

Pielichaty, Edward

**Article**

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The Central European Review of Economics and Management (CEREM)

**Provided in Cooperation with:**

WSB Merito University in Wrocław

*Suggested Citation:* Pielichaty, Edward (2017) : Accounting rules for revenues arising from insurance products offered in banks, The Central European Review of Economics and Management (CEREM), ISSN 2544-0365, WSB University in Wrocław, Wrocław, Vol. 1, Iss. 3, pp. 85-105, <https://doi.org/10.29015/cerem.299>

This Version is available at:

<https://hdl.handle.net/10419/229739>

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# Accounting rules for revenues arising from insurance products offered in banks

**Edward PIELICHATY**

**WSB University in Wrocław, Poland**

## **Abstract:**

**Aim:** The paper follows up and builds on the author's considerations pertaining to the market of bancassurance products and the accounting treatment for remuneration banks receive for offering this kind of products. The article aims at presenting the new rules of accounting for and recognition of insurance commission in the bank accounting books, as they have been recommended by the Polish Supervision Authority (PSA) since 2013, and the assessment of impact of those new rules on the bank financial results.

**Design / Research methods:** This paper seeks to verify the hypothesis stating that the bank's financial performance may deteriorate significantly after the implementation of the new accounting rules for commission received for selling insurance products, recommended by the Polish Supervision Authority in 2013. The study was conducted on the basis of the reports of the Polish Chamber of Insurance, using the comparative analysis method. Moreover, the paper employs a critical analysis of academic literature and the PSA recommendation (guidelines) for bancassurance.

**Conclusions / findings:** The studies have confirmed the assumption made as to the financial performance of the banks in Poland offering bancassurance-type products over the early years of the PSA's new recommendation being in force.

**Originality / value of the article:** The set of issues this paper is dedicated to is very much up-to-date in Poland. In 2013, the new "U" recommendation of the PSA was implemented in banks, specifying, among other things, the rules for the recognition of revenue from offering insurance products.

*Key words: bancassurance, insurance commission, effective interest rate*

JEL: G21, G22, M41, M48

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Correspondence address: Edward Pielichaty, WSB University in Wrocław, ul. Fabryczna 29-31, 53-609 Wrocław, Poland. E-mail: edward.pielichaty@wsb.wroclaw.pl

Received: 21-06-2016, Revised: 21-04-2017, Accepted: 05-06-2017

<http://dx.doi.org/10.29015/cerem.299>

## 1. Introduction

The paper follows up and builds on my considerations pertaining to the market of bancassurance products and the rules of accounting for the banks' remuneration received for offering this kind of products (Pielichaty 2014: 208-216; Pielichaty 2015: 191-202). This paper also focuses on the set of issues relating to accounting treatment of the revenue arising from the banks' operations involved in the sales of insurance policies. The paper seeks to present the new rules of accounting for and recognition of insurance commission in the bank accounting books, as they have been recommended by the Polish Supervision Authority [*Komisja Nadzoru Finansowego*, PSA] since 2013, and the assessment of impact of those new rules on the banks' financial results.

In the Polish banking industry practice, it appears that the insurance commission revenue was recognized in the accounting books in a very diversified manner with respect, for example, to the extent to which those commissions were considered for the calculation of the effective interest rate which affects the carrying amount of credit receivables and the bank current financial result. The study carried out by the Polish Supervision Authority (PSA) over the period of 2012-2013, focusing on the banks' compliance with the high standards within the insurance distribution, as advocated by the PSA, revealed major irregularities (PSA 2012, 2013a, 2013b). According to the PSA, the irregularities related mainly to: banks acting both as the insurer and insurance intermediary, no possibility of taking direct action against the insurer by the insured or their heirs, hampered access to the content of the insurance contract by the customer, constraints on the customer's freedom of choice with respect to the insurance company, disproportionate commission amount,<sup>1</sup> unreliable information policy on possible claims of redress against customers.

