changed the customers' outlook.<sup>2</sup>

Market transformations led to a gradual change of the society's attitude to individual insurance. Customers of the life insurance market, overwhelmed by new opportunities, responded with an enormous demand for new solutions in the area of life insurance. As new types of insurance emerged, hitherto unavailable in Poland, they started to supersede products that had prevailed on the market. Consumers started to buy life insurance products completely different in nature, often without an in-

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<sup>2</sup> Previously, statutory insurance was considered mandatory, while contractual insurance was seen as voluntary. Article 3(1) of the Act of 1990 provided for implementation of mandatory and voluntary insurance. The insurance policies, in both new forms, were supposed to be contract-based [Kubiński 1991, p. 2].

depth understanding of their structure. In particular, the second decade of the 1990s saw an intense growth and change of the individual life insurance structure, and unit-linked insurance became prevalent in Division I (group 3)<sup>3</sup> and so did mixed-type life insurance policies and endowment insurance falling within group 1 [Ostrowska 2008, pp. 98-99]. Changes to the life insurance market structure in 1997-2016 are presented in Table 1.

Table 1. Life insurance market structure by groups of insurance, 1997-2006

Group	Specification	Share in total premium written (%)									
		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1	Life insurance	62.99	59.39	54.75	52.28	49.69	48.14	48.19	48.75	45.42	38.53
2	Marriage assurance	0.79	0.84	0.89	0.96	1.07	1.46	1.34	1.16	0.99	0.70
3	Life insurance, if unit-linked	19.97	23.79	28.98	30.45	32.24	32.26	32.00	31.81	36.86	46.12
4	Pension insurance	0.18	0.21	0.18	0.22	0.18	0.18	0.18	0.19	0.19	0.17
5	Accident and sickness insurance, complementing groups 1 to 4	16.07	15.77	15.20	16.09	16.81	17.96	18.30	18.08	16.54	14.49
<b>(cont.)</b>		<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
1	Life insurance	38.60	72.80	63.50	59.70	52.94	53.35	42.06	37.08	32.17	32.79
2	Marriage assurance	0.50	0.30	0.40	0.38	0.35	0.32	0.36	0.40	0.43	0.53
3	Life insurance, if unit-linked	46.90	16.10	21.30	25.84	32.36	33.15	41.78	43.98	47.25	43.32
4	Pension insurance	0.20	0.20	0.20	0.27	0.31	0.27	0.34	0.40	0.48	0.58
5	Accident and sickness insurance, complementing groups 1 to 4	13.60	10.50	14.40	13.59	13.95	12.91	15.46	18.14	19.68	22.78

Source: Own elaboration based on PUNU [State Insurance Supervision Authority] Bulletins for 1997-2000 and data published by Insurance and Pension Fund Supervision Commission (KNUiFE) and Financial Supervision Authority (KNF).

During the researched period, the insurance policies under groups 2, 4 and 5 featured relative stability, with sickness and accident insurance characterised by

<sup>3</sup> At the initial stage of development of the life insurance market, pursuant to the Insurance Activity Act of 28 July 1990 [Journal of Laws 2003, No. 124, item 1151], insurance policies falling under group 3 (Division I) were called ‘insurance linked with investment funds’. Next, following changes intended to regulate the issues arisen from the fact that one of the provisions (Article 11.4) of the Investment Fund Act of 28 August 1997 [Journal of Laws 1997, No. 139, item 993] prohibited the use of the name “Investment Fund” by entities other than identified in the Act, the name “unit-linked insurance fund” (instead of investment fund) was coined and formally adopted on 1 January 2004. Currently, in connection with entry into force of the Act of 11 September 2015 on Insurance and Re-Insurance Activity, Group 3 encompasses all life insurance policies, if combined with unit funds, as well as life insurance policies where the payment by the insurance company is determined based on specific indices or other base values.

a higher share in gross written premium, ranging from 16 to 22%. The other two groups, i.e. marriage assurance and pension insurance were a relatively low share in the portfolio of life insurance.

