

WALDEMAR BEDNARUK

STRUGGLE FOR THE POLISH INSURANCE MARKET
IN THE INITIAL YEARS
OF POLAND'S REGAINED INDEPENDENCE

INTRODUCTION

Business activity of entities using foreign capital in the territory of a particular country has frequently inspired resistance due to concerns about foreign influence and profits lost to foreign companies.¹ These negative feelings were not always offset by the awareness of benefits offered by international business, especially in a country where expansion of foreign nationals² and their capital was evident. Such was Poland's condition during the interwar period, the circumstances of which were strongly reflected in the insurance market.

The domination of foreign insurance companies in the interwar Poland had its underpinnings in the historical background and resulted from our citizens' pover-

WALDEMAR BEDNARUK, Hab., Ph.D., Professor KUL – Department of History of Political System and Law, Institute of Law, Faculty of Law, Canon Law and Administration at the John Paul II Catholic University of Lublin, Al. Raławickie 14, 20-950 Lublin; e-mail: wbednaruk@kul.lublin.pl

Dr hab. WALDEMAR BEDNARUK, prof. KUL – Katedra Historii Ustroju i Prawa, Instytut Prawa, Wydział Prawa, Prawa Kanonicznego i Administracji Katolickiego Uniwersytetu Lubelskiego Jana Pawła II, Al. Raławickie 14, 20-950 Lublin; e-mail: wbednaruk@kul.lublin.pl

¹ Due to such factors the activity of foreign undertakings is regulated in a special manner, for example using distinctive principles of conduct laid down by separate laws. For more on this, see: A. JAKUBECKI, A. KIDYBA, J. MOJAK [ET AL.], *Prawo spółek. Zarys*, ed. 2, Warszawa: Wydawnictwa Prawnicze PWN 1999, p. 272.

² As interpreted by the legislation of that period, including the act of 24 March 1920 on acquisition of real property by foreigners (Journal of Laws No. 31, item 178), "foreigner" is both a legal person who is established abroad and a natural person who is not a Polish citizen, as well as a legal person who, despite being established in Poland, is controlled by natural persons who are not Polish citizens or legal persons who are established abroad.

ty. In 1918, Poland was a country shedding the shackles of bondage and home to numerous insurance companies, but on account of the protectionist policy of the partitioning powers they were owned in a large measure by foreign entities.³

The regions under Prussian control were in the worst condition, and so were those lands under the Russian rule, which as a result of the war fell under the German rule. Here, the purposeful strategy of shaking the spirit of the Polish people at all cost led to the insurance sector being monopolized by German undertakings. A better climate for insurance operators who relied on Polish capital was present in the Russian Partition, where in the 1870s the state monopoly was done away with and private entrepreneurs, including Polish ones, were admitted to have a share of the insurance market. The greatest degree of freedom was enjoyed in the Austrian Partition, where no restrictions with respect to nationality were imposed; however, as mandatory insurance was introduced late, the insurance market was the least developed.⁴

The discontinuation of war operations and proclamation of independence in Poland faced the Polish government with a range of problems including those associated with the insurance market. Its ownership structure, outdated regulations and organisational chaos caused by the war operations required a quick response from the authorities. The situation in the former Russian Partition was relatively the easiest to rectify. Given the fact that the communist authorities had liquidated insurance undertakings throughout the Soviet Union, it was assumed that Russian insurers in Poland should share the same fate.⁵

The circumstances of the other territories of the reborn country were more complicated, where – after the defeat of the Central Powers – some insurers tried to withdraw from the market, while others tried to continue their business operation, perhaps on a limited scale. The importance of insurance in mutual business relations is manifested by the fact that this issue became the central subject of

³ For more on this, see: M. SZCZEŚNIAK, *Zarys dziejów ubezpieczeń na ziemiach polskich*, Warszawa: Wyższa Szkoła Ubezpieczeń i Bankowości 2003, p. 194.

⁴ A detailed description of the partitioners' insurance policy was created by Tadeusz Sangowski, cf. T. SANGOWSKI, *Rozwój ubezpieczeń gospodarczych na ziemiach polskich w latach 1803-1945*, [in:] *185 lat ubezpieczeń gospodarczych w Polsce*, edited by T. Sangowski, Warszawa: Wydawnicza Oficyna Drukarska Wojewódzkiej Biblioteki Publicznej i Książnicy Miejskiej im. M. Kopernika w Toruniu 1988, p. 14. With regard to the area of Greater Poland, see: A. BITNER-NOWAK, *Kształtowanie się rynku ubezpieczeń w Wielkopolsce (1793-1918)*, Poznań: Wydawnictwo PSO 1995, p. 11.

