

## PERSONAL LIABILITY INSURANCE

*Joanna Bak*

Department of Social Policy and Insurance Economics  
University of Warmia and Mazury in Olsztyn

Key words: personal liability, insurance, insurance market.

### Abstract

Personal liability insurance is still not popular as a way to cover accidental injury or damage to the property of a third party. The aim of the conducted research was to identify the limit of coverage and popularity of personal liability insurance on the Polish insurance market. This article presents the number of insurers offering personal liability insurance, the number of policies and the gross written premiums from 2004 until 2009. In depth analysis of the personal liability insurance, general conditions was conducted and the popularity of personal liability insurance among the employees of the Marshal's Office in Olsztyn was surveyed.

## UBEZPIECZENIE ODPOWIEDZIALNOŚCI CYWILNEJ W ŻYCIU PRYWATNYM

*Joanna Bak*

Katedra Polityki Społecznej i Ubezpieczeń  
Uniwersytet Warmińsko-Mazurski w Olsztynie

Słowa kluczowe: odpowiedzialność cywilna, ubezpieczenia, rynek ubezpieczeń.

### Abstract

Ubezpieczenia odpowiedzialności cywilnej w życiu prywatnym są wciąż mało popularnym sposobem na uchronienie się przed konsekwencjami spowodowanymi wyrządzeniem szkody osobom trzecim. Celem przeprowadzonych badań było określenie zakresu i popularności ubezpieczenia odpowiedzialności cywilnej w życiu prywatnym oferowanego przez ubezpieczycieli na polskim rynku. W badaniach określono liczbę ubezpieczycieli oferujących ubezpieczenie OC w życiu prywatnym. Przedstawiono liczbę zawieranych polis oraz wysokość składki przypisanej brutto z tego tytułu w ostatnich latach. Przeanalizowano ogólne warunki ubezpieczenia OC oraz zbadano popularność tego rodzaju ubezpieczenia wśród pracowników Urzędu Marszałkowskiego w Olsztynie.

## Introduction

Changes taking place in the Polish market since the beginning of the 1990s have had effects on the insurance market. On the one hand, the changing realities have led to the emergence of new risks as well as higher exposure to risks treated earlier as marginal. On the other hand, the increasing competition between insurers has resulted in a rapid reaction to adjust the offers to the customers' needs and demands. Currently, we can already see an increase in insurance awareness among Poles. This phenomenon is reflected in the increasing expectations from the insurers and a more critical approach to the insurance products offered (WOLIŃSKA 2003).

The insurance market development is expressed in the more extensive choice of voluntary insurance products. Personal liability insurance is one of such products. As at the 31<sup>st</sup> of December 2009 it was offered by 31 insurance companies out of 35 operating in segment II.

## Research results

The study aimed at determining the scope and popularity of the personal liability insurance offered by the insurers in the Polish market.

The studies encompassed all the insurance companies operating in the Polish market offering personal liability insurance. For the purpose of this study, the general insurance conditions offered by the insurers with gross written premiums from such insurance exceeded PLN 1 billion for the period of 01.01.2009 – 31.12.2009 (on the basis of the latest verified data at [www.knf.gov.pl](http://www.knf.gov.pl) 16.03.2011) were analysed in depth. The research was conducted in two stages.

Stage One: The development of personal liability insurance.

The development of personal liability insurance in the USA and Western Europe dates back to the middle of the 20<sup>th</sup> c. According to the data by the Comité Européen Des Assurances ([www.cea.assur.org](http://www.cea.assur.org) of 28.03.2009), the share of personal liability insurance in the portfolio of property insurance (excluding means of transport insurance) in the United States of America was as much as 70%. It should be highlighted that both voluntary insurance (such as, for example, personal liability insurance) and compulsory insurance (such as professional liability insurance) were represented jointly. The following factors can be assumed for the cause of such a large share of the insurance of that type among the property insurance:

- increase in the claims and insurance awareness in society,
- more stringent liability principles in the regulations and enforcement by courts,
- contractual insurance requirements.