From the onset of the 1990s until the end of 2005, group 1 in Division I was dominated by life insurance. However, during this period, traditional products were gradually superseded by typically investment-type insurance of group 3, the share of which increased by more than 30% during said period. Although the products were a novelty, the insurers' intense sales campaigns and gradually changing consumer perception of life insurance led to major changes in the insurance portfolio structure. The share of unit-linked insurance in the general gross premium written continuously increased until the end of 2001. At this point, the market was affected by a sudden trend of resignations from the policies, initiated already in 2000, which led to an insignificant decrease of the share of this type of insurance in the gross premium written under Division I in the period of 2001-2004. In 2001, the number of cancelled life policies was 834 thousand, of which more than 422 thousand were individual policies. In 2002, 733 thousand life insurance policies were discontinued (of which 417 thousand individual policies). At that time, it was said that the cause underlying resignation from policies was their lower effectiveness compared to other forms of capital investment [Stroiński 2004, pp. 35-50]. A number of policyholders resigned from unit-linked insurance not only because they were dissatisfied with the results of their investment, but also because the products did not meet their individual needs, the economic situation deteriorated and the level of income dropped [Wierzbicka 2003, pp. 9-13].

It must be emphasized that mass resignations from the policies and decline of the share of group 3 in the gross premium written were of short-term nature, and, despite transitory weakness, the Polish life insurance market displayed potential for continued growth, especially in respect of offering and differentiation of new products as well as links with the capital market [Ostrowska-Dankiewicz 2009, pp. 519-520].

Special attention should be given to the written premium income in 2006, when, for the first time, the share of group 3 in the gross premium written exceeded the share of group 1, and at the end of 2007, the share of unit-linked insurance approximated 47%. Another reversal of the market trend, in view of interest in dominant products under groups 1 and 3 of Division I, was observed in 2008-2010. In 2008, the share of unit-linked products dropped nearly three times, with a simultaneous significant increase of traditional insurance. This was not only a direct result of the financial crisis, but also of certain technical measures taken by the insurers, who launched short-term life insurance policies similar to unit-linked products, which offered protection against the capital gains tax [Stroiński 2010, p. 120]. Additionally, uncertainty among customers related to the effects of the crisis, and the after-crisis concerns triggered interest in alternative forms of investment and increased interest in structured products, which yield certain profits irrespective of the economic conditions.

In subsequent years, the unit-linked insurance policies gradually regained their position. Despite strong growth of life insurance products of saving type,

the dynamics of group 3 insurance premium increase was much lower, which was caused by the fact that premiums paid from products such as “*deposit-type*” policies [PL: *polisolokata*] or structured policies were allocated to group 1 [Ostrowska-Dankiewicz 2011, p. 327].

The increased interest in unit-linked products in 2009-2015 saw another breakdown in 2016. Among all Division I insurance groups, the most considerable decline of the gross premium written, from PLN 13 billion in 2015 to PLN 10.33 billion (by PLN 2.67 billion; 20.55%) was observed in group 3 [Urząd Komisji Nadzoru Finansowego 2017, p. 6].

This situation was undoubtedly caused by negative evaluation by those customers who purchased this type of insurance, which resulted from market-affecting reports about increased number of complaints regarding misselling, i.e. inappropriate practices used at the stage of insurance offering, consisting of providing incomplete or untrue information about the rules of the products operation and additional costs thereof. The problems emerging on the market of unit-linked policies resulted from a specific structure of those products and the dominant investment element involving the customer’s risks, which the customers frequently were not aware of at the stage of concluding the agreement.

Despite negative receipt by market participants and periodic transitory market breakdowns, it should be emphasized that the major directions of changes on the Polish insurance market were characterised by a strong growth of unit-linked life insurance and reduced interest in traditional life insurance.

