

First Half 2016

• CEE • SEE • CIS

£ million

Income
PBT
BCI/BlackRock deal costs



32 country profiles

Interviews

- **Valter TREVISANI**, Group Chief Insurance Officer & Group Management Committee, GENERALI
- **Tom JOHANSMEYER**, Assistant Vicepresident - PCS Strategy and Development, VERISK Insurance Solutions
- **Tadej ČOROLI**, Member of the Management Board, Zavarovalnica TRIGLAV
- **Assen CHRISTOV**, Chairman of the Supervisory Board, EUROHOLD
- **Javier San BASILIO**, Regional Manager for Europe, MAPFRE
- **Murat KAYACI**, Chairman of the Board, DASK - The Turkish Catastrophe Insurance Pool
- **Andrey T. UNTON**, General Director, Belarus Re

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SUMMARY

SURVEY

1H2016 – A peaceful first half year?	13
--------------------------------------	----

CEE INSURANCE MARKETS

Albania	28	Lithuania	48
Bosnia and Herzegovina	30	Macedonia	50
Bulgaria	32	Montenegro	52
Croatia	34	Poland	54
Czech Republic	36	Romania	56
Estonia	40	Serbia	58
Hungary	42	Slovak Republic	60
Kosovo	44	Slovenia	62
Latvia	46		

SEE INSURANCE MARKETS

Cyprus	66	Turkey	73
Greece	68		

CIS INSURANCE MARKETS

Azerbaijan	76	Moldova	90
Armenia	78	Russia	92
Belarus	80	Tajikistan	100
Georgia	86	Turkmenistan	100
Kazakhstan	88	Ukraine	96
Kyrgyzstan	100	Uzbekistan	98

INTERVIEWS

Valter TREVISANI, Group Chief Insurance Officer & Group Management Committee, GENERALI	4
Tom JOHANSMEYER, ARM, Assistant Vicepresident - PCS Strategy and Development, VERISK Insurance Solutions	8
Tadej ČOROLI, Member of the Management Board, Zavarovalnica TRIGLAV	22
Assen CHRISTOV, Chairman of the Supervisory Board, EUROHOLD	26
Javier San BASILIO, Regional Manager for Europe, MAPFRE	38
Murat KAYACI, Chairman of the Board, DASK - The Turkish Catastrophe Insurance Pool	71
Andrey T. UNTON, General Director, Belarus Re	82

BUSINESS NEWS	64
----------------------	-----------

EVENTS	102
---------------	------------

THE ANTI-STRESS SOLUTION TO REINSURANCE ADMINISTRATIVE AND ACCOUNTING MANAGEMENT

Leakage is generally defined as a net outflow from a circular income model such as Reinsurance – where a premium is paid to the Reinsurer and returned to the Ceding Company via recoveries. Inefficiencies and anomalies in this process give rise to leakage due to over-payments, under-recoveries or additional costs and charges.

Reinsurance premiums and recoveries represent a significant cash flow for Insurers. As an example, in 2014 in Italy they accounted for Euro 7,252 million (5,084m Non-Life / 2,168m Life – source: ANIA 2015). According to Celent (2004) it is estimated that leakage due to overpaying reinsurance premiums or recovering too little from reinsurers at the claim stage may account for up to **2 - 4%** of reinsurance premiums + expenses + recoveries. For Italian insurers, in 2014, this accounts for between Euro **145 million** up to **290 million**. Therefore, for many insurers, in Italy as well as worldwide, this could potentially run into **hundreds of thousands, if not millions of Euros per year**.

Why does Reinsurance leakage occur?

Accuracy, auditability and timeliness are fundamentally important in maintaining the reliability of any financially critical process. Despite this, many reinsurance teams have to rely on a mixture of basic record keeping, excel spreadsheets and manual data entry to calculate reinsurance premiums and recovery amounts. Therefore data quality is continually degraded due to data input errors or erroneous calculations, mis-keying a formula or perhaps using the wrong version of a spreadsheet. Added to this, the same data stored in multiple repositories (often as subsets of finance or claims systems) forces the reinsurance team to continually extract, organise and interpret

data prior to applying it to calculations. Team members are required to allocate time and materials to understanding non-core competencies, often relying on the efficiency of other subject specialists from finance, claims or IT. Not only does this tie up resources across the organisation, but it also increases the risk of misunderstanding and error.

Moreover, additional headcount needs to be recruited, trained and maintained to perform audits, checks and balances across multiple departments.

However, Reinsurance leakage is not the only big problem in the administrative and accounting reinsurance process.

Another major issue is in fact the time required to perform reinsurance calculations. Including checks, reports and accounts for internal use and for the reinsurers it never takes less than 6 weeks from the closure of the month/quarter/half year due to the onus of basic record keeping, producing excel spreadsheets and manual data entry. This means that there is always a delay in:

- ▶ ascertaining if the reinsurance policy satisfies the company requirements;
- ▶ senior Management talking to analysts, investors and rating agencies thus relying only on estimates (which need time to be prepared);
- ▶ insufficient time for Reinsurance Dept. to analyse the results in depth to provide explanations to business partners.

Last but not least, the important issue of compliance with local and EIOPA regulations.

Both local regulators and EIOPA (particularly EIOPA) require very detailed information on reinsurance in a special format. This requires substantial additional work and cost in creating an additional dedicated database and its subsequent maintenance, increasing back office staff and additional effort in the internal audit function.

Does a reliable solution exist for the above mentioned issues?

Luckily the answer is yes, and it is a very good solution, consisting of an expert solution provider and a great product:

▶ **C Consulting** - THE LEADING REINSURANCE MANAGEMENT SOLUTION PROVIDER, HIGHLY RELIABLE WITH STRONG EXPERTISE ON THE SUBJECT

▶ **XLayers** - A COMPLETE AND FLEXIBLE SOFTWARE SYSTEM THAT REALLY WORKS IN MANAGING REINSURANCE

What is C Consulting?

C Consulting is a specialised vendor that has been fully focused on this sector for 16 years. That means experience and dedication for the Customer's advantage. The initial inventors, analysts and developers of XLayers and even the founders of C Consulting are still involved in the day-to-day business. Therefore the details of XLayers are very well known and every change can be made without creating problems in other parts of it. This translates into strong reliability. C Consulting has been selected by more than 50 satisfied Customers, active in Life and/or Non-Life business, in outward and/or inward reinsurance, that range from a few million Euros to more than 5 billion. They comprise Independent Companies, Parent Companies or Subsidiaries of national or multinational groups. This means ability to cover all current needs. The company employs not only reinsurance software architects, developers and specialist analysts but also reinsurance experts with more than 25 years of specific professional experience, to ensure that every new regulation introduced by the regulator (whether domestic or European), or by the reinsurance market, can be

understood immediately and correctly. This is very important as it means that the Customers do not lose time in explanations to the analysts and then in testing the new solutions. Moreover, C Consulting if required can also provide consultancy. For example, C Consulting prepared the reinsurance policy on behalf of one of the top 10 Italian Insurance Groups. In other words, the ability to cover all future needs. C Consulting aims to provide effective high-level support to make Customers feel confident they can rely on C Consulting as a partner and not only on XLayers as a top level software solution. It offers and organises periodic meetings for its Customers (USER Group) to discuss, exchange views and contribute to the development of XLayers. Moreover, there is an online forum available where Customers can keep in touch and exchange experiences throughout the year with the assistance of C Consulting.

And what is XLayers?

XLayers is an accounting and administrative reinsurance software able to manage outward reinsurance correctly whether by product, by branch, by line of business or by specific guarantee. It has the necessary flexibility to feed into each individual reinsurance programme and contract automatically, it manages all types of traditional reinsurance contracts (QP, SPLS, XL, SL, including facultative reinsurance) whatever the working base used (U/Y, R/A, O/Y, C. Cut), it is able to accept various premium and claim portfolios (in order to guarantee activity in the case of mergers), it is able to manage run-off business as well as inward reinsurance and retrocessions, it is fast (to give additional time to Senior Management to decide and forecast), and finally it includes the information requested by the local regulator as well as EIOPA (in order to maintain the necessary compliance information in one single database).

So, why XLayers?

» Because a fast and precise reinsurance management software is fundamental in order to produce reliable numbers/reports about reinsurance in record time for the use of the insurance company. A company requires this information in order to:



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- Calculate the solvency margin
- Load the premiums of the insurance products
- Carry out the «Fast Close» process
- Forecast the results of the company
- Manage relationships with investors, analysts, rating agencies
- Negotiate the reinsurance renewals and/or changes during the validity periods

» Because a flexible and complete system is fundamental in order to change the reinsurance structure based on the requirements of the company without any restrictions from the IT systems.

» Because a system that can automatically prepare the files requested by the local regulator as well as EIOPA reduces the risks involved in repeated controls, in fact avoiding them completely.

» Because it is an application software system designed for reliable and auditable accounting and administrative management of outward and inward reinsurance, which guarantees a complete and comprehensive coverage

of all the reinsurance processes, from the attribution of the insurance risk and/or inward reinsurance to the reinsurance and/or retrocession agreements, right up to feeding the results of the financial accounts into the general ledger.

» Because it is a software produced by C Consulting.

Moreover, because XLayers is able to easily generate a wide range of reports and information for Senior management, Actuaries, Reinsurance Dept., Accounting Dept. and Business Partners while eliminating the operational risks in reinsurance and ensuring data history.

Simple, reliable, available, fast, whilst ensuring compliance with the laws and regulations in force and allowing a fast return on investment. So surely anti-stress. What more could you wish for?



Instead of making the insurers' job easier, at this time technology does much more than that: it transforms business models, brings outsiders into this industry and generates an enormous quantity of data sometimes hard to structure. Nevertheless, changes are inevitable and the insurers are learning now how to ride the tech wave.

Valter TREVISANI

Group Chief Insurance Officer & Group Management Committee
GENERALI

XPRIMM: The GENERALI Group, included by MIT in the list of the 50 smartest companies on the planet, has been focusing on the complete digitization of its key processes. What are the main projects and what impact will these have on distributors and customers in the foreseeable future?

Valter TREVISANI: There are numerous projects and ongoing initiatives to digitalize our processes and products so I wouldn't be able to do justice to them all here. Let me start with describing the ambition which drives us forward and I'll also give a few examples.

Our goal is a GENERALI which is 'simpler and smarter' for our clients. This cuts right across everything we do from the initial contact, through to finalizing a policy or making a claim. Our starting point is to ensure that the platforms on which we operate are seamless from first contact through to renewal or claims. So when an initial enquiry comes online a follow up meeting which might take place in a branch doesn't require the client filling in the same documentation in hard copy! We need to ensure that our platforms cut across technologies and all information can be found easily and in one place.

Then, looking at our contact with our customers we need to interact in the way the clients want. In many cases that's when they are on the move so in Italy we've provided around 3.000 agents with tablets, which also include the ability to accept digital signatures. We also have a pilot program where a client shares his driving data and we can provide advice on improving their performance on the

road, which over time will help reduce the premium. Finally, we also have new products and services, such as the Vitality program that provides many more customer touch points.

Overall, we are looking to remove delicate points from our interaction with our clients and make it an experience that resembles the best of what you see amongst online retailers in terms of convenience and ease.

XPRIMM: Innovation, and mostly fintech, is considered to be a game-changer for the insurance industry. What trends have you identified so far and how has the Group reacted?

V.T.: Telematics has been and will continue to be a game-changer. We've been a leader in this field and I believe that it really does allow for a different approach to motor insurance. I am excited by the fact that we are expanding our offering in Germany and increasingly we are chosen as a partner by auto manufacturers. This trend is now expanding with demotics, which is capturing the so-called 'Internet of Things' within home connectivity. It's an interesting area in rapid development. We're starting with the home assistance services where are able to leverage off our Europ Assistance offering, but we'll see what comes next.

Also, on the life insurance side, there is an enormous innovation potential around data and the ability to structure it in useful ways. We have seen some interesting developments in the health and protection sectors. But along with this we also have to be very mindful of the way we do it and respect the desires of our clients.

Most importantly, it is a must to take into consideration that the core purpose of insurance and the pooling of risks remains as valid as ever. We are not looking to individualize our offer but to provide new and hopefully better services and products.

Finally, I think the biggest game changer is the impact of mobility. An increasing number of clients organize their lives, interact and use mobile devices as their main point of contact. This links in with what I said previously about seamless operations behind the scene. GENERALI will win and retain clients by virtue of our technical excellence and making that experience as pleasurable as possible.

XPRIMM: What is your approach towards implementing new projects that rely on digitization, considering that the Group is now present in many countries with different economical but also social background?

V.T.: There is no hard and fast rule. As a business, you always want to make the most impact for your investment, so you will do a full market analysis to help drive your decision. However, we also consider where the expertise is and where we can create an edge. A case in point is when we launched our innovative motor insurance app and product in Turkey. We set up a 'SWAT' team comprising of professionals in Germany and the CEE to help in its development and roll-out. The end product was a great success and the experience was something we could take back to the respective markets.

XPRIMM: Telematics has been on the agenda of different European insurance groups, but GENERALI managed to steal the attention. Could you give us more insight into this?

V.T.: Genertel was the first online offering in Italy and continues to be a very innovative company. It enabled us early on to build a deep expertise in this space. We have grown solidly in Italy with now over one million policies.

The acquisition of MyDrive is also an important accelerator in keeping us ahead of the curve. This is a highly sophisticated data-analytics company, based in the UK, which we acquired last year. I think that helped bring us together with Progressive, the US leader in telematics, where we have an R&D agreement. I am confident that this will also provide some interesting developments.

XPRIMM: In how many markets does GENERALI currently offers telematics or PAYD solutions and with that results? What percentage of the total motor business (in the countries where it is available) comes from telematics-based products?

V.T.: As mentioned before, in Italy, we've already reached important results using a variety of value propositions and in this market – combining the offering of GENERALI and Genertel – we achieved a penetration around 20% of telematics policies on the portfolio, while the penetration on new business is around 40%. Apart from the mileage based product, GENERALI recently launched also a new behavioral product with innovative real time coaching functionalities - GENERALI Sei In Auto Con Stile, that enriches the product palette of the Company.

Then, the Group has active PHYD offers also in GENERALI España in Spain and GENERALI Poistovna a.s. in Slovakia, where in 2015 it was launched the SOS Partner product, the first solution of this kind in the Central and Eastern Europe. The product - which utilizes a telematics windscreen box with a panic button, a microphone and a speaker - allows advanced assistance to be provided to the driver and his/her entire family both in case of breakdown and emergency. Thanks to the accelerometer present in the box, road accidents can be detected automatically; in that case a service request is directly sent to the Europ Assistance operations center and the customer can speak directly to an operator



to check the type of assistance required and/or to get immediate access to the emergency services. At the same time the product is used to determine the driving style of the customer and uses a Pay How You Drive algorithm to reward virtuous drivers through renewal discounts both on MTPL and Material Own Damages.

In addition, starting from July 1st 2016, two new telematics solutions were launched within the GENERALI Group in Germany. GENERALI Versicherung and Aachenmünchener Versicherung launched respectively GENERALI Mobility and Telematik, innovative products based on a smartphone app solution and on a behavioral profiling which is allowing to provide customized rewards to customers driving safely.

We aim at reaching new challenging objectives going forward, in particular we

are not aiming at growth in itself, but at a sustainable tradeoff between growth, excellent technical results and customer satisfaction.

Since the motor insurance markets are structurally different, we are convinced that there's no "one solution fits all". The value proposition and underlying technology need to be customized to the local specifics. In particular we have to pay attention at the customers' needs and the distribution channels of each market in order to define the right value proposition and pricing approach.

XPRIMM: Do you see telematics as a transitory solution for personalized pricing until the large scale adoption of autonomous cars?

V.T.: No, telematics will be an integral part of autonomous driving. The data will

probably be more structured, but equally important to delivering a safe experience for road users. We are still early in that journey.

XPRIMM: How do you believe autonomous cars will impact the insurance industry? How are insurers preparing for this next step in motor insurance?

V.T.: As an industry, there is still some thinking to do along with the development of this technology. A key area is around the shift in liability as new, different actors will be involved in road safety issues. The list of issues is long: is the software faulty, was the vehicle hacked, was the latest update installed? I could go on. It will require an open and cooperative approach from governments, regulators, insurers, software developers and car manufacturers to name a few. We're honored to play a part of this discussion as participants in the European Commission's GEAR 2030 working group. But I think it's really important that we try to identify and agree on some global standards, it would ease adopting of this fascinating technology.

XPRIMM: On the underwriting side/ damage assessment could we see drones playing a more important role in the near future?

V.T.: Yes, in line with regulatory developments, we will. In the Czech Republic, our subsidiary, ČESKÁ pojišťovna, is using drones for surveys, inspections and detailed documentation of the location of losses. This technology makes this process easier and more effective and helps in claims handling. The detailed pictures produced identified precisely the real extent and cause of damage which it would not have been possible to assess without this technology. The clients themselves were pleasantly surprised by the advanced technology ČESKÁ pojišťovna is using. In several cases the clients even agreed to the use the documentation produced by the drones as the main support for determining the level of damage.

Currently, drones are used for inspections of halls, buildings, large premises, construction machinery, cranes, planes and trains, bridges, dams, chimneys and tall buildings, agricultural plantations and crops, large floods and fires. But as the technology improves, such as longer battery life, it is even possible to think

about it moving from bigger, commercial lines into the retail space for example for road traffic incidents.

XPRIMM: According to previous public statements of GENERALI's leading representatives, the Group was prepared to invest EUR 1.25 bn to transform the business. What is the main outcome of this endeavor so far?

V.T.: Actually one of the main outcomes has been to provide greater focus on those things that are really going to make the difference for our business and by definition our clients. The industry is in a phase when we have to be incredibly cost conscious. This is partly due to low interest rates and partly because the pace of technology is such that you need to learn fast and be smart about allocating resources.



Our goal is a GENERALI which is 'simpler and smarter' for our clients. This cuts right across everything we do from the initial contact, through to finalizing a policy or making a claim.



I believe a result of this is that we'll see many more partnerships and collaborations between established players like ourselves and not only Fintech, but technology players in general. It's perhaps a more mature approach, with each party recognizing the strengths they bring to the relationship. For example we might have the distribution capabilities or the capital, but lack the ability to optimize our online presence on a branch by branch basis.

XPRIMM: How do you see the future of the insurance business in the light of these new and upcoming technological changes? Is peer-to-peer insurance an opportunity or a threat to the conventional way of doing business, from your perspective?

V.T.: I think we work in a business which is arguably one of the more exciting ones at this moment in time. It really does have

everything to play for and is in the midst of some pretty fundamental changes.

Having said that, I do believe it will be very hard for a start up to have an impact on the scale of a business like GENERALI. Peer-to-peer may be an opportunity, but why is it not something which can also be delivered by existing players? We are, of course, already regulated and have deep risk management skills.

So big businesses like ours can be agile. But the other thing is that ours is very much a people business. A company can have the most amazing platform in the world, but if they cannot be there with the same immediacy and ease when you have a car accident or your home gets flooded you're missing a big piece of the customer experience. Being there at the moment of need is a crucial part of this industry.

XPRIMM: According to your official resume, you were in charge of the working team paving the way for GENERALI Group's entrance in the Chinese market, soon followed by India, but also responsible for the CEE markets. Could we have your thoughts on the main challenges posed by working in such different cultural environments? Which are the main differences in terms of customers' expectations?

V.T.: There are obviously local differences, so it's very important to be able to adapt your offering to take those into account. But, digitalization brings with it a certain degree of homogeneity in terms of access and interaction. An obvious example is allowing clients to be in touch on the move through portable devices.

A real challenge in this regard is the various regulatory environments and lack of harmonization across the world. Technology breaks down these frontiers and regulators need to have the agility – and courage – to stay on top of these developments. What we need is a global approach to regulation and issues such as data protection or privacy. I know this is an ambitious task, but it would really help the industry deliver the new products and services it is capable of and also generate jobs and growth!

Alexandru CIUNCAN



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Launch of XPRIMM
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In a reinsurance industry abundant with capital, measuring risk and knowing the hard data behind different events could be the game changer for a lot of players. Also, new forms of risk, like terrorism and energy are becoming vital to the industry's growth, and having the right tools to access them correctly become more important.

Tom JOHANSMEYER

Assistant Vicepresident - PCS Strategy and Development
VERISK Insurance Solutions

XPRIMM: Is there any visible change in the pattern of NatCat events in the areas you monitor?

Tom JOHANSMEYER: In the United States, first-half catastrophe losses were up modestly year over year, while event frequency spiked significantly. Second-quarter losses were slightly above the ten-year average of USD 8.4 billion, while frequency was in line with the past ten years. But beneath the headline stats of what, in aggregate, has been a mundane first half, are significant concentrations of loss.



For risk transfer, PCS data provides a tool for either highlighting or explaining a company's differences in results relative to the industry, which can be helpful during a renewal.

Insured losses from catastrophe events in Texas were up approximately 300 percent year over year. Two significant wind and thunderstorm events in early spring led to aggregate industry losses of USD 4.8 billion, a total subject to further resurveying activity. Canada, of course, suffered its largest event since the inception of PCS Canada®, a 4.7 billion

Canadian dollars wildfire in Alberta, according to our first resurvey, with significant personal and commercial loss implications. What the industry has seen in the first half of 2016 is that the total number doesn't always tell the full story. Where the losses occur can matter as much as the overall impact to the industry. Even with 39 states affected by catastrophe activity, it took only one event to affect the industry's perspective—in a relatively quiet year.

XPRIMM: Have large catastrophe losses become more frequent in the last decade?

T. J.: PCS designated 27 U.S. catastrophe events in the first half of 2016, well above the ten-year frequency average of 21 events. All second-quarter events were wind and thunderstorm, and seven included tornadoes. Activity has certainly become more frequent, particularly for wind and thunderstorm activity.

XPRIMM: Is there a difference in the approach regarding the use of data by re/insurers from the US and other parts of the world?

T. J.: The use of data has become increasingly important worldwide, given the industry's focus on mature markets with high levels of competition. Anything that provides a competitive advantage becomes increasingly important. Additionally, the amount of capital interested in access to global re/insurance risk remains quite high, which has put pressure on rates and has made acute the

need to bring more original risk to market.

Historically, access to new markets has been impeded by the availability of data – this is particularly the case for emerging market risk. Innovation across the industry is helping to address this issue, particularly in the use of alternative approaches to insurance (such as parametric covers) in the micro insurance space. It's not just data that makes the difference – it's data and unconventional thinking. Developing solutions for risks without relying on traditional approaches can open up new markets and provide the potential for significant growth.

Terror re/insurance could become an example of this. Discussion about parametric primary insurance for terror has grown over the past year, as corporates tend to carry this risk on their balance sheets. A simple trigger that reduces the complexity of the claim-handling process and accelerates payment to an insured after an event could solve a problem that should be on the minds of corporate executives and their boards of directors. Further, a primary cover with a parametric trigger streamlines the transfer of risk at the reinsurance and retrocessional levels, as the same type of trigger could be used at each link in the risk and capital supply chain. From the transfer of risk to recovery after an event, parametrics could make the entire process much more efficient.

XPRIMM: How do re/insurers benefit from the PCS services?

T. J.: The data provided by PCS is useful across re/insurance companies, given that

catastrophes have implications for claims, underwriting, risk transfer, and reserving – not to mention new product development.

Claims department can use PCS data in a variety of activities, including claim handler deployment, benchmarking average claim paid to the industry, and training. In fact, if the average paid seems high relative to the industry, it's a good indication to claims managers to investigate the reasons why, which could include a need to help claim handlers understand internal practices and standards.



The data provided by PCS is useful across re/insurance companies, given that catastrophes have implications for claims, underwriting, risk transfer, and reserving – not to mention new product development.



Underwriters look at historical catastrophe activity, and actuaries use historical and resurvey data in reserving. For risk transfer, PCS data provides a tool for either highlighting or explaining a company's differences in results relative to the industry, which can be helpful during a renewal. And when it comes to the process of transferring risk, PCS can be used for independent catastrophe definition, or as a trigger in index-triggered risk-transfer vehicles (such as catastrophe bonds and industry loss warranties).

PCS has focused on expansion to new markets specifically because of the benefits our service provides, as we understand it can help everyone in the risk and capital supply chain operate more effectively. The recent launch of our historical catastrophe database in Turkey – as well as the designation of our first two events – marks an important step in this process. We continue to evaluate new regions and lines of business, including the global specialty markets. We're currently working on solutions for global terror and energy and marine, among other initiatives.



We hope that more loss aggregation solutions can help re/insurers around the world access new types of risk to help drive profitable growth and shareholder value creation.

XPRIMM: What is the re/insurance industry thinking about ahead of the 1 January 2017 reinsurance renewal?

T. J.: The global reinsurance industry is in a unique position right now. Abundant capital continues to put pressure on reinsurance rates. The ILS sector—now certainly converged with the traditional market—has shown a shift to more efficient vehicles such as cat bond lite and collateralized reinsurance, with catastrophe bond issuance down 25 percent year-over-year at the end of the first nine months of 2016.



Claims department can use PCS data in a variety of activities, including claim handler deployment, benchmarking average claim paid to the industry, and training.



Capital wants access to more original risk, but the latter is coming slowly. And while the industry continues to excel at improving what it already does well, efforts to access new markets require the time and patience difficult to summon in a soft market.

Every sign points to an acute need for the global reinsurance industry to adapt to a fundamentally different market. Waiting for a big event to help absorb capital and push rates higher—if that could even happen in today's market—simply can't compete with market-changing innovation focused on current conditions and needs.

XPRIMM: What trends are you seeing in the global insurance-linked securities market?

T. J.: Interestingly, insurers and reinsurers issued just over USD 3.7 billion in catastrophe bonds in the first nine months of 2016, down 15 percent from the same period last year. This follows a 22 percent decline from the first nine months of 2014 to the first nine months of 2015. The year-over-year decline in issuance activity reveals some interesting dynamics in the catastrophe bond market.

First, the drop isn't uniform. Use of PCS data in catastrophe bonds is up significantly from the first nine months of 2015. Of the USD 1.9 billion in limit raised with triggers involving PCS, 63 percent

uses the PCS Catastrophe Loss Index. The remaining USD 700 million uses PCS for independent catastrophe designation in indemnity-triggered catastrophe bonds. Seventy-two percent of limit raised (exclusive of transactions not covering any North American risk) uses PCS data, and 46 percent uses PCS in index triggers. PCS use is close to the level reached for the first nine months of 2014. Sponsors using PCS, particularly in index triggers, appear to have integrated catastrophe bonds into their strategic risk and capital management activities, which implies this will likely continue.

Other sectors of the catastrophe bond sponsor community acted differently. Publicly managed entities didn't return to the market this year, despite heavy use of catastrophe bonds in 2015. Last year, six sponsors in this category raised nearly USD 2 billion in fresh capital, USD 1.7 billion of it coming in the first nine months of the year.

We're also seeing increasing interest in new lines of business. Property catastrophe isn't enough for the ILS market. The investor community needs access to new forms of

risk for this space to grow. In addition to new regions with loss indices, new lines of business will also be crucial. Energy and marine has long been discussed as a candidate for alternative risk transfer, especially with the availability of a credible, independent industry loss index. Global terror and cyber also make sense for the sector.

Alexandru CIUNCAN
Mihai CRĂCEA



PCS

About PCS Catastrophe Loss Index

Property Claim Services (PCS) estimates are widely accepted as triggers in many traded financial-market instruments, including exchange-traded futures and options, catastrophe bonds, catastrophe swaps, industry loss warranties (ILWs), and other catastrophe derivative instruments.

Many catastrophe bonds use the PCS Catastrophe Loss Index. Catastrophe bond and industry loss warranty issuers tend to choose the PCS Catastrophe Loss Index because, PCS:

- ▶▶ is a recognized worldwide authority on property catastrophe losses
- ▶▶ is committed to serving the global insurance and reinsurance industry
- ▶▶ has more than 60 years of experience identifying catastrophes and compiling proprietary catastrophe loss estimates
- ▶▶ provides insurers and reinsurers, through license agreements, use of PCS catastrophe information to help with their financial needs
- ▶▶ offers all PCS catastrophe information through a single source that's easy to use

The PCS Catastrophe Loss Index offers the reliability, consistency, and transparency that issuers of insurance-linked securities need to make smarter decisions with their capital



Taking a weight off your mind.

Ensuring the long-term viability of your business means maximising your commercial opportunities while minimising your exposure to risk. In times of economic turmoil, this can be more of a challenge than ever. At Deutsche Rück, we have over six decades of proven experience in helping our clients achieve precisely that balance between dynamism and stability. We have always been able to provide independent advice, free from short-term market demands. To which we add our outstanding technical expertise, attention to detail and rock-solid financial stability. So when you are looking for a partner to take a weight off your mind, you can rely on Deutsche Rück. **Deutsche Rück. Reinsurance made in Germany.**



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Solvency II and Reinsurance?
WITH XLAYERS I SLEEP EASY

Note from the editor

This Report considers the CEE Region in the OECD sense, referring to the following countries: **Albania (AL), Bosnia and Herzegovina (BiH), Bulgaria (BG), Croatia (HR), Czech Republic (CZ), Estonia (EE), Hungary (HU), Kosovo (KV), Latvia (LV), Lithuania (LT), Macedonia (MK), Montenegro (MN), Poland (PL), Romania (RO), Serbia (SB), Slovakia (SK), Slovenia (SI).**

Under the CIS generic name we have considered both countries which are currently members of the Commonwealth of Independent States (CIS) - **Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine -, and Georgia**, who left the organization in 2008.

The SEE designates a group of three South European countries: Cyprus, Greece and Turkey.

In all cases, we have given preference to data provided by the national supervisory authorities. Where official data were not available, we have used information provided by the national insurers associations. The sources are indicated next to each table.

An extended statistical database is available online, on **www.xprimm.com**, for each country and region.

Domestic financial press represented a valuable source of information regarding the local tendencies and events, as well as interviews with local insurance professionals. Conversion of the national currencies into euro currently use the official exchange rate valid in the last day of the period considered.

Disclaimer

Although the authors have undertaken every effort to obtain data from the most reliable sources, inaccuracies and technical errors are still possible. Thus, please take into consideration this article is not a source of business information and we will not accept any claims for compensation in this regard.

CEE 1H2016

A peaceful first half year?

Apart from the general effort of adapting to the Solvency II requirements, the CEE markets have experienced a rather "peaceful" first half of 2016. No major events have made the headlines in the industry which seemed to carry on its day by day tasks without witnessing any turning point. Yet, despite the apparently "silent" atmosphere, changes are happening all over across the region, challenges are still to overcome.