In analysing the popularity of liability insurance (except means of transport insurance) in Western European countries, the share of almost 50% of such insurance in property insurance portfolios was found. With the changing economic and social conditions, the demand for specific types of insurance coverage has changed. The data at the website of the Insurance Ombudsman indicate that the share of liability insurance (excluding means of transport insurance) in all the property insurance in Poland is around 10%.

The insurance statistics for the last couple of years indicate the increasing popularity of (voluntary) liability insurance in our country. The specifications published by the Polish Insurance Association show that the growth dynamics of such insurance (defined by the share of the gross premium written) is at a relatively high level of 9.4% ([www.piu.org.pl](http://www.piu.org.pl) of 30.09.2010). The popularity of insurance products can be measured by the number of policies purchased or the size of the gross premium written. The following table presents the compilation of the number of policies as well as the gross premium written for personal liability insurance during the years 2004–2009.

Table 1  
Number of policies sold and the gross premium written for personal liability insurance during the years 2004–2009

| Year | Number of policies | Gross premium written<br>(in PLN '000) |
|------|--------------------|--|
| 2004 | 2,278,468          | 115,523                                |
| 2005 | 2,456,697          | 115,997                                |
| 2006 | 2,702,463          | 121,982                                |
| 2007 | 3,257,482          | 169,667                                |
| 2008 | 4,336,198          | 197,605                                |
| 2009 | 5,170,006          | 226,643                                |

Source: own work based on the data by the Polish Financial Supervision Authority.

As indicated by the data presented in table 1, a continual increase in the number of personal liability insurance policies sold has been observed during the last six years. From 2004 to 2005 the number of policies sold increased by 178,229 (increase by 107.8%). In 2006 the increase was by 245,766 policies as compared to the preceding year (increase by 110%). In 2007, the number of policies sold was higher by 555,019 than in 2006 (representing the increase by 120.5%). Similarly, in 2008 the increasing trend was maintained with the result of 1,078,716 policies more than in 2007 (increase at the level of 133%). 2009 also follows this trend with an increase in the number of policies sold by 833,808.

The progressive development in personal liability insurance can be noticed in analysing the general conditions of insurance offered by the individual insurers. The analysis of the offered coverage scope deserves particular attention. Table 2 presents the comparison of the insurance coverage scope offered by standard products of the insurers: PZU S.A., TUiR Warta S.A., STU Ergo Hestia S.A., and TU Allianz Polska S.A.<sup>1</sup>.

Table 2  
Differences in standard personal liability insurance coverage with different insurers

| Insurance coverage   | Insurer     |             |             |             |
|--|-------------|-------------|-------------|-------------|
|  | PZU         | Warta       | Ergo-Hestia | Allianz     |
| General liability insurance against third parties claims   | covered     | not covered | covered     | not covered |
| Damage caused by problems with water installation, e.g. open tap   | covered     | covered     | not covered | covered     |
| Damage caused by use of bicycles, paddle boats, kayaks, water cycles, surfing boards, pontoons, water scooters                                     | covered     | covered     | not covered | not covered |
| Transfer of fire to other flats or buildings, e.g. iron left on  | not covered | not covered | not covered | not covered |
| Damage caused by negligence of the duty to maintain real estate property, e.g. broken leg by pedestrian due to iced sidewalk in front of the house | covered     | not covered | not covered | covered     |
| Liability relative to employment of a housekeeper that takes care of a flat or other real estate   | covered     | covered     | covered     | covered     |
| Possession of apiaries up to 5 beehives  | covered     | covered     | not covered | not covered |
| Damage caused outside the territory of Poland, including the USA and Canada  | not covered | not covered | not covered | not covered |
| Damage caused by dogs with visible characteristics of the following breeds*  | covered     | covered     | not covered | not covered |

\* Independent of possessing a pedigree certificate: Caucasian Shepherd Dog, English Bulldog, Doberman, Rottweiler, German Hunting Terrier, Sealyham Terrier, Karelian Bear Dog, Wachtelhund Dog, Chow-Chow, Borzoi, Afghan hound, Sloughi, Saluki.

Source: own work on the base of the individual insurer's General Insurance Conditions.