### **3. Diagnosing the major problems experienced by the market in the context of structure and effectiveness of life insurance products**

Decreased demand for certain groups of life insurance products, causing a transitory market downturn, primarily linked with the cancellation of the existing policies or decreased demand for insurance linked with saving (in unit funds), is the effect of a number of factors. The most frequent reason for resignation from insurance is the feeling of consumer dissatisfaction resulting from the structural elements of the investment products. On the one hand, these products offer unlimited investment possibilities, while on the other hand, they expose the customer to an enormous risk related to the situation on the financial markets, and additionally, they involve costs, which usually do not exist in the case of other products. These include specific charges related to administration of the insurance, allocation fees<sup>4</sup>, surrender costs and termination fees<sup>5</sup>.

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<sup>4</sup> The allocation fee may be charged using the method where the policy provides for the so-called ‘*zero allocation period*’, ranging from several months to three years, during which the premiums are not used to purchase participation units, and the entire premium flows directly to the insurer who uses it to cover the initial expenses, or the method of establishing a limited allocation period during which only a portion of the policyholder’s premiums is invested in participation units. For a more elaborate treatment of this issue see [Ostrowska 2006, pp. 223-228].

<sup>5</sup> The reasons for termination fees imposed by insurers may vary. If the termination fee is imposed for

Frequently, evaluation of insurance products is quite difficult due to their insufficient transparency or complex language of the general terms and conditions of insurance, particularly in respect of such structural elements as: defining base assets, participation ratios and explanation of investment possibilities as a result of delivery of specific level of rates of return on a product.

Due to the fact that life insurance policies (especially those of typical investment structure with minimal cover) are offered to insurance market customers as an alternative to traditional investments, the investment effectiveness is a valid element of their assessment. A significant problem involved in these products is their low rate of return. The majority of the products ensure the protection of capital, while yielding low profits (frequently lower than bank deposits).

The research on the effectiveness of unit-linked insurance products done before the financial crisis showed that the rate of return of a given fund best defines its attractiveness as an investment. Therefore, this should be the most important factor in the selection of a fund by an individual customer. The factors related to unit-linked insurance policies were treated quite marginally, and their effectiveness was important for a narrow group of policyholders [Ostrowska 2006, pp. 193-202; Ostrowska 2007, pp. 227-238], even though the rates of return on investments, especially in shares of Polish companies or mixed funds, were optimistic. This indicates that there still is a deep knowledge deficit and low level of awareness of the specific nature of saving in unit-linked insurance policies. Yet, the insurance funds are increasingly more popular amongst unit-linked insurance policy buyers. A clear tendency observed on the Polish capital fund insurance market for several years now is a significant increase in the value of assets accumulated by insurers in unit-linked insurance. Between 2010 and 2016 alone, the total value of net assets increased by more than 60%. Therefore, it seems of considerable importance to make the policyholders aware of the investment possibilities involved in unit-linked insurance, especially given that mixed funds and equity funds, which feature the highest level of investment risk, are prevalent in the structure of unit-linked funds. A review of research done in respect of various methods of assessment of effectiveness as well as verification of known and most frequently used methods and techniques of assessing the fund effectiveness or proposed alternative approaches to researching the effectiveness of actively managed portfolio indicate that the evaluation of return on unit-linked insurance can be made using a single- or multiple-method approach. Then, the resultant values for the same funds differ. From the perspective of unit-linked insurance buyers, it is important that they are aware of the methods adopted by insurers to demonstrate profitability of their products against the market, and being well-informed about the unit-linked insurance profitability, they take the right decisions at the moment of selection of the funds and their change during the effective term of the insurance agreements [Ostrowska-Dankiewicz 2015, pp. 53-62]. Such decisions are extremely

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profit, this approach is harmful and should be banned. However, where the fees serve to cover the actual costs of the insurer, and have a preventive function, they should be permitted. For a more elaborate treatment of this issue see [Lisowski 2015, pp. 131-148].

important, especially in view of the fact that research concerning the effectiveness of unit-linked insurance carried out over the last 10 years, in particular, the profitability of Polish equity funds, which are prevalent in the portfolios, proves that long-term results of this type of insurance were unsatisfactory<sup>6</sup>.