In the first place, the economic environment is still volatile. Despite the positive growth rates recorded by the regional economies, neither businesses nor citizens have really seen a sustainable improvement in their financial situation. As a result, the appetite for insurance and the saving power of the CEE households are still weak, which translate into a significant pressure on the insurance prices. In conjunction with the higher capital requirements brought by the Solvency II regime, the tough competition between the CEE markets' players remains highly challenging.

Probably the best example in this regard is made by the motor insurance lines, which remain the leading non-life lines of business in almost all CEE countries. Increasing cars sales have given some momentum to the sector, overall. Thus, in most CEE countries both the Motor Hull and MTPL lines have recorded a positive dynamic. Yet, the factor which really made the difference in the markets witnessing the highest growth rates on the MTPL line was the price. Thus, several CEE markets, as Albania, Romania or Hungary, have seen significant increases in the MTPL tariffs. Even in Croatia the post-liberalization abrupt falloff the MTPL tariffs seems to have reached close to the end.

Property insurance lines, especially the fire insurance segment, saw a hesitant evolution in almost all CEE countries. In fact, many of the CEE market have seen a negative change in GWP for this line – unfortunately, the phenomenon is particular mostly to the markets which already had a very low penetration of the property insurance. Given the relatively

calm year in what the weather related events are concerned, paid claims have also decreased in many countries. Finally, it should be said that the property insurance line is also a price battle field, insurance rates recording during the last years a visible decreasing trend.

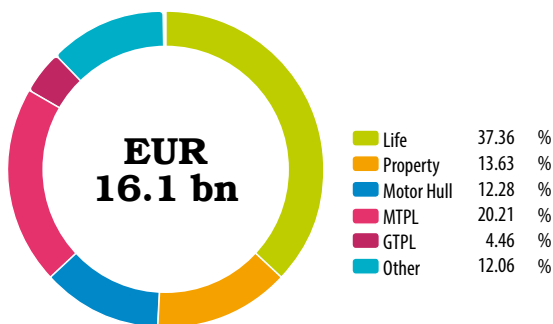
In life insurance, the low yield environment is the main challenge for insurers, especially for those managing a relevant portfolio of policies with a guaranteed return. With very few exceptions, generally belonging to the very small markets, most CEE life insurance markets saw a steady or even a negative trend. As far as the investment products are concerned, the Unit-Linked products have performed very different in the region's market, in each case the evolution being configured in relation with the taxation system and, not less important, with the general sentiment towards the country's financial soundness.

Introduction of the Solvency II regime definitely was the most important challenge: a bunch of new rules, as well as

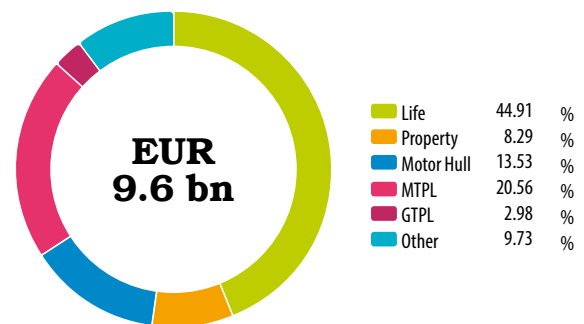
CEE - OVERALL MARKET DATA

Country	Overall GWP		Change	Overall paid claims		Change	Regional market share	
	1H2016	1H2015		1H2016	1H2015		1H2016	1H2015
	EUR m.	EUR m.	%	EUR m.	EUR m.	%	%	%
Albania	48.20	45.82	5.19	13.82	10.41	32.72	0.30	0.28
Bosnia & Herzegovina	162.03	150.23	7.86	61.66	69.96	-11.86	1.00	0.90
Bulgaria	528.07	500.15	5.58	259.47	258.57	0.35	3.27	3.01
Croatia	640.71	639.97	0.12	306.92	285.58	7.47	3.97	3.85
Czech Republic	2,809.70	2,870.98	-2.13	1,684.53	1,918.51	-12.20	17.42	17.26
Estonia	189.74	178.48	6.30	112.12	98.61	13.70	1.18	1.07
Hungary	1,447.45	1,408.25	2.78	820.46	820.21	0.03	8.97	8.47
Kosovo	39.96	39.30	1.68	17.81	19.39	-8.13	0.25	0.24
Latvia	283.64	273.60	3.67	172.10	148.46	15.92	1.76	1.65
Lithuania	330.20	312.28	5.74	181.05	162.99	11.08	2.05	1.88
Macedonia	72.68	69.86	4.04	30.45	25.60	18.96	0.45	0.42
Montenegro	38.65	36.99	4.50	14.73	14.50	1.60	0.24	0.22
Poland	6,161.80	6,697.92	-8.00	4,115.61	4,159.10	-1.05	38.20	40.28
Romania	1,037.90	945.70	9.75	473.09	525.96	-10.05	6.43	5.69
Serbia	366.38	340.97	7.45	115.60	122.34	-5.51	2.27	2.05
Slovakia	911.17	1,059.57	-14.01	543.39	586.39	-7.33	5.65	6.37
Slovenia	1,060.80	1,060.36	0.04	664.23	672.99	-1.30	6.58	6.38
Total CEE	16,129.08	16,630.43	-3.01	9,587.02	9,899.56	-3.16	100.00	100.00

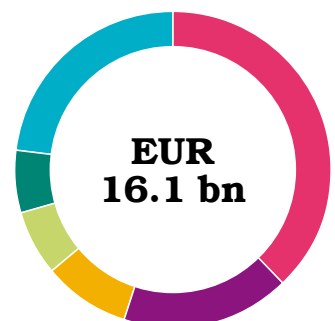
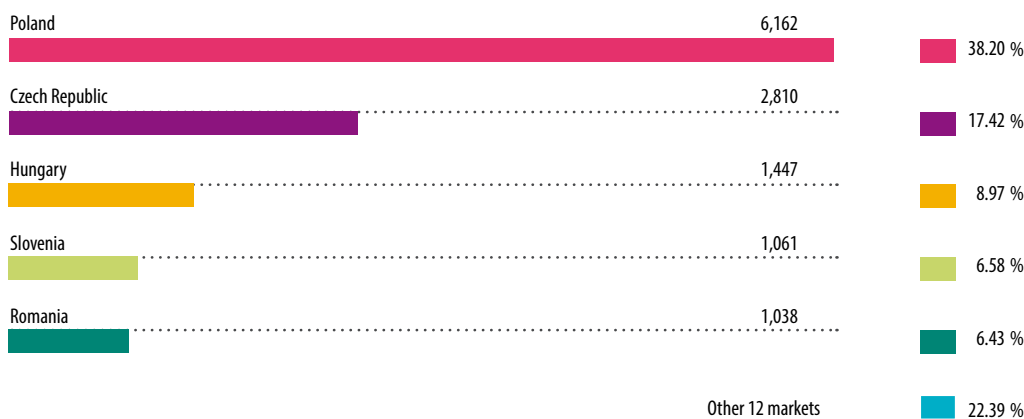
CEE GWP portfolio (%)



CEE claims portfolio (%)



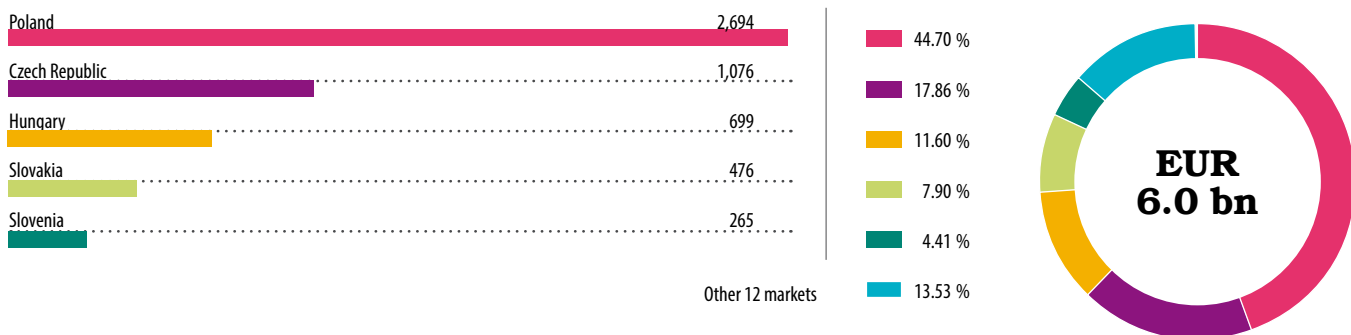
TOP 5 CEE countries as GWP (EUR million)



CEE – LIFE INSURANCE

Country	GWP		Change	Claims		Change	Weight in all GWP	
	1H2016	1H2015		1H2016	1H2015		1H2016	1H2015
	EUR m.	EUR m.	%	EUR m.	EUR m.	%	%	%
Albania	3.32	3.40	-2.37	0.47	0.83	-43.32	6.89	7.42
Bosnia & Herzegovina	31.94	30.29	5.46	12.00	11.10	8.10	19.71	20.16
Bulgaria	117.58	107.12	9.76	41.46	33.95	22.10	22.27	21.42
Croatia	202.68	207.44	-2.29	117.47	103.73	13.25	31.63	32.41
Czech Republic	1,076.26	1,166.74	-7.75	782.25	1,060.35	-26.23	38.31	40.64
Estonia	40.52	41.56	-2.49	26.57	22.75	16.76	21.36	23.28
Hungary	699.13	719.78	-2.87	526.53	562.77	-6.44	48.30	51.11
Kosovo	-	-	-	-	-	-	-	-
Latvia	49.00	51.15	-4.20	36.37	28.53	27.49	17.28	18.69
Lithuania	100.12	106.57	-6.05	54.88	48.97	12.07	30.32	34.13
Macedonia	8.98	7.48	20.07	1.72	0.93	85.62	12.36	10.71
Montenegro	6.14	6.01	2.20	1.97	2.08	-5.37	15.88	16.24
Poland	2,693.76	3,439.99	-21.69	2,068.91	2,441.06	-15.25	43.72	51.36
Romania	174.61	162.58	7.40	72.22	72.07	0.20	16.82	17.19
Serbia	80.47	72.78	10.56	23.82	19.86	19.92	21.96	21.34
Slovakia	476.06	543.61	-12.43	334.24	347.82	-3.90	52.25	51.30
Slovenia	265.49	280.83	-5.46	204.82	210.01	-2.47	25.03	26.48
Total CEE	6,026.06	6,947.33	-13.26	4,305.71	4,966.83	-13.31	37.36	41.77

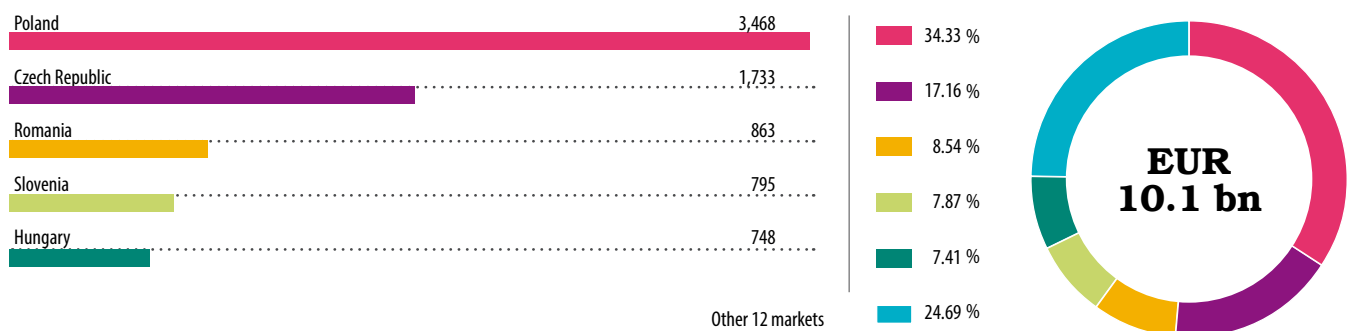
TOP 5 CEE life insurance markets as GWP (EUR million) & market shares (%)



CEE – NON-LIFE INSURANCE

Country	GWP		Change	Claims		Change	Weight in all GWP	
	1H2016	1H2015		1H2016	1H2015		1H2016	1H2015
	EUR m.	EUR m.	%	EUR m.	EUR m.	%	%	%
Albania	44.88	42.42	5.80	13.34	9.57	39.35	93.11	92.58
Bosnia & Herzegovina	130.09	119.94	8.46	49.66	58.86	-15.63	80.29	79.84
Bulgaria	410.49	393.03	4.44	218.01	224.62	-2.94	77.73	78.58
Croatia	438.03	432.53	1.27	189.44	181.85	4.18	68.37	67.59
Czech Republic	1,733.43	1,704.25	1.71	902.27	858.16	5.14	61.69	59.36
Estonia	149.21	136.93	8.97	85.55	75.85	12.78	78.64	76.72
Hungary	748.31	688.47	8.69	293.93	257.44	14.17	51.70	48.89
Kosovo	39.96	39.30	1.68	17.81	19.39	-8.13	100.00	100.00
Latvia	234.64	222.45	5.48	135.73	119.93	13.17	82.72	81.31
Lithuania	230.08	205.71	11.85	126.17	114.02	10.66	69.68	65.87
Macedonia	63.70	62.38	2.12	28.73	24.67	16.45	87.64	89.29
Montenegro	32.52	30.98	4.95	12.76	12.42	2.77	84.12	83.76
Poland	3,468.05	3,257.92	6.45	2,046.69	1,718.04	19.13	56.28	48.64
Romania	863.29	783.12	10.24	400.87	453.89	-11.68	83.18	82.81
Serbia	285.92	268.19	6.61	91.79	102.49	-10.44	78.04	78.66
Slovakia	435.11	515.96	-15.67	209.15	238.57	-12.33	47.75	48.70
Slovenia	795.32	779.53	2.03	459.41	462.98	-0.77	74.97	73.52
Total CEE	10,103.01	9,683.10	4.34	5,281.31	4,932.73	7.07	62.64	58.23

TOP 5 CEE non-life insurance markets as GWP (EUR million) & market shares (%)



the increased capital requirements put a strong pressure of the local players, many of them needing to put a lot of effort to comply with the new requirements.

To maintain or improve profitability in a low prices environment forced insurers to find new solutions to lower the acquisition and administration costs. To benefit from the economy of scale, insurance group that own several companies in the same market have initiated a consolidation process, a trend that began to be visible in the region.

New technologies, which may be of help in efficiency terms, are not yet affordable on a large scale in the area. Thus, only a limited use of telematics and IoT technologies may be observed in the CEE. However, even if the digitalization process is somehow retarded in comparison with the mature markets, the first steps are already done.

M&A operations have taken place all over the region, even if the era of the "big deals" has ended once almost all the relevant insurance companies in the region are already owned by large European group. Yet, in search for growth and business diversification or just aiming to achieve a more efficient structure, many of the insurance groups operating in the CEE got involved in acquisitions. Here are some examples, listed in alphabetical order:

ADRIS - The Croatian diversified conglomerate Adris Grup, owner of CROATIA Osiguranje, has increased its stake in Slovenian SAVA Re to 19.04% of its share capital. After significantly investing in reorganizing and consolidating the market leader position of CROATIA Osiguranje, the Group is interested to expand its insurance business in the region. In August 2016, ADRIS Grupa and its insurance flagship, CROATIA Osiguranje, have received

permission from the Slovenian Agency for Supervision of Insurers (AZN) for a direct access to the Slovenian market.

AXA - After selling to VIG its subsidiaries from Serbia and Romania, in September French AXA has completed the acquisition of LIBERTY Ubezpieczenia in Poland, the Polish Property & Casualty operations of LIBERTY Mutual Insurance Group. AXA already owns several companies in Poland. By the end of 2017, AXA Insurance, AXA and AXA Direct TUIR functions will be reunited in one company within the structure of AXA Global Direct.

ERGO - In June, ERGO Group, part of MUNICH Re, has finalized the acquisition of the Romanian CREDIT EUROPE Asigurari.

Later in August, the Group has successfully completed the acquisition of the Greek company ATE Insurance, Athens. The transaction makes ERGO the largest property-casualty insurer in the market.

EUROHOLD - In August, Bulgarian EUROINS Insurance Group (EIG), a subsidiary of financial holding EUROHOLD has received the approval from the Ukrainian Commission for State Regulation of the Financial Markets for the acquisition of HDI Strakhuvannya by. The deal in Ukraine comes after EIG has already acquired HDI Zastrahovane - the Bulgarian business of the Hannover based insurer TALANX International. Previously, representatives of the Group have repeatedly stated that EUROHOLD is looking for acquisitions in key central European markets, like the Czech Republic and Poland, as part of its strategy to become a leading insurer in Eastern Europe. EIG has also said it plans to open a branch in Greece and grow organically in the neighbouring country, after the Greek central bank rejected its application to

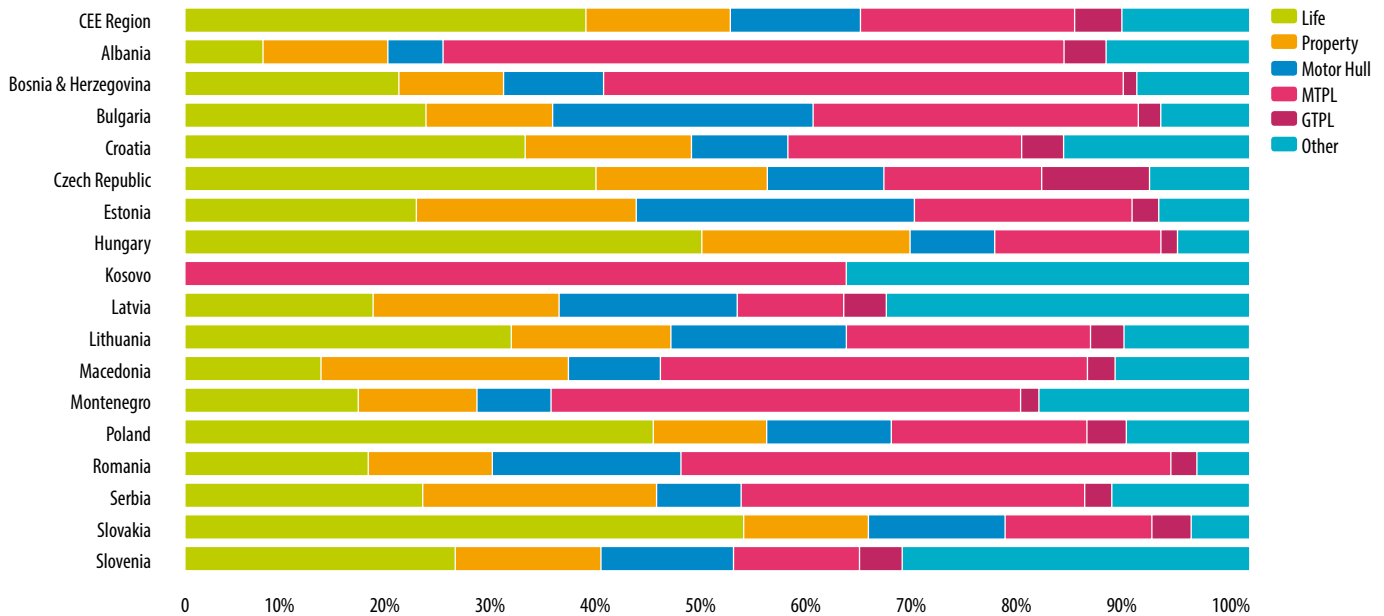
buy the local life insurance operations of France's Credit Agricole.

PZU - Polish market's leader, PZU has continued its expansion plans also in 2016. However, the Group's attention was mainly directed towards the banking sector, where the PZU Group intends to reach a leadership position in Poland. In its home insurance market PZU expects to increase its share in the property market segment via development of its mutual insurance unit TUW PZUW. On the other hand, the Group also said it plans to look for potential takeover targets in the insurance sector outside Poland. PZU already owns insurance businesses in Lithuania, Latvia, Estonia and Ukraine.

SAVA - Slovenian insurance group SAVA Re has already taken steps to simplify its organisational structure by merging its two domestic subsidiaries - Zavarovalnica Maribor and Zavarovalnica Tilia - and the two Croatian units - Velebit osiguranje and Velebit zivotno osiguranje - into one company. In September SAVA Re announced that the merger operation was authorized the Slovenian Insurance Supervision Agency. The transformation will provide the Group with a better competitive position in the Croatian and Slovenian markets, due to its greater cost-effectiveness and greater responsiveness to client needs. Furthermore, it is part of the SAVA Re Group's long-term strategy to consolidate its position as the second largest insurance group in the region.

VIG - In June, the Latvian Competition Council has allowed Austrian VIENNA Insurance Group (VIG) to take over Latvia's BTA Baltic Insurance Company (BTA Baltic), headquartered in Latvia and operating through branch offices in Lithuania and Estonia. The final regulatory approval for the purchase agreement signed in

CEE GWP portfolio per countries



CEE - LIFE UNIT-LINKED INSURANCE

Country	GWP			Change	Claims			Change	Weight in all GWP	
	1H2016 EUR m.	1H2015 EUR m.	%		1H2016 EUR m.	1H2015 EUR m.	%		1H2016 %	1H2015 %
Albania	-	-	-	-	-	-	-	-	-	
Bosnia & Herzegovina	-	-	-	-	-	-	-	-	-	
Bulgaria	13.31	9.24	44.05	6.30	2.13	195.95	2.52	1.85		
Croatia	32.03	16.38	95.59	6.40	7.60	-15.85	5.00	2.56		
Czech Republic	637.04	637.38	-0.05	308.98	401.66	-23.07	22.67	22.20		
Estonia	12.70	16.35	-22.33	14.29	11.61	23.08	6.69	9.16		
Hungary	369.75	444.94	-16.90	296.12	335.38	-11.71	25.55	31.60		
Kosovo	-	-	-	-	-	-	-	-		
Latvia	15.05	19.43	-22.53	11.27	6.73	67.47	5.31	7.10		
Lithuania	56.91	74.56	-23.67	37.65	33.98	10.81	17.24	23.88		
Macedonia	-	-	-	-	-	-	-	-		
Montenegro	-	-	-	-	-	-	-	-		
Poland	1,171.51	1,736.37	-32.53	1,039.21	1,198.49	-13.29	19.01	25.92		
Romania	47.64	51.69	-7.83	33.72	NA	-	4.59	5.47		
Serbia	-	-	-	-	-	-	-	-		
Slovakia	108.84	152.11	-28.45	54.15	46.74	15.84	11.95	14.36		
Slovenia	131.48	145.87	-9.86	96.99	99.03	-2.07	12.39	13.76		
Total CEE	2,596.26	3,304.31	-21.43	1,905.07	2,143.36	-11.12	16.10	19.87		

CEE - MOTOR HULL INSURANCE

Country	GWP			Change	Claims			Change	Weight in all GWP	
	1H2016 EUR m.	1H2015 EUR m.	%		1H2016 EUR m.	1H2015 EUR m.	%		1H2016 %	1H2015 %
Albania	2.51	2.08	20.98	1.39	1.04	33.89	5.21	4.53		
Bosnia & Herzegovina	15.30	14.70	4.09	10.33	10.59	-2.44	9.44	9.78		
Bulgaria	129.81	121.14	7.15	82.71	96.60	-14.39	24.58	24.22		
Croatia	58.31	49.00	18.99	38.72	35.56	8.89	9.10	7.66		
Czech Republic	309.02	286.66	7.80	214.16	194.48	10.12	11.00	9.98		
Estonia	49.80	46.51	7.09	34.38	31.39	9.50	26.25	26.06		
Hungary	115.66	107.59	7.50	60.20	57.70	4.33	7.99	7.64		
Kosovo	-	-	-	-	-	-	-	-		
Latvia	47.69	44.44	7.31	35.08	30.24	16.00	16.81	16.24		
Lithuania	54.69	46.86	16.72	38.98	35.05	11.20	16.56	15.01		
Macedonia	6.31	5.65	11.62	3.32	2.93	13.21	8.68	8.09		
Montenegro	2.70	2.60	4.04	1.54	1.44	7.13	6.99	7.02		
Poland	724.79	652.39	11.10	467.90	445.26	5.09	11.76	9.74		
Romania	184.76	185.50	-0.40	127.29	143.43	-11.25	17.80	19.61		
Serbia	29.25	26.61	9.94	18.34	17.30	6.02	7.98	7.80		
Slovakia	117.57	128.40	-8.44	78.64	92.23	-14.74	12.90	12.12		
Slovenia	132.69	127.56	4.02	84.54	80.99	4.39	12.51	12.03		
Total CEE	1,980.86	1,847.68	7.21	1,297.51	1,276.23	1.67	12.28	11.11		

CEE - MTPL INSURANCE

Country	GWP		Change	Claims		Change	Weight in all GWP	
	1H2016	1H2015		1H2016	1H2015		1H2016	1H2015
	EUR m.	EUR m.	%	EUR m.	EUR m.	%	%	%
Albania	28.24	25.99	8.68	7.74	6.43	20.40	58.60	56.72
Bosnia & Herzegovina	79.47	70.60	12.57	27.84	23.79	16.99	49.04	46.99
Bulgaria	162.08	153.61	5.51	97.17	80.20	21.16	30.69	30.71
Croatia	141.33	147.39	-4.11	72.11	65.35	10.35	22.06	23.03
Czech Republic	418.27	456.58	-8.39	244.03	243.40	0.26	14.89	15.90
Estonia	38.97	35.05	11.19	26.06	22.62	15.23	20.54	19.64
Hungary	226.99	170.83	32.87	104.04	97.80	6.38	15.68	12.13
Kosovo	24.74	26.60	-6.97	10.88	12.81	-15.07	61.93	67.69
Latvia	28.51	27.08	5.29	21.81	19.42	12.34	10.05	9.90
Lithuania	76.09	68.30	11.41	46.95	41.30	13.68	23.04	21.87
Macedonia	29.29	27.45	6.70	12.67	12.69	-0.15	40.30	39.29
Montenegro	17.13	15.73	8.86	6.24	5.68	9.81	44.31	42.53
Poland	1,137.47	955.05	19.10	871.92	787.41	10.73	18.46	14.26
Romania	479.85	375.43	27.81	232.36	251.14	-7.48	46.23	39.70
Serbia	118.77	116.76	1.72	35.95	31.33	14.74	32.42	34.24
Slovakia	126.24	144.23	-12.47	82.71	82.21	0.61	13.85	13.61
Slovenia	126.11	127.56	-1.14	70.33	66.64	5.54	11.89	12.03
Total CEE	3,259.55	2,944.24	10.71	1,970.80	1,850.21	6.52	20.21	17.70

CEE - PROPERTY INSURANCE (Fire, allied perils and other damages to property, summed)

Country	GWP		Change	Claims		Change	Weight in all GWP	
	1H2016	1H2015		1H2016	1H2015		1H2016	1H2015
	EUR m.	EUR m.	%	EUR m.	EUR m.	%	%	%
Albania	5.68	6.96	-18.42	2.27	0.43	428.31	11.78	15.20
Bosnia & Herzegovina	16.01	19.02	-15.84	4.55	18.63	-75.58	9.88	12.66
Bulgaria	63.12	65.62	-3.81	20.31	27.99	-27.42	11.95	13.12
Croatia	100.54	98.55	2.01	31.14	33.92	-8.22	15.69	15.40
Czech Republic	454.24	441.93	2.79	131.41	143.69	-8.55	16.17	15.39
Estonia	39.36	35.69	10.28	17.75	13.65	30.00	20.75	20.00
Hungary	284.46	273.24	4.11	103.61	68.10	52.15	19.65	19.40
Kosovo	-	-	-	-	-	-	-	-
Latvia	49.79	48.94	1.72	21.41	17.61	21.59	17.55	17.89
Lithuania	49.73	44.58	11.56	22.88	15.46	48.03	15.06	14.28
Macedonia	16.97	18.51	-8.33	2.35	4.42	-46.85	23.35	26.50
Montenegro	4.33	4.39	-1.36	0.92	1.13	-18.93	11.20	11.86
Poland	659.31	682.16	-3.35	334.57	208.76	60.27	10.70	10.18
Romania*	121.54	128.92	-5.72	18.11	23.07	-21.52	11.71	13.63
Serbia	80.87	75.88	6.57	16.38	34.52	-52.55	22.07	22.25
Slovakia	107.25	129.79	-17.37	25.12	37.19	-32.45	11.77	12.25
Slovenia	145.86	143.00	2.00	42.14	53.03	-20.54	13.75	13.49
Total CEE	2,199.05	2,217.19	-0.82	794.91	701.60	13.30	13.63	13.33

*in case of paid claims, the presented values are according to class VIII - fire and allied perils

CEE – GTPL INSURANCE

Country	GWP			Change	Claims			Change	Weight in all GWP	
	1H2016 EUR m.	1H2015 EUR m.	%		1H2016 EUR m.	1H2015 EUR m.	%		1H2016 %	1H2015 %
Albania	1.91	1.77	7.89	0.01	0.00	122.41	3.97	3.87		
Bosnia & Herzegovina	2.07	1.96	5.38	0.44	0.19	126.93	1.28	1.31		
Bulgaria	11.18	10.83	3.23	1.71	2.75	-37.72	2.12	2.17		
Croatia	25.36	30.23	-16.09	9.37	7.45	25.82	3.96	4.72		
Czech Republic	286.14	269.15	6.31	153.78	131.77	16.70	10.18	9.37		
Estonia	4.77	4.54	5.17	0.89	1.67	-46.55	2.52	2.54		
Hungary	22.68	39.11	-42.02	0.74	5.87	-87.35	1.57	2.78		
Kosovo	-	-	-	-	-	-	-	-		
Latvia	11.40	11.64	-2.09	2.66	1.74	52.79	4.02	4.26		
Lithuania	10.44	10.44	-0.04	1.97	1.24	59.38	3.16	3.34		
Macedonia	1.89	1.73	9.23	0.25	1.22	-79.12	2.61	2.48		
Montenegro	0.67	0.88	-23.97	0.05	0.06	-29.71	1.73	2.38		
Poland	229.12	262.13	-12.59	94.44	84.29	12.05	3.72	3.91		
Romania	25.49	32.63	-21.87	NA	NA	-	2.46	3.45		
Serbia	9.38	7.52	24.84	1.54	1.17	31.96	2.56	2.20		
Slovakia	33.80	40.06	-15.63	8.16	7.74	5.39	3.71	3.78		
Slovenia	42.73	39.43	8.35	9.61	11.78	-18.40	4.03	3.72		
Total CEE	719.03	764.05	-5.89	285.62	258.94	10.31	4.46	4.59		

December 2015 was granted, and the transaction was closed on August 24th. Through the acquisition of BTA Baltic VIENNA Insurance Group becomes one of the top 3 insurers in the non-life market of the Baltic States, having the largest sales network in Latvia.