The analyses conducted by the PSA show that in 2013 and before the banks significantly breached the accounting rules for the recognition of revenues from

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<sup>1</sup> According to the analyses conducted by the PSA, in the past, the banks' remuneration for servicing insurance contract sometimes amounted to up to 95% of the premium paid by the customer (Kwaśniak 2013)

insurance mediation activities, failing to comply with the PSA's guidelines.<sup>2</sup> A large part of insurance commission was recognized only as a one-time revenue, despite the fact of it being closely linked to the sales of credit products. In 2013, the Polish Supervision Authority recommended a shift from one-time recognition of revenue from insurance commission to deferred accounting, in particular, with respect to group insurance contracts for credits taken by the bank customers. Nevertheless, the studies conducted in 2013 confirmed that the majority of systemically relevant banks did not follow the PSA's recommendations. As a result, with a view to making the bancassurance market more orderly in Poland, at the end of 2013, the Office of the Polish Supervision Authority developed a draft of the new market standard which was officially adopted in June 2014 as the new "U" recommendation on good practices within the scope of bancassurance.<sup>3</sup>

This recommendation is yet another step made to sort out the relations in the Polish bancassurance market.<sup>4</sup> Identifying good market practices in the field of bancassurance is supposed to contribute to a wider and better protection of the participants and a stable growth of this market. The regulations established by the PSA also seek to sort out the rules on how the revenue from the insurance commission is accounted for and recognized, which should lead to more uniform rules on credit receivables measurement and determination of the bank's financial results. It is, however, to be expected that over the first years following the implementation of the new accounting rules for the insurance product sales commission the banks' financial results may deteriorate significantly. This paper seeks to verify this hypothesis. The studies were conducted based on the reports of the Polish Chamber of Insurance (PCI) [*Polska Izba Ubezpieczeń*], using the comparative analysis method. Moreover, the paper employs a critical analysis of academic literature and the recommendation (guidelines) of the PSA and the Polish

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<sup>2</sup> According to the PSA, the revenue from the sale of insurance products should be recognized in the bank financial statement in accordance with the International Accounting Standard (IAS) Revenue (PSA 2013a).

<sup>3</sup>This recommendation was implemented by the banks before the end of March 2015.

<sup>4</sup> The Polish Bank Association (Związek Banków Polskich/ZBP) was the first to take action addressing this issue (ZBP 2009)

Bank Association [*Związek Banków Polskich*, PBA] within the scope of bancassurance.

## **2. The essence and aims of bancassurance**

Broadly speaking, bancassurance can be described as an activity which involves using the bank's facilities, services and customers for the purpose of selling insurance. One of the definitions used in the literature states that bancassurance involves operations performed by bank - insurance groups which are permanently linked institutionally aimed at offering both bank and insurance products (Urbaniak 2001; Śliperski 2002: 22). The links between banks and insurance companies, within the bancassurance strategy, can be as follows (Swacha-Lech 2008: 12):

1. subjective, where banks are the dominant party,
2. objective, where the bank engages its distribution channels in the insurance product sales.

According to the PSA, the bancassurance market involves the bank's offering insurance (intermediation activity to conclude an insurance contract or an offer of the accession to an insurance contract on behalf of a third party) under contracts concluded between the bank and insurance company, directly linked to the bank product, and those which are not directly linked to this product, as well as insurance products of investment or saving nature (the "U" Recommendation from June 2014: 6). Moreover, the PBA for the purpose of its own recommendation, defines bancassurance as a service rendered to banks' customers in which insurance coverage is offered under contracts concluded between banks and insurers of group insurance on behalf of banks' customers (PBA 2009: § 3(1)).

Bancassurance is the consequence of adjusting the structure of financial institutions to services and products that are being offered to customers, as well as the pursuit on the part of these institutions to render all those services by just one institution. It should be noted that both banks and insurance companies operate on the same market, i.e. a financial services market. This is precisely this aspect that makes their products similar or even complementary, with their target customer groups

overlapping considerably. Thus, they can act as competitive partners or cooperating partners, both benefiting from the so called synergy effect. Besides striving to obtain synergy, the main objectives behind the development of the bancassurance products market include: diversification of revenue sources, offering bundled services and shortening the time needed to develop new products, winning new customers and strengthening competitive position, increasing the capital profitability

One should, however, bear in mind that the bancassurance process, i.e. distributing and offering integrated financial services has a number of limitations of which the paramount are the legal constraints pertaining to the extent banking activity can be combined with insurance activity within one organization. Furthermore, the combined structures of the bank and insurer may prove to be excessively vulnerable to economic fluctuation.