#### **4. Complaints as a factor diagnosing major problems on the life insurance market from consumer perspective**

The problem of obtaining accurate information about the effectiveness of life insurance products is of particular importance in view of fast growing risks which result from significant difficulty, or even lack of possibility to access information about these products (in particular the scale of their issuance and effectiveness). This may lead to continued negative assessment of the products by market participants, which can be measured by complaints lodged with the Financial Ombudsman. The number of complaints and their share in recent years indicate that consumers report increasingly more objections with respect to saving products, which is shown in Table 2.

The increasing dissatisfaction of clients with unit-linked life insurance products is reflected in the growing number of complaints and claims regarding this type of insurance. They ranked very high in the group of complaints at the end of 2016. In Division I, as many as 1053 claims related to group 3 insurance. The most frequent complaints raised against the insurers with respect to life insurance products involved the refusal to admit a claim by an insurance company, a dispute regarding the amount of payment, untimely satisfaction of claims, excessively low payment of the surrender value or refusal to pay it, and high termination fee in the event of resignation from unit-linked life insurance [Urząd Komisji Nadzoru Finansowego 2017, pp. 36-37]. In part II of an elaborate report prepared by the Financial Ombudsman [Rzecznik Finansowy 2016, p. 13], the most frequent (albeit not the only) complaints connected with the structure of insurance contracts and the nature of claims pressed, and the legal grounds for demands made in court cases involving termination of unit-linked life insurance contracts included in particular: an abusive nature of contractual provisions, fundamental or limited invalidity of the contract. Prohibited clauses in general terms and conditions of insurance, which were registered by the Court of Consumer and Competition Protection apply to a number of aspects, which reflect the activities of insurers to the detriment of the consumers. Currently, there are 139 prohibited clauses related to the insurance sector on the register.

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<sup>6</sup> The research was carried out using the data for a period from the end of 2006 to the second half of 2015. For selected unit-linked insurance groups, the values of key indicators were determined to assess effectiveness of and risk involved in investing in this type of financial instruments. The research was intended to determine whether the unit-linked insurance brings additional rates of return (compensating for the risk incurred and higher than the rate of returns from the model portfolio) and to formulate an opinion about the style of unit-linked insurance portfolio management (active/passive). For a more elaborate treatment of this issue see [Cwynar, Cwynar, Kaźmierkiewicz, Ostrowska-Dankiewicz 2016, pp. 29-51; Ostrowska-Dankiewicz 2016, pp. 193-208].

Table 2. Number of complaints to Financial Ombudsman about life insurance contracts, 2014-2016

Specification	Number of complaints		
	2014	2015	2016
Underestimated surrender value of policy	123	226	432
Inadequate policy management	25	23	26
Slowness in policy surrender	5	10	1
Refusal to pay the surrender value	12	13	16
Rejected claim	1,701	1,866	2,279
Dispute concerning the amount of payment awarded	480	517	842
Slowness of termination procedures	78	76	31
Premiums: level, return, request for payment, etc.	1,299	753	585
Refusal to continue the insurance	20	30	29
Procedures applied by insurance companies	36	43	32
Refusal of insight into files	22	149	56
Change of the sum insured	5	2	5
Change of the GTI during the effective term of the agreement	10	3	11

Source: own elaboration based on data published by Financial Ombudsman Office.

The problem, which caused confusion and, consequently, a dissatisfaction of the customers, was the promotion of “*deposit-type*” insurance policies. Although the information provided during the sale increased the level of awareness, but due to misselling<sup>7</sup>, “*it was easier to sell an unfavourable and unnecessary product to a customer*” [Cyman 2016, p. 44].

The sale in bad faith by offering inappropriate policies to buyers or inadequately informing them was also reported on other markets. For example, the British Financial Ombudsman Service indicated that the most frequent reasons for complaints lodged by clients involved the following situations [Kościelniak 2016, p. 36]:

- lack of full and clear information that a deficit may occur at the end of the policy’s effective term;
- incomplete assessment by financial advisors of the consumer’s financial situations, adequate to the level of the product-related investment risk;

<sup>7</sup> In professional literature, misselling is usually defined as ethically and legally questionable practice of a salesperson in an effort to make a profit at all cost, by offering a product which the client has no need for or is not knowledgeable or sufficiently informed about.