VIENNA Insurance Group (VIG) has signed on July 6th the purchase agreement for acquisition of the non-life company AXA Nezivotna Osiguranje a.d.o. Beograd and life company AXA Zivotno Osiguranje a.d.o. Beograd (AXA Serbia). The purchase will increase VIG's market share in Serbia to around 11.5%. The acquisition is subject to approval by the local authorities. Later on, in August AXA and VIENNA Insurance Group (VIG) announced that they signed an agreement through which the Austrian insurer would acquire 100% of AXA's Life & Savings insurance operations in Romania (AXA Life Insurance) through its BCR Life and OMNIASIG entities.

CIS 1H2016

Passing through the storm

After years of positive high dynamics, insurers of the CIS space are confronted with a difficult economical environment: the worsening economic conditions affecting population's income are significantly limiting the demand for insurance products. On the other hand, the falling currency exchange rates all over the region, is putting a high pressure on the

costs and profitability.

Several countries are experiencing changes in the motor insurance regulations :

▶▶ Armenia - removing the obligation to declare the drivers allowed to use the care, other than the owner; adjusting the MTPL tariff

▶▶ Azerbaijan – new calculation method for the Motor Hull insurance; joined the Green Card system; introduced Audatex system for damages'evaluation

▶▶ Georgia – steps taken to introduce the mandatory MTPL insurance

Other countries, as Azerbaijan, Georgia and Kazakhstan are taking steps to introduce different systems of mandatory health insurance system.

To improve the market's stability, countries as Belarus or Ukraine have imposed higher capital requirements and have performed stress tests in order to identify the vulnerabilities. As a result, the market's concentration is more or less a general trend across the region. Thus, in Russia, although the market has already "lost" tens of companies, most of them being removed the licence because of the insufficient level of capitalization, there are still some hundred companies on the "red" list. M&A operations are part of the current market restructuring in some of the CIS countries, as Azerbaijan or Ukraine. Moreover, in Moldova five of the top insurers are under special surveillance, a major change of ownership being expected.

Finally, the establishing of the new

National Reinsurance Company in Russia, currently preparing to become active at the beginning of 2017, is raising concerns with regard to future of the reinsurance business carried on by the present players.

Overall, CIS markets are facing "turbulent" times, strongly affected by the volatile political environment, as well as by the high dependence of their economies on the petrol price. Yet, in the long run, their potential is unaffected and the ongoing modernization of the regulatory framework is creating new opportunities.

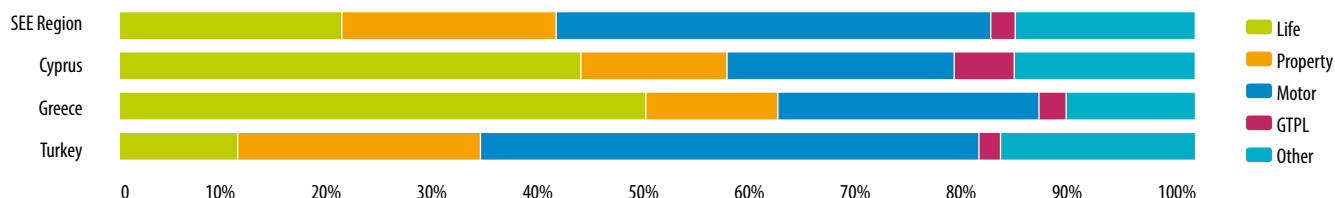
The 2016 forecast is rather optimistic for the CEE insurance markets, except for Russia and Ukraine. Life insurance premium growth will remain under pressure in most of CEE's EU member states, and are expected to decline in Russia due to the ongoing economic difficulties there. The segment's premiums could stabilize with continued strong growth, although savings products will remain unattractive due to still-low interest rates. On the non-life side, economic growth is expected to have a positive effect on the premiums volume. Still, sector profitability in CEE will remain mixed, is the opinion expressed by SWISS Re. Or, to quote a big player with a special devotion to the CEE region, VIG, the growth potential in the CEE region opens up many opportunities for development of the company, especially opportunities for longer-term development.

Daniela GHEȚU

SEE - OVERALL MARKET DATA

Country	Overall GWP			Change	Overall paid claims			Change	Regional market share	
	1H2016	1H2015			1H2016	1H2015			1H2016	1H2015
	EUR m.	EUR m.	%		EUR m.	EUR m.	%		%	%
Cyprus	399.92	381.74	4.76	217.72	231.19	-5.83	4.59	5.17		
Greece	1,889.31	1,991.51	-5.13	NA	NA	-	21.68	26.98		
Turkey	6,425.94	5,007.78	28.32	2,827.56	2,503.92	12.93	73.73	67.85		
Total SEE	8,715.18	7,381.03	18.08	NA	NA	-	100.00	100.00		

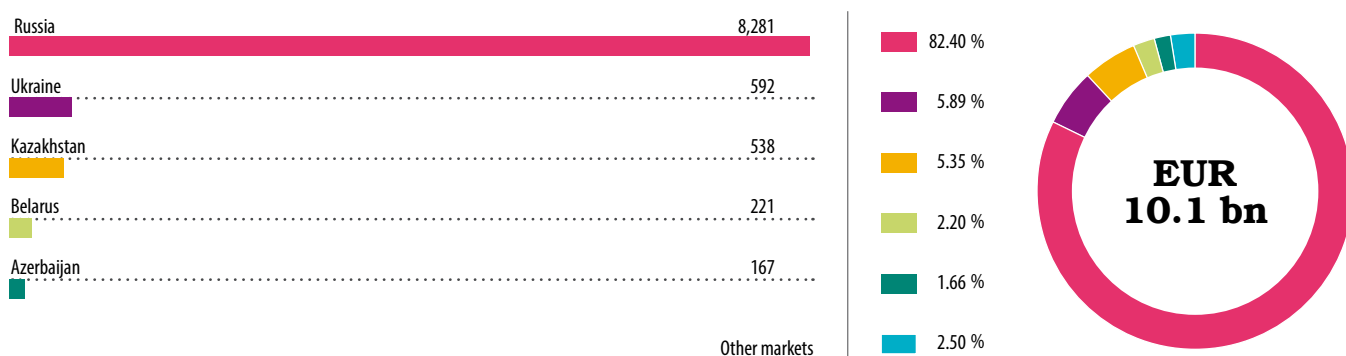
SEE GWP portfolio per countries (%)



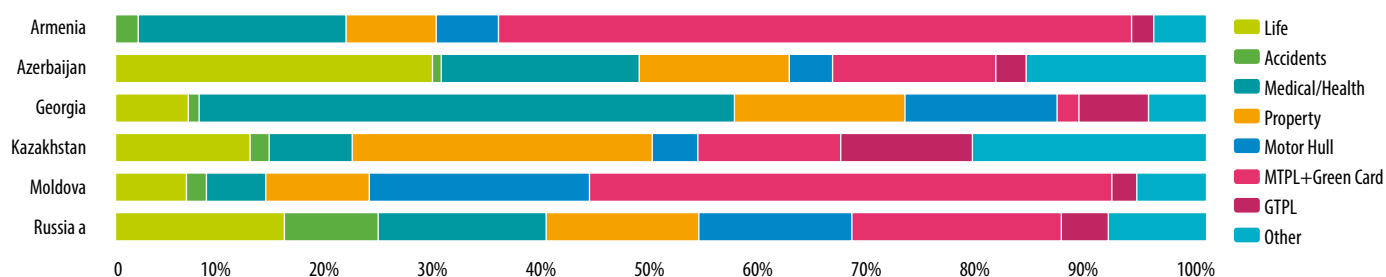
CIS - OVERALL MARKET DATA

Country	Overall GWP			Change	Overall paid claims			Change	Regional market share	
	1H2016	1H2015			1H2016	1H2015			1H2016	1H2015
	EUR m.	EUR m.	%		EUR m.	EUR m.	%		%	%
Armenia	30.41	30.30	0.35	12.84	11.95	7.44	0.30	0.29		
Azerbaijan	166.97	206.60	-19.18	59.34	78.53	-24.43	1.66	1.99		
Belarus	220.66	235.18	-6.17	113.62	133.62	-14.97	2.20	2.26		
Georgia	88.54	83.11	6.52	40.79	40.77	0.05	0.88	0.80		
Kazakhstan	537.59	731.58	-26.52	122.48	187.85	-34.80	5.35	7.04		
Kyrgyzstan	NA	NA	-	NA	NA	-	NA	NA		
Moldova	28.24	28.38	-0.49	10.10	7.77	30.10	0.28	0.27		
Russia	8,281.26	8,415.95	-1.60	3,438.04	3,844.86	-10.58	82.40	80.99		
Tajikistan	NA	NA	-	NA	NA	-	NA	NA		
Turkmenistan	NA	NA	-	NA	NA	-	NA	NA		
Ukraine	592.34	571.99	3.56	143.47	129.78	10.55	5.89	5.50		
Uzbekistan	104.28	88.36	18.02	20.60	19.73	4.42	1.04	0.85		
Total CIS	10,050.29	10,391.45	-3.28	3,961.28	4,454.84	-11.08	100.00	100.00		

TOP 5 CIS countries as GWP (EUR million) & market shares (%)



CIS GWP portfolio on selected countries (%)



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Following the implementation of Solvency II, TRIGLAV Group will continue to strengthen its position in the Adria region and to develop as the insurance hub of South-East Europe through organic growth and potential takeovers, should an appropriate opportunity arise. Learn more about the future of the Group in an interview with...

Tadej ČOROLI

Member of the Management Board, Zavarovalnica TRIGLAV

XPRIMM: Which do you believe will be the impact of the new European legislation (Solvency II & IDD) on the insurance activity from an insurer's standpoint as well as from the customer's perspective?

Tadej ČOROLI: I believe that the impact is positive. The objective of Solvency II is to harmonize legislation in the EU, which with an upgraded system of risk management provides greater financial stability of insurance companies and greater security to policyholders. The latter is also contained in the Directive on insurance distribution, which brings an even more comprehensive overview of insurance towards increasing the role of policyholders, i.e. of the customers. It will be important that best insurance practices continue to evolve and, consequently, the trust and partnership between insurers and the insured.

XPRIMM: As the current environment has specific challenges for insurers, do you see any consolidation taking place within the areas you are active in?

T.C.: It is highly likely that in some markets the insurance sector will have to be further consolidated, since the present structure is too fragmented. As a consequence of the already implemented and the upcoming legislative changes in the medium term, a certain impact can be expected on the ability of the insurance industry as a whole, and especially of some individual players in terms of underwriting. In general, I believe that this could have a greater impact on smaller insurers as they have to comply with relatively higher capital requirements

and at the same time – like others – operate in face of currently lower returns on financial investments.

XPRIMM: Do you plan on entering other markets in the CEE / SEE region in the near future?

T.C.: The insurance markets in the Adria region have potential for growth. In line with our strategic guideline, the TRIGLAV Group will continue to strengthen its position in the region and to develop as the insurance hub of South-East Europe through organic growth, however we do not rule out potential takeovers should an appropriate opportunity arise. We will continue to consolidate our position, and we will act prudently, aimed at long-term increase in the value of the Group. We see special opportunity in the health and pension insurance segments, where important steps were taken recently. Furthermore, we are actively considering the possibilities of digitisation in the broadest sense, including the opportunities to develop innovative business models with which we want to get even closer to customers.

XPRIMM: How have you managed to maintain a leading position in a period when the CEE markets were targeted by the large international groups?

T.C.: We are aware that we are operating in a highly competitive and demanding environment, in which specificities of individual insurance markets play an important role. In the markets where the Group holds a high market share and

a leading position, the consolidation strategy has been and will continue to be pursued, whilst on the remaining markets, where the Group's presence is still being built, focus has been and will be on strengthening the Group's market position. In all markets, we will strive to take full advantage of the competitive advantages of the TRIGLAV Group, such as the rapid and efficient claim payment system, the strength of the TRIGLAV brand, the wide range of products and services while ensuring long-term return on invested assets and increasing productivity through synergistic effects.



The development of our services is focused on multi-channel communication and excellent customer experience.



XPRIMM: Which is the most dynamic market you are active in and which is the most competitive? Regarding the customers, is price still a defining factor in purchasing insurance?

T.C.: In the first six months of 2016, premium growth was seen on all the insurance markets outside Slovenia. In Croatia, our biggest market outside

Slovenia, the insurance premium of Zavarovalnica TRIGLAV was 12% higher, whilst the highest premium growth of 20% was recorded in the Serbian market. In general, the Serbian insurance market is one of the most perspective in the Adria region. In the last three years, total premium was up almost 44%. The TRIGLAV insurance company headquartered in Belgrade recorded a written premium increase of as much as 88%, which is even substantially above the average growth of the insurance market. The Slovene insurance market is characterised by a high degree of concentration with strong competitors. But as we expected, the need for insurance services in the Adria region is increasing in line with its getting closer to the European Union, and the same time individual markets are growing.



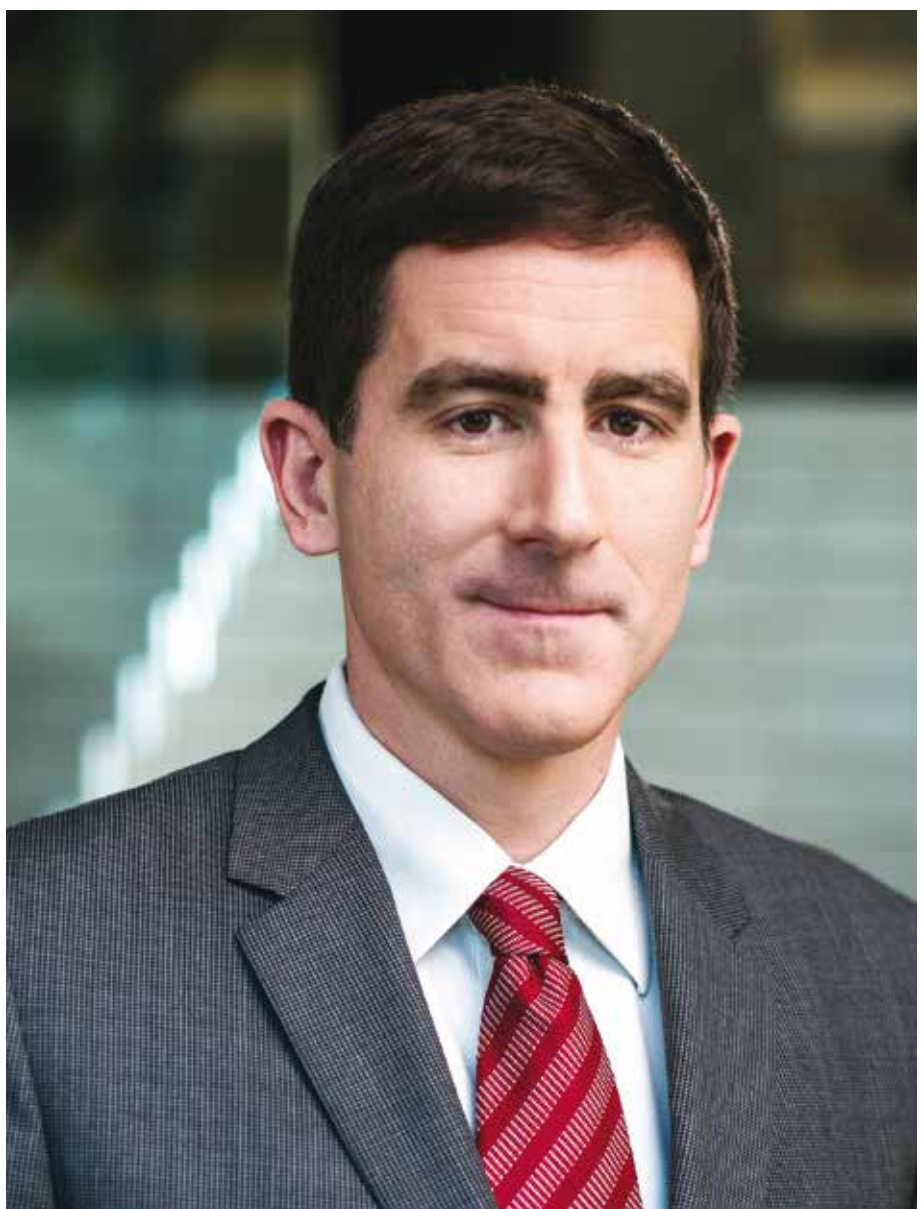
We are well aware that in difficult times the price of insurance is important to people. In my opinion, it is most important to find the right balance between price and quality of services.



We note that the consumer behavior of policyholders has changed, and at the same time, we are witnessing the aggressive competition. We are well aware that in difficult times the price of insurance is important to people and we therefore try to meet them halfway with good products and different offers containing discounts. In my opinion, it is most important to find the right balance between price and quality of services.

XPRIMM: As information is becoming more accessible to customers (Internet, social media etc.) do you see any changes in their behaviour?

T.C.: Our customers are increasingly using the internet and mobile devices, especially smartphones and tablets. More and more customers search for information and compare offers on internet, which definitely provides an opportunity for development. The development of our



services is focused on multi-channel communication and excellent customer experience. Expanding the range of smart and connected products and services has changed our cooperation with customers, because our service is now faster, more user-friendly, etc. The foundation of our insurance business is our proactive marketing approach, increasing the efficiency of the sales network and developing highly competitive products and services specifically tailored to customer needs. It is important to be aware that the insurance financial products are rather complex, requiring more understanding, and due to their complexity can consequently be less suitable for sale via the internet. But certainly not all. However, the current personal contact, advice and assistance in the selection of a particular product

remain an important component, like for example, when buying a car.

XPRIMM: Which do you believe it is the insurers' role in increasing the customers' financial education? Do you believe that insurance awareness is an issue within the countries you are active in?

T.C.: Understanding of insurance services is an important component of financial capability, which enables an individual to make the appropriate choice. When choosing an insurance product, people need to understand the risk faced and the risk-benefit ratio derived from any insurance or general financial product. It is crucial that any individual should be able to formulate their needs, and understand the range of insurance services and consequently choose the insurance that

best suits him. The development of the insurance market proves that our typical customer is thinking about how to ensure a safer future for himself and his family.



We see special opportunity in the health and pension insurance segments, where important steps were taken recently



XPRIMM: Which are your main objectives for the following period?

T.C.: Our focus lies on core insurance business. Satisfied clients will continue to be our main concern and focus of activities. We will put emphasis on the development of our services, the availability and diversity of sales channels, which are increasingly supported through online operations, and the strengthening of the sales network on all markets of the Group. This is our comparative advantage in Slovenia, and we are transferring this practice also to our

markets outside Slovenia. We effectively achieve the set strategic objectives, which is reflected in our solid business results. In the long term, I see an opportunity for growth in the health, life and pension insurance.

XPRIMM: How would you comment upon the costs of implementation of the Solvency II Directive?

T.C.: After a period of careful preparations, which was going on since 2007, we met the requirements and adapted to the changed regulations regarding Solvency II and entered into 2016 with sufficient capital strength also recording to the new requirements. The Company's risk profile is adequately balanced and represents a guarantee for long-term, financially stable and profitable operations. The new European directive has primarily significantly influenced our business culture; from focusing on compliance with the rules, we as insurance professionals are now focused on more active risk management. For the purposes of risk management and reporting, the relevant software was installed for risk monitoring and reporting in compliance with the Solvency II Directive requirements. Setting up a system required investment in new software that actually upgraded our



Solvency II has primarily significantly influenced our business culture; from focusing on compliance with the rules, we as insurance professionals are now focused on more active risk management.



previous efforts. The investment in the form of a variety of resources has been challenging, but we believe it has paid off and will continue to pay off in the future. As I pointed out in the beginning, the new regime encourages even greater financial stability of insurance companies and enhanced safety for all policyholders.

XPRIMM: Thank you!

Alexandru CIUNCAN
Mihai CRACEA



Zavarovalnica Triglav, d.d.

The Triglav Group

The TRIGLAV Group is the leading insurance-financial group in Slovenia, in the Adria region and one of the leading groups in South-East Europe. Besides Slovenia, the Group is active on the markets of Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Macedonia.

Zavarovalnica TRIGLAV, the controlling company of the Triglav Group operates together with its subsidiaries and associated companies on seven markets and in six countries. The Company is distinguished by knowledge, experience and excellence towards clients, employees, shareholders and other stakeholders.

At the Slovene market, where Triglav Group is present with the controlling company Zavarovalnica Triglav, focused on traditional insurance, Triglav, Zdravstvena zavarovalnica, focused on health insurance and Skupina pokojninska družba, focused on pension insurance, the Group holds a 37% market share.

In the first half of 2016, the TRIGLAV Group posted EUR 506.6 million in consolidated gross insurance and co-insurance premiums. Non-life insurance accounts for 68.1% of the Group's portfolio, while life insurance lines are making 20.80% of the GWP, the remaining 11.10% of the premium volume being provided by the health insurance segment.

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As the CEE and SEE economies are showing again signs of substantial growth after being heavily influenced by financial crisis, the insurance industry has begun to capitalize on new opportunities. For regional players, expanding their business could not have come at a better moment. About the insurance climate in the region and future plans for development, the Chairman of one of the most active players in these markets shared his thoughts in the following interview.

Asen CHRISTOV

Chairman of the Supervisory Board

EUROHOLD - the majority shareholder of EUROINS Insurance Group

XPRIMM: As global re/insurance groups are struggling with low interest rates, currency fluctuations and a more challenging geopolitical climate, which are the most important challenges the insurance industry has to currently face and how do you plan to tackle them?

Asen CHRISTOV: Firstly, the uncertain geopolitical climate does not affect EUROINS Insurance Group's business directly due to our geographic footprint. Southeastern Europe is not exposed to major external shocks, conflicts and, hopefully, natural disasters. From this point of view the region does not pose any extraordinary risks.

Secondly, extremely low interest rates and increased volatility on the financial markets are challenges that all insurance companies worldwide have been facing for several years. On one side, returns on financial instruments, bank deposits and debt instruments in particular, have dropped on average, and it is expected to last for some time. We had predicted such a situation, however, and adapted our business model accordingly to be able to cover our liabilities with our existing assets structure. On the other side, inflation rate remains very low in spite of the expansionary monetary policy which central banks have been keeping for the last couple of years.

This specific market situation allows us to stay focused on low-risk and low-yield securities in our investment portfolio. We will maintain a relatively conservative investment structure with an emphasis on fixed-income financial products, mainly government bonds and bank deposits.

We will continue to invest in financial instruments that ensure adequate liquidity, diversification and expected return.

XPRIMM: What is the group's view on the CEE countries, considering that your presence here has been increasing steadily during the last years?

A.C.: The macroeconomic conditions are improving. The SEE and CEE countries are returning to steady growth amid rising consumption and a favorable fiscal environment. The prospects for the CEE and SEE insurance industry remain optimistic as the positive business environment and conditions for convergence towards the markets of other EU countries are expected to persist.

The penetration of insurance products in the region is still very low, the insurance market is largely seen as relatively underdeveloped and therefore holding untapped potential. The CEE and SEE insurance sectors are forecasted to grow at more than twice the rate of Western Europe or North America and EIG is ideally positioned to exploit this growth potential through its broad market coverage, diverse insurance portfolio and product range tailored to clients' needs and its diversity of sales channels.

XPRIMM: Do you plan on entering other markets in the CEE region in the near future?

A.C.: EUROINS Insurance Group (EIG) acquired businesses in the region in the past few years and we are looking to make more acquisitions. Acquisitions are a part of our way of life and help us diversify

and improve the quality of our insurance portfolio in order to increase the share of the non-motor segments and achieve a more precise and detailed segmentation.

EIG operates in 7 European countries and is a well-recognized brand in 4 of them: Bulgaria, Romania, Macedonia and the Ukraine. Our market share in Romania is almost 15%, in Bulgaria – about 7% and in Macedonia – 9%. Our goal is to further grow on these markets, both through organic growth and potential takeovers should an appropriate opportunity arise.

This year we acquired the business of Germany-based TALANX Group in the Ukraine - HDI Strakhuvannya. Prior to this, we purchased their activities in Bulgaria that have already been fully integrated legally and operationally in our business.

In 2013, EUROINS acquired the businesses of QBE in Bulgaria and Romania and INTERAMERICAN in Bulgaria. The group is currently reaping the benefits of these acquisitions through portfolio diversification and shared best practices. We now cover all insurance segments - life, health, property and casualty.

Apart from these acquisitions, EIG has existing operations in Greece. Along with strengthening the group's position in the insurance market in Southeastern Europe, we are foreseeing an expansion towards Central Europe. We have already set up branches in the Czech Republic and Slovakia. EUROINS is planning to expand into the other CEE countries by acquiring non-life and life insurance businesses with strong balance sheets. Our goal is to make EUROINS the largest independent insurance player in Eastern Europe.

XPRIMM: What is the current state of the Romanian subsidiary? There were several capital increases. Has the process been finalized or is there any more capital required?

A.C.: Regarding EUROINS Romania, in April 2016, EIG paid the full amount of RON 200 million (EUR 45 million) for the capital increase of its Romanian subsidiary, complying with the business plan for improving its financial performance approved by the Romanian financial regulator (ASF). According to this plan, EIG's shareholders accepted to provide for a second capital increase in November 2016 in case it is necessary and depending on the financial results. Our estimation is that we will need additional RON 50 million worth of new capital, but for more certainty we plan to increase it by RON 100 million so that at the end of the November we would have covered our restructuring plan successfully.

XPRIMM: What are your future plans for the Romanian market?

A.C.: EUROINS Romania is performing very well and is the strongest company within our group. Last year it generated 63 percent of EIG's total gross written premiums. The company is among the Top 3 insurance companies in Romania. In the long run, we see growth potential on the health and life insurance market and we have already started implementing our life insurance strategy, beginning with health insurance products penetration. As a whole, the market of Romania presents a substantial potential growth in the non-life insurance segment, even regarding motor vehicle insurance, since the number of cars per capita in the country is still under the EU average and the demand for cars and insurance is expected to further increase. On motor insurance, where we hold a high market share, we will pursue a consolidation strategy, while on the remaining segments - non-motor and life insurance - where the group's robust presence is still being developed, focus will be on strengthening the group's market position.

XPRIMM: How do investors view the EUROHOLD group and how much support have you managed to draw from international investors?

A.C.: EUROHOLD Bulgaria AD is a publicly traded company listed on both Warsaw and Sofia Stock Exchanges. Being listed on these two markets, we are subjected to all market fluctuations and trends. We



rely, however, on constant support from our institutional investors amongst which there are investors from Finland, USA and Switzerland. The fact that over the last 7 years we attracted over EUR 100 million in order to expand our business, to support EIG's subsidiaries and to finance the regional expansion of the group means that investors have a very positive attitude toward us.

XPRIMM: Do you see insurance substantially changing in the near future in the context in which technology will play a much bigger role within the society?

A.C.: The process of digitalization of the insurance services has already started. As, in certain situations, even complex medical surgeries are being conducted from distance, nothing can stop the financial innovations. Even the most conservative financial regulators. Not long ago, when you wanted to buy an insurance policy, you had to go to an office and all the process was managed by employees. Nowadays, you are more likely to interact online. EUROINS started testing an online platform for reporting claims three years ago

without asking customers for any paper documents. Nowadays, 80% of our clients prefer to handle their claims via the online channel. We are not far away from the day when a company similar to Uber will appear in the industry and become the biggest insurance intermediary. Finally, this will bring benefits for both customers and companies. Regulations could be the only barriers for the digitalization of the insurance services because they often lag behind current innovations.

XPRIMM: Which are your main goals for the near future? How do you plan to position yourselves in the CEE area or even in other regions?

A.C.: Our aim is to place EUROINS Insurance Group amongst the top 10 insurance groups in Europe. In the short run, we expect the company to be the only active independent insurance player in the CEE and SEE with activities in 7 countries, over 2.5 million customers, an asset base that exceeds EUR 1 billion and GWP in excess of EUR 350 million annually starting from 2016.

Mihai CRĂCEA

Albania



S&P Rating
B+ STABLE

Moody's rating
B1 STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² Bank of Albania

³ Albanian Financial Supervisory Authority (AFSA)

⁴ XPRIMM calculations

The decreasing bank lending activity also translated in a negative trend in the life insurance segment

A 20% hike in the MTPL prices occurred in August and further increases are expected until the market will reach an equilibrium point

Rising taxes, from 3% to 10%, as well as more difficult conditions for the housing loan have led to a decreasing demand for property insurance, which saw GWP diminishing by almost a quarter

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	ALL billion ¹	1,239.65	1,300.62	1,332.81	1,350.56	1,400.55	1,453.72
	EUR billion ⁴	8.93	9.36	9.55	9.63	9.99	10.59
GDP per capita, current prices	ALL ¹	425,552.92	447,753.05	459,550.86	466,246.82	484,007.22	503,162.32
	EUR ⁴	3,066.61	3,222.87	3,292.15	3,325.58	3,453.74	3,665.23
Unemployment rate	% of total labor force ¹	14.00	14.00	13.40	16.00	17.50	17.10
Population	Millions ¹	2.91	2.91	2.90	2.90	2.89	2.89
ALL/EUR exchange rate	End of period ²	138.77	138.93	139.59	140.20	140.14	137.28
Gross written premiums	ALL million ³	8,207.49	8,335.90	8,949.78	8,535.48	11,624.60	14,086.44
	EUR million ⁴	59.14	60.00	64.11	60.88	82.95	102.61
Paid claims	ALL million ³	2,292.03	2,211.27	2,806.81	2,695.77	2,838.96	3,642.50
	EUR million ⁴	16.52	15.92	20.11	19.23	20.26	26.53
Insurance penetration degree	% in GDP ⁴	0.66%	0.64%	0.67%	0.63%	0.83%	0.97%
Insurance density	EUR/capita ⁴	20.30	20.65	22.11	21.02	28.66	35.52

Albanian insurers ended the first half of 2016 with GWP of EUR 48.2 million, 5.2 up y-o-y, a growth rate somehow supported by the local currency's exchange rate appreciation (in Lek, the market increase was of almost 3%).

Life insurance, which already held a very little share of the GWP portfolio, has seen a further reduction in its weight because the negative trend in underwriting (2.4% y-o-y decrease in GWP). The falling trend was driven by the negative dynamic recorded on the main life insurance lines, accounting together for almost 78% of the life portfolio: "Debtor's life

portfolio" (17.2% down y-o-y) and "Life with savings portfolio" (8.99%). According to the Albanian FSA's Executive General Director, Enkeleda SHEHI, the number of Life insurance policies reached 50,102 indicating a decrease by 6.09% y-o-y as a consequence of a restrictive credit policy of banks and of the low business loan during the 1H2016.