⁵ Cf. SANGOWSKI, *Rozwój ubezpieczeń społecznych*, p. 21, and I. BISKUPSKI, *O ubezpieczeniach*, Poznań: Fiszer i Majewski, Kraków: Drukarnia Narodowa 1925, p. 22. The latter notes that the large sums that had been amassed by insurance companies in the amount reaching 19 million 300 thousand roubles and taken out by Russians who were retreating from the territory of the Polish Kingdom during the first phase of the war were never brought back to Poland.

a separate conference convened among the states bearing the war burden. In the course of it the participants agreed upon mutual settlements, which were especially important in the context of moving borders and the birth of a number of new states on the ruins of the old powers.⁶

A substantial opportunity to reach agreement and consequently change the ownership structure of the insurance sector came with the provisions of the Treaty of Versailles, which regulated the rules of settlements to be made by Germany in the territories it had occupied. "Any Allied or Associated Power may within three months of the coming into force of the present Treaty cancel all the contracts of insurance running between a German insurance company and its nationals under conditions which shall protect its nationals from any prejudice."⁷ To this end, German insurance companies were forced to hand over to the government of a particular state a suitable amount reflecting the value of the respective portion of redeemed policies.

Unfortunately, despite this burden the German government did not intend to relinquish the appropriated sums. And those were not insignificant amounts because the concentration of insurance companies operating in the area under its control was the highest,⁸ so the assets were formidable.⁹ Germans would consistently refuse to submit documentation required to make binding agreements, dismissing estimates furnished by Polish experts as unrealistic. After several months of obvious procrastination with regard to talks and procedure, the Polish party was forced to concede that no fair cooperation was to be expected and consequently protect the interests of Polish citizens in a unilateral manner.

1. THE POLICY OF THE POLISH AUTHORITIES IN THE FIRST YEARS OF INDEPENDENCE

In the first place, the Polish government took over the control of insurance undertakings operating under public law. Then, by way of resolution of 1 March

⁶ For more on the subject of the Rome conference and its outcomes, see: W. KOZŁOWSKI, *Ubezpieczenia prywatne w rokowaniach polsko-niemieckich*, "Przegląd Ubezpieczeniowy" 3 (1922), p. 1.

⁷ The Treaty of Peace Between Allied and Associated Powers and Germany, signed at Versailles on 28 June 1919, Journal of Laws of 1920, No. 35, item 200.

⁸ Of all insurers, at the turn of 1919, as many as 40 life insurance undertakings operated in the area of the Prussian Partition, and 16 additional ones were established in the Government General of Warsaw during the I World War, cf. KOZŁOWSKI, *Ubezpieczenia prywatne*, p. 2.

⁹ Conservative estimates of Polish experts said that those undertakings had garnered over 600 million marks in the form of premiums, cf. *ibid.*, p. 2.

1919, the Minister of Treasury¹⁰ withheld the operation of foreign insurance companies in the areas of the Prussian and Austrian Partitions until they became adapted to the new legislation. First, it was required that books were set up and maintained enabling those companies to be audited at any time.¹¹ Next, they were obligated to submit a detailed report, within two weeks, on all of their operations in the period from 1 August 1915 to 31 December 1918. Given thus submitted reports, amounts collected by insurance companies in that period were to be estimated – solid data which would form the basis for negotiations with the governments of the partitioning states. A template for such a report was to be prepared and distributed by an official specially appointed by the Ministry of Treasury: Chief Commissioner for Foreign Insurance Companies. This new official was authorised to receive and inspect the submitted reports on the operations of foreign insurance undertakings (Art. 3 of the Regulation).

Every foreign insurer intending to operate in the territory of Poland was obliged to establish a branch office here and a chief representative who was a Polish citizen, nominated by the company with the Ministry's consent.¹² From the moment of entry into force, all operations of the Polish branches of foreign insurance companies were to be secured by means of domestic currency reserves deposited with the Polish National Lending Bank. The amount of the reserves was to be determined by the Supervision Authority after the financial health of each company had been analysed. Conclusion of new insurance contracts by foreign companies was withheld until a plenipotentiary was appointed and an appropriate reserve had been created (Articles 6 and 7 of the Regulation).