Within the banking-insurance cooperation, the role of the bank is important for the bank's customers' insurance contracts which are concluded by the insurance companies. It is usually the bank that is the entity directly selling or offering the insurance service and it can act as:

- a person providing information, who indicates the possibility to conclude an insurance contract with a particular insurer,
- an insurance intermediary, who concludes a contract being authorized by one of the parties to the insurance contract,
- an insurer, who concludes an individual or group insurance contract on behalf of its customers who, under this structure, are the insured with the bank being required to pay insurance premiums (Cichy, Szewieczek 2012: 21).

Group insurance contracts make up a significant part of the Polish bancassurance market within which individual insurance contracts are also concluded. The individual insurance contracts do not need to be linked to a bank product (neutral insurance) and in the majority of cases those contracts are offered by the banks acting then in the capacity of an insurance intermediary.

In light of the most recent regulations, proper identification of the bank's role in the bancassurance procedure is crucial for a correct accounting for and recognition

of revenues arising from insurance commission. The next segment of this paper is concerned with this issue.

### **3. New rules for accounting for and recognizing revenue from insurance commission in banks**

Before the implementation of the PSA's recommendations (guidelines) with respect to accounting for insurance commissions, the banks, as a rule, recognized those revenues on a one-time basis in their profit and loss account. For banks which were relevant from the point of view of the banking system (43% of the banking sector assets), acting as an insurance intermediary, over 96% of insurance commissions was recognized on a one-time basis as revenues, and in the group of other banks (32% of the banking sector assets) the figure stood at over 80%. Moreover, for banks acting as an insurer nearly 40% of insurance commission was recognized on a one-time basis as revenue, within the group of the systemically relevant banks, and 60% for other banks (Kwaśniak 2013). In this way the banks' current financial results were greatly improved; however, this kind of solution clearly breached the overriding financial accounting rules, including the matching principle of revenues and expenses, and the principle of substance over form. In order to eliminate those irregularities, now the PSA's "U" recommendation orders banks to account for the commissions received from the insurance products sales:

1. as revenues from the current period,
2. during the period when the banking product is being accounted for, or
3. partially over time, and partially as current revenues.

The method of accounting for the insurance commissions depends on the type of the service rendered by the bank, i.e. intermediation activity within insurance policies (the bank acts as an insurance intermediary) or the service providing insurance cover (the bank acts as an insurer).

#### **4. Insurance intermediation activity**

If a bank acts as an insurance intermediary, then the commission received or receivable should be recognized as revenue on the day of inception of insurance policies or their renewal. However, attention should be drawn to the fact that, according to the PSA's recommendations, if it is reasonably likely to occur that the bank will be required to render further services within the term of the insurance contract (other than the conclusion of the insurance contract), then the commission (or its part) should be accounted for during the duration of the contract. In this case the commission should be accounted for by:

1. reference to the stage of completion of the transaction at the close of the reporting period if the outcome of the transaction can be estimated reliably,
2. a straight-line method, if it is not possible to determine the number of acts undertaken during the term of the insurance policy.

One should also mention that if the outcome of the transaction involving the rendering of additional services cannot be estimated reliably, the recognition of revenues from the transaction should be recognized only to the extent of the expenses incurred by the bank which it expects to recover.

#### **5. Insurance coverage**

If the banks conclude a banking product contract and an insurance contract simultaneously, thereby rendering a hybrid financial service, then, according to the PSA, they are required to recognize the revenue received for this type of service depending on the titles of commissions and the accounting rules adopted for the recognition of financial instruments linked to them. In order to specify the manner in which the remuneration for distributing insurance products is recognized, it is necessary to determine the extent to which the insurance product is linked to the financial instrument, while taking into account the economic substance of the transaction. A direct link between the insurance product and financial instrument occurs in particular when at least one of the two conditions is met:

- a. the bank offers a financial instrument always together with an insurance product,
- b. an insurance product is offered by the bank exclusively with a financial instrument, i.e. it is not possible to buy at the bank an insurance product that is identical in terms of legal form, terms and conditions, and economic substance without buying the product bundled with a financial instrument.