On the non-life side, the motor lines, especially the MTPL one are maintaining a leading role, both in volume and dynamics terms. The MTPL insurance increased by 6.39% during 1H2016 compared with the same period of the previous year. The number of MTPL policies increased by 8.19% in

Market portfolio at June 30st, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	48.20	45.82	5.19	13.82	10.41	32.72	100.00	100.00
TOTAL LIFE	3.32	3.40	-2.37	0.47	0.83	-43.32	6.89	7.42
TOTAL NON-LIFE	44.67	42.33	5.52	13.34	9.57	39.35	92.68	92.39
Accidents insurance	1.51	2.21	-31.83	0.22	0.21	4.10	3.13	4.82
Health insurance	3.57	2.22	60.55	1.51	1.44	4.89	7.41	4.85
Overall property insurance	5.68	6.96	-18.42	2.27	0.43	428.31	11.78	15.20
Fire and allied perils	4.32	5.72	-24.50	1.72	0.13	1,175.87	8.97	12.49
Damages to property	1.36	1.24	9.66	0.56	0.30	88.23	2.82	2.70
Overall motor insurance	30.76	28.06	9.59	9.14	7.47	22.28	63.81	61.25
Motor Hull	2.51	2.08	20.98	1.39	1.04	33.89	5.21	4.53
MTPL	28.24	25.99	8.68	7.74	6.43	20.40	58.60	56.72
- DMTPL	22.14	20.82	6.34	5.81	4.68	24.28	45.94	45.44
- Green Card	5.18	4.32	19.93	1.66	1.68	-1.23	10.74	9.42
- Border	0.92	0.85	8.89	0.27	0.07	263.51	1.92	1.85
Goods in transit	0.16	0.19	-17.49	0.01	0.01	-15.24	0.32	0.41
GTPL	1.91	1.77	7.89	0.01	0.00	122.41	3.97	3.87
Suretyship	0.83	0.81	2.39	0.19	0.01	1,512	1.73	1.78
Other non-life insurance	0.25	0.10	163.18	-	-	-	0.53	0.21
REINSURANCE ACCEPTED	0.21	0.08	146.78	-	-	-	0.43	0.18

1 EUR = 140.29 Lek - ALL (June 30th, 2015)

1 EUR = 137.33 Lek - ALL (June 30th, 2016)

Enkeleda SHEHI
Executive General
Director, Albanian
FSA



Albania

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Full market rankings per company & per class

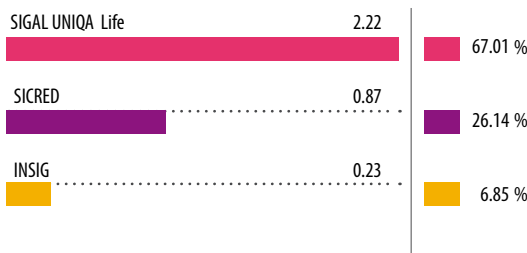
MSExcel format * in EUR and local currency

comparison to the period January-June 2015. The compulsory motor insurance continues to have, with 63%, the biggest share of non-life insurance in terms of gross written premiums. The MTPL's market still hasn't reached the equilibrium point as it is expected a rise in the MTPL gross premium volume during the next years. This rise can be driven by many factors such as: the number of uninsured cars, which is still high, the high difference of average premium between Albania and the region, the collaboration of AFSA with the universities in promoting the insurance sector. Based on the observation in the region and characteristics of insurance market the growth will start to decrease in the coming years, Ms. SHEHI told XPRIMM.

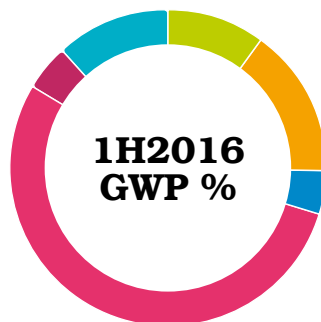
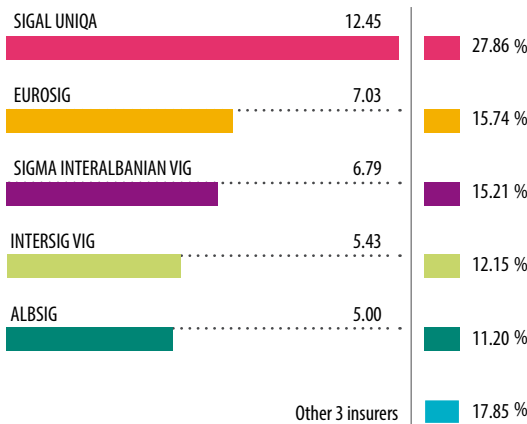
On the property insurance lines, GWP and claims have recorded completely opposite trends. On one hand, GWP for the "fire and allied perils" line decreased by 24.5% y-o-y. The reason for the decrease of total premium can be ascribed to the tax increase from 3% to 10%, leading to a fall of demand for this type of insurance, but as well to the fact that this type of insurance is also credit-related, said the FSA official. On the other hand, claims paid went up 11 times as compared with 1H2015, the main source of this growth being the claims made until 2015, but that by court decision (in the case of claims in court proceedings) were paid in the first half of 2016.

For the year end, a significant GWP growth is expected, mainly fuelled by the MTPL price increase in August 2016. Also seasonal effects always taking place in the second half of the year; the private sector credit growth can lead to the increase of life and property insurance policies related to the credit. The existing potential regarding the number of policies of voluntary insurance products could be another factor contributing to the GWP increase, said Enkeleda SHEHI. (DG)

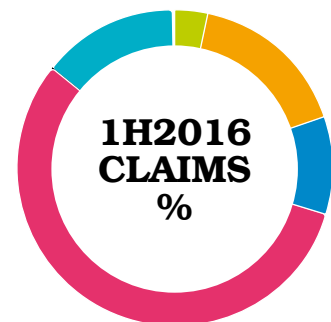
Life insurance ranking (GWP, EUR m)



Top 5 Non-life insurance (GWP, EUR m)



Life	6.89
Property	11.78
Motor Hull	5.21
MTPL	58.60
GTPL	3.97
Other	13.54



Life	3.43
Property	16.47
Motor Hull	10.08
MTPL	56.04
GTPL	0.04
Other	13.95

Bosnia and Herzegovina



S&P Rating
B STABLE

Moody's rating
B3 STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² Central Bank of Bosnia and Herzegovina

³ Insurance Supervisory Agency of Federation of Bosnia and Herzegovina (NADOS) and Insurance Agency of Republika Srpska (AZORS)

⁴ XPRIMM calculations

Motor lines have generated about 80% of the non-life insurer's expenses for claims

The largest three insurers by GWP were FBiH-based companies

The FBiH government has tried for several times to sell its shares SARAJEVO Osiguranje, but found no suitable buyers; the government holds a 45.5% stake in the insurer

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	BAM billion ¹	25.35	26.21	26.19	26.74	27.30	27.85
	EUR billion ⁴	12.96	13.40	13.39	13.67	13.96	14.24
GDP per capita, current prices	BAM ¹	6,504.11	6,737.50	6,744.20	6,896.71	7,053.63	7,209.53
	EUR ⁴	3,325.50	3,444.83	3,448.26	3,526.23	3,606.46	3,686.17
Unemployment rate	% of total labor force ¹	27.20	27.60	28.00	27.50	27.50	27.70
Population	Millions ¹	3.90	3.89	3.88	3.88	3.87	3.86
BAM/EUR exchange rate	fixed ²	1.96	1.96	1.96	1.96	1.96	1.96
Gross written premiums	BAM million ³	472.01	488.11	505.09	527.03	562.12	588.63
	EUR million ⁴	241.33	249.57	258.25	269.47	287.41	300.96
Paid claims	BAM million ³	193.68	185.59	188.53	201.03	249.61	250.86
	EUR million ⁴	99.02	94.89	96.39	102.79	127.62	128.26
Insurance penetration degree	% in GDP ⁴	1.86%	1.86%	1.93%	1.97%	2.06%	2.11%
Insurance density	EUR/capita ⁴	61.93	64.16	66.49	69.49	74.25	77.91

The aggregate GWP value generated by the Bosnian insurers was up by 7.86% y-o-y to BAM 316.90 million (EUR 162.03 million) in the first half of 2016, according to the figures provided by the two market authorities. About 71% of total GWP were made by the 12 active insurance companies which are registered in the FBiH (or EUR 115 million) the remaining 29% (EUR 47 million) being reported by the 13 active RS insurers. „There were three new

insurance companies registered, one based in FBiH and two based in RS. All three companies will initially deal with MRPL. The insurance market in BiH, especially the MTPL market, is a small and demanding for a large number of insurance companies that operate on it. The total number of registered companies in first half of 2016 is 27“, declared in an interview for XPRIMM, Samir OMERHODZIC, Director, Insurance Agency of Bosnia and Herzegovina.

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	162.03	150.23	7.86	61.66	69.96	-11.86	100.00	100.00
TOTAL LIFE	31.94	30.29	5.46	12.00	11.10	8.10	19.71	20.16
TOTAL NON-LIFE	130.09	119.94	8.46	49.66	58.86	-15.63	80.29	79.84
Accidents	16.01	19.02	-15.84	4.55	18.63	-75.58	9.88	12.66
Health	7.85	8.17	-3.90	1.25	3.13	-60.04	4.84	5.44
Overall property insurance	8.16	10.85	-24.82	3.30	15.50	-78.72	5.04	7.23
Fire and allied perils	94.76	85.29	11.10	38.17	34.38	11.01	58.49	56.78
Damages to property	15.30	14.70	4.09	10.33	10.59	-2.44	9.44	9.78
Overall motor insurance	79.47	70.60	12.57	27.84	23.79	16.99	49.04	46.99
Motor Hull	2.07	1.96	5.38	0.44	0.19	126.93	1.28	1.31
MTPL	17.25	13.66	26.25	6.50	5.65	15.03	10.65	9.09
GTPL								
Other non-life insurance	115.05	106.14	8.39	46.46	43.47	6.86	71.00	70.66
TOTAL FBiH insurers	27.34	26.17	4.45	10.16	9.70	4.71	16.87	17.42
Life	87.71	79.97	9.68	36.30	33.77	7.48	54.13	53.23
Non-Life								
TOTAL RS insurers	46.98	44.08	6.58	15.20	26.48	-42.60	29.00	29.34
Life	4.60	4.11	11.91	1.84	1.40	31.57	2.84	2.74
Non-Life	42.38	39.97	6.03	13.36	25.09	-46.73	26.15	26.60

1 EUR = 1.95583 Convertible marks - BAM (fixed)

Samir
OMERHODZIC
Director
Insurance Agency
of Bosnia and
Herzegovina



Bosnia and Herzegovina

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Full market rankings per company & per class

MSEcel format * in EUR and local currency

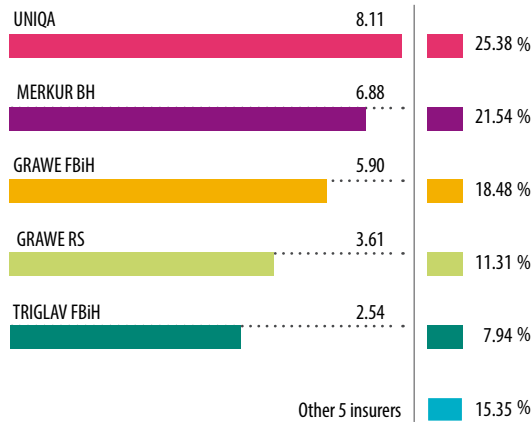


The GWP portfolio consisted of 19.71% - life insurance - the equivalent of EUR 32 million, the remaining 80.29% corresponding to the other 18 non-life insurance sub-classes: 49% - Motor TPL policies (EUR 79 million), 9.44% - motor hull (EUR 15.30 million) or 9.88% to property insurance - the equivalent of EUR 16 million.

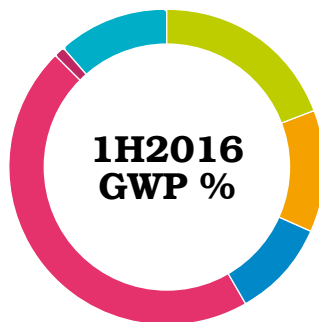
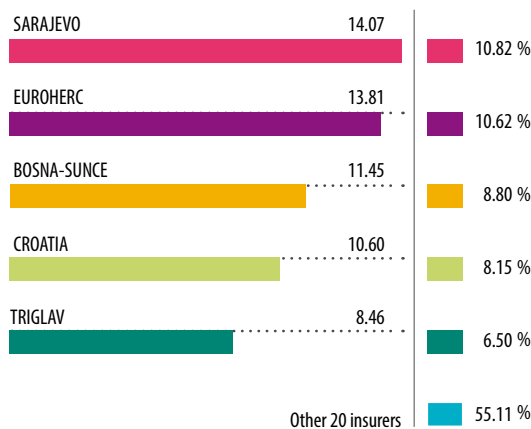
MTPL has a significant share in the total insurance premium in Bosnia and Herzegovina. This proportion increase is actually a negative phenomenon considering the trends that should occur in the development of each insurance market. In Bosnia and Herzegovina due to the poor economic situation, high unemployment, lack of development of the economy, the mandatory types of insurance have the largest share of the insurance premium. (...) Increase of MTPL insurance premium is partially due to the strict actions regarding the application of the premium system by both entity insurance supervisory agencies, stated Samir OMERHODZIC.

On the other hand, despite the country's exposure to severe flooding and other natural disaster, property lines reported an unexpected 16% y-o-y decrease in GWP: Authorities at all levels in BiH are trying to avoid insurance and leave even some of the strategic public companies uninsured. (...) It is not uncommon that many public companies (electricity, telecom, hospitals) do not have concluded property insurance although in the past they suffered significant losses due to fire, flood and other damage to property". At the same time, „due to social sensitivity in BiH, in cases like this, there are various resources (aid, grants, ect.) to remedy the negligence and irresponsibility of the owners and save jobs, but it does not solve the fundamental problem of ensuring risks. In such a situation it is not surprising that the property insurance premium falls, said Samir OMERHODZIC. (VB)

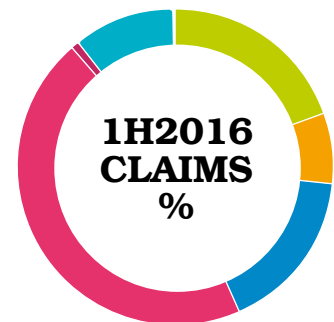
TOP 5 Life insurance (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Class	GWP %
Life	19.71
Property	9.88
Motor Hull	9.44
MTPL	49.04
GTPL	1.28
Other	10.65



Class	Claims %
Life	19.46
Property	7.38
Motor Hull	16.75
MTPL	45.15
GTPL	0.72
Other	10.55

Bulgaria



S&P Rating

BB+ STABLE

Moody's rating

BAA2 STABLE

Fitch Rating

BBB- STABLE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² Bulgarian National Bank

³ The Financial Supervision Commission of Bulgaria (FSC)

⁴ XPRIMM calculations

Life and motor insurance lines, the main drivers of the market's 5.6% growth

Some increase in prices, a persisting revival of the car sales as well as an invigorated bank lending activity were the main drivers of the GWP growth for motor insurance

To stimulate agricultural insurance, the subsidizing public funds were increased for 2016

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	BGN billion ¹	73.78	80.10	81.54	81.97	83.61	86.37
	EUR billion ⁴	37.72	40.95	41.69	41.91	42.75	44.16
GDP per capita, current prices	BGN ¹	9,830.97	10,931.83	11,197.92	11,324.55	11,609.27	12,052.80
	EUR ⁴	5,026.49	5,589.35	5,725.40	5,790.15	5,935.73	6,162.50
Unemployment rate	% of total labor force ¹	10.31	11.35	12.38	13.04	11.52	9.24
Population	Millions ¹	7.51	7.33	7.28	7.24	7.20	7.17
BGN/EUR exchange rate	fixed ²	1.96	1.96	1.96	1.96	1.96	1.96
Gross written premiums	BGN million ³	1,623.46	1,613.76	1,604.14	1,729.41	1,774.74	1,962.97
	EUR million ⁴	830.06	825.10	820.19	884.24	907.41	1,003.65
Paid claims	BGN million ³	779.14	733.88	791.37	847.69	965.29	1,027.60
	EUR million ⁴	398.37	375.23	404.62	433.42	493.54	525.41
Insurance penetration degree	% in GDP ⁴	2.20%	2.01%	1.97%	2.11%	2.12%	2.27%
Insurance density	EUR/capita ⁴	110.60	112.61	112.63	122.17	125.99	140.06

According to data published by the FSC - Financial Supervision Commission, Bulgarian insurers recorded in 1H2016 a GWP worth EUR 528.15 million, 5.6% up y-o-y. Two were the business segments with a relevant contribution to the market's growth: life insurance, which saw a record high growth in premium volume (~44%) on the Unit-Linked insurance line and the motor insurance lines, the Motor Hull and MTPPL lines' contribution, in absolute terms, to the GWP growth being almost equal.

Life insurance is still underdeveloped and

operating with small volumes. However, the first half of 2016 saw the unit-linked and the "Life ins. and annuities" premiums significantly increasing. Started a couple of years ago, the current life insurance market acceleration seems to be a persistent trend, although its pace has somehow slowed down as compared with the precedent year.

Non-life insurance saw a 4.4% increase in GWP. Motor insurance premium production went up by 6.25%, to EUR 292 million, capitalizing on the positive trend observed on the motor lines. Some

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	528.07	500.15	5.58	259.47	258.57	0.35	100.00	100.00
TOTAL LIFE	117.58	107.12	9.76	41.46	33.95	22.10	22.27	21.42
Life ins. and annuities	82.24	74.69	10.11	29.42	25.44	15.64	15.57	14.93
Unit-linked	13.31	9.24	44.05	6.30	2.13	195.95	2.52	1.85
Marriage and birth	2.62	2.56	2.31	0.81	0.89	-9.57	0.50	0.51
Supplementary insurance	5.12	6.16	-16.99	1.04	1.44	-27.32	0.97	1.23
Other life insurance (accidents, sickness, health)	14.29	14.47	-1.25	3.88	4.05	-4.21	2.71	2.89
TOTAL NON-LIFE	410.49	393.03	4.44	218.01	224.62	-2.94	77.73	78.58
Accidents insurance	8.77	7.72	13.62	2.24	2.72	-17.70	1.66	1.54
Health	12.52	10.77	16	7.07	7.11	-1	2.37	2.15
Railway, aircraft and ships	4.83	5.69	-15.22	2.18	2.91	-24.93	0.91	1.14
Goods in transit	4.76	4.50	5.82	0.73	0.90	-18.97	0.90	0.90
Overall property insurance	63.12	65.62	-3.81	20.31	27.99	-27.42	11.95	13.12
Fire and allied perils	52.30	53.89	-2.95	18.41	24.28	-24.18	9.90	10.78
Damages to property	10.82	11.73	-7.74	1.90	3.71	-48.66	2.05	2.35
Overall motor insurance	291.89	274.76	6.24	179.87	176.81	1.74	55.28	54.93
Motor Hull	129.81	121.14	7.15	82.71	96.60	-14.39	24.58	24.22
MTPPL	162.08	153.61	5.51	97.17	80.20	21.16	30.69	30.71
Carriers' liability (air and sea)	1.96	2.63	-25.39	0.00	0.00	-91.76	0.37	0.53
GTPL	11.18	10.83	3.23	1.71	2.75	-37.72	2.12	2.17
Credit insurance	1.74	2.95	-41.05	2.14	1.10	93.38	0.33	0.59
Suretyship	2.95	0.41	616.89	0.02	0.39	-96.19	0.56	0.08
Financial loss	2.06	2.70	-23.86	0.41	0.46	-11.62	0.39	0.54
Travel	4.71	4.44	6.08	1.33	1.47	-9.12	0.89	0.89
Other non-life insurance	0.00	0.00	-33.95	-	-	-	0.00	0.00

1 EUR = 1.95583 Leva, BGN (fixed)

increase in prices, a persisting revival of the car sales – although at a lower pace than in 2015 -, as well as an invigorated bank lending activity were the main drivers of the positive evolution. Thus, according to the ACEA (European Automobile Manufacturers Association) data, passenger cars registrations increased by 7.1% y-o-y, while commercial vehicles registrations went up by about 2% in 1H2016.

The MTPL business maintained a positive trend, with a 5.5% increase in GWP. However, claims paid also went up, even at a higher pace, of 21%, in part as a result of the introduction of the new Insurance Code which provides for extended scope of insurance and higher coverage limits for death on roads and bodily injuries, of EUR 5 million. Thus, starting 2016 insurers are also paying compensations for damage due to poor health of the driver while driving, damage from scratches and the opening of doors during the movement, and when the car is stopped.

Property insurance remained at a very low level and saw a 3.8% decrease in GWP, despite the severe natural weather events which affected the country. However, as the first part of the year was rather calm in weather related events terms, claims went down by about 27% as compared with 2015.

On the agricultural insurance side a stimulus may come from the SFA - State Fund Agriculture's decision to increase the budget for the agricultural insurance subsidizing scheme in 2016 to BGN 2.5 million (about EUR 1.28 million). Bulgarian agricultural producers may submit their insurance policies to the regional directorates of the SFA up until 30 September. A total of 442 applications totalling about EUR 1.07 million have already been filed for the State aid scheme for the co-funding of insurance premiums to insure agricultural productions. For now, 399 contracts worth 1,394,630 lev (about 712,776 Euro) have been signed. The maximum amount of support is 65% of the insurance premium.

BULSTRAD VIG, LEV INS and ARMEEC are leading non-life insurers, with an aggregated market share of 36.7%, while on the life insurance side the top 3 is formed by ALLIANZ Bulgaria Life, BULSTRAD Life VIG and UNIQA Life, accounting together for more 58% of the life GWP. (DG)

Bulgaria

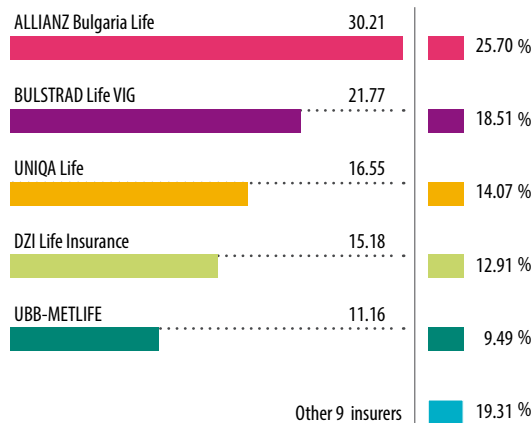
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Full market rankings per company & per class

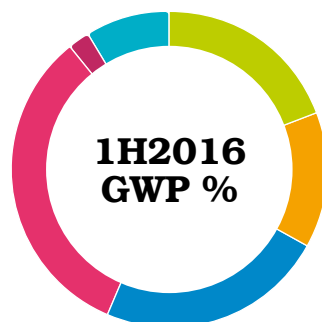
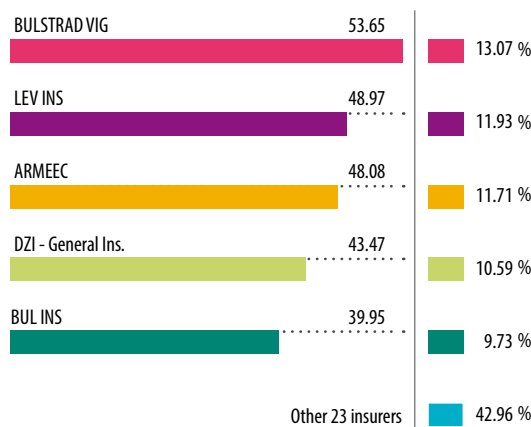
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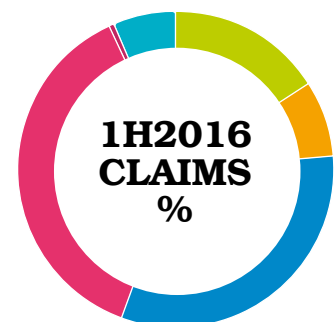
TOP 5 Life insurance (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	22.27
Property	11.95
Motor Hull	24.58
MTPL	30.69
GTPL	2.12
Other	8.39



Life	15.98
Property	7.83
Motor Hull	31.87
MTPL	37.45
GTPL	0.66
Other	6.21

Croatia



S&P Rating

BB NEGATIVE

Moody's rating

BA2 NEGATIVE

Fitch Rating

BB NEGATIVE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² Croatian National Bank

³ Croatian Insurance Bureau

⁴ XPRIMM calculations

The market GWP volume remained unchanged as compared with the previous year

The low interest rates environment moved customer's preferences toward the UL life insurance products, thus leading to the UL line's GWP volume increasing twofold

Although the fall in MTPL prices seems to slow down, it is still not sure that the lower limits have been reached; some marginal increases in the MTPL prices may be expected, but they are still far from becoming a market trend

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	HRK billion ¹	328.04	332.59	330.46	329.57	328.43	334.22
	EUR billion ⁴	44.42	44.17	43.79	43.15	42.87	43.77
GDP per capita, current prices	HRK ¹	74,250.79	77,707.24	77,426.20	77,437.03	77,496.70	79,179.15
	EUR ⁴	10,054.04	10,319.11	10,261.07	10,138.86	10,115.12	10,370.49
Unemployment rate	% of total labor force ¹	11.53	13.25	15.23	16.95	17.10	16.90
Population	Millions ¹	4.42	4.28	4.27	4.26	4.24	4.22
HRK/EUR exchange rate	End of period ²	7.39	7.53	7.55	7.64	7.66	7.64
Gross written premiums	HRK million ³	9,245.56	9,144.18	9,038.48	9,075.65	8,559.95	8,723.51
	EUR million ⁴	1,251.91	1,214.30	1,197.84	1,188.28	1,117.27	1,142.56
Paid claims	HRK million ³	4,395.12	4,557.40	4,634.84	4,672.41	4,408.94	4,589.38
	EUR million ⁴	595.13	605.20	614.24	611.76	575.47	601.09
Insurance penetration degree	% in GDP ⁴	2.82%	2.75%	2.74%	2.75%	2.61%	2.61%
Insurance density	EUR/capita ⁴	283.37	283.71	280.66	279.20	263.63	270.69

An overall close to nil growth in GWP was the result achieved by the Croatian insurers in 1H2016, showing a somehow decelerating business pace. Thus, GWP amounted to EUR 640.7 million, an amount fairly equal to the one recorded in 1H2015. Yet, in local currency, the 1H2016 GWP amount is slightly inferior to the 1H2015.

Looking at the evolution recorded by various insurance lines, the most significant trend – apart from the MTPL segment's fight for finding an equilibrium point despite the tough competition –, is the simultaneous change of opposite sign

recorded on two life insurance lines: the traditional life insurance – in fact the main life insurance business class in the portfolio, accounting for a quarter of the total market GWP –, which saw an almost 12% fall in GWP and the Unit-Linked insurance line, which recorded an almost double GWP volume as compared with the previous year. *Although there were no major changes to the amount of total GWP on an annual basis, there is a significant increase in unit-linked life insurance segment. It can be contributed to a number of factors. The most important one is that interest rates are currently low and are expected to remain*

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	640.71	639.97	0.12	306.92	285.58	7.47	100.00	100.00
TOTAL LIFE	202.68	207.44	-2.29	117.47	103.73	13.25	31.63	32.41
Life insurance	157.46	178.85	-11.96	107.95	93.49	15.46	24.58	27.95
Supplementary insurance	9.26	9.67	-4.24	1.45	1.50	-3.04	1.45	1.51
Unit-linked	32.03	16.38	95.59	6.40	7.60	-15.85	5.00	2.56
Other life insurance	3.94	2.55	54.42	1.68	1.14	46.86	0.61	0.40
TOTAL NON-LIFE	438.03	432.53	1.27	189.44	181.85	4.18	68.37	67.59
Accident insurance	33.71	34.17	-1.33	8.18	6.99	17.00	5.26	5.34
Health insurance	32.60	25.05	30.14	17.77	13.05	36.19	5.09	3.91
Goods in transit	13.31	15.63	-14.84	4.35	8.59	-49.37	2.08	2.44
Overall property insurance	2.72	2.83	-3.93	0.97	1.59	-39.24	0.42	0.44
Fire and allied perils	100.54	98.55	2.01	31.14	33.92	-8.22	15.69	15.40
Damages to property	46.66	44.66	4.49	12.66	14.64	-13.53	7.28	6.98
Overall motor insurance	53.88	53.90	-0.04	18.48	19.28	-4.18	8.41	8.42
Motor Hull	199.63	196.39	1.65	110.83	100.90	9.83	31.16	30.69
MTPL	58.31	49.00	18.99	38.72	35.56	8.89	9.10	7.66
GTPL	141.33	147.39	-4.11	72.11	65.35	10.35	22.06	23.03
Marine insurance (hull)	4.24	4.65	-8.72	0.79	1.03	-22.98	0.66	0.73
Marine liability	25.36	30.23	-16.09	9.37	7.45	25.82	3.96	4.72
Credit insurance	10.66	11.06	-3.58	0.91	4.98	-81.82	1.66	1.73
Financial loss insurance	7.32	7.01	4.41	1.81	1.46	23.65	1.14	1.10
Travel insurance	5.60	4.79	16.89	1.90	1.47	29.38	0.87	0.75
Other non-life insurance	2.34	2.19	7.01	1.43	0.40	256.40	0.37	0.34

¹ EUR = 7.580660 Kuna - HRK (June 30th, 2015)

¹ EUR = 7.512737 Kuna - HRK (June 30th, 2016)

Petar-Pierre MATEK,
President, Croatian
Financial Services
Supervisory Agency
(HANFA)



Croatia

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Full market rankings per company & per class

MSEcel format * in EUR and local currency

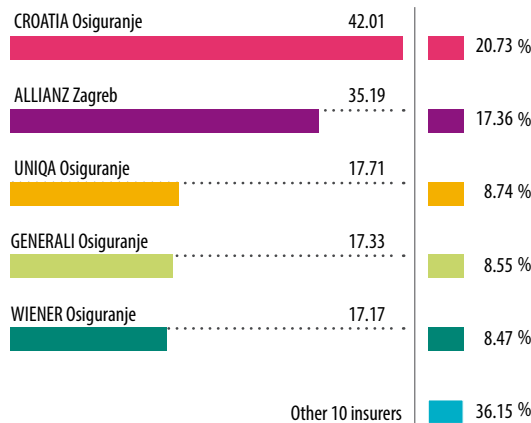


low in the long run; therefore the traditional composite insurance products have become less attractive. This led to a shift in insurance companies' focus to unit-linked products. As this product has become more prominent, recognized on the market and visible to the public, we published a detailed explanation on the product's features, Petar-Pierre MATEK, President, Croatian Financial Services Supervisory Agency (HANFA) told XPRIMM. He also explained that the downsize in traditional life insurance GWP was primarily driven by the decrease recorded by two companies with a significant market share, due to lower single premium income in comparison with the previous year. All things together are showing, in fact, a change in the public preferences, not an actual loss of appetite for the life insurance products.