<sup>1</sup> The choice of the insurer was mainly determined by the gross premium written value (over PLN 1 billion) for the period of 01.01.2009 – 31.12.2009. According to the data by the Polish Financial Supervision Authority ([www.knf.gov.pl](http://www.knf.gov.pl) of 16.03.2011.), the surveyed insurers had the following gross premium written values: PZU S.A. – 7,791,169,000 PLN, STU Ergo Hestia S.A. – 2,183,866,000 PLN, TUiR Warta S.A. – 1,859,463,000 PLN, TU Allianz Polska S.A. – 1,597,259,000 PLN.

The above table presents the most frequently encountered insurance coverage scopes for the individual insurers. Even in the standard (the simplest) versions of the insurance products a relatively wide range of coverage can be observed. The above listing confirms the hypothesis that a combination of products by different insurers would be the best product. In that case, the coverage at the standard level would be complete. As well-known such a situation is impossible to be achieved in practice so the applicant must specify their needs precisely and study the General Conditions of Insurance in detail.

Personal liability insurance as a component of the individual client's property insurance package was the next area of the survey.

Insurance packages have started playing an increasing role. The most important reason for this situation should be assumed to be the possibility of insuring many types, frequently highly different risk types with a single policy. Additionally, package insurance is frequently simply cheaper than purchasing individual risk insurance coverage separately.

Personal liability insurance is, next to the accident insurance and assistance insurance, the most frequently encountered component combined with flat or house insurance. The figure 1 presents the percentage share of such insurance in the insurance of flats sold during the last four years.

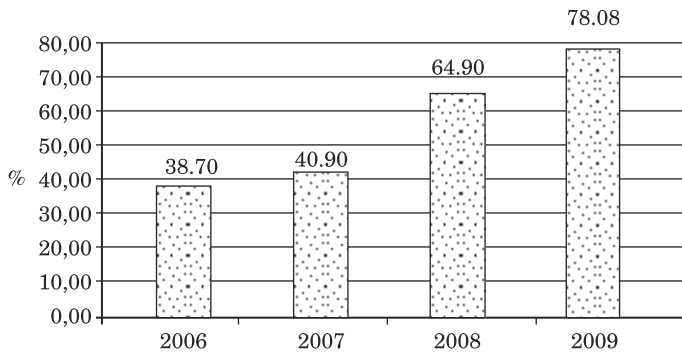


Fig. 1. Share of personal liability insurance in the insurance of flats during the years 2006–2009 [%]  
Source: own work based on data by the Polish Financial Supervision Authority.

As indicated by the above figure 1, the share of personal liability insurance in the total number of flat and house insurance policies<sup>2</sup> sold had been increasing systematically from 38.7% in 2006 to 78.08% in 2009.

The results presented represent a part of the survey conducted at the Marshal's Office in Olsztyn in 2009. The survey concerned the general

<sup>2</sup> The above data do not differentiate between flat and house insurance, treating them jointly.

insurance of flats and houses of individual clients. Persons declaring possession of a house or flat represented 88% of the population surveyed.

In the survey, particular attention was paid to property insurance packages. The division of the insured according to the selected insurance product design is presented in figure 2.

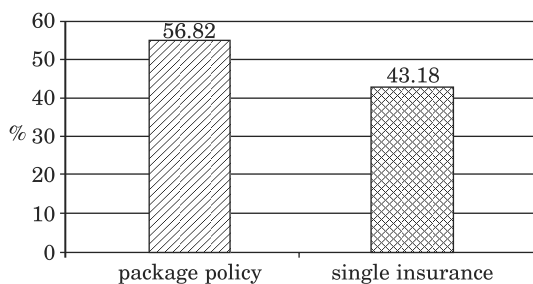


Fig. 2. Division of the insuring according to the insurance product design

Source: own work based on the survey conducted.

Among the population surveyed, the vast majority declared possessing a package insurance for the property. Each person possessing a package product indicated personal liability insurance as a component of that package. In addition, 56.82% of the population surveyed who insured a house or flat also possessed private liability insurance.

Determining who chooses the package insurance more frequently was another component of the study – house owners or flat owners? The answer to that question is presented in figure 3.