The remuneration for offering insurance products which are directly linked with financial instruments, measured at amortized cost is accounted for according to the method of effective interest rate and recognized in income interest, except for the situation when the analysis of the direct link between the insurance product and financial instrument brings about the breaking down of the combined product, i.e. the separation of the fair value of the financial instrument offered and the fair value of the insurance product sold together with this instrument. In this case the remuneration for the insurance product sales should be split between the portion representing the amortized cost of the financial instrument and the portion representing the remuneration for performing intermediation actions.

The remuneration for rendering the intermediation service is recognized as the revenue arising from commission at the time of the insurance product sales or when it is renewed. If the bank renders additional services, the entire remuneration or its portion is accounted for during the contract's term, while taking into consideration the matching principle of revenues and expenses, and the stage of completion of the transaction. The break-down of the remuneration should be done proportionally: the financial instrument fair value and the intermediation service fair value respectively in relation to the sum of both of those values, i.e. according to the so called "relative fair value method". The fair value of the intermediation service should be measured based on the market approach, which involves using prices and other relevant information generated by identical and comparable market transactions. The financial instrument fair value, on the other hand, should be measured based on the income capitalization approach, which involves the calculation of what is the present value of future amounts.

The established proportion, i.e. the proportion of the fair value of intermediation service in the sum made up of the intermediation service fair value and financial

## ACCOUNTING RULES FOR REVENUES ARISING FROM INSURANCE PRODUCTS

instrument fair value, is used to divide the remuneration received for insurance into three components, which are identified differently in the profit and loss account, i.e.:

- intermediation component – a one-time recognition,
- component which is integrated with the financial instrument – amortized using the effective interest rate method,
- component representing the remuneration for after-sales acts – accounted for based on a straight-line method.

In addition, there should be estimation carried out of the remuneration amount that will be returned (e.g. the customer cancels insurance, advance payments or other reasons) during the times following the insurance product sales. Within the portion pertaining to the intermediation service, provision is created for this kind of returns, while the effective interest rate is adjusted by the portion attributed to the revenue accounted for at amortized cost.

The above rules for accounting for insurance commission in banks are demonstrated in practical terms based on the numerical example presented below.

### **Example 1**

Assumptions:

The credit nominal value: PLN 25 000

Intermediation service fair value: PLN 1 800

Financial instrument fair value: PLN 20 000

Remuneration for bancassurance: PLN 2 000

Remuneration for interest on credit: PLN 4 000

The remuneration return – 30% of the remuneration received

### **Accounting for the remuneration for bancassurance according to the „U” Recommendation:**

#### Step 1:

The proportion of the fair values of the intermediation service and financial instrument:

intermediation service:  $(1800 / (1800 + 20000)) \cdot 100 = 8.3\%$

financial instrument: 91.7%

Step 2:

Breaking- down the total remuneration into individual components:

intermediation service component:  $8.3\% \cdot (2000 + 4000) = 500 \text{ zł}$

component directly linked to the credit :  $91.7\% \cdot (2000 + 4000) = 5500 \text{ zł}$

Step 3:

Provision amount allocated for the remuneration return:  $30\% \cdot 2000 = 600 \text{ zł}$

Step 4:

Accounting for the revenues from the insurance product sales in the bank:

the amount of insurance commission recognized on a one-time basis and the remuneration for after-sale acts accounted for on a straight-line basis:

$500 - (8.3\% \cdot 600) = 458.50 \text{ zł}$ , which represents 22.9% of the total remuneration,

insurance commission amount integrated with the financial instrument deferred using the ESP:

$1500 - 558.50 - 941.50 \text{ zł}$ , which represents 47.1% of the total remuneration.

The above example clearly demonstrates that the change of the rules for accounting treatment of insurance commission has the effect that a much larger proportion of the remuneration for bancassurance is deferred using the effective interest rate than it has been the case so far.