- failure to make the buyers aware that income from the investment will only arise after the planned investment period has finished;
- advising the consumers that they invest their money in a policy, in the guise of selling another financial product.

### **5. The policy of informing customers about possibilities of life insurance products as a necessary practice to be used by insurers to protect consumers**

The analysis of practices followed by the insurers demonstrates that, in addition to other financial institutions, insurers still apply solutions of low efficiency in respect of consumer protection<sup>8</sup>, which is a serious topic in the discussion over a new approach to consumer protection issues necessitated by a loss of trust to financial institutions. The loss results from a lack of belief in effective market discipline, a decline of the feeling of mission of the financial institutions, in particular banks and insurance companies, which often surrender to the temptation of dishonesty [Monkiewicz 2015, p. 10].

The major problems of the life insurance market indicate that the need to inform the client about the possibilities of the life products is of enormous significance, in particular for products involving an investment risk. Even though, in conditions of competition, insurance companies should seek consumers for their services by offering them the best possible conditions of contract and by tailoring the offer to meet their needs, they often use the fact that, economically, consumers are the weaker party, usually with marginal knowledge about the products offered to them.

The legal and actual relations with insurance intermediaries are an important issue in the area of information duties with respect to customers who are the weaker party to the insurance contract. In the EU law, there is a clear trend to increase the information duties of insurance intermediaries, in particular in respect of the features and costs of an insurance service. Thus, the division of customers in relations with intermediaries into professional and non-professional ones becomes of particular importance<sup>9</sup> and

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<sup>8</sup> The Supreme Audit Office [Najwyższa Izba Kontroli 2014, pp. 7-12] indicated that new products launched on the financial market and frequently aggressive sales techniques used by supplying institutions are not always customer friendly. The percentage of defective template contracts and systematically increasing number of complaints against the financial market entities are indicative of low effectiveness of the preventive influence of consumer protection instruments. With respect to specific insurance solutions applied in unit-linked life insurance, the Financial Ombudsman showed that they were tailored to the needs of the insurance distribution network and financial expectations of its representatives, while the consumer demand was addressed to a lesser extent. Consumers were offered investment policies inadequate to their needs, with disguised commission costs, and some practices were used to conceal and transfer the distribution costs to the consumer [Rzecznik Finansowy 2016, pp. 7-8].

<sup>9</sup> The concept of division of the customers into professional and non-professional was introduced in Annex 1 to proposal of Directive 2002/92/EC (IMD2). Professional customers are entities which are required to be authorised or regulated to operate in the financial markets, i.e.: credit institutions, insurance and reinsurance intermediaries and investment firms, financial institutions, insurance and reinsurance undertakings, collective investment schemes and management companies of such schemes, pension funds and management companies of such funds, commodity dealers, institutional investors,

so does the special protection taking the form of supply of information, afforded to the latter group [Szaraniec 2013, p. 121].

In times of growing dissatisfaction resulting from insufficient consumer protection on the life insurance market, in particular, the market of unit-linked policies, the information policy used by the insurers, and building the insurance awareness have brought results not only for policyholders, but also for the entire insurance market. Clients often purchased insurance without identifying the related risks, which was the reason why this issue attracted the attention of state supervisory bodies and financial inspection authorities, which in turn led to passing the Act on processing claims by financial market entities and Financial Ombudsman, which took effect on 11 November 2015. The Act provides for uniform manner and dates of financial market entities processing claims lodged by their clients within the framework of complaint procedures [*Act of August 2015*].