The introduced duties caused a storm of protest on the part of foreign insurance companies, which were afraid that their reports for the past years would enable the Polish State to claim the premiums and policies which had been paid and redeemed, respectively, in the now Polish areas. Likewise, the companies did not like the short time limits for the activities prescribed by the Regulation, the withholding of new contracts, and the very burden of the new duties, which were regarded as a new and totally redundant impediment to the free operation of insurers.

¹⁰ M. P. No. 51.

¹¹ The inspection and review of these books was entrusted with the Supervision Authority of Private Insurance Companies established with the Ministry of Treasury, cf. Art. 2 of the Regulation.

¹² The plenipotentiary was to have all necessary powers of attorney – above all to issue insurance policies. He would sign the said reports, and by failing to do that he would incur liability under §188 of the Penal Code; cf. Articles 3 and 4 of the Regulation.

Under such circumstances, the Minister of Treasury issued a new regulation – within merely three weeks of the previous one¹³ – determining the terms of operation of foreign insurance companies. The regulation replaced the previous act but only in the area of the former Austrian Partition, whereas the original document still held relevance for the areas under the former Prussian Partition. The introduction emphasised the temporary character of the introduced solutions, which were to be valid until a comprehensive regulation had been developed. Also, it was indicated that they concerned only those undertakings which had operated in the said areas before 1 November 1918. The appointment of plenipotentiaries was specifically set for 1 June 1919, and 1 July 1919 was the date whereby required statutes and insurance premium tariffs were to be submitted to the Ministry of Treasury as well as bills for 1918. However, no obligation to submit reports for previous years was imposed. Understandably, the most financial reporting problems concerned the companies operating in the areas of the former Prussian Partition. In order to fend off claims that the new legislation was oppressive and to justify the new duties, reference was frequently made to the older Austrian regulations. Apparently, the introduction of the reciprocity principle was crucial regarding access to the markets of those countries where the insurers had their main registered office if the latter wished to continue their operation (Articles I–III of the Regulation).

2. EFFECTS OF THE IMPLEMENTED SOLUTIONS

In the months following the introduction of the above-mentioned regulations, the number of foreign insurance undertakings operating in Poland diminished. If the number of operators of this kind was 70 in the first months of the new Polish State, in 1923 as few as 26 were present.¹⁴ Among the numerous factors causing such a state of affairs were also the provisions of the said normative acts, which some of the insurers were not able or willing to accommodate to for fear that accounting for the previously collected premiums would be too costly.

¹³ Cf. regulation of the Minister of Treasury of 22 April 1919 on the operation of foreign insurers in the areas of the Polish State formerly belonging to the members states of the former Austrian-Hungarian Monarchy, M. P. No. 96.

¹⁴ SANGOWSKI, *Rozwój ubezpieczeń społecznych*, p. 21, B. CHOMICZ, *Ze wspomnień działacza ubezpieczeniowego*, [in:] *150 lat ubezpieczeń w Polsce*, edited by E. Kreid, Vol. I, Warszawa Polskie Wydawnictwa Gospodarcze 1958, p. 179.

They were being supplanted by Polish insurance companies, both private and state-owned. The private ones were established (or the existing ones developed) as joint-stock companies or as equally popular mutual societies. In 1918, merely 17 Polish private undertakings were in operation. In 1920, 32 companies were present (18 with joint-stock and 14 as mutual societies), and in 1923 as many as 67 were active.¹⁵

It seemed, then, that the goal of polonization of the lion share of the insurance market had been reached. Nonetheless, concerns about foreign capital influencing this sector of economy lingered and they played a substantial role in the public debate concerning the structure of a law that would regulate commercial insurance and which had been in the process of development almost since the first days of independence. Arguments regarding the protection of national interest and protection of Polish nationals against exploitation by foreign investors were used in the process mainly by socialists and peasant activists, who represented the poorer strata of society.¹⁶ Those arguments were acknowledged by the Sejm majority, despite resistance voiced by rightist factions who defended free market principles operating in this branch of economy, leading to the enactment of the law on 23 June 1921.¹⁷ It introduced mandatory fire insurance for buildings in some areas of Poland (except Warsaw and the former Prussian Partition) and entrusted the national monopolist, i.e. the Polish Directorate of Mutual Insurance, with this task.¹⁸

Ownership changes taking place in the insurance market, so beneficial for the Polish capital, were brutally halted in the early 1920s as a result of rapidly increasing inflation, which in 1923 turned into hyperinflation, causing a major disruption in the whole Polish economy, in turn undermining the position of Polish insurers. In order to avoid bankruptcy, Polish insurance companies sought foreign investors who would take over control of the domestic companies for little money. The dramatic ownership changes caused the process of polonization to be re-

¹⁵ Ibidem, p. 21-22.