**6. The financial implications of the change of the accounting method for insurance commission in the bank accounting books**

The lack of the uniform solutions in terms of the break-down of bank revenues for insurance intermediation into the portion that is deferred using the effective interest rate and the portion accounted for on a one-time basis (or interim) through the bank financial result leads, in the banking industry practice, to the value of the credit

portfolio and the bank financial performance to develop freely. Depending on the proportions by which the insurance commission is broken down, the value of credit portfolios at the adjusted purchase price and the bank current financial results can vary significantly. Obviously, the scale of those differences is closely dependent on the sales volume of insurance products and the insurance commissions thus obtained.

On the basis of the analysis of the financial statements of selected commercial banks, such as Getin Noble Bank S.A., Alior Bank S.A. and PeKaO S.A the conclusion is that over the period of 2008-2012 those banks, in principle, made no assessments in terms of the linking of the insurance product with credit products while accounting for insurance commissions. A large portion of the insurance commissions was accounted for in those banks on a one-time basis through profit and loss. Only Alior Bank, over the period of 2008-2012, broke down the remuneration received for selling insurance products bundled with credit products into the one-time portion (recognition of the revenue for rendering insurance distribution services) and the portion with a deferred accounting (recognition in the credit measurement using the effective interest rate); however, based on the unit proportions of the sale price of those products. As the result of employing this method, the bank accounted on accrual basis for only 12.5% of the commissions received for the sales of insurance products for cash loans; 3.3% for mortgages and 4.8% for car loans.

In the first half of the year 2013, Getin Noble Bank also implemented changes within the accounting policy in terms of accounting for commissions received thanks to bancassurance. At that time, the bank began to break down those commissions into the portion recognized on a one-time basis in the financial result and the portion with deferred accounting, however, on a straight line basis during the term of the insurance contract.

In line with the PSA's guidelines and recommendations of 2013 addressed to banks, already discussed before, the examined banks changed their accounting policies on 1 January 2013, which made it necessary to restate the data retrospectively in accordance with the International Accounting Standards (International Financial Reporting Standards 2011, IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors). The banks decided to modify the model so far applied for the break-down of the remuneration received for the intermediation services rendered

within the sales of insurance linked with credit products – into the portion of remuneration to be recognized on a one-time basis in the profit and loss account and the portion using deferred accounting – following the IAS rules and the guidelines indicated by the PSA. The remuneration received for the distribution of insurance products offered together with the credit products, in accordance with the economic substance of the transaction, currently represents:

1. an integral portion of the remuneration for the financial instrument offered,
2. remuneration for rendering intermediation service or
3. remuneration for rendering additional acts performed during the insurance contract duration (accounted for by the banks during the period in which those services are being rendered).

As on 31 December 2013, the method, which was based on the relative fair value model, was implemented for deferred accounting for the remuneration received for insurance offered together with mortgage and cash loans. The banks' accounting policy within the scope of accounting for the fees charged for selling insurance products was based on the requirements of IAS 18: Revenue and Attachment no 1 to this standard, while taking into consideration the overriding accounting principle of substance over form.

The above cited banks adjusted the comparative data at the end of 2012 making adjustments to:

- the profit and loss account in terms of revenue from interest, commissions and fees,
- statement of financial position for: credit and loans granted to customers, retained earnings from previous years and deferred income

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**Table 1. Selected items of the profit and loss account as on 31 December 2012 – before and after the change of the accounting method for income generated by insurance products sales (value in thous. PLN)**