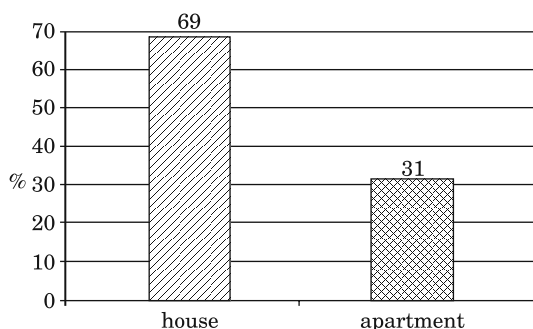


Fig. 3. Percentage of insurance clients who selected package insurance due to the insurance object  
Source: own work based on the survey conducted.

The conducted surveys showed that 69% of respondents choosing package insurance were house owners. Owners of flats represented only 31% of the respondents. This result indicates that owners of houses prefer comprehensive

(package) coverage against various risk types. They use insurance package more frequently than people living in multi-family houses.

Figure 4 presents a comparison of the results obtained for the population surveyed with the national results concerning the share of personal liability insurance in the insurance of houses and flats.

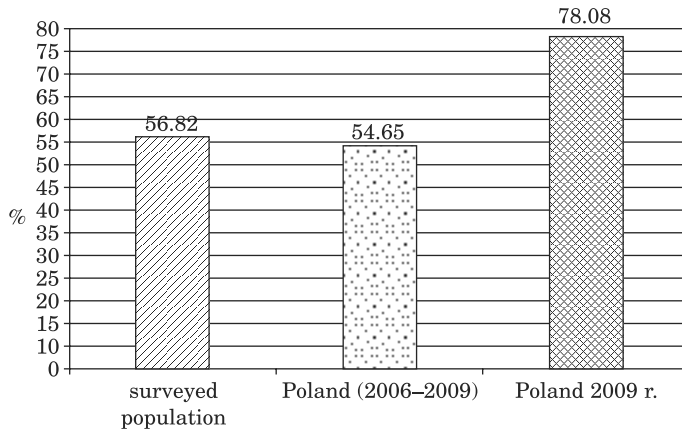


Fig. 4. Share of the personal liability insurance in the insurance of flats and houses in the population surveyed compared to the results for Poland

Source: own work based on the survey conducted.

As indicated by the above figure, in 2009, 78.08% of the people in Poland possessing a house or flat insurance also had the personal liability insurance. At the same time that share in the population surveyed was 56.82% of all insurance clients, which gave a gap of 21.26%. On the other hand, the national average for the years 2006-2009 was 55.65%.

## Conclusions

As a result of the survey conducted, it was determined that the number of personal liability insurance policies sold has been increasing systematically. In 2009, the number of such policies sold in the country was more than double the number of the policies sold in 2004. It can be concluded that the popularity of this type of insurance has been increasing significantly. Insurance clients have a wide choice of insurance products. Personal liability insurance is offered by 88.6% of the insurers operating in segment II, i.e. 31 out of 35 insurance companies (as at 31.12.2009). The results of the survey conducted in Olsztyn indicate that the popularity of this insurance in the surveyed population did

not differ significantly from the national average. On the other hand, personal liability insurance is significantly more frequently taken out by owners of single family houses than by residents in multi-family housing.

Translated by JERZY GOZDEK

Accepted for print 25.04.2012

### References

- WOLIŃSKA B. 2003. *Wzrost świadomości ubezpieczeniowej a perspektywy rozwoju ubezpieczeń odpowiedzialności cywilnej*, [www.rzu.gov.pl](http://www.rzu.gov.pl)  
General Conditions of the personal liability insurance with Allianz Polska S.A., Ergo Hestia S.A., PZU S.A., Warta S.A.  
Komisja Nadzoru finansowego, [www.knf.gov.pl](http://www.knf.gov.pl)  
Polska Izba Ubezpieczeń, [www.piu.org.pl](http://www.piu.org.pl)  
Rzecznik Ubezpieczonych, [www.rzu.gov.pl](http://www.rzu.gov.pl)