¹⁶ Cf. Stenographic records of the Legislative Sejm of the Second Polish Republic for days: 11 March 1919, 21–25 January 1921, 5–11 February 1921, and 23 June 1921, <https://bs.sejm.gov.pl> [accessed: 14 Apr 2016], reflecting the said debate on the shape of the Polish insurance market and fears associated with it.

¹⁷ Act of 23 June 1921 on Mandatory Fire Insurance for Buildings and on the Polish Directorate of Mutual Insurance, Journal of Laws No. 64, item 395.

¹⁸ For more, see: J. DĘBSKI, *Z historii walk o społeczny charakter instytucji ubezpieczeń*, [in:] *150 lat ubezpieczeń w Polsce*, p. 195; *Działalność Powszechnego Zakładu Ubezpieczeń Wzajemnych w latach 1926-1933*, edited by W. Strzelecki, Warszawa: Nakładem Powszechnego Zakładu Ubezpieczeń Wzajemnych Drukarnia W. Łazarski 1934, p. 161, and SZCZĘŚNIAK, *Zarys dziejów ubezpieczeń*, p. 209.

versed in a matter of months. As a result in late 1923 a majority of the surviving companies which had withstood the crisis and not been liquidated were controlled by foreign shareholders. It is estimated that only 3 private companies had sailed through that period with Polish shareholders keeping a controlling share, while the rest had become dominated by foreign capital.¹⁹

CONCLUSION

The attempt to build a native insurance market founded upon Polish capital in the initial years of the existence of independent Poland called for a big normative and organisational effort. However, the first successes were ruined by the economic circumstances, which were beyond the control of the Polish authorities, who were late containing them, not being able to save the insurance market so strenuously built over the past years. After Władysław Grabski executed his reforms and the inflation was crushed, a period of laborious repolonization of insurance capital began anew, which was stopped yet again and its results cancelled during the Great Depression. In that period foreign capital became extremely important for the insurance sector, without which the operation of insurance companies was no longer possible.

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¹⁹ SANGOWSKI, *Rozwój ubezpieczeń społecznych*, p. 22.

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Summary

For the first few months after Poland regained its independence, the Polish insurance market was dominated by foreign insurance companies, which fared better than the domestic undertakings owing to the protectionist policy pursued by their respective governments in the preceding years. The Polish authorities successfully undertook to exercise supervision of the insurance sector with a view to enabling domestic investors to strengthen their position in the sector, and to ensure that the principle of reciprocity was observed towards the states wherefrom foreign capital originated. Nonetheless, all those efforts were ruined by adverse processes taking place in the domestic market since the 1920s and, above all, by the galloping inflation, which undermined the financial foundations of the Polish insurers.

Key words: business insurance; interwar period; foreign insurance companies; foreign capital; the Second Polish Republic

**WALKA O POLSKI RYNEK UBEZPIECZEŃ GOSPODARCZYCH
W PIERWSZYCH LATACH PO ODZYSKANIU NIEPODLEGŁOŚCI****S t r e s z c z e n i e**

Polski rynek ubezpieczeń gospodarczych w pierwszych miesiącach po odzyskaniu niepodległości był zdominowany przez zagraniczne towarzystwa, które korzystając z protekcjonistycznej polityki swoich rządów w minionym okresie rozwijały się lepiej niż polskie zakłady. Polskie władze podjęły udaną próbę objęcia nadzorem całego sektora asekuracji, dążąc jednocześnie do tego, by krajowi inwestorzy mogli zaistnieć na większą skalę w tej branży oraz, by przy prowadzeniu tego typu działalności przestrzegana była zasada wzajemności w stosunku do państw pochodzenia obcego kapitału. Jednakże cały ten wieloletni trud został zniweczony przez niekorzystne procesy zachodzące na rodzimym rynku na początku lat dwudziestych, przede wszystkim zaś przez galopującą inflację, która podkopała podstawy finansowe polskich ubezpieczycieli.

Słowa kluczowe: ubezpieczenia gospodarcze; dwudziestolecie międzywojenne; zagraniczne towarzystwa ubezpieczeniowe; obcy kapitał; II Rzeczpospolita