Items	original data as on 31.12.2012	adjustment for the change of rules for accounting for insurance commission	as on 31.12.2012 after adjustment
<b>Alior Bank</b>			
Interest income	1,282,843	116,791	1,399,634
Net interest income	709,744	116,791	826,535
Fees and commission income	667,306	-301,154	366,152
Fees and commission expenses	-197,937	27,767	-170,170
Net commission and fee income	469,369	-273,387	195,982
Gross profit/loss	227,635	-139,424	88,211
Net profit/loss	172,393	-112,933	59,460
<b>Getin Bank</b>			
Interest income	4,255,213	100,989	4,356,202
Net interest income	1,195,781	100,989	1,296,770
Fees and commission income	934,113	-148,105	786,008
Fees and commission expenses	-226,420		-226,420
Net commission and fee income	707,693	-148,105	559,588
Gross profit/loss	369,519	-46,807	322,712
Net profit/loss	310,957	-37,914	273,043
<b>PeKaO</b>			
Interest income	7,917,577	121,755	8,039,332
Net interest income	4,529,578	121,755	4,651,333
Fees and commission income	2,549,630	-135,008	2,414,622
Fees and commission expenses	-524,145	-	-524,145
Net commission and fee income	2,025,485	-135,008	1,890,477
Gross profit/loss	3,608,853	-15,927	3,592,926
Net profit/loss	2,938,155	-12,901	2,925,254

Source: self-reported data based on the annual reports of the analyzed banks.

The financial consequences of the adjustments made because of changing the method by which revenues arising from the insurance product sales are accounted for are demonstrated in Table 1, for the relevant items in the profit and loss account. The figures included in the table show that the change in the accounting method for insurance commission had a significant impact on the banks' financial position. The change of rules with respect to how the revenue from the insurance commission is recognized in the profit and loss account at Alior Bank, Getin Noble Bank and PekaO led to the fall in the commission and fee income by PLN 273,387 thousand; PLN 148,105 thousand and PLN 135,008 thousand, respectively. The varying impact of the change of this accounting policy on the bank situation in terms of income and capital arises from the scale of the insurance products sales, as well as a different methodology applied so far in this area by the examined banks.

As a result of the changes implemented in the accounting policy within the bancassurance area, over the years 2013-2014, the banks in question began to defer most of the remuneration (70-90%) for rendering the insurance services using the effective interest rate. At the moment of selling the insurance policy, they recognized it as a one-time revenue of the following amount:

- Getin Noble Bank from 0% to 14% for retail credit; between 0% and 35% for mortgages and car loans, and 10% for corporate sector loans;
- Alior Bank 13% and 20% respectively for cash loans and mortgages;
- PeKaO 12 % and 30% respectively for cash loans and mortgages.

## **7. The impact of the „U” Recommendation on the insurance products sales through bank channels**

The 2015 report of the Polish Insurance Chamber (PIC) dedicated to bancassurance finds that the “U” Recommendation, effective already for over a year, brought significant changes in terms of the sales of insurance products using the bank distribution channels. Besides the ever stronger position of the individual insurance policies, another valid outcome of this recommendation being in force has been a significant fall in the sales of insurance policies through banks. In particular,

this decline is clear within the sale of life insurance policies. The PIC’s report shows that at the end of 2015 the income from this insurance department within the bancassurance channel framework was at PLN 10.6 billion, which represented 39.2% of the total revenues generated by this sector within this area of insurance policies. This means that in the last year the share of life bancassurance in the performance of the entire sector fell by 1.6 percentage point. Still, the situation is even worse when compared with the years 2012 and 2013, when the premiums from this segment collected through banks as an intermediary were at 53% and 46.7% respectively of the revenues from life insurance premiums in total. The impact of the “U” Recommendation on the amount of premiums obtained through bank channels in the life insurance department over the period of 2012-2015 demonstrates Table 2.

**Table 2. The premium amount collected through the bancassurance channel against the total premium of life insurance companies (in PLN Bln)<sup>5</sup>**

Items	2012	% of total	2013	% of total	2014	% of total	2015	% of total
The premium collected through the bank channel	19.2	53.48	15.2	46.63	12.3	40.86	10.6	39.26
Other premium	16.7	46.52	17.4	53.37	17.8	59.14	16.4	60.74

Source: PIC (2016: 6-7)

Moreover, in 2015, within the non-life bancassurance, PLN 2.22 billion worth premiums were collected which corresponded to 9.7% of the total result of this insurance department. Over the earlier period of 2012-2015 the premiums collected for non-life insurance through the bank channels were at 7.2%, 9.2% and 10.4% respectively. Looking at Table 3, it is easy to notice that the impact of the “U” Recommendation on the collection of non-life insurance premiums under the

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<sup>5</sup> The study was conducted on a sample of 23 insurance companies whose total share in the life insurance market over the period of 2012-2015 represented 97-98,5% (PIC 2016: 5).

contracts concluded through the banks acting as intermediaries is indeed smaller, and the fall in revenues began only last year, in 2015 (fall by 0.74 percentage point).