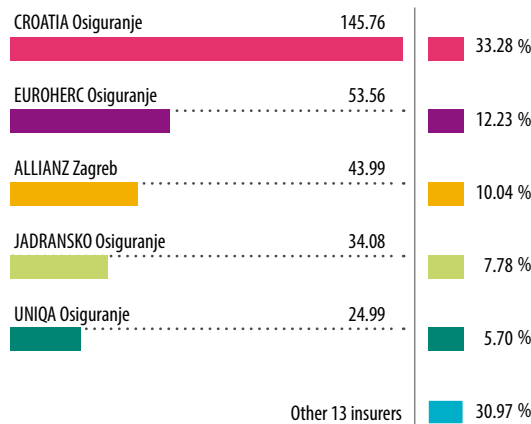
On the non-life insurance side, the MTPL has made the headlines for last two years, given the effects produced by the significant fall in prices after the market liberalization. At this stage, it may be that lower limits in the MTPL have been reached and it is quite possible that prices will even slowly increase. However, it is not easy to determine whether an equilibrium point has been reached as this depends on many factors, such as trends in the number and consequences of traffic accidents and related damages, as well as possible further decreases in insurers' costs due to improved business efficiency. Although, because of strong competition and market dynamics, companies may still find room for innovations in this area, including those that may affect the prices, commented Petar-Pierre MATEK.

For the year end, expectations are that most probably the market will achieve a total result in line with the 2015 figures. As for the supervisory body, Consumer protection is also one of our top priorities, especially taking into account the growth in unit-linked life insurance, said MATEK. (DG)

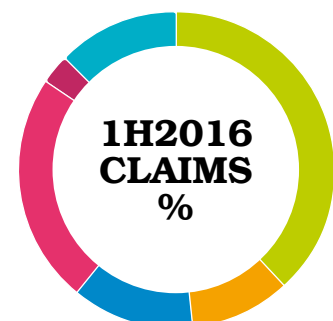
TOP 5 Life insurance (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	31.63
Property	15.69
Motor Hull	9.10
MTPL	22.06
GTPPL	3.96
Other	17.56



Life	38.28
Property	10.15
Motor Hull	12.61
MTPL	23.49
GTPPL	3.05
Other	12.42

Czech Republic



S&P Rating

AA- STABLE

Moody's rating

A1 STABLE

Fitch Rating

A+ STABLE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² The Czech National Bank (CNB)

³ XPRIMM calculations

🌸 The life segment's decline pace is slowing down, from 3.4% in the 1Q to 2.2%

🌸 Credit insurance was the most dynamic GWP non-life class: +43% y-o-y

🌸 Top 3 insurers - CESKA Pojistovna, KOOPERATIVA - VIG and ALLIANZ Pojistovna -, are accounting for 54% of the Czech market's GWP

🌸 53 insurers were active on Czech market in 1H, of which - 6 were specialized life insurers, 33 -non-life and 14 - composite insurers

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	CZK billion ¹	3,953.65	4,022.51	4,041.61	4,077.11	4,260.89	4,473.48
	EUR billion ³	157.77	155.91	160.76	148.66	153.68	165.53
GDP per capita, current prices	CZK ¹	377,902.67	383,581.02	384,715.74	387,700.70	405,319.27	424,498.60
	EUR ³	15,079.92	14,867.48	15,302.93	14,136.76	14,619.27	15,707.63
Unemployment rate	% of total labor force ¹	7.28	6.71	6.98	6.95	6.11	5.05
Population	Millions ¹	10.46	10.49	10.51	10.52	10.51	10.54
CZK/EUR exchange rate	End of period ²	25.06	25.80	25.14	27.43	27.73	27.03
Gross written premiums	CZK million ²	155,996.36	155,092.58	153,609.89	156,579.31	157,922.22	153,395.09
	EUR million ³	6,224.91	6,011.34	6,110.18	5,709.36	5,696.02	5,676.04
Paid claims	CZK million ²	82,690.72	85,207.94	88,197.79	100,619.77	105,033.27	99,664.88
	EUR million ³	3,299.71	3,302.63	3,508.27	3,668.91	3,788.40	3,687.88
Insurance penetration degree	% in GDP ³	3.95%	3.86%	3.80%	3.84%	3.71%	3.43%
Insurance density	EUR/capita ³	595.00	573.22	581.64	542.92	541.86	538.63

At the end of June, the Czech insurance market totaled CZK 76.2 billion (EUR 2.8 billion), according to the quarterly data published on Central Bank's website (CNB), 2.5% less y-o-y.

Life insurance accounted for 38% of total GWP portfolio (vs. 40% a year before), of which about 23% - unit-linked products. It is worth mentioning that the traditional life policies reported a 33% decrease in GWP, being the main responsible for the negative trend.

On the non-life side, the total GWP volume was up by 1.3% y-o-y (1.7% in European currency), to CZK 47 billion. Motor hull and property insurance segments saw a

positive development, while in case of the largest non-life subclass – MTPL, the aggregate GWP reported by local insurers was down by more than 8% to EUR 418 million.

According to a half-year report published by ČAP - Czech Insurance Association, the value of GWP of the members of the professional association increased in absolute terms by CZK 1.2 billion on year-on-year basis, which corresponds to a 2% growth.

Per segments, as also shown by the Central Bank's figures, life insurance is still on the negative side, but "slowed down the decline from 3.4% in the 1st quarter to

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	2,809.70	2,870.98	-2.13	1,684.53	1,918.51	-12.20	100.00	100.00
TOTAL LIFE	1,076.26	1,166.74	-7.75	782.25	1,060.35	-26.23	38.31	40.64
Assurance on death, survival etc.	192.26	287.13	-33.04	321.31	500.17	-35.76	6.84	10.00
Unit-linked	637.04	637.38	-0.05	308.98	401.66	-23.07	22.67	22.20
Personal injury/sickness*	208.49	199.28	4.63	89.12	87.22	2.18	7.42	6.94
Other life insurance	38.47	42.96	-10.44	62.85	71.30	-11.86	1.37	1.50
TOTAL NON-LIFE	1,733.43	1,704.25	1.71	902.27	858.16	5.14	61.69	59.36
Accidents insurance	50.98	52.23	-2.38	17.25	16.90	2.07	1.81	1.82
Sickness insurance	48.51	47.73	1.61	14.52	13.20	10.00	1.73	1.66
Overall property insurance	454.24	441.93	2.79	131.41	143.69	-8.55	16.17	15.39
Fire and allied perils	252.08	247.98	1.65	65.52	77.61	-15.58	8.97	8.64
Damages to property	202.16	193.95	4.23	65.88	66.08	-0.29	7.20	6.76
Overall motor insurance	727.29	743.24	-2.15	458.19	437.88	4.64	25.88	25.89
Motor Hull	309.02	286.66	7.80	214.16	194.48	10.12	11.00	9.98
MTPL	418.27	456.58	-8.39	244.03	243.40	0.26	14.89	15.90
GTPL	286.14	269.15	6.31	153.78	131.77	16.70	10.18	9.37
Credit insurance	35.23	24.52	43.70	77.32	72.69	6.38	1.25	0.85
Financial loss insurance	49.40	46.65	5.90	20.46	13.67	49.60	1.76	1.62
Travel insurance	52.71	49.74	5.96	22.19	20.68	7.29	1.88	1.73
Other non-life insurance	28.94	29.06	-0.44	7.15	7.68	-6.81	1.03	1.01

*in addition to life assurance

1 EUR = 27.245 Kroon - CZK (June 30th, 2015)

1 EUR = 27.130 Kroon - CZK (June 30th, 2016)

Source of rankings: CAP

Jan MATOUŠEK,
Chief Executive
Officer,
Czech Insurance
Association



Czech Republic

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Full market rankings per company & per class

MSEcel format * in EUR and local currency



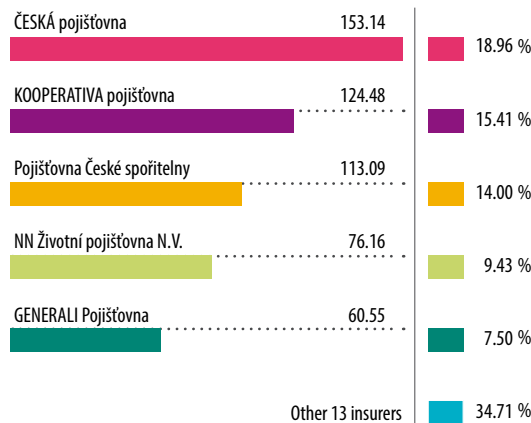
2.2% (...) Higher decline continues for products with lump-sum premiums, in particular by 30%, however, this represents only a fractional correction compared to the decline by 43% in the 1st quarter of 2016. Products with regular premiums show the current decline by only 0.8%, ČAP officials pointed out in the half-year report.

Compared to the 1st quarter of 2016 non-life insurance experienced a growth by CZK 1.7 billion and reached the level of CZK 38.8 billion. *Namely the 9.6% growth of accident insurance has contributed to the achieved results (...)* Also the mandatory damage liability insurance has experienced a y-o-y growth by 2.5%, which, compared to the increase by 1.9% in the 1st quarter, demonstrates a slight acceleration, which however depends namely on the growing number of insured vehicles.

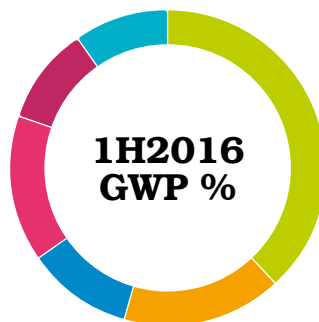
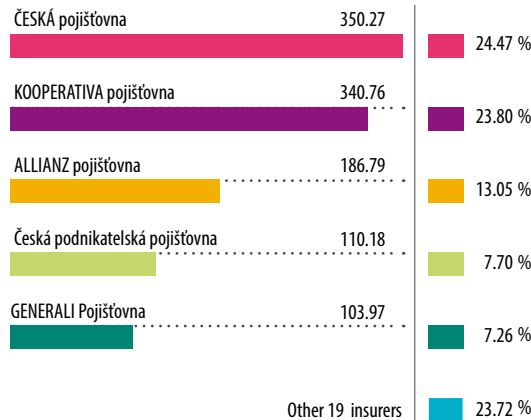
The growing insurance rate in the area of accident insurance is good news. People are becoming more aware that it is better to cover damages caused to their vehicles most often by accidents but often by natural disasters, vandalism, theft or collision with an animal, from a suitable insurance than to considerably burden the family budget (...). Also entrepreneurs protect their property more. The 3% y-o-y growth in the number of contracts and also the total volume of business risk insurance provides a proof of their greater responsibility and a favorable development of Czech economy, said Jan MATOUŠEK, Chief Executive Officer, Czech Insurance Association.

According to the CNB website, at the end of June, 53 insurers were active on Czech market, of which - 14 Czech controlled, 16 – foreign owned and 23 – branches of foreign controlled insurers. By activity segments, 6 were specialized life insurers, 33 were active on non-life subclasses and 14 were composite insurers. At the same time, it is noteworthy that figures published by ČAP include the results of 26 member companies and other 2 member with special-statute. (VB)

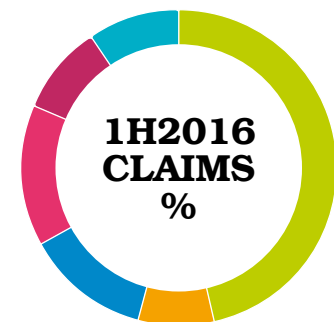
TOP 5 Life insurance (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	38.31
Property	16.17
Motor Hull	11.00
MTPL	14.89
GTPL	10.18
Other	9.46



Life	46.44
Property	7.80
Motor Hull	12.71
MTPL	14.49
GTPL	9.13
Other	9.43

Leading reinsurer in Spain and Latin America, MAPFRE is rapidly expanding its activity worldwide. What are the company's plans for the next 5 years? What is MAPFRE's strategy for the CEE markets? Find more in exclusive interview with...

Javier San BASILIO

Regional Manager for Europe
MAPFRE RE

XPRIMM: As global re/insurance groups are struggling with low interest rates, currency fluctuations and even a more challenging geopolitical climate, which are the most important challenges the insurance industry has to currently face and how do you plan to tackle them?

Javier San BASILIO: As a global reinsurer, we at MAPFRE RE face all the above-mentioned issues; all of them relevant to our activity. The low interest rates, especially in Western and developed countries, present a challenge, but also an opportunity to a company like ours, as we have always focused on sound technical basis and appropriate risk management and underwriting. The geopolitical challenges need also a very close attention, as we aim to be able to assist to the local needs of our clients and those of our employees. The balanced global reach of our group allows us to be very proactive in managing the potential difficulties in any given territory.

The increased protectionism seen in some countries and the changing regulatory frameworks also pose an additional challenge, as they limit or even inhibit the efficient access to the global reinsurance market.

XPRIMM: Do you, as a primary insurer and, at the same time, a reinsurer, see climate change as a reality? What role do you believe that the insurance industry must play in this regard, considering that it has accumulated specific know-how and they are among the first to feel the financial impact?

J. S. B.: MAPFRE is committed to the battle against climate change, not only are we

signatories to the Paris Pledge for Action, but we are also listed as one of the most committed companies in the world in fighting climate change, as acknowledged by the "Carbon Disclosure Project" List.

We actively contribute toward research on the effect of climate change on the insurance industry, and on how we can help our clients in managing and protecting this risk better.

XPRIMM: One of your core directions has been a continued development in Latin America. Do you see that region as one of the core areas for MAPFRE?

J. S. B.: Spain and Latin America are the territories where MAPFRE RE initially developed its business. We have always been - and will be - committed to the Latin American continent. However, for many years already, MAPFRE RE has achieved a very strong presence in other regions such as Europe and North America, and we can proudly see ourselves now as a global reinsurer. We currently have 19 offices throughout the world and have business in more than 100 countries.

XPRIMM: What is the group's view on the CEE countries, considering that your presence there is limited compared to other large groups? Which are the pros and cons, in MAPFRE's view, regarding the markets in this region?

J. S. B.: Central & Eastern European countries are organizationally considered one single region but actually, the region is very heterogeneous. As a result, our approach should be heterogeneous too.

Countries like Czech Republic, Poland, Slovakia and Romania benefit from a

slowly recovery of their most important trading partner, in fact the EU. In the last few years, we have observed many positive factors like an ongoing reduction of unemployment, low inflation, low interest rates and reduced raw material prices.

The increased demand of private households is the motor of above average growth rates compared to other important emerging countries like the so-called BRIC states. Given the positive economic outlook, larger groups will always eye the region with interest. It is true that the economic outlook is not positive in all countries: the economy of the Balkan countries is stagnating for some years and the impact of the economic damage caused by the conflict between Ukraine and Russia can be higher than currently reported.

MAPFRE Group's presence in the region is mainly through our reinsurance activities. MAPFRE RE is doing business in most of the countries for more than 15 years. Our activities were intensified 10 years ago with the opening of our Munich office, and today we can say that our company ranks within the Top 5 or Top 7 group of reinsurance providers in the region with stable portfolios and stable results.

I would highlight the fact that most of these markets are dominated by international groups with large market shares. This prevailing situation makes it more difficult for us and other reinsurers to develop new business with local companies. In addition, in some countries we face extreme competition. Looking for profitability, we see ourselves forced to be more selective and as a result, we have to accept reduced market shares.

XPRIMM: Which are currently your core markets and how did they evolve over the past 4-5 years? Do you have in mind any geographical expansion in the near future?

J. S. B.: For MAPFRE RE, Europe, Latin America, IBERIA (Spain and Portugal) and North America are the main areas currently. The Asia Pacific region has been growing steadily in the past years and we see that trend continuing. We currently have 19 offices, and we would be open to increase that number if we think that it would help in better serving our clients. We think our network is fairly substantial, but are always evaluating new opportunities.

XPRIMM: One of the key words heard within the insurance world is digitalization. How do you see it being applied by MAPFRE or influencing your activity?

J. S. B.: Without doubt, digital transformation is changing the business model of insurance companies, and also the risks we cover. We have to be able to provide cover for such new risks and give solutions to society, as our industry has always done.

Digital transformation is one of the group's strategic objectives. In primary insurance, the group aims at increasing to 30% the number of digital transactions executed by clients in our main markets. But digitalization not only will change the way in which primary insurance operates and relates to clients. For the reinsurance industry, it is also an opportunity to achieve operational efficiency and increase our services.

XPRIMM: Digitalization has also drawn the interest of industry outsiders towards the insurance business. Have you identified possible opportunities for partnerships or maybe even potential threats?

J. S. B.: We, as everybody else, have identified both opportunities and threats derived from the digitalization process. We know that risks we will have to face in a few years do not exist today. MAPFRE RE is clearly determined to be ready to face these challenges, and to be a valuable partner to our clients. We will be ready to offer value propositions to our different kinds of clients.



We have already started building partnerships with what you call industry outsiders, people and services not traditionally part of our industry but whom we think will have a relevant role in the future.

XPRIMM: Which are you strategic development directions for the years to come?

J. S. B.: Our challenge is to continue with the objective of profitable growth in an increasingly competitive environment. At MAPFRE RE, we are convinced that we will only be successful when we are able to provide value to our clients.

This is why client orientation is one of the strategic key elements for us. We have launched a series of internal initiatives that place the interests and needs of the client in the centre of all our activities. This comprises elements like products, services, prices, the entry in potentially new lines of business, etc. In addition, we have to be more flexible in the way we adapt our own organization to special client segments. All this will be supported by a total review of the internal processes. Operational

excellence and efficiency are other key elements in this respect.

Apart from strategic initiatives, MAPFRE RE also benefits from special circumstances: from my perspective, the most differentiating factor is the team. Though in figures it is not very extensive – around 350 people around the world, we believe it is a very diversified and extraordinary team that we try to strengthen further through sophisticated programs of talent management.

Finally, one should not forget the fact of belonging to the MAPFRE Group, which is also a clear element of differentiation from our competitors. It brings the strength of the brand, the valuable culture of company, its prestige, reputation, and solvency. We are the only relevant reinsurer belonging to a global insurance group. It is an added value because it gives us a deep knowledge of insurance from inside of the organization itself, which, at the end, is very appreciated by our customers.

Alexandru CIUNCAN
Mihai CRĂCEA

Estonia



S&P Rating

AA- STABLE

Moody's rating

A1 STABLE

Fitch Rating

A+ STABLE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² The Estonian National Statistics Board

³ XPRIMM calculations

Unit-linked products fell by 22% driven by the situation in the financial markets

After a strong boost in loan and leasing activity - motor policies and property insurance reported notable growth rates

MTPL combined ratio reached the level of 114%

MTPL tariffs increased for the second consecutive quarter

Among the five life insurers, the market leader as GWP is SWEDBANK Life Insurance SE (38.6% market share), while If P&C Insurance AS (24%) lead the Estonia's general insurance segment

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	EUR billion ¹	14.72	16.67	18.01	19.02	19.96	20.46
GDP per capita, current prices	EUR ¹	11,039.21	12,535.26	13,587.23	14,403.29	15,171.29	15,580.11
Unemployment rate	% of total labor force ¹	16.71	12.33	10.02	8.63	7.35	6.76
Population	Millions ¹	1.33	1.33	1.33	1.32	1.32	1.31
Gross written premiums	EUR million ²	296.04	282.31	296.80	317.13	340.97	361.24
Paid claims	EUR million ²	178.74	178.71	170.53	183.14	189.50	206.94
Insurance penetration degree	% in GDP ³	2.01%	1.69%	1.65%	1.67%	1.71%	1.77%
Insurance density	EUR/capita ³	222.09	212.26	224.00	240.25	259.09	275.13

Estonian insurers reported of GWP of EUR 190 million in 1H, 6.3% more y-o-y, according to the market data published by the Estonian National Statistics Board (ENSB). At the same time, the value of paid claims increased by 13.7%, to EUR 112 million. It is worth mentioning that the ENSB figures reflect the performance of both Estonian insurers and other EU branches only for the insured risks domiciled in Estonia

In GWP terms, the life segment was down by 2.5% to EUR 40.5 million (21.4% of the total market), due the 22% decrease reported by the unit-linked sub segment. On the other hand, traditional life policies and pension insurance reported double digit rates: +20.5% and +15.5%.

Unit-linked volume loss is driven by the situation in the financial markets. However, what is much more important to watch closely already now, and even more in coming years, is pension insurance area - we may expect in 2-3 years time strong jump in state second pillar payout phase. If nothing changes in the legislation, then pension insurance will be absolutely biggest business in Estonia exceeding by far all traditional non-life lines of business, which were dominant in the market up so far, commented the current status of local insurance industry Andres PIIRSALU, Member of Executive Board, Estonian Insurance Association (EKSL), Motor Insurance Bureau and Guarantee Fund (LKF).

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	189.74	178.48	6.30	112.12	98.61	13.70	100.00	100.00
TOTAL LIFE	40.52	41.56	-2.49	26.57	22.75	16.76	21.36	23.28
Term and whole life assurance	6.95	5.77	20.46	0.46	0.48	-4.82	3.66	3.23
Endowment insurance	7.11	7.64	-6.97	7.38	6.99	5.54	3.75	4.28
Pension insurance	11.28	9.76	15.56	3.92	3.29	18.95	5.94	5.47
Unit linked life insurance	12.70	16.35	-22.33	14.29	11.61	23.08	6.69	9.16
Supplementary insurance	2.48	2.03	22.38	0.48	0.29	65.51	1.31	1.14
Other life insurance	0.00	0.00	-49.76	0.05	0.09	-48.06	0.00	0.00
TOTAL NON-LIFE	149.21	136.93	8.97	85.55	75.85	12.78	78.64	76.72
Accident and sickness	2.74	2.57	6.59	0.77	0.67	14.60	1.45	1.44
Overall property insurance	39.36	35.69	10.28	17.75	13.65	30.00	20.75	20.00
Overall motor insurance	88.78	81.56	8.85	60.44	54.01	11.90	46.79	45.70
Motor Hull	49.80	46.51	7.09	34.38	31.39	9.50	26.25	26.06
MTPL	38.97	35.05	11.19	26.06	22.62	15.23	20.54	19.64
GTPL	4.77	4.54	5.17	0.89	1.67	-46.55	2.52	2.54
Other vehicles insurance	0.72	0.68	5.07	0.24	0.29	-15.00	0.38	0.38
Goods in transit insurance	0.82	0.70	18.05	0.14	0.27	-46.53	0.43	0.39
Vehicles liability insurance	1.42	1.37	3.39	0.71	0.79	-10.51	0.75	0.77
Travel insurance	5.89	5.71	3.16	3.65	3.26	11.79	3.11	3.20
Insurance for pecuniary loss	4.70	4.10	14.74	0.96	1.24	-22.62	2.48	2.30

Estonian currency: EURO

Estonia

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Full market rankings per company & per class

MSExcel format



Andres PIIRSALU,
Member of
Executive
Board, Estonian
Insurance
Association (EKSL),
Motor Insurance
Bureau and
Guarantee Fund
(LKF)



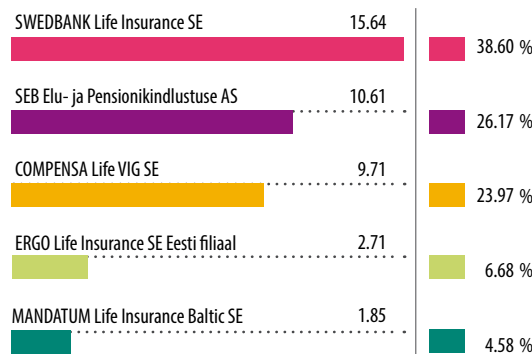
The Estonian non-life insurers' GWP totalled EUR 149 million, 9% more y-o-y, amid the increases reported across all main subclasses: motor hull (7%), property insurance (10.3%) or Motor TPL (11.2%).

In line with the strong lending activity we recognized strong growth in premium volumes in the non-life segment, motor and property being the main drivers. At the same time there was not much left in the profit. One of the major drivers in the non-life was historically worst technical result in MTPL where the market net combined ratio reached the level of 114%. This is a result of various factors but normally the bad performance comes in line with heavy lending activity (much more leased cars pass much more kilometres on the streets, i.e. traffic density is up). The prices in MTPL are growing already second quarter in a row but not enough (6% compared to 1H2015), said Andres PIIRSALU.

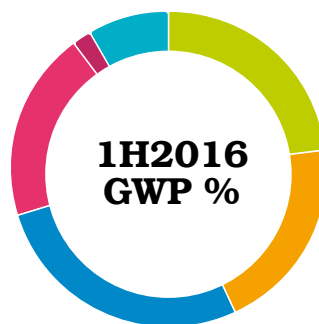
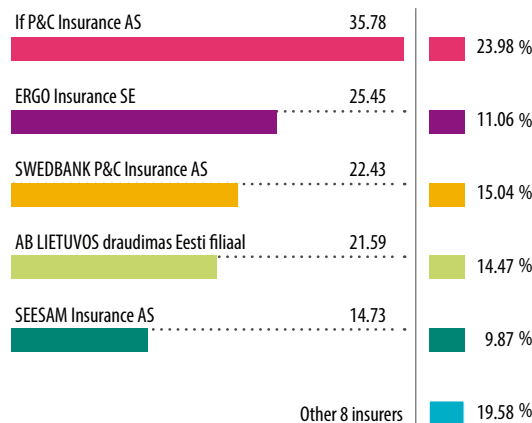
Speaking about the new developments in the market, Andres PIIRSALU mentioned that in cooperation with the local leading experts from Tallinn Technical University and University of Tallinn we developed detailed data set and respective software for using it in order to allow our members to adequately assess flooding risk at any place in our country. This provides value added to our members from various points of view: 1) assessing the flood risk in the own solvency capital calculation according to the Solvency 2 regulation requirements; 2) assessing the real need for reinsurance protection; 3) assessing the risk in respect of each individual insured object for the purpose of adequate pricing in the underwriting process.

At the same time, personally I believe that coming years will bring some changes in the market structure and product mix. Mainly due to the boom in life and pensions and first elements of change coming into the insurance business area in general due to the Solvency 2 impacts, pointed out Andres PIIRSALU. (VB)

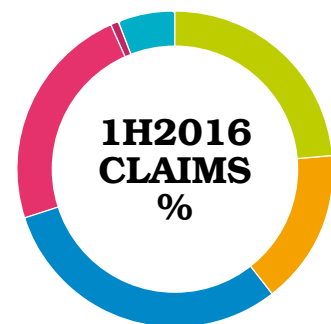
Life insurance ranking (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	21.35
Property	20.75
Motor Hull	26.25
MTPL	20.54
GTPL	2.52
Other	8.59



Life	23.70
Property	15.83
Motor Hull	30.66
MTPL	23.25
GTPL	0.80
Other	5.77

Hungary



S&P Rating

BB+ STABLE

Moody's rating

BA1 POSITIVE

Fitch Rating

BBB- STABLE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² National Bank of Hungary

³ XPRIMM calculations

prices of the home insurance policies have ceased decreasing and stabilized at about HUF 22,400 in average

GWP for MTPL insurance went up by 33%, supported by the increasing cars sales and the higher by 20% to 30% tariffs

pre-tax aggregated profit reached EUR 109.6 million in 1H2016

NOTE: comparisons with the previous year should be carefully considered as in 2016 the Hungarian National Bank has changed the reporting standard according to the Solvency II requirements, reconsidering some of the insurance policies' classifications, thus the figures may be not entirely comparable

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	HUF billion ¹	27,051.70	28,133.83	28,627.89	30,065.01	32,179.67	33,711.84
	EUR billion ³	97.05	90.42	98.28	101.26	102.19	107.66
GDP per capita, current prices	HUF ¹	2,701,387.56	2,817,326.86	2,882,389.15	3,034,110.91	3,258,040.50	3,420,438.31
	EUR ³	9,691.08	9,055.14	9,895.26	10,218.96	10,346.60	10,923.73
Unemployment rate	% of total labor force ¹	11.25	11.12	11.07	10.24	7.77	6.85
Population	Millions ¹	10.01	9.99	9.93	9.91	9.88	9.86
HUF/EUR exchange rate	End of period ²	278.75	311.13	291.29	296.91	314.89	313.12
Gross written premiums	HUF million ²	842,781.03	815,038.31	760,567.36	801,575.67	834,022.33	851,437.86
	EUR million ³	3,023.43	2,619.61	2,611.03	2,699.73	2,648.61	2,719.21
Paid claims	HUF million ²	603,256.19	599,932.47	571,692.88	563,368.97	512,996.38	528,499.09
	EUR million ³	2,164.15	1,928.24	1,962.62	1,897.44	1,629.13	1,687.85
Insurance penetration degree	% in GDP ³	3.12%	2.90%	2.66%	2.67%	2.59%	2.53%
Insurance density	EUR/capita ³	301.92	262.33	262.89	272.45	268.16	275.89

Hungarian insurers' GWP for 1H2016 amounted to EUR 1.45 billion, 2.8% up y-o-y, the non-life segment being the growth driver, especially due to the double digit increase witnessed on the MTPL insurance line.

Life insurance GWP went down y-o-y by 2.8%, to EUR 699.13 million, mostly as a result of the almost 17% fall in underwritings recorded for the Unit-Linked insurance products line, the business segment with largest share in the market portfolio. In fact, the class started losing growth two years ago, its share in portfolio decreasing from over 35% at the of 2013, to about 25.5% at the end of June 2016. The negative trend started in 2014 seemed to slow down throughout 2015, reaching a close to nil change by the end of the year, but aggravated again this year. Yet, one should take into consideration that 2015

and 2016 data are not entirely comparable, as the Hungarian National Bank has changed the reporting standard in 2016 according to the Solvency II requirements, reconsidering some of the insurance policies' classifications. For example, the UL products issued as pension savings products, with a different taxation regime, are currently considered under a separate chapter.

Non-life insurance saw a positive trend both on the property and motor insurance lines, but witnessed mixed results on the other insurance lines.

Property insurance GWP increased by 4.1%, reaching to EUR 284.4 million.