Purchasing additional costly contracts linked with other services, as a result of failure to provide complete information at the stage of sale, or as a condition precedent for the conclusion of the main agreement, led to a situation where they were of no particular meaning for the consumer. Thus, it is justified to say that the consumer protection based on the paradigm of information is insufficient [Tereszkiewicz 2015, p. 620], which gives rise to the need for a new approach to protection and enhancement of measures taken in this respect by supervisory and protection bodies, especially given the fact that last year numerous legislative efforts were made in the area of retail financial services intended to eliminate the unfavourable phenomena which undermined consumers' trust in the life insurance products offered on the market. For this reason, especially upon conclusion of insurance contracts of an investment nature, the insurers and brokers should properly recommend a product adequate to the customer's needs and requirements. Therefore, detailed and effective research should be done in the area of customer's needs, which would include determination, as a minimum: [Szczepańska 2015, pp. 211-212] the preferred type of insurance, the purpose and period of the agreement, the age and source of income, the extent of investment risk acceptance (information concerning the level of customer's acceptance of the invested premium during and at the end of the investment). Additionally, the research should include a detailed specification of the customer's capabilities and the level of their knowledge and experience of investing in financial products.

Provisions of Article 15 [of the *Act of September 2015*] are definitely intended to improve the customers' situation, by introducing a broader duty of clear and comprehensive wording of all insurance contracts. These provisions apply not only to general terms of insurance but also to all other templates pertaining to the contract, such as the terms and conditions of a unit fund. Additionally, the provisions of Article

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locals, large enterprises, national and regional government authorities, public institutions, banks. All other entities are treated as non-professional customers, for whom a higher level of protection is required. The amended directive (IMD2) was intended to effectively improve the regulations on the market of retail insurance products. It is aimed to provide equal rules of operation for all market participants selling insurance products and to increase the level of protection for the policyholders. For a more elaborate treatment of this issue see [*Directive of European Parliament...*].

17(1) should be considered pro-consumer in nature: they introduce other information duties towards the customer in template contracts used by the insurers, in particular in the GTI, which include information about: the conditions of payment or the surrender value of insurance, the costs and all other charges deducted from the insurance premiums, from assets of unit funds by redemption of units in unit-linked insurance, the surrender value of insurance in each period of insurance cover and the period during which a claim for payment of the surrender value cannot be pursued.

The implemented regulations increase the customers' security on the one hand, while on the other hand they are intended to intervene in the products to an increasing extent, which may become an essential instrument of consumer protection on the life insurance market. The principles of such an intervention are presented in the EU regulations, which offer a broader possibility to monitor the market, including the investment products. With the provisions of Article 16 and 17 of the Regulation of the European Parliament and of the Council [Regulation 1286/2014], the European Insurance and Occupational Pensions Authority, and the competent authority in the Member State may prohibit or restrict the marketing, distribution or sale of certain insurance-based investment products if the insurance-based investment product addresses a significant investor protection concern. However, as a consequence of the provisions intended to increase the level of protection of insurance-based investment product of consumers (especially retail ones), the effectiveness of the protection regulations may be weakened due to the need to assess the meaning of numerous criteria intended to determine whether and when the marketing, distribution and sale of insurance-based investment products display features which are unfavourable for consumers [Łańcucki 2017, pp. 132-135].

## 6. Summary

The unit-linked life insurance products offered on the Polish insurance market have given rise to numerous problems. The risks and complications are primarily generated by misselling combined with the low effectiveness of the funds. Elimination of the consequences of those phenomena will certainly be a difficult and long-term process and it will require not only increased requirements for insurers in respect of their information policies, but also an increased orientation of the insurance institutions towards measures of educational, protective and control nature in respect of legal and economic interest of customers in the life insurance market. Legislative changes, which are aimed at limiting the financial motivation to sell products that are not actually needed by the insured, are not going to solve all problems related to the operation of unit-linked policies or deposit-type insurance policies.

Security of life insurance market consumers should become the common domain of the market participants, and it is not only the insurers that should be held accountable in this respect, but also other protection bodies and institutions involved in insurance education, as they are also responsible for ensuring adequate level of protection of the customers' rights on the market.

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## Abbreviations

ULF – unit-linked insurance funds.