**Table 3. The premium amount collected through the bancassurance channel against the total premium of non-life life insurance companies (in PLN Bln)<sup>6</sup>**

Items	2012	% of total	2013	% of total	2014	% of total	2015	% of total
The premium collected through the bank channel	1.44	7.94	2.04	9.24	2.34	10.40	2.22	9.66
Other premium	16.7	92.06	20.04	90.76	20.17	89.60	20.75	90.34

Source: PIC (2016: 21-22)

As already mentioned before, one of the consequences of the PSA recommendation being in force on the bancassurance market is increased relevance of individual insurance contracts. The findings of the PIC Report show that over the last years the value of the premiums collected from individual life insurance policies rose significantly, which were sold using the banking distribution channels. This is particularly noticeable in the group of investment products and protection products linked with the banking product. With respect to the first ones, in 2015 the share of the individual policy premiums was at 80.6% (in 2014 it was 54.7%), and for the second group of products it was 65.4% (in 2014 there was only group insurance). As for the non-life insurance, this department is still dominated by group insurance policies, whose share in the total number of policies, as at the end of September 2015, was at 93%, i.e. the individual contracts represented only 6.9%. However, year on year, the relation between the group insurance contracts and individual contract changes; just to compare, last year it was at 97.7% and 2.3%.

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<sup>6</sup> The study was conducted on a sample of 20 insurance companies whose total share in the non-life insurance market over the period of 2012-2015 represented 76-90% (PIC 2016: 20)

## 8. Concluding remarks

The PIC reports on bancassurance demonstrate that the “U” Recommendation, in force for over a year, has led to a fairly considerable decrease in the amount of insurance premiums collected through bank distribution channels, both for Department I, i.e. life insurance and Department II – non-life insurance. This means that the banks’ income for offering insurance products declined significantly, which is confirmed by the results in 2010-2014 of the banks covered by the study for the purpose of this paper (see Table 4). It is difficult to predict rationally how the future trend in terms of the revenues from the sales of the bancassurance-type products will develop, and it is, therefore, not easy to assess what the further impact of the recommendation on the banks’ results will look like. However, it is clear that the PSA recommendation indeed sorted out the bancassurance product market, leading to better protection of the interests of the insured. In particular, crucial is here greater importance of the individual insurance contracts under which the policy holder has a full access to the content of insurance contract and may take actions directly against the insurer. This has the effect that banks cease to play a double role on the bancassurance market – that of the insurer and that of insurance intermediary.

Yet another outcome of the recommendation is that the bank’s customer’s insurance burden has diminished significantly. For rendering the service whose objective is the conclusion of an insurance contract, the bank may only demand the return of the expenses incurred in relation to the insurance contract conclusion. As already mentioned in the paper’s introduction, the share of the banks in the insurance premium before the implementation of the PSA recommendation was considerable and often amounted to 70-90%. Consequently, insurance commissions paid by the bank’s customers, who were offered a bank product together with insurance product, were relatively high and the customer’s pursuit of claims under the policy significantly hampered given that the bank also acted as the insurer.

The implemented recommendation also sorted out and harmonized the bank accounting policy rules in terms of the recognition of revenues for insurance commission in the current profit and loss account and its impact on the measurement of credit receivables. Deferring insurance commission using effective interest rate is

a solution, for bancassurance products, which fully respects the conceptual assumptions of the IAS.