According to data published by Netrisk.hu, confirmed by representatives of MABISZ – the Hungarian insurers' association -, this year the descending trend of the home

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	1,447.45	1,408.25	2.78	820.46	820.21	0.03	100.00	100.00
TOTAL LIFE	699.13	719.78	-2.87	526.53	562.77	-6.44	48.30	51.11
Assurance on death	72.86	85.76	-15.04	44.17	45.96	-3.88	5.03	6.09
Assurance on survival	7.11	8.06	-11.78	6.49	8.25	-21.30	0.49	0.57
Endowment	134.32	131.33	2.28	134.24	142.07	-5.51	9.28	9.33
Unit linked	369.75	444.94	-16.90	296.12	335.38	-11.71	25.55	31.60
Other life insurance	115.09	49.70	131.60	45.50	31.12	46.21	7.95	3.53
TOTAL NON-LIFE	748.31	688.47	8.69	293.93	257.44	14.17	51.70	48.89
Accidents insurance	12.57	32.29	-61.07	5.12	7.25	-29.39	0.87	2.29
Health insurance	4.33	14.34	-69.80	1.55	4.88	-68.31	0.30	1.02
Overall property insurance	284.46	273.24	4.11	103.61	68.10	52.15	19.65	19.40
Overall motor insurance	342.66	278.42	23.07	164.24	155.51	5.62	23.67	19.77
Motor Hull	115.66	107.59	7.50	60.20	57.70	4.33	7.99	7.64
MTPL	226.99	170.83	32.87	104.04	97.80	6.38	15.68	12.13
GTPL	22.68	39.11	-42.02	0.74	5.87	-87.35	1.57	2.78
Other non-life insurance	81.62	51.06	59.85	18.67	15.83	17.88	5.64	3.63

1 EUR = 315.04 Forints - HUF (June 30th, 2015)

1 EUR = 316.16 Forints - HUF (June 30th, 2016)

insurance prices seems to finally cease. While the past few years, the average home insurance premiums fell by 1-2 per cent every year, this year, this trend stopped, Anett PANDURICS, President of the association told the press. The average premium in the first half of 2016 was of HUF 22,400, almost equal to the one calculated for the previous year. Capital city's resident are payment the highest rates, reaching up to HUF 27,700 per year. It is also worth noting that lately insurers have witnessed a raising demand for additional clauses to the property insurance contracts, as family accident insurance, a clause added to one in five contracts.

Motor insurance classes also recorded a positive trend, with GWP increasing overall by 23%, to EUR 342.7 million. The MTPL line, however, saw the most impressive growth, of almost 33%, supported by the increasing car sales and especially by the raising MTPL tariffs. According to local sources, the MTPL prices went up by 20-30% in 1H2016.

The Hungarian market recorded a pre-tax aggregated profit of EUR 109.6 million. Technical result was of EUR 32.35 million for life insurance and EUR 49.2 million for the non-life insurance segment. (DG)

Hungary

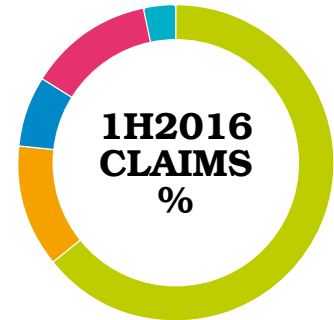
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GWP & claims portfolio per class

MSExcel format * in EUR and local currency



Life	48.30
Property	19.65
Motor Hull	7.99
MTPL	15.68
GTPL	1.57
Other	6.81



Life	64.18
Property	12.63
Motor Hull	7.34
MTPL	12.68
GTPL	0.09
Other	3.09

BADEN-BADEN

xprimm RECEPTION

October 23rd, 2016

Kurhaus Casino, Runder Saal

Official Partners



Partners



Kosovo



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² Kosovo Agency of Statistics (KAS)

³ Central Bank of the Republic Kosovo

⁴ XPRIMM calculations

🌸 Kosovo's market posted a net loss of EUR 2.2 million vs. a net loss of EUR 2.5 million a year ago.

🌸 The MTPL segment maintained its dominant position in the market GWP portfolio;

🌸 Border policies GWP strongly decreased following the the "insurance deal" closed between Serbia and Kosovo insurers

🌸 15 insurance institutions, 10 commercial banks, 2 pension funds and 18 microfinance institutions composed the Kosovo financial environment

🌸 The total number of policies sold by local insurers was of 388.75 thousand vs. 447.86 in 1H 2015

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	EUR billion ¹	4.40	4.82	5.06	5.33	5.57	5.73
GDP per capita, current prices	EUR ⁴	2,417.84	2,644.69	2,778.71	2,925.91	3,058.28	3,145.61
Unemployment rate	% of total labor force ¹	NA	NA	NA	NA	NA	NA
Population	Millions ²	1.82	1.82	1.82	1.82	1.82	1.82
Gross written premiums	EUR million ³	71.24	78.10	81.53	77.39	80.08	78.77
Paid claims	EUR million ³	26.53	26.81	30.58	38.45	31.18	36.97
Insurance penetration degree	% in GDP ⁴	1.62%	1.62%	1.61%	1.45%	1.44%	1.38%
Insurance density	EUR/capita ⁴	39.14	42.91	44.80	42.52	44.00	43.28

The Kosovo insurers' GWP increased by 1.68% y-o-y to EUR 39.96 million in 1H2016, as shown by the Central Bank's data, while the value of paid claims was down by 8.13% to EUR 17.9 million.

The MTPL segment (DMTPL and Border policies, summed up) maintained a dominant position in the market portfolio, although its share in the premiums portfolio decreased by about 5.8 pp, to 61.9%, following the downward trend reported by the "Border policies": -57.8% y-o-y to EUR 2.2 million. At the same time, MTPL segment generates about 61% of total paid claims by local insurers (EUR 10.9 million), of which EUR 10.4 million were related to DMTPL sub segment.

The explanation of the decrease in "Border policies" can be attributed to the "insurance deal" closed in mid of August 2015 between Serbian and Kosovar insurers, which was intended to make travel between the two countries much cheaper. According to balkaninsight.com, "the deal assumes that drivers of vehicles registered in Kosovo are now able to cross into Serbia with third-party liability insurance, MTPL". At the same time, "drivers with Serbian

license plates in Kosovo only need an insurance policy that applies in Serbia."

Previously, drivers of vehicles registered in Kosovo have paid around EUR 120 to enter Serbia - plus a daily fee of EUR 5 for a 15-day stay that included the use of temporary licence plates. Drivers of cars registered in Serbia meanwhile paid EUR 20 for a week of driving in Kosovo. The agreement should roughly halve the amount.

In the analysed period, the total number of policies sold by local insurers was of 388.75 thousand (vs. 447.86 in 1H 2015), of which about 185 thousand were DMTPL contracts and 99 thousand - border policies, while the market posted a net loss of EUR 2.2 million vs. a net loss of EUR 2.5 million a year ago.

According to the "Insurance Companies Survey" published by CBK, at the end of June 2016, total insurance technical reserves of the industry arrived at EUR 99.2 million vs. EUR 85.7 million a year before.

Central Bank of Kosovo (CBK) is the institution that has exclusive responsibility for the supervision and regulation of commercial banks, micro finance

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET*	39.96	39.30	1.68	17.81	19.39	-8.13	100.00	100.00
MTPL	24.74	26.60	-6.97	10.88	12.81	-15.07	61.93	67.69
Third Party Liability	22.57	21.44	5.28	10.39	12.31	-15.64	56.48	54.55
Border policies	2.18	5.16	-57.84	0.49	0.49	-0.84	5.45	13.13
Other (non TPL)	15.21	12.70	19.80	6.93	6.58	5.38	38.07	32.31

*only non-life insurance
Kosovo currency: EURO

institutions, insurance companies and other financial service providers.

At the same time, there are active two professional associations: Insurance Association of Kosovo – (founded on April 2002, 15 member companies) and the Kosovo Insurance Bureau (established on 07 August 2011 by ten insurance companies licensed to operate in the country on Compulsory Motor Liability Insurance). In case of the Kosovo Insurance Bureau, its activity is supervised by the Central Bank of Kosovo. Within the Kosovo Insurance Bureau operate the Compensation Fund, Border Insurance, Insurance Information Center and the Green Card.

15 insurance institutions were active on the local market, according to the CBK 2015 Annual Report. By comparison, on the Kosovo financial market were active 10 commercial banks, 2 pension funds and 18 microfinance institutions.

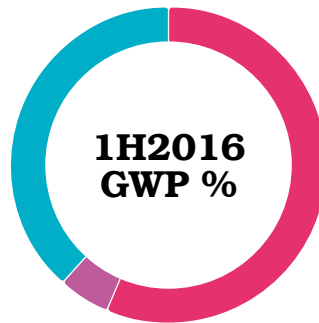
The local insurance industry has been independent since 2000, and some of insurers are members of well-known European insurance entities like GRAWE, UNIQA Group Austria, VIENNA Insurance Group or Slovenian SAVA Re Group. (VB)

Kosovo

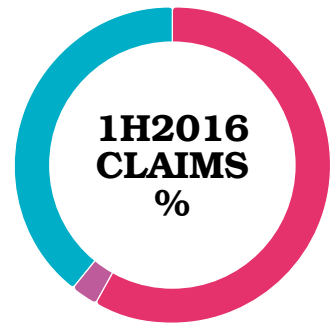
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GWP & claims portfolio per class

MSExcel format



MTPL	56.48
Border policies	5.45
Other (Non TPL)	38.07



MTPL	58.33
Border policies	2.75
Other	38.92

xprimm publications

Insurance in CEE, SEE and CIS

XPRIMM Insurance Report

Insurance in 32 countries



MOTOR Insurance Report



PROPERTY Insurance Report



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Insurance in figures



INSURANCE PROFILE



Latvia



S&P Rating
A- STABLE

Moody's rating
A3 STABLE

Fitch rating
A- STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² The Financial and Capital Market Commission of Latvia - FKTK (local and EU branches, added-up)

³ XPRIMM calculations



EU branches accounted for 28% of the total GWP

Latvian insurance sector reported profit of EUR 5 million

The non-life combined ratio was 99.17%

Eight local insurers and 14 EU branches were active on the market

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	EUR billion ¹	17.92	20.24	21.81	22.76	23.58	24.38
GDP per capita, current prices	EUR 1	8,451.51	9,758.19	10,666.26	11,247.46	11,781.79	12,273.13
Unemployment rate	% of total labor force ¹	19.47	16.20	15.05	11.87	10.84	9.88
Population	Millions ¹	2.12	2.08	2.05	2.02	2.00	1.99
Gross written premiums	EUR million ²	327.46	395.74	447.09	470.94	517.41	531.12
Paid claims	EUR million ²	183.80	220.93	240.02	261.66	282.76	310.61
Insurance penetration degree	% in GDP ³	1.83%	1.95%	2.05%	2.07%	2.19%	2.18%
Insurance density	EUR/capita ³	154.39	190.72	218.63	232.68	258.58	267.43

According to data published by the Financial and Capital Market Commission - FKTK, Latvian insurers (local and EU branches in Latvia) reported aggregated GWP of EUR 283.6 million in 1H2016, which is 3.7% more compared with the same period last year.

During the reporting period, local insurers GWP increased by 2.6% y-o-y to EUR 205 million (or 72.3% of the total market), while in case of EU branches, the same indicator reached EUR 78.7 million (6.7% more) or 27.7% of the total.

Overall, the life insurance segment was down in absolute values by EUR 2 million

to EUR 49 million due the decreases in GWP reported by the unit-linked products (almost 23% y-o-y to EUR 19.4 million) and traditional life policies (by 11.7%).

The non-life insurance field went up by 5.5% y-o-y, to EUR 234.6 million and was composed mainly of the following sub-segments: property (17.5% of total GWP), motor hull (16.8%) and transport ownership liability (14.5%) followed by health insurance (~12%) and Motor TPL (10%).

At the "claims chapter", the aggregate value increased by 15.9% y-o-y to EUR 172.1 million. *Indemnities have risen considerably*

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	283.64	273.60	3.67	172.10	148.46	15.92	100.00	100.00
TOTAL LIFE	49.00	51.15	-4.20	36.37	28.53	27.49	17.28	18.69
Life insurance with savings	16.82	19.05	-11.71	14.43	12.48	15.68	5.93	6.96
Unit-linked	15.05	19.43	-22.53	11.27	6.73	67.47	5.31	7.10
Other life insurance	17.13	12.67	35.20	10.67	9.32	14.41	6.04	4.63
TOTAL NON-LIFE	234.64	222.45	5.48	135.73	119.93	13.17	82.72	81.31
Accidents insurance	6.03	5.69	5.91	2.28	1.90	20.05	2.12	2.08
Health insurance	34.01	30.05	13.16	20.09	17.90	12.25	11.99	10.98
Overall property insurance	49.79	48.94	1.72	21.41	17.61	21.59	17.55	17.89
Overall motor insurance	76.21	71.52	6.55	56.89	49.66	14.57	26.87	26.14
Motor hull	47.69	44.44	7.31	35.08	30.24	16.00	16.81	16.24
MTPL	28.51	27.08	5.29	21.81	19.42	12.34	10.05	9.90
Transport ownership liability ins.	41.07	39.47	4.03	26.79	26.88	-0.35	14.48	14.43
GTPL	11.40	11.64	-2.09	2.66	1.74	52.79	4.02	4.26
Suretyship insurance	5.20	4.91	5.89	1.16	0.73	58.65	1.83	1.79
Assistance insurance	6.40	5.98	6.98	1.98	1.84	8.09	2.26	2.19
Other non-life insurance	4.55	4.23	7.44	2.47	1.68	46.84	1.60	1.55
Of total:								
By local insurers, of which:	204.92	199.83	2.55	123.14	108.76	13.22	72.25	73.04
Life	16.73	20.62	-18.89	15.21	12.30	23.60	5.90	7.54
Non-life	188.19	179.21	5.01	107.93	96.45	11.90	66.35	65.50
By branches of EU insurers	78.72	73.77	6.71	48.96	39.70	23.32	27.75	26.96
Life	32.27	30.52	5.73	21.16	16.23	30.43	11.38	11.16
Non-life	46.45	43.24	7.41	27.80	23.47	18.41	16.38	15.81

Latvian currency: EURO

Source of rankings: LIA

Janis ABASINS
President
Latvian Insurers
Association



Latvia

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Full market rankings per company & per class

MSExcel format



steeper than premium which is good news for customers, said Janis ABASINS, President of the Latvian Insurers Association, quoted by www.baltic-course.com. He pointed out that there is tough competition in the market, while customers are more educated and demanding.

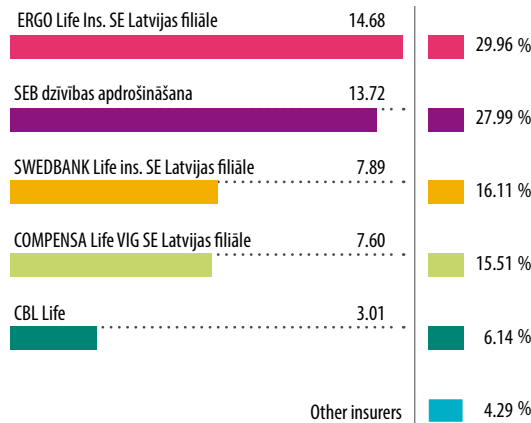
At the end of June 2015, the Latvian insurance sector reported profit of EUR 5 million which is 15.6% more y-o-y. Non-life insurance companies' profit was EUR 5.37 million (vs. EUR 4.44 million in 1H2015), while life insurers posted EUR -359 thousands in losses compared to a loss of EUR -106 thousands a year before.

In case of non-life insurers, the loss ratio was 64.64%, expenses ratio – 34.54% while the combined ratio totaled 99.17% (vs. 99.90%).

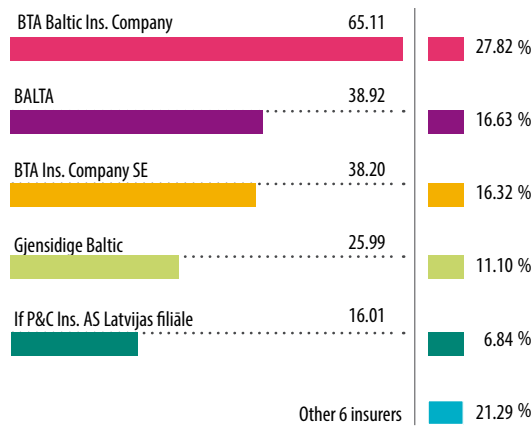
According to the figures published by the Latvian Insurance Association which include information from 11 non-life insurers (of which five were EU branches) as well as six life insurance companies (of which four were branches) – on the non-life segment, the market leader as GWP is BTA Baltic Insurance Company - controlled by Austrian VIENNA Insurance Group (27.8% market share), while ERGO Life Insurance SE Latvijas filiāle (29.96%) lead the Latvia's life insurance sector.

At the end of June, on the Latvian market were active eight domestic insurers, of which two are specialized in life insurance field and six in non-life business. At the same time there were active 14 EU branches - of which four life insurers. By origin, foreign subsidiaries belong to companies domiciled in Estonia (7), Lithuania (3), France (2), Sweden (1) and Poland (1). (VB)

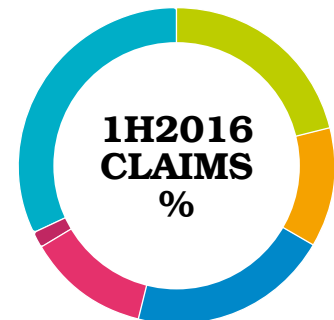
TOP 5 Life insurance (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	17.28
Property	17.55
Motor Hull	16.81
MTPL	10.05
GTPL	4.02
Other	34.29



Life	21.13
Property	12.44
Motor Hull	20.38
MTPL	12.68
GTPL	1.55
Other	31.82

Lithuania



S&P Rating
A- STABLE

Moody's rating
A3 STABLE

Fitch Rating
A- STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² Bank of Lithuania (LB)

³ XPRIMM calculations



Bank of Lithuania maintained its previous FY2016 forecast for the aggregate value of GWP, but modified the projections per segments;

Lithuanian insurers earned more than EUR 2 million in profit;

AVIVA Lietuva (20.02% market share) and SWEDBANK (21.62%) are the largest life insurers as GWP volume;

LIETUVOS draudimas, BTA Ins. Company SE filialas Lietuvoje and ADB Gjensidige (the former PZU Lietuva) lead the non-life segment - generating together about 56% of non-life GWP;

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	EUR billion ¹	28.03	31.26	33.34	34.96	36.44	37.19
GDP per capita, current prices	EUR ¹	9,049.12	10,324.28	11,157.05	11,820.80	12,428.31	12,806.38
Unemployment rate	% of total labor force ¹	17.81	15.39	13.37	11.77	10.70	9.11
Population	Millions ¹	3.10	3.03	2.99	2.96	2.93	2.90
Gross written premiums	EUR million ²	449.53	492.36	518.04	563.45	600.85	645.09
Paid claims	EUR million ²	270.95	313.06	315.11	311.81	316.37	331.88
Insurance penetration degree	% in GDP ³	1.60%	1.57%	1.55%	1.61%	1.65%	1.73%
Insurance density	EUR/capita ³	145.15	162.60	173.37	190.48	204.93	222.14

In the first half of 2016, the Lithuanian insurance industry grew by 5.7% y-o-y to EUR 330.20 million, according to the quarterly market figures published by local market authority (Bank of Lithuania), which fairly maintained its previous forecast for the aggregate value of GWP, that by the end of the year, the market will grow by 6 to 7%.

However, contrary to what was expected, Bank of Lithuania officials pointed out that the market growth will be driven by the non-life insurance sector, which is expected to grow by 8 to 10%, while the life segment is likely to maintain the same market volumes as in the previous year. Early projections from the beginning of the year forecast an increase for the entire insurance market of 7-8% as follows: life insurance segment was expected to expand by 14-15%, while the non-life insurance market - by 4-5%.

We are revising the forecasts having considered this year's significant changes in the life assurance and non-life insurance markets. In the first half-year, insurance market growth was driven by a spurt in the non-life insurance sector, with the strongest growth posted in the premiums of vehicle insurance classes. The fall in the life assurance market was due to a more than EUR 10 million decline in the volume of single life assurance premiums, with the major influence on it having stemmed from residents' lowered investments due to unfavourable equity market trends, said Mindaugas SALCIUS, Deputy Director of the Prudential Supervision Department of the Supervision Service at the Bank of Lithuania.

He noted that the insurance premiums of four insurance undertakings distributing insurance products and of nine branches registered in other EU countries providing

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	330.20	312.28	5.74	181.05	162.99	11.08	100.00	100.00
TOTAL LIFE	100.12	106.57	-6.05	54.88	48.97	12.07	30.32	34.13
Life ins. related with investment funds	56.91	74.56	-23.67	37.65	33.98	10.81	17.24	23.88
Other	43.21	32.01	34.97	17.23	14.99	14.93	13.09	10.25
TOTAL NON-LIFE	230.08	205.71	11.85	126.17	114.02	10.66	69.68	65.87
Property insurance	49.73	44.58	11.56	22.88	15.46	48.03	15.06	14.28
Overall motor insurance	130.78	115.16	13.57	85.92	76.35	12.54	39.61	36.88
Motor Hull	54.69	46.86	16.72	38.98	35.05	11.20	16.56	15.01
MTPL	76.09	68.30	11.41	46.95	41.30	13.68	23.04	21.87
Goods in transit	1.51	1.20	25.69	0.45	0.59	-24.14	0.46	0.39
GTPL	10.44	10.44	-0.04	1.97	1.24	59.38	3.16	3.34
Carrier TPL insurance	2.07	2.17	-4.57	1.10	0.92	20.29	0.63	0.69
Credit insurance	1.83	2.00	-8.40	0.24	7.86	-96.98	0.55	0.64
Suretyship insurance	5.16	5.12	0.83	0.15	0.19	-22.78	1.56	1.64
Financial loss insurance	1.88	1.45	29.54	0.31	0.20	54.39	0.57	0.46
Other non-life insurance	26.68	23.59	13.09	13.16	11.22	17.28	8.08	7.55

Lithuanian currency: EURO

Lithuania

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Mindaugas SALCIUS, Deputy Director of the Prudential Supervision Department of the Supervision Service at the Bank of Lithuania



services in Lithuania were the largest in the last five years — they amounted to EUR 230.1 million over the half-year. The premiums within the non-life insurance sector picked up by 11.8% (to EUR 230 million), which ensured growth in the market. Life assurance premiums dropped by 6.1% (to EUR 100 million) from the first half-year of the last year.

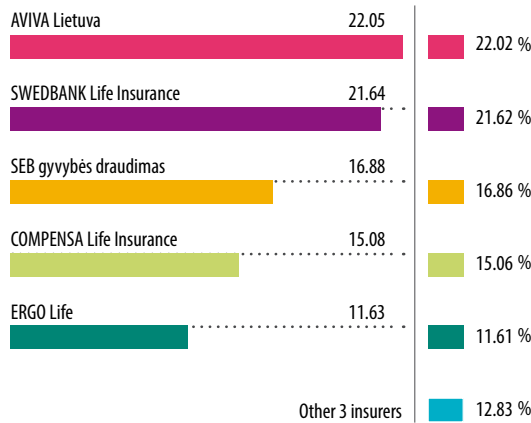
Per insurance classes, Motor TPL insurance, motor hull policies and the property segment accounted for about 55% of the overall insurance market or 78.45% of non-life segment, while life policies related with investment funds accounted for 56.8% of the total life insurance premiums written.

EUR 181.1 million in claims were paid over the first half-year, an increase of 11% y-o-y. The main part (69.7%, or EUR 126.2 million) was paid under non-life insurance contracts, of which almost 70% were related to motor policies (MoD & MTPL, summed).

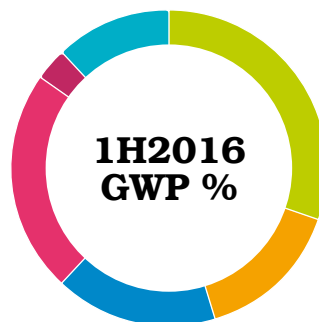
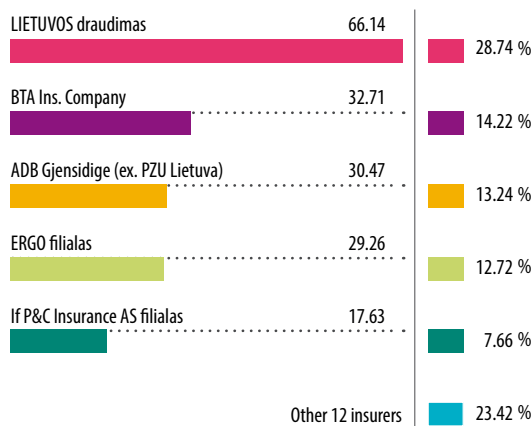
In the analysed period, Lithuanian insurers earned more than EUR 2 million in profit: *all life assurance undertakings and 2 non-life insurance undertakings operated profitably. The overall result of non-life insurance undertakings - a loss - was due to the loss-bearing activity of two undertakings, in which the processes of business restructuring, taking the business over, and expansion to other countries are underway*, Bank of Lithuania officials explained in a statement.

At the same time, *all insurance undertakings are solvent and meet the legal requirements. Three life assurance undertakings were inspected under stress testing scenarios constructed by the European Insurance and Occupational Pensions Authority. The results of the stress testing showed that all undertakings held sufficient own funds to cover the solvency capital requirement.* (VB)

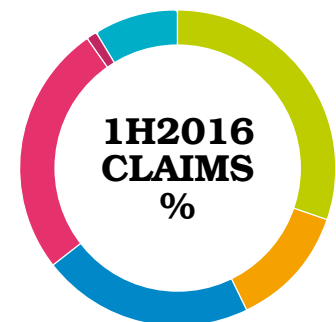
TOP5 Life insurance (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	30.32
Property	15.06
Motor Hull	16.56
MTPL	23.04
GTPL	3.16
Other	11.85



Life	30.31
Property	12.64
Motor Hull	21.53
MTPL	25.93
GTPL	1.09
Other	8.50

Macedonia



S&P Rating

BB- STABLE

Fitch Rating

BB NGATIVE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² National Bank of the Republic of Macedonia

³ Insurance Supervision Agency

⁴ XPRIMM calculations

☀ The 20% GWP growth in life insurance was mainly fuelled by the introduction of the unit-linked insurance products in 2015

☀ For the first time after 5 years of continuous decline, the Motor Hull line saw a 11.6% increase in GWP

☀ Economic losses from the floods that swamped parts of Skopje totaled EUR 25.8 million (EUR 15 million for the properties of the flooded families and businesses, EUR 10 million for the infrastructure and roads and EUR 800 thousand for flooded cars; insurance's contribution to the loss compensation is expected to be very low, given the low penetration of the housing insurance

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	MKD billion ¹	437.30	464.19	466.70	501.89	525.62	550.88
	EUR billion ⁴	7.11	7.55	7.59	8.16	8.55	8.94
GDP per capita, current prices	MKD ¹	212,560.35	225,355.55	226,302.85	242,956.01	254,014.76	265,774.14
	EUR ⁴	3,455.98	3,664.02	3,679.72	3,949.78	4,131.57	4,314.89
Unemployment rate	% of total labor force ¹	32.05	31.38	31.00	29.00	28.03	27.26
Population	Millions ¹	2.06	2.06	2.06	2.07	2.07	2.07
MKD/EUR exchange rate	End of period ²	61.51	61.51	61.50	61.51	61.48	61.59
Gross written premiums	MKD million ³	6,480.87	6,808.26	7,013.62	7,193.50	7,630.73	8,279.76
	EUR million ⁴	105.37	110.69	114.04	116.95	124.11	134.42
Paid claims	MKD million ³	2,988.37	3,006.17	3,013.67	2,959.20	3,053.95	3,184.40
	EUR million ⁴	48.59	48.88	49.00	48.11	49.67	51.70
Insurance penetration degree	% in GDP ⁴	1.48%	1.47%	1.50%	1.43%	1.45%	1.50%
Insurance density	EUR/capita ⁴	51.23	53.74	55.31	56.61	59.99	64.84

The Macedonian insurance market saw a 4% y-o-y increase in the GWP volume, to EUR 72.7 million. In absolute terms, the life and non-life insurance segments' contribution to the GWP growth was fairly equal. Still, in relation to the size of the two business lines, the growth in life insurance was the most impressive.

The 20% y-o-y increase in premiums provided for a 1.5pp increase in the life insurance sector's weight in the market portfolio. According to Klime POPOSKI, Chairman of the Macedonian Insurance Supervisory Agency, the main growth driver was the "unit link insurance class – introduced at the Macedonian market for the first time in 2015." However, the overall premium remains still very small.

On the non-life side, motor insurance lines performed well, probably the most

relevant evolution being the one recorded on the Motor Hull line, which saw a 11.62% increase in GWP, reversing a 5-year decline.

On the contrary, property insurance lines recorded a negative trend, especially on the "damages to property" line, which includes agricultural insurance. The trend is particularly interesting to observe especially considering the recent events in Macedonia, which demonstrated once again the significant exposure of the country to the Nat Cat risks.

Klime POPOSKI: *Economic losses from the floods that swamped parts of Skopje totaled EUR 25.8 million (EUR 15 million for the properties of the flooded families and businesses, EUR 10 million for the infrastructure and roads and EUR 800 thousand for flooded cars).*

The insurance companies, up to September

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	72.68	69.86	4.04	30.45	25.60	18.96	100.00	100.00
TOTAL LIFE	8.98	7.48	20.07	1.72	0.93	85.62	12.36	10.71
TOTAL NON-LIFE	63.70	62.38	2.12	28.73	24.67	16.45	87.64	89.29
Overall property insurance	16.97	18.51	-8.33	2.35	4.42	-46.85	23.35	26.50
Fire and allied perils	4.34	4.38	-1.02	0.79	1.87	-57.96	5.96	6.27
Damages to property	12.64	14.13	-10.60	1.56	2.55	-38.70	17.39	20.23
Overall motor insurance	35.60	33.10	7.54	15.99	15.62	2.36	48.97	47.38
Motor Hull	6.31	5.65	11.62	3.32	2.93	13.21	8.68	8.09
MTPPL	29.29	27.45	6.70	12.67	12.69	-0.15	40.30	39.29
GTPL	1.89	1.73	9.23	0.25	1.22	-79.12	2.61	2.48
Other non-life insurance	9.24	9.03	2.33	10.13	3.41	197.11	12.71	12.92

1 EUR = 61.6958 Denars, MKD (June 30th, 2015)

1 EUR = 61.6949 Denars, MKD (June 30th, 2016)

Klime POPOSKI
President of the
Council of Expert
ISA



Macedonia

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Full market rankings per company & per class

MSEcel format * in EUR and local currency



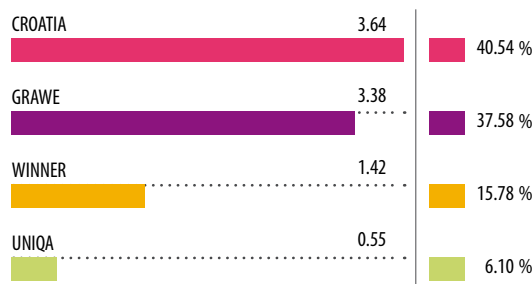
9th 2016, paid damages in respect of flood occurred in the amount of MKD 14.07 million and MKD 36.77 million more are reserved. Damages to be cover from the insurance amount to only 0.32% of the total economic losses.

Regarding the damages from a series of earthquakes that hit Skopje still there is no accurate data on the number of reported claims and incurred losses. However, the applications are mostly related to the impairment of the secondary structure of the buildings, crumbling walls, damaged roofs, broken windows, fallen ceilings, and damaged vehicles.

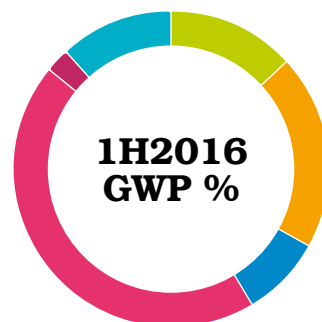
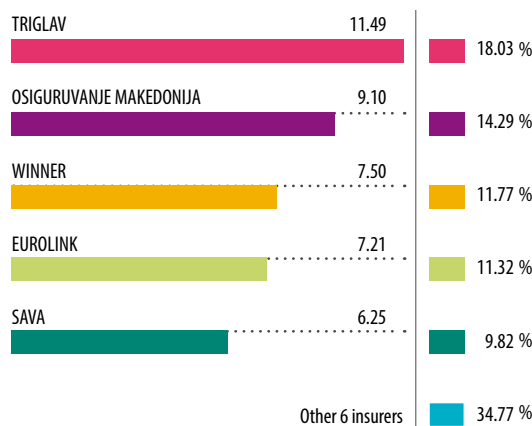
Finally, as any young market, Macedonia has still to deal with several regulatory changes, especially considering the need of legal harmonization with the EU. "The amendments to the Law on Supervision of Insurance are made in the beginning of 2016 in order to comply with the Law on Administrative Procedure. These changes do not influence the governing of insurance business, but contribute to the standardization of the legal processes in the country.

With a longer term goal, Macedonia started a project with its final goal to harmonize the insurance regulation with the Solvency 2 Directive. In that terms, the Instrument for Pre-accession Assistance (IPA) is used [TAIB 2012, Component 1, Sector 3, Measure 2 - MK12/IB/FI/01 - Project Further harmonization with EU in the field of insurance and increasing market activities"] through which the Ministry of Finance and ISA convey a twinning project. The General Directorate for Insurance and Pension Funds of the Kingdom of Spain was selected to serve as a twinning partner. The project is planned to be implemented over an 18 month period in 2016 and 2017, explained for XPRIMM Klime POPOSKI. (DG)

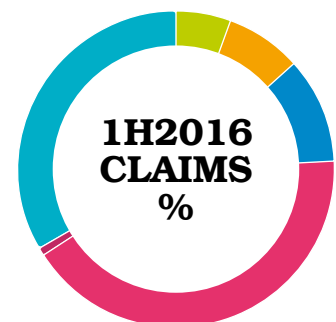
Life insurance ranking (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	12.36
Property	23.35
Motor Hull	8.68
MTPL	40.30
GTPL	2.61
Other	12.71



Life	5.65
Property	7.72
Motor Hull	10.91
MTPL	41.61
GTPL	0.83
Other	33.28

Montenegro



S&P Rating
B+ NEGATIVE

Moody's rating
B1 NEGATIVE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² Insurance Supervision Agency of Montenegro

³ XPRIMM calculations

Montenegrin market maintained the positive trend established in 2015

Property insurance GWP decreased by 1.4%, while claims paid went down by almost 20%

Motor insurance sector recorded a positive evolution, especially on the MTPL line, which accounts for aprox. 85% of the motor insurance GWP

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	EUR billion ¹	3.13	3.27	3.18	3.36	3.46	3.64
GDP per capita, current prices	EUR ¹	5,045.12	5,264.93	5,126.45	5,412.88	5,561.15	5,848.01
Unemployment rate	% of total labor force ¹	NA	NA	NA	NA	NA	NA
Population	Millions ¹	0.62	0.62	0.62	0.62	0.62	0.62
Gross written premiums	EUR million ²	62.19	64.79	66.92	72.77	72.42	76.93
Insurance penetration degree	% in GDP ³	1.99%	1.98%	2.10%	2.16%	2.09%	2.11%
Insurance density	EUR/capita ³	100.46	104.50	107.76	117.19	116.43	123.69

The positive trend established on the Montenegro's insurance market in 2015 continued also in the first half of 2016, with an overall y-o-y growth of the total GWP of 4.5%, to EUR 38.65 million. If the overall figure seems at a first glance very low, it should be recalled that Montenegro is one of the smallest countries of the CEE region, with a population of only little over 600 thousand people and a EUR 3.6 billion economy (2015 data). Yet, on local insurance market there acting 6 life insurers and 5 non-life insurers.

The positive trend was visible both for the life and non-life insurance segments of the market, but the improved dynamic was more evident for the non-life business which recorded a GWP growth rate of 4.95% y-o-y.

Motor insurance saw a positive dynamic, with GWP increasing by 8.2%, to EUR 19.8 million. MTPL accounts for more than 85% of this figure. In part, the growth is attributable to the positive effects of the increase in vehicle sales. Yet, to an overall national fleet of about 200,000 passenger cars, one should not expect spectacular hikes in figures from year to year.

Property insurance remained on a negative path, GWP recording a 1.4% decrease. However, Montenegro benefits from its relatively low exposure to nat cat risks, a characteristic also confirmed by the significant decrease in claims paid for the fire insurance line, of 20% y-o-y.

GRAWE osiguranje, WIENER STÄDITCSHE životno osiguranje and MERKUR osiguranje are the Top 3 life insurers,

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	38.65	36.99	4.50	14.73	14.50	1.60	100.00	100.00
TOTAL LIFE	6.14	6.01	2.20	1.97	2.08	-5.37	15.88	16.24
TOTAL NON-LIFE	32.52	30.98	4.95	12.76	12.42	2.77	84.12	83.76
Accident	4.70	4.51	4.24	3.44	3.73	-8.00	12.16	12.19
Health	0.84	0.69	22.44	0.43	0.27	60.64	2.18	1.86
Overall property insurance	4.33	4.39	-1.36	0.92	1.13	-18.93	11.20	11.86
Fire and allied perils	1.83	1.87	-2.23	0.39	0.42	-7.66	4.73	5.06
Damages to property	2.50	2.52	-0.71	0.53	0.71	-25.58	6.47	6.81
Overall motor insurance	19.83	18.33	8.18	7.78	7.12	9.27	51.30	49.56
Motor hull	2.70	2.60	4.04	1.54	1.44	7.13	6.99	7.02
MTPL	17.13	15.73	8.86	6.24	5.68	9.81	44.31	42.53
GTPL	0.67	0.88	-23.97	0.05	0.06	-29.71	1.73	2.38
Other non-life insurance	2.15	2.19	-1.92	0.16	0.10	52.55	5.56	5.92

Montenegro currency: EURO

with an aggregate market share of over 72%, slightly increasing as compared with 1H2015.

On the non-life side LOVČEN osiguranje, SAVA Montenegro and GENERALI osiguranje Montenegro are holding the first three positions in the market ranking, with a total market share of almost 80%. It is worth noting that LOVČEN osiguranje, member of the TRIGLAV Group, basically dominate the market by controlling over 44% of the non-life business in the country.



Montenegro

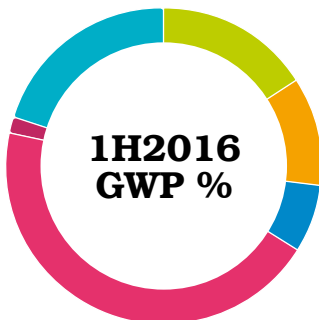
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Full market rankings per company & per class

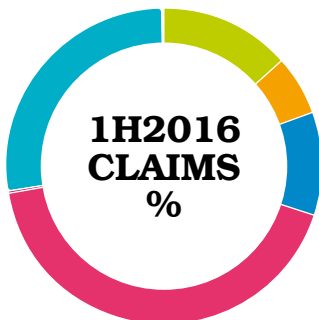
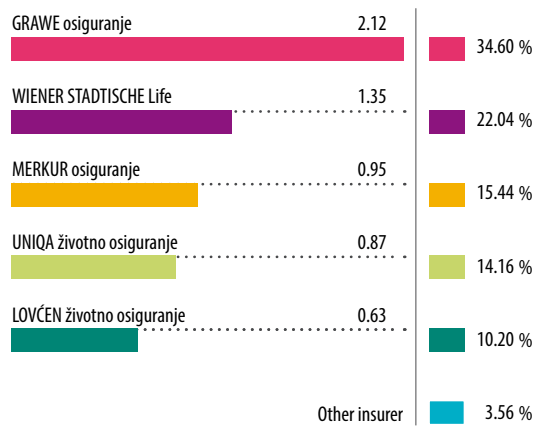
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TOP 5 Life insurance (GWP, EUR million)

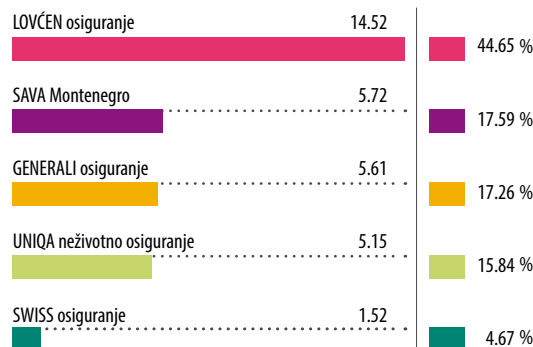


Life	15.88
Property	11.20
Motor Hull	6.99
MTPL	44.31
GTPL	1.73
Other	19.89



Life	13.36
Property	6.23
Motor Hull	10.45
MTPL	42.35
GTPL	0.31
Other	27.31

Non-Life insurance ranking (GWP, EUR million)



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Poland



S&P Rating
BBB+ NEGATIVE

Moody's rating
A2 NEGATIVE

Fitch Rating
A- STABLE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² National Bank of Poland

³ The Polish Financial Supervision Authority (KNF)

⁴ XPRIMM calculations

The significantly increased amount of information provided to the customer before deciding on the conclusion of a life insurance contract with an investment component resulted in a decrease in sales of such products, but provided for more informed choice of services by the client and minimize the risk of mismatch of product needs, which ultimately lead to a better portfolio stability

Claims for damages to property went up by almost 140% y-o-y because of the severe crop damages caused by frost

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	PLN billion ¹	1,445.06	1,566.56	1,628.99	1,656.34	1,719.10	1,790.11
	EUR billion ⁴	364.89	354.68	398.46	399.39	403.33	420.07
GDP per capita, current prices	PLN ¹	38,005.02	41,157.26	42,796.37	43,516.30	45,218.15	47,101.12
	EUR ⁴	9,596.50	9,318.34	10,468.27	10,492.93	10,608.86	11,052.71
Unemployment rate	% of total labor force ¹	9.64	9.63	10.09	10.33	8.99	7.50
Population	Millions ¹	38.02	38.06	38.06	38.06	38.02	38.01
PLN/EUR exchange rate	End of period ²	3.96	4.42	4.09	4.15	4.26	4.26
Gross written premiums	PLN million ³	54,148.11	57,150.55	62,642.64	57,862.69	54,926.02	54,801.62
	EUR million ⁴	13,672.73	12,939.36	15,322.79	13,952.23	12,886.47	12,859.70
Paid claims	PLN million ³	36,858.97	39,808.23	39,962.03	36,798.22	34,169.50	34,845.83
	EUR million ⁴	9,307.12	9,012.91	9,774.97	8,873.03	8,016.68	8,176.89
Insurance penetration degree	% in GDP ⁴	3.75%	3.65%	3.85%	3.49%	3.20%	3.06%
Insurance density	EUR/capita ⁴	359.59	339.95	402.55	366.56	338.96	338.36

After a quasi stable 2015, the Polish insurance market ended the first half of 2016 with an 8% y-o-y decrease in GWP, entirely driven by the decreasing life insurance business.

Life insurance saw a 21.7% y-o-y fall in GWP, to EUR 2.69 billion, thus losing about 7.5 pp of its market weight. Both the main classes of the life portfolio have seen a strong descending trend. According J. Grzegorz PRADZYNSKI, CEO of PIU – the Polish Insurers Association, the negative trend is mostly a consequence

of the regulatory changes: *The new law on insurance and reinsurance activities significantly increased the amount of information provided to the customer before making a decision on the conclusion of the insurance contract with an investment component. Such changes result in a decrease in sales of such products, but lead to a more informed choice of services and minimized the risk of mismatch of product needs. It is worth remembering ongoing discussions on the shape of the pension system in Poland. Importance will be gaining*

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	6,161.80	6,697.92	-8.00	4,115.61	4,159.10	-1.05	100.00	100.00
TOTAL LIFE	2,693.76	3,439.99	-21.69	2,068.91	2,441.06	-15.25	43.72	51.36
Life insurance	875.34	1,026.39	-14.72	757.91	971.98	-22.02	14.21	15.32
Unit-linked	1,171.51	1,736.37	-32.53	1,039.21	1,198.49	-13.29	19.01	25.92
Accident and sickness	614.21	645.63	-4.87	248.52	246.86	0.67	9.97	9.64
Other life insurance (reinsurance accepted included)	32.69	31.60	3.44	23.28	23.72	-1.88	0.53	0.47
TOTAL NON-LIFE	3,468.05	3,257.92	6.45	2,046.69	1,718.04	19.13	56.28	48.64
Accident	133.02	174.30	-23.68	31.16	32.78	-4.93	2.16	2.60
Sickness	68.60	64.75	5.95	20.23	20.40	-0.82	1.11	0.97
Overall property insurance	659.31	682.16	-3.35	334.57	208.76	60.27	10.70	10.18
Fire and allied perils	373.61	397.00	-5.89	134.74	125.14	7.67	6.06	5.93
Damages to property	285.70	285.16	0.19	199.83	83.62	138.97	4.64	4.26
Overall motor insurance	1,862.26	1,607.43	15.85	1,339.82	1,232.67	8.69	30.22	24.00
Motor Hull	724.79	652.39	11.10	467.90	445.26	5.09	11.76	9.74
MTPL	1,137.47	955.05	19.10	871.92	787.41	10.73	18.46	14.26
Casco insurance (railway, aircraft & navigation, summed)	16.90	21.67	-21.98	20.46	17.37	17.77	0.27	0.32
Carriers' liability (aircraft & navigation, summed)	7.57	7.69	-1.54	2.59	4.20	-38.37	0.12	0.11
GTPL	229.12	262.13	-12.59	94.44	84.29	12.05	3.72	3.91
Credit	48.07	50.27	-4.39	18.03	20.71	-12.94	0.78	0.75
Shuretyship	50.09	38.87	28.86	11.63	16.53	-29.60	0.81	0.58
Financial loss	83.99	96.33	-12.81	31.77	13.10	142.55	1.36	1.44
Travel	90.28	72.63	24.30	39.56	33.44	18.29	1.47	1.08
Other non-life insurance (reinsurance accepted included)	218.85	179.70	21.78	102.44	33.82	202.93	3.55	2.68

1 EUR = 4.1944 Zlots - PLN (June 30th, 2015)

1 EUR = 4.4255 Zlots - PLN (June 30th, 2016)

Grzegorz PRADZYNSKI
CEO
PIU – the
Polish Insurers
Association



voluntary, regular savings. The life insurance market is designed to ensure that provide long-term financial security, and regardless of the shape of savings products, will remain a key segment of pension security. In fact, the decrease recorded on the paid indemnities side (-15%) seem to indicate an improved stability of the life insurance portfolio, with less premature terminations of the insurance contracts.

Non-life lines saw a positive evolution in 1H2016, with GWP increasing overall by 6.45% y-o-y, to EUR 3.47 billion. Still, not all the non-life lines enjoyed the same positive trend.

Property insurance lines have recorded a 3.3% decrease in GWP, most of it coming from the “fire” insurance class for which the GWP volume saw an almost 6% constriction. Yet, it is interesting to observe that, according to the official statistical data provided by the market authority, the number of fire insurance contracts went up as compared with 1H2015: contracts written in the reporting period - from 5.58 million to 7.18 million; contracts in force as of the end of the period – from 9.78 million to 12.73 million.

Moreover, the first half 2016 brought also an increase in the paid claims for property insurance, especially on the class of “Other damage to property” for which paid claims rose by 139%, following the severe damages to crops caused by frost.

Finally, the motor insurance classes recorded a positive trend in premium production both for MTPL and Motor Hull. For the first time in many years on the Motor Hull market we see a strong growth in premiums and with it also a large change in unearned premium reserve. Still we also have to deal with significant increases in payments, which is proof of how much increased the level of protection for victims of accidents, commented Andrzej MACIAZEK, vice president of PIU’s management board.

Net profit amounted in 1H2016 to PLN 1.1 billion in life insurance (33.4 % lower y-o-y) and to PLN 1.1 billion in non-life (36.9 % down y-o-y). The technical result for life insurance amounted to PLN 1.4 billion (+ 4.4%) and to PLN 114 million in non-life (77% down). (DG)

Poland

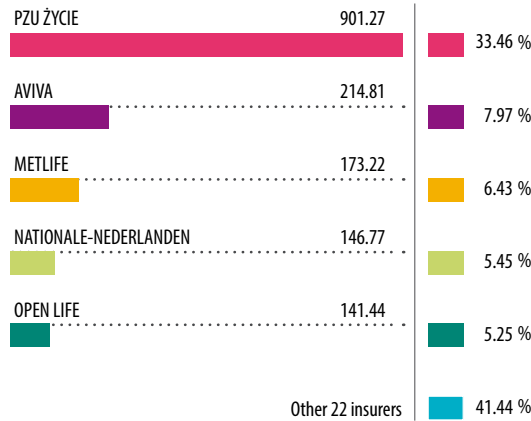
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Full market rankings per company & per class

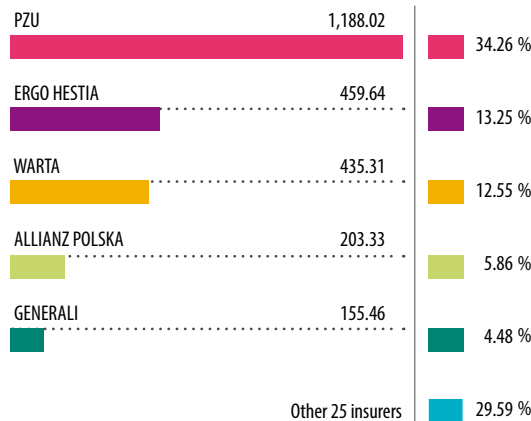
MSExcel format * in EUR and local currency



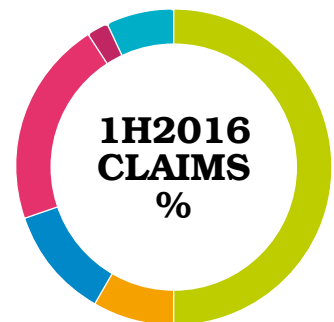
TOP 5 Life insurance (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	43.72
Property	10.70
Motor Hull	11.76
MTPL	18.46
GTPL	3.72
Other	11.64



Life	50.27
Property	8.13
Motor Hull	11.37
MTPL	21.19
GTPL	2.29
Other	6.75

Romania



S&P Rating

BBB- STABLE

Moody's rating

BAA3 POSITIVE

Fitch Rating

BBB- STABLE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² The National Bank of Romania

³ Financial Supervision Authority (ASF)

⁴ XPRIMM calculations

According to the new MTPL law, the Romanian Motor Insurers' Bureau (Romanian Green Card Bureau) and the Street Victims' Protection Fund (the Romanian guarantee fund for uninsured vehicles) will merge and function as one entity

Grawe Romania notified the ASF in early 2016 on its intention to enter the MTPL market;

ERGO group has acquired Credit Europe Asigurări - Reasigurări S.A., thereby consolidating its presence in the non-life insurance market

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	RON billion ¹	533.88	565.10	595.37	637.46	667.58	710.27
	EUR billion ⁴	126.82	133.34	133.61	144.25	150.20	159.79
GDP per capita, current prices	RON ¹	26,306.43	27,976.36	29,626.16	31,840.80	33,467.06	35,675.65
	EUR ⁴	6,248.71	6,601.47	6,648.60	7,205.43	7,529.82	8,026.02
Unemployment rate	% of total labor force ¹	6.94	7.16	6.79	7.10	6.80	6.78
Population	Millions ¹	20.30	20.20	20.10	20.02	19.95	19.91
RON/EUR exchange rate	Annual average ²	4.21	4.24	4.46	4.42	4.44	4.45
Gross written premiums	RON million ³	8,305.40	7,822.31	8,256.91	8,322.47	8,085.68	8,750.88
	EUR million ⁴	1,972.83	1,845.80	1,852.99	1,883.34	1,819.21	1,968.70
Paid claims	RON million ³	5,069.48	4,483.07	5,183.37	4,983.20	4,853.85	4,572.98
	EUR million ⁴	1,204.18	1,057.85	1,163.23	1,127.68	1,092.08	1,028.79
Insurance penetration degree	% in GDP ⁴	1.56%	1.38%	1.39%	1.31%	1.21%	1.23%
Insurance density	EUR/capita ⁴	97.21	91.38	92.21	94.07	91.20	98.89

The Romanian insurance market saw a 9.75% increase in GWP (10.93% in national currency), one of highest dynamics recorded in the last years. Yet, it is worth noting that the positive result is not as much as a result of the Romanian economic growth, but of the complex changes undergone by the MTPL segment. In fact, in absolute value, the GWP increase for the MTPL line not only has offset the premiums' falls recorded in the other lines, but was the almost only source of growth on the non-life insurance segment. In relative terms, GWP for MTPL insurance went up by over 18% y-o-y. Considering

the number of issued policies went up by only 5.6%, it is obvious that the growth was mainly driven by the raising prices. However, it is probably only fair saying that the GWP growth was the less significant trend in MTPL, at least on the long run.

The most important changes came, after the ASTRA bankruptcy in the second half of 2015, with the MTPL market reshape, both in structure and in regulation. At the beginning of 2016, the market authority FSA decided to apply resolution measures to the second big player in the MTPL segment, CARPATICA. Six months later, based on the conclusions of the financial

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	1,037.90	945.70	9.75	473.09	525.96	-10.05	100.00	100.00
TOTAL LIFE	174.61	162.58	7.40	72.22	72.07	0.20	16.82	17.19
Annuities and supplementary ins.	118.73	105.17	12.89	35.39	NA	-	11.44	11.12
Unit-linked	47.64	51.69	-7.83	33.72	NA	-	4.59	5.47
Other life insurance	8.24	5.73	43.90	3.11	NA	-	0.79	0.61
TOTAL NON-LIFE	863.29	783.12	10.24	400.87	453.89	-11.68	83.18	82.81
Accidents and illness	6.77	10.28	-34.13	NA	NA	-	0.65	1.09
Health	8.12	6.00	35.20	NA	NA	-	0.78	0.63
Overall property insurance	121.54	128.92	-5.72	NA	NA	-	11.71	13.63
Fire and allied perils	103.21	109.14	-5.43	18.11	23.07	-21.52	9.94	11.54
Damages to property	18.33	19.78	-7.36	NA	NA	-	1.77	2.09
Overall motor insurance	664.61	560.93	18.48	359.65	394.57	-8.85	64.03	59.31
Motor Hull	184.76	185.50	-0.40	127.29	143.43	-11.25	17.80	19.61
MTPL	479.85	375.43	27.81	232.36	251.14	-7.48	46.23	39.70
GTPL	25.49	32.63	-21.87	NA	NA	-	2.46	3.45
Warranties	13.75	18.34	-25.00	NA	NA	-	1.33	1.94
Travel	8.32	8.57	-2.99	NA	NA	-	0.80	0.91
Other non-life insurance	14.69	17.46	-15.85	NA	NA	-	1.42	1.85

Currency conversions were calculated for an average exchange rate of:

RON 4.4474/EUR - in 1H2015

RON 4.4953/EUR - in 1H2016

Misu NEGRITOIU
President
Financial
Supervisory
Authority



Romania

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Full market rankings per company & per class

MSExcel format * in EUR and local currency



assessments, the FSA decided to withdraw CARPATICA's licence and begin the bankruptcy procedure.

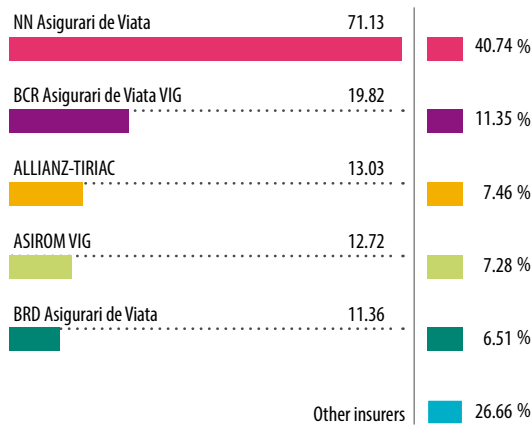
Losing two of its major players, known for their very competitive MTPL pricing, and with another two – EUROINS and CITY Insurance -, under special surveillance, the MTPL market saw a significant increase of the average premium level, especially for the corporate clients. Thus, the annual average premium value rose by 13.15%, reaching a five years peak, of RON 793/year (corporate clients – RON 1,729/year).

The significant increase in tariffs was received by the corporate clients with discontent and finally has created a real crisis situation in the specialty market. After consulting all stakeholders, the FSA addressed the issue by promoting the first law on MTPL, which was previously governed by the secondary legislation issued by the FSA. Among the most important changes introduced by the new law there are several measures of price and costs control, as well as provisions for the bodily injuries' costs limitation and use of telematics to calculate and to record customer driving history and behavior.

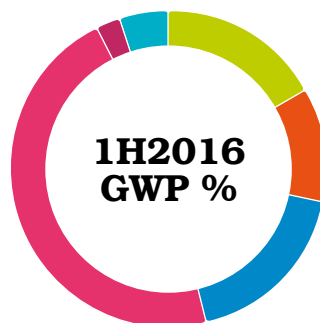
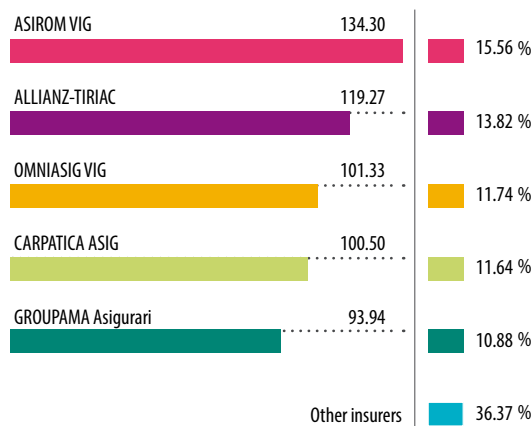
All things considered, the MTPL market's reshape seems to produce positive results. For the first time since many years, the MTPL line saw a combined ratio value closer to the 100% threshold, of 104.26%, while the loss ratio stood at 67.5%. However, it is for the end year results to confirm the positive trend, given the significant influence of IBNR reserves, which are usually estimated on annual basis.

The current legislative framework is already well put together, but the entire market consolidation process is still in its early stages: there are still vulnerabilities ... but we need to overcome them all to achieve a stable and solid market. We already have the first signs of progress in this regard, recently commented the FSA's President, Misu NEGRITOIU, adding that *FSA's main mission now is the insurance market's consolidation and safeguarding the customers' rights.* 🌐 (DG)

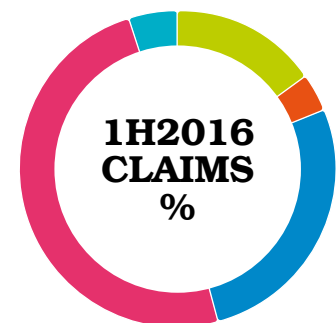
TOP 5 Life insurance (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	16.82
Property	11.71
Motor Hull	17.80
MTPL	46.23
GTPL	2.46
Other	4.98



Life	15.27
Fire, allied perils	3.83
Motor Hull	26.91
MTPL	49.12
Other	4.89

Serbia



S&P Rating

BB- STABLE

Moody's rating

B1 POSITIVE

Fitch Rating

BB- STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² National Bank of Serbia

³ XPRIMM calculations

Life premium increased by 13.0% y-o-y, driven by traditional endowment insurance and the debut of the unit-linked products

after a prolonged period of premium contraction, the Motor Hull line started a revival in 2015, which also continued in H1 2016

Serbian insurers have strong solvency ratios, indicating a high level of capital adequacy and stability

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	RSD billion ¹	3,067.21	3,407.56	3,584.24	3,876.40	3,908.47	3,973.03
	EUR billion ³	29.07	32.56	31.52	33.81	32.31	32.57
GDP per capita, current prices	RSD ¹	420,659.28	470,884.30	497,707.05	540,902.08	548,035.10	557,088.09
	EUR ³	3,987.36	4,500.00	4,376.67	4,718.18	4,530.78	4,566.63
Unemployment rate	% of total labor force ¹	20.00	23.60	24.60	23.00	20.12	18.51
Population	Millions ¹	7.29	7.24	7.20	7.17	7.13	7.13
RSD/EUR exchange rate	End of period ²	105.50	104.64	113.72	114.64	120.96	121.99
Gross written premiums	RSD million ²	56,520.94	57,314.00	61,463.70	64,041.51	69,405.01	80,925.79
	EUR million ³	535.75	547.72	540.49	558.62	573.79	663.38
Paid claims	RSD million ²	23,180.31	23,847.09	25,104.52	26,436.22	27,707.55	30,718.00
	EUR million ³	219.72	227.89	220.76	230.60	229.07	251.81
Insurance penetratio degree	% in GDP ³	1.84%	1.68%	1.71%	1.65%	1.78%	2.04%
Insurance density	EUR/capita ³	73.48	75.68	75.06	77.94	80.45	93.01

A positive trend of nominal insurance premium growth, which has lasted for more than a decade, continued into this year, it is how Duško JOVANOVIĆ, Secretary General, Association of Serbian Insurers – UOS has characterized the Serbian insurance market's evolution in the first half of 2016.

In the supervising authority's view, the Serbian insurance market "recorded a healthy 9.9% y-o-y premium growth rate in H1 2016. This development was driven by the life segment, recording a double digit growth rate and increasing the share of life insurance in total premium. Life premium which increased by 13.0% y-o-y was dominated by traditional endowment insurance which increased at a healthy pace, and first unit-linked policies were sold in the market this year. Yet, as the

market data show, life insurance not only has saw a good GWP dynamic, but has also recorded a double digit growth in paid indemnities. According to the market sources, this trend is natural and represents the direct consequence of the life segment's increase in contracts' number and value, as well as of the more numerous contracts that reach maturity. Positive developments when it comes to increase of life insurance benefits paid were accompanied by continuous growth of number of policyholders, life premium and technical provisions, the NBS representatives believe.