**Table 4. The banks' financial results and their dynamics over the period of 2012-2014**

Items	as on 31.12.2012 in PLN thous.	as on 31.12.2013 in PLN thous.	dynamics 2013/2012 (%)	as on 31.12.2014 in PLN thous.	dynamics 2014/2013 (%)
<b>Alior Bank</b>					
Gross profit/loss	88211	277119	314,15	413258	149,13
Net profit/loss	59460	219752	369,58	337030	153,37
Interest income	826535	989835	119,76	1200640	121,30
Fees and commission income	195982	258193	131,74	348014	134,79
<b>Getin Bank</b>					
Gross profit/loss	322712	376851	116,78	413258	109,66
Net profit/loss	273043	310755	113,81	337030	108,46
Interest income	1296770	1254116	96,71	1200640	95,74
Fees and commission income	559588	341411	61,01	348014	101,93
<b>PeKaO</b>					
Gross profit/loss	3592926	3436400	95,64	413258	12,03
Net profit/loss	2925254	2800000	95,72	337030	12,04
Interest income	4651333	4310524	92,67	1200640	27,85
Fees and commission income	1890477	1911297	101,10	348014	18,21

Source: self-reported data based on the banks' reports

Finally, it must be concluded that the hypothesis formulated in the paper's introduction, stating that the recommendation implemented by the PSA will reduce the revenue from the sales of insurance products through banks has been verified positively. The statistical data resulting from the PIC reports, which was presented and analyzed here, demonstrate that over the last two years the banks' revenues from the sales of bancassurance products have clearly declined, especially as regards the Department I insurance. The same effect has the conversion of group insurance into individual contracts, in light of the "U" Recommendation, which are now generating a much lower revenue. Moreover, the change in the accounting rules for insurance

commission to be applied in the bank accounting books has also influenced the fall in the revenue arising from insurance commission.

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**Zasady rozliczania przychodów z tytułu oferowania produktów ubezpieczeniowych w bankach**

**Streszczenie**

**Cel:** Artykuł jest kontynuacją rozważań autora na temat rynku produktów bancassurance i zasad rozliczania wynagrodzeń otrzymywanych przez banki z tytułu oferowania tego rodzaju produktów. Celem artykułu jest przedstawienie nowych zasad rozliczania i ujmowania prowizji ubezpieczeniowych w księgach banków, które są rekomendowane od 2013 r. przez Komisję Nadzoru Finansowego (KNF), oraz ocena ich wpływu na wyniki finansowe banków

**Metodyka badań:** W niniejszym artykule podjęta została próba weryfikacji hipotezy, że wyniki finansowe banków mogą ulec istotnemu obniżeniu, po wdrożeniu nowych zasad rozliczania prowizji z tytułu sprzedaży produktów ubezpieczeniowych, rekomendowanych od 2013 r. przez Komisję Nadzoru Finansowego (KNF). Badania przeprowadzono na podstawie raportów Polskiej Izby Ubezpieczeń z zastosowaniem metody analizy porównawczej. W artykule wykorzystano także metodę analizy krytycznej piśmiennictwa oraz rekomendacji (zaleceń) KNF w zakresie bancassurance.

**Wnioski:** Przeprowadzone badania potwierdziły przypuszczenia co do kształtowania się wyników finansowych banków w Polsce, oferujących produkty typu bancassurance, w początkowych latach obowiązywania nowej rekomendacji KNF w tym zakresie.

**Wartość artykułu:** Problematyka, której poświęcono niniejszy artykuł, jest w Polsce bardzo aktualna. W 2013 r. została bowiem wdrożona w bankach nowa Rekomendacja "U" KNF, określająca m. in. zasady ujmowania przychodów z tytułu oferowania produktów ubezpieczeniowych.

**Implikacje:** Artykuł ukazuje praktyczne skutki wdrożenia nowych zasad rozliczania prowizji ubezpieczeniowych dla wyceny portfeli kredytowych w bankach, powiązanych z produktami ubezpieczeniowymi. Stanowi cenny materiał źródłowy dla bankowców, zajmujących się problematyką rozliczania prowizji ubezpieczeniowych w księgach rachunkowych banków.

**Ograniczenia:** Artykuł może inspirować do prowadzenia dalszych badań nad metodami wyceny produktów typu bancassurance.

*Słowa kluczowe: bancassurance, prowizja ubezpieczeniowa, efektywna stopa procentowa*

JEL: G21, G22, M41, M48