On the non-life side, the growth had a general character, as the premium growth was recorded in all types of insurance. The continuous and stable growth rates are encouraging, and so is the high potential of

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	366.38	340.97	7.45	115.60	122.34	-5.51	100.00	100.00
TOTAL LIFE	80.47	72.78	10.56	23.82	19.86	19.92	21.96	21.34
TOTAL NON-LIFE	285.92	268.19	6.61	91.79	102.49	-10.44	78.04	78.66
Accidents insurance	18.13	17.21	5.36	9.93	10.02	-0.87	4.95	5.05
Health insurance	11.70	8.16	43.36	5.83	4.55	28.11	3.19	2.39
Railway, aircraft and ships	1.35	1.57	-13.50	0.36	0.35	1.39	0.37	0.46
Goods in transit	2.80	3.09	-9.47	0.70	0.43	63.13	0.76	0.91
Overall property insurance	80.87	75.88	6.57	16.38	34.52	-52.55	22.07	22.25
Fire and allied insurance	23.60	23.42	0.77	5.24	22.84	-77.05	6.44	6.87
Damages to property	57.27	52.46	9.16	11.14	11.68	-4.63	15.63	15.39
Overall motor insurance	148.02	143.37	3.24	54.29	48.63	11.64	40.40	42.05
Motor Hull	29.25	26.61	9.94	18.34	17.30	6.02	7.98	7.80
MTPL	118.77	116.76	1.72	35.95	31.33	14.74	32.42	34.24
Carriers' liability (air and sea)	0.29	0.42	-30.75	0.01	-	-	0.08	0.12
GPL	9.38	7.52	24.84	1.54	1.17	31.96	2.56	2.20
Credit	3.34	1.45	131.12	0.78	0.39	99.07	0.91	0.42
Financial loss	3.32	3.25	1.98	0.20	0.58	-65.94	0.90	0.95
Travel	6.16	5.87	4.85	1.67	1.68	-0.59	1.68	1.72
Other non-life insurance	0.55	0.40	38.00	0.10	0.17	-41.12	0.15	0.12

1 EUR = 120.6042 Dinars - RSD (June 30th, 2015)

1 EUR = 123.3115 Dinars - RSD (June 30th, 2016)

Duško JOVANOVIĆ
Secretary General
Association of
Serbian Insurers -
UOS



Serbia

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Full market rankings per company & per class

MSExcel format * in EUR and local currency

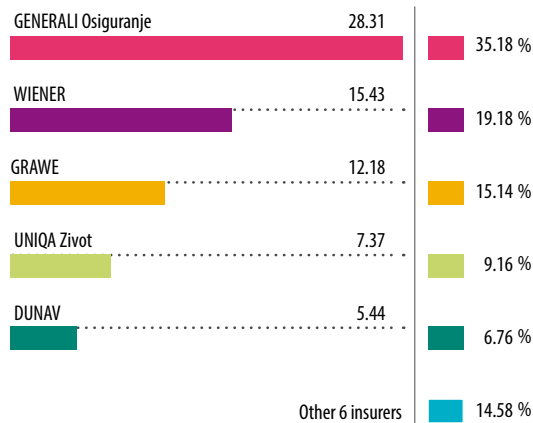


the insurance market. We can say that the Serbian market is moving toward a portfolio structure that is present in countries with developed insurance markets, although the high share of non-life insurance, especially compulsory insurance in total premium, is still its main characteristic, explained Duško JOVANOVIĆ. Yet, the market watchdog has stressed out as notable the evolution on the Motor Hull line which, after a prolonged period of premium contraction, started a revival in 2015, which it kept in H1 2016.

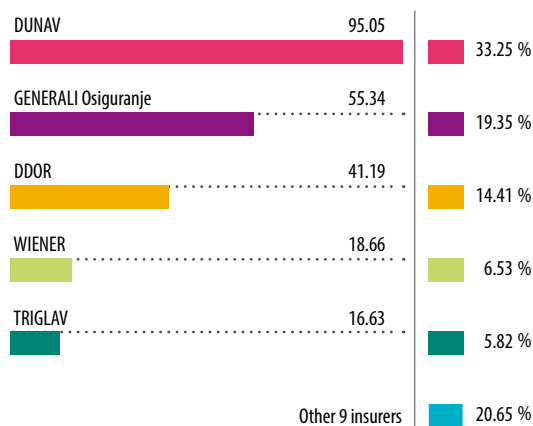
For the year end, both market players and the supervisor expect the positive trend in underwriting to continue. Insurance market has a strong solvency ratio indicating a high level of capital adequacy and stability, which we expect will be the case in the following period. Positive premium dynamics in H1 2016 are an encouraging sign to expect a successful year, especially in the life segment as the more dynamic part of the market. These premium developments were followed by an increase of technical provisions, giving policyholders a strong sense of safety that the promise given by the insurance market will be kept, and we expect technical provisions to continue on this path in the rest of the year, is the NBS's assessment.

Speaking about the elements that would enable a future strong market development, Duško JOVANOVIĆ said: The new insurance act brings us closer to the developed markets in the regulatory sense. However, additional regulatory changes, for example, in terms of expanding the list of mandatory insurance, would help in solving the problem of property insurance. Or, certain tax relieves would lead to a significant increase in life insurance, which has the biggest growth potential. (DG)

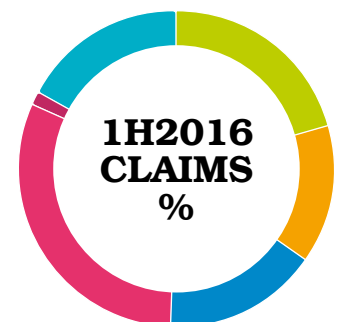
TOP 5 Life insurance (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	21.96
Property	22.07
Motor Hull	7.98
MTPL	32.42
GTPL	2.56
Other	13.00



Life	20.60
Property	14.17
Motor Hull	15.87
MTPL	31.10
GTPL	1.33
Other	16.93

Courtesy to the Insurance Supervision
Department of the National Bank of Serbia



NATIONAL BANK OF SERBIA

Slovak Republic



S&P Rating
A+ STABLE

Moody's rating
A2 STABLE

Fitch Rating
A+ STABLE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² National Bank of Slovakia

³ XPRIMM calculations

If the Slovak parliament will pass the draft amendment to the act on insurance promoted by the Finance Ministry, the obligation to pay an 8 % levy for the mandatory MTPL premium will be extended to all facultative NON-LIFE insurance lines; the draft amendment was approved by government on 21 September and it has to be approved by the Parliament until the end of the year

NOTE: comparisons with the previous year should be carefully considered as in 2016 the Slovak National Bank has changed the reporting standard according to the Solvency II requirements; some of the insurance policies' classifications were reconsidered, thus the figures may be not entirely comparable

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	EUR billion ¹	67.39	70.44	72.42	73.84	75.56	78.07
GDP per capita, current prices	EUR ¹	12,429.05	13,063.38	13,400.44	13,645.89	13,951.21	14,411.84
Unemployment rate	% of total labor force ¹	14.48	13.69	13.98	14.26	13.22	11.47
Population	Millions ¹	5.42	5.39	5.40	5.41	5.42	5.42
Gross written premiums	EUR million ²	2,014.84	2,040.21	2,036.37	2,081.90	2,105.55	2,019.80
Paid claims	EUR million ²	1,131.97	1,176.57	1,176.50	1,207.57	1,190.90	1,155.42
Insurance penetration degree	% in GDP ³	2.99%	2.90%	2.81%	2.82%	2.79%	2.59%
Insurance density	EUR/capita ³	371.60	378.38	376.83	384.75	388.77	372.86

Slovak insurers have ended 1H2016 with an overall GWP volume inferior to the previous year's results for the same period. Yet, the figures presented in the table, especially the comparison with the previous year, should be carefully considered as starting January 1st, 2016 Slovak insurers are required to report data according to the Solvency II standards, which in some cases provide for a different classification of the business lines, thus possibly leading to errors.

According to the market representatives, given the Slovak market's stability during the recent years, the end year market results should be more or less in line with the 2015 results.

Besides the y-o-y comparisons' uncertainty, the Slovak market had to deal with a number of challenges and changes. Julia CILLIKOVA, Director of the Regulation Department of the National Bank of Slovakia told XPRIMM that *the highest risk for the insurance market is the prevailing*

low interest rates which means necessary reinvestments for insurers in case they have guaranteed in policies higher yields than their assets portfolio is providing now. Approximately one half of all investments is made into government bonds (of which 80% into Slovak government bonds), cca. 7% into Slovak bank bonds, 16% into foreign bank bonds and 14% into corporate bonds. Bank deposits were only 1% of the insurers' portfolio of financial investments.

Another important challenge which needs to be taken into consideration is a recent change in the indirect taxation on the insurance premiums which may significantly affect both insurers and customers. *Unfortunately intention of lawmakers to extend the 8 % MTPL levy to all facultative NON-LIFE insurance lines is real now – it was approved by government on 21 September and it has to be approved by the Parliament until the end of the year. From the beginning of the legislative process we have strongly object to this proposal as*

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	911.17	1,059.57	-14.01	543.39	586.39	-7.33	100.00	100.00
TOTAL LIFE	476.06	543.61	-12.43	334.24	347.82	-3.90	52.25	51.30
Unit-Linked	108.84	152.11	-28.45	54.15	46.74	15.84	11.95	14.36
Other life ins.	367.22	391.50	-6.20	280.10	301.08	-6.97	40.30	36.95
TOTAL NON-LIFE	435.11	515.96	-15.67	209.15	238.57	-12.33	47.75	48.70
Fire and other damages to property	107.25	129.79	-17.37	25.12	37.19	-32.45	11.77	12.25
Overall motor insurance	243.81	272.63	-10.57	161.35	174.44	-7.50	26.76	25.73
Motor Hull	117.57	128.40	-8.44	78.64	92.23	-14.74	12.90	12.12
MTPL	126.24	144.23	-12.47	82.71	82.21	0.61	13.85	13.61
GTPL	33.80	40.06	-15.63	8.16	7.74	5.39	3.71	3.78
Other non-life	50.26	73.48	-31.60	14.52	19.21	-24.39	5.52	6.93

The 1H2016 figures are preliminary and are harmonised with Solvency II regulation
Slovak currency: EUR

Julia CILLIKOVA
 Director of the
 Regulation and
 Financial Analyses
 Department,
 National Bank of
 Slovakia



Jozefina ZAKOVA
 Director General
 of the Slovak
 Insurance
 Association



Slovak Republic

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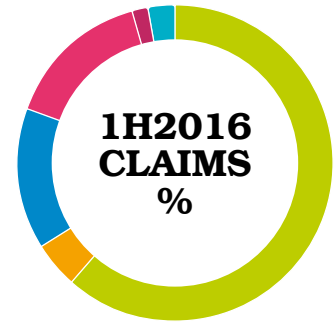
GWP & claims portfolio per class



MSExcel format



Life	52.25
Property	11.77
Motor Hull	12.90
MTPL	13.85
GTPL	3.71
Other	5.52



Life	61.51
Property	4.62
Motor Hull	14.47
MTPL	15.22
GTPL	1.50
Other	2.67

it will most probable result in growing prices for clients and decrease of non-life insurance penetration, which is already very low in property insurance for example. We strongly disagree with this additional retroactive levy outside of regular tax system punishing responsible people by reason of supporting growing governmental expenses, explained Jozefina ŽÁKOVÁ, General Director of Slovak Insurance Association.

A good news came in the first half of the year from the legislative side: *There has not been introduced any new law related only to insurance sector in the first part of 2016. However it is vital to mention a new Act No. 160/2015 Coll. Civil Proceedings Code for Adversarial Proceedings. It is representing the first comprehensive legal reform of Slovak procedural law in over 50 years. Coming into force from July 1st, 2016 it should accelerate the oft-criticised speed of court proceedings, ensure equitable protection of participants' rights and rationalise the cost of proceedings. Impatiently we are still waiting how PRIIPs regulation ends if insurers can expect better regulation and relevant time to prepare for it. It's also important to mention prepared legislation which is boosting levy for insurance sector only to gain extra money for government to spend,* ŽÁKOVÁ said. 🌸 (DG)

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Slovenia



S&P Rating

A STABLE

Moody's rating

BAA3 STABLE

Fitch Rating

BBB+ POSITIVE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² Slovenian Insurance Association

³ XPRIMM calculations

MODRA has recorded the largest reduction in GWP in the life insurance segment (-23.6%), thus losing about 2pp of its market weight

The discontinuation of operations of two leasing companies has affected to a certain extent the business volume on the MTPL line; premium were also influenced by measures aimed at retaining high-value and loyal clients such as client loyalty programs.

Paid claims decreased significantly on the property lines, by about 20%, although the first half of the year was not spared by weather related events.

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	EUR billion ¹	36.25	36.90	35.99	35.91	37.30	38.54
GDP per capita, current prices	EUR ¹	17,710.22	17,996.54	17,508.33	17,440.81	18,098.82	18,684.22
Unemployment rate	% of total labor force ¹	7.27	8.21	8.89	10.14	9.73	9.08
Population	Millions ¹	2.05	2.05	2.06	2.06	2.06	2.06
Gross written premiums	EUR million ²	2,094.78	2,091.52	2,054.03	1,977.54	1,937.56	1,975.36
Paid claims	EUR million ²	1,242.78	1,283.22	1,388.21	1,360.86	1,326.05	1,350.88
Insurance penetration degree	% in GDP ³	5.78%	5.67%	5.71%	5.51%	5.19%	5.13%
Insurance density	EUR/capita ³	1,023.34	1,020.25	999.53	960.44	940.10	957.52

The first half of 2016 ended for the Slovene insurance market with GWP worth EUR 1.06 billion, a figure which is fairly equal to the one recorded in 1H2015. In comparison with the previous semesters, it seems that timid signs of recovery showed by the local market throughout 2015, after several years of sluggish decline, are still far from becoming a robust trend.

Life insurance recorded a negative dynamic, with GWP declining by 5.46% y-o-y, driven down by the almost 10% GWP decrease seen on the Unit-Linked life insurance line. The negative trend has affected all the major life insurance companies, but MODRA has recorded the

largest reduction in GWP (-23.6%), thus losing about 2pp of its market weight and descending 2 positions in the market ranking. Top 3 life insurers account for almost 57% of the life GWP, 1 pp more than in 1H2015.

Non-line GWP have increased by about 2% y-o-y, to EUR 795.3 million, with the GPL, credit and suretyship insurance line recording the highest dynamic among the relevant business lines. Paid claims went down, overall by 0.8% y-o-y.

On the motor insurance segment, the market remained fairly competitive. As the interim report of TRIGLAV noted, MTPL insurers had to deal with "increased

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	1,060.80	1,060.36	0.04	664.23	672.99	-1.30	100.00	100.00
TOTAL LIFE	265.49	280.83	-5.46	204.82	210.01	-2.47	25.03	26.48
Life assurance	124.37	126.65	-1.80	102.18	105.02	-2.71	11.72	11.94
Unit-linked	131.48	145.87	-9.86	96.99	99.03	-2.07	12.39	13.76
Other life insurance	9.64	8.32	15.95	5.66	5.96	-5.02	0.91	0.78
TOTAL NON-LIFE	795.32	779.53	2.03	459.41	462.98	-0.77	74.97	73.52
Accident insurance	50.93	50.80	0.24	17.08	16.60	2.89	4.80	4.79
Health insurance	245.35	243.23	0.87	216.01	212.01	1.88	23.13	22.94
Overall property insurance	145.86	143.00	2.00	42.14	53.03	-20.54	13.75	13.49
Fire and allied perils	70.95	70.54	0.58	15.24	25.02	-39.07	6.69	6.65
Damages to property	74.91	72.46	3.39	26.89	28.01	-3.98	7.06	6.83
Overall motor insurance	258.79	255.12	1.44	154.87	147.62	4.91	24.40	24.06
Motor Hull	132.69	127.56	4.02	84.54	80.99	4.39	12.51	12.03
MTPL	126.11	127.56	-1.14	70.33	66.64	5.54	11.89	12.03
Railway, aircraft and ships ins.	4.53	4.31	5.23	0.79	0.71	11.71	0.43	0.41
Goods in transit	2.45	2.36	3.54	1.29	1.94	-33.37	0.23	0.22
GPL	42.73	39.43	8.35	9.61	11.78	-18.40	4.03	3.72
Carriers' liability (aircraft and ships)	1.66	1.58	5.41	0.20	0.11	86.34	0.16	0.15
Credit insurance	22.07	20.62	7.02	9.44	11.98	-21.22	2.08	1.94
Suretyship insurance	0.87	0.82	6.41	0.09	0.17	-47.06	0.08	0.08
Financial loss	4.42	3.80	16.44	1.11	0.88	25.77	0.42	0.36
Legal expenses	1.98	1.93	2.74	0.27	0.28	-2.07	0.19	0.18
Travel insurance	13.68	12.53	9.16	6.51	5.87	10.85	1.29	1.18

Slovenian currency: EURO

requirements of policyholders to reduce premiums due to their increasingly higher susceptibility to the cheapest offerings (commercial and other discounts) and subsequently the willingness to change their insurer". Also, the discontinuation of operations of two leasing companies has affected to a certain extent the business volume. In the end, the MTPL line ended 1H2016 with an 1.14% y-o-y decrease in GWP. Yet, one should notice the 4% growth in Motor Hull GWP, most probable supported by the increase in car sales (+9.4% for passenger cars, +38% for commercial light vehicles).

Property insurance lines saw a 2% increase in GWP, almost entirely owed to the premium increase on the "damages to property" line. Paid claims decreased significantly, by about 20%, although the first half of the year was not spared by weather related events. At the end of April, frost and several minor local floods across Slovenia caused a damage of around EUR 6.5 million (claims paid amounted to EUR 2.8 million), of which EUR 6.0 million accounted for damage on crops. Yet, by comparison with 2015, the current year seems rather calm, judging by the losses caused by weather related events.

Overall, TRIGLAV had the largest market share in GWP terms, of 31.06. TRIGLAV, ADRIATIC SLOVENICA and MARIBOR were the Top 3 insurance market leaders, with an aggregated share of almost 60% of the total GWP.

Reinsurance trends

In addition to the direct insurance activity, the Slovenian market also hosts two local reinsurers, SAVA Re and TRIGLAV Re.

SAVA Re recorded GWP of EUR 280.8 million, 1.5% up y-o-y. In Q2, Standard & Poor's has affirmed its rating on SAVA Reinsurance Company to A- ratings. The outlook is stable.

The second relevant Slovenian reinsurer is TRIGLAV Re, member of the homonymic insurance group. TRIGLAV Re booked a total of EUR 69.15 million in gross reinsurance premium or 1% more than in the respective period of 2015.

On 1 July 2016, the S&P Global Ratings upgraded the long-term credit rating and the financial strength rating of Zavarovalnica Triglav d.d. together with its subsidiary Pozavarovalnica Triglav Re d.d., and thereby the Triglav Group from "A-" to "A". Both credit ratings have a stable medium-term outlook. (DG)

Slovenia

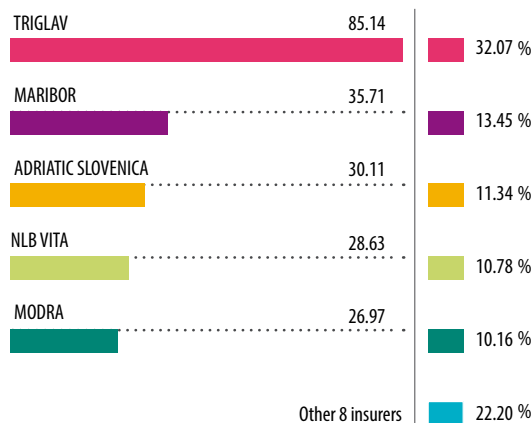
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Full market rankings per company & per class

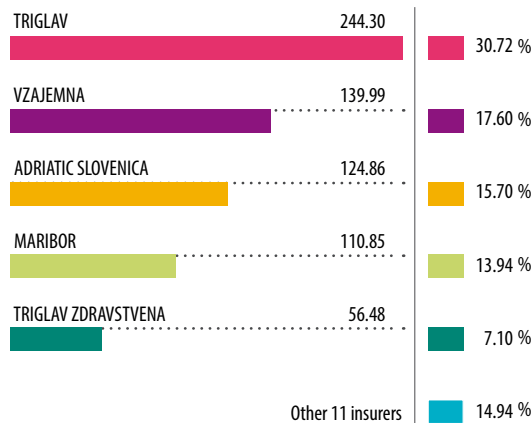
MSExcel format



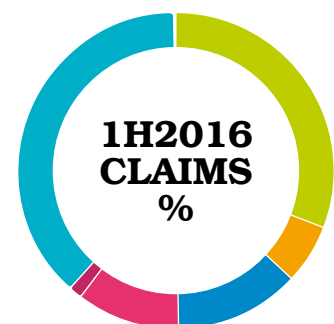
TOP 5 Life insurance (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	25.03
Property	13.75
Motor Hull	12.51
MTPL	11.89
GTPL	4.03
Other	32.80



Life	30.84
Property	6.34
Motor Hull	12.73
MTPL	10.59
GTPL	1.45
Other	38.06

VIG: Romania is one of our core markets. We need the mid and long term perspective to get better

As MTPL, the most important insurance line in Romania, will be heavily influenced by the recent regulatory changes, for the VIENNA insurance Group (VIG), Romania remains a core market, among the top 5 within the group, said Roland GROLL, Member of the VIENNA Insurance Group Board, at a press conference organized in Bucharest. "Looking at the overall picture in Romania, from an economic point of view, it is extremely positive, especially if we compare it with other core markets. There are not many European countries which have such favorable environment", he added.

The Romanian government recently issued the first law specifically for the MTPL sector, which was governed, until now, by the secondary legislation issued by the Financial Supervisory Authority (FSA).

The law was adopted after representatives of the transportation industry protested against sharp price increases in less than a year, which insurers explained were caused by a rise in compensations and claims frequency, as well as the bankruptcy of ASTRA Asigurari and CARPATICA Asig, two players known for their very competitive price on the MTPL lines.

Published on 26.09.2016

Adrian MARIN, CEO GENERALI Romania is the new President of Romanian insurers' professional body

The Romanian Insurance Association (UNRAR) has elected Adrian MARIN, CEO of GENERALI Romania as President for a three-year period, replacing Remi VRIGNAUD, the former general manager of ALLIANZ-TIRIAC who headed the insurers' professional body in the last four years.

After 19 years during which it held the association's presidency, ALLIANZ-TIRIAC decided to withdraw from this position and offer to the market fellow companies the opportunity to preside over the specialty market's interests. UNRAR members elected Adrian MARIN (CEO of GENERALI Romania) as Chairman of the association, and Marius POPESCU (CEO of NN Life Insurance) as Vice-President, reads the UNRAR's press release.

Published on 06.10.2016

SAVA Re gets the regulatory approval to merge its four units in Slovenia and Croatia

Slovenian SAVA Re announced that the Insurance Supervision Agency issued the authorisation for the merger of insurance companies relating to the acquisition of Zavarovalnica TILIA and the and the two Croatian units - VELEBIT osiguranje and VELEBIT zivotno osiguranje - by Zavarovalnica MARIBOR (acquired by SAVA Re in 2013) - to form Zavarovalnica SAVA, headquartered in Slovenia.

The granting of the authorisation by the Insurance Supervision Agency represents a major step in the merger process of the four insurance companies and will allow the formal merger to conclude in line with the project timetable in early November 2016, the Slovenian reinsurer pointed out in a press release.

Published on 29.09.2016

BARENTS Re, 2015: Strong financial results and improving international ratings

BARENTS Re has delivered a strong set of financial results in 2015, reporting a net profit of USD 34.8 million, slightly up from USD 34.6 million in 2014, which - according to the company's statement -, went to retained earnings, thereby strengthening further its financial security. Total assets increased to USD 453 million (2014: USD 432 million) and shareholders' equity increased to USD 382 million (2014: USD 350 million).

We improved therefore our position in all of the key financial performance indicators. These were excellent results especially in light of the sluggish economic growth and political uncertainty in many of our markets, coupled with a competitive pricing environment for many of our core products, stated Gerardo GARCIA, President & CEO, in the annual report released by the company.

As a confirmation of the BARENTS Re's improving financial position, A.M. Best has upgraded in September 2015 its rating to 'A', with a Stable Outlook.

Published on 29.09.2016

BUSINESS NEWS

www.xprimm.com

SBERBANK Russia supports Pokemon Go players with free accident insurance product

Since July, Pokemon Go players are finding in the Russian SBERBANK a more than friendly environment: besides benefitting from the PokeStops points which allows them catching the missing Pokemon without wandering around the city's streets, a free accident insurance policy offered by the bank may indemnify players who get hurt during their "hunting" sessions up to RUB 50,000 (USD 800.)

Finding a creative way of leveraging the popularity of Pokemon Go to promote its products, Sberbank offers players who are exploring the city while looking for Pokemon a free accident insurance so that players can concentrate on the game fully. To activate the free insurance, players will need to visit sberbankgo.ru and enter their nickname and mobile phone number.

Published on 15.09.2016

column
sponsored by



UKRAINE: AEGON sells its unit and exits the market

Dutch insurer AEGON announced that it will exit the Ukrainian market after less than four years, by selling 100% of AEGON Life Ukraine to local insurance firm TAS Group. The parties have agreed not to disclose the terms and conditions of the transaction.

Subject to customary closing conditions, including regulatory approvals, TAS Group will merge the business of Aegon Life Ukraine with its existing life insurer under the brand TAS Life.

The combined operations will form the number two player in the Ukrainian market in life, savings and pensions, as AEGON announced in a press release.

Published on 29.09.2016

In memoriam Rumen YANCHEV, Chairman of the Management Board and CEO of BULSTRAD VIG Bulgaria

On August, 28 Mr. Rumen YANCHEV, Chairman of the Management Board and CEO of BULSTRAD VIG Bulgaria and a well-known insurance specialist has suddenly passed away, as stated the Supervisory Board and Management Board of "Bulstrad Vienna Insurance Group" AD, missing 19 days to his 60th birthday.

Mr. Rumen YANCHEV devoted more than 35 years of his life working in the insurance industry. Graduate of the Higher Institute of Finance and Accounting in the town of Svishtov in insurance, he joined BULSTRAD VIENNA INSURANCE GROUP in 1980 and

served, since then in various capacities, occupying successively different positions in the Company's hierarchy.

Specialized with leading insurance and reinsurance companies in Europe, the USA and Japan, Mr. Rumen YANCHEV has been Chief Executive of European Reinsurance Brokers Ltd., London. Registered broker in the London market.

XPRIMM Team expresses its sincere condolences to the family and close friends, as well as to the Bulgarian insurance industry as whole.

Published on 29.08.2016

Russian President Vladimir PUTIN has signed the law regarding the creation of the National Reinsurance Company

The Russian President has recently signed the law which amends the Law on Organisation of the Insurance Industry in the Russian Federation to create a National Reinsurance Company (NRC), which was published accordingly in state's official web-portal. Previously, a bill in this regard was adopted by the State Duma of the Russian Federation in the third and final reading on 21 June 2016, after 2 months of debates.

The NRC will be established as a joint stock company and 100% of the shares will be owned by the Central Bank of Russia, with the further possibility to sell a part of the shares. The state reinsurer will accept in reinsurance the property insurance risks from emergencies situation and all sanctions risks.

Also, it stipulates an obligation of ceding a mandatory 10% quota of the risks to the

state reinsurer, which will not apply on the risks of compulsory types of insurance (MTPL, Green Card insurance and life insurance). Thus, the law introduces treaty-facultative reinsurance (retrocession). The reinsured (retrocedent) must offer 10% of the reinsured risks to the NRC, while the NRC can accept this share, decrease it or refuse to accept it.

Published on 05.07.2016

Cyprus



S&P Rating
BB- POSITIVE

Moody's rating
B1 STABLE

Fitch Rating
B+ POSITIVE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² Insurance Association of Cyprus Annual Reports - IAC (2008-2013), IAC preliminary figures (2014-2015)

³ XPRIMM calculations

🌸 A&H, fire and motor policies generated EUR 200 million in GWP - a half of the total market

🌸 EUR 11.6 million – the underwriting result in non-life segment

🌸 EUR 12.2 million – the net profit of life insurers

🌸 The average premium on motor insurance was EUR 283 (claims frequency of 11.1%)

🌸 The operating costs of the non-life sector totaled EUR 21.5 million

🌸 The highest values of the gross combined ratio were reported in case of A&H insurance (104.6%) and motor policies (102%)



Market's main indicators-timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	EUR billion ¹	19.12	19.55	19.47	18.07	17.39	17.42
GDP per capita, current prices	EUR ¹	22,764.94	22,676.68	22,483.89	21,054.31	20,535.66	20,355.97
Unemployment rate	% of total labor force ¹	6.27	7.91	11.88	15.89	16.13	15.32
Population	Millions ¹	0.84	0.86	0.87	0.86	0.85	0.86
Gross written premiums	EUR million ²	840.00	854.00	830.00	772.00	727.06	732.00
Paid claims	EUR million ²	495.00	867.00	629.00	620.00	458.89	450.38
Insurance penetration degree	% in GDP ³	4.39%	4.37%	4.26%	4.27%	4.18%	4.20%
Insurance density	EUR/capita ³	1,000.00	990.72	958.43	899.77	858.39	855.14

According to the figures published by the Insurance Association of Cyprus – IAC, in the first half-year, the total volume of gross written premiums by the member companies totaled EUR 400 million, up by 4.8% y-o-y. According IAC's web-site, there are 29 insurance company members which account for about 95% of the annual GWP.

Per business segments, the value of life GWP was up by 9.74% y-o-y, totaling EUR 171 million, while the Cypriots non-life insurers generated a volume of EUR 229 million (~57% of total premiums), up by 1.3% y-o-y.

The explanation of the large growth-rate reported in life insurance was due to the fact that GWP by ALLIANZ relating to

the annually renewable group life policies (covering the period commencing from 01.01.2016) have been recognised for accounting purposes at the beginning of the year. This shift in approach concerning the recognition of GWP was decided in order to become aligned with international accounting standards, pointed out IAC in the half-year report. Excluding the ALLIANZ contribution to the life GWP, the growth-rate on life was only 0.5%.

In case of the non-life segment, in quantitative terms, the market was dominated by three major sub-classes: A&H insurance (accidents & health) - 15.2% of total GWP, fire (13.6%) and motor insurance (21.2%), respectively. The three mentioned business lines generated in the

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS***			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	399.92	381.74	4.76	217.72	231.19	-5.83	100.00	100.00
TOTAL LIFE**	171.10	155.91	9.74	104.37	122.59	-14.86	42.78	40.84
TOTAL NON-LIFE	228.82	225.84	1.32	113.35	108.61	4.37	57.22	59.16
Accident & health*	60.74	52.04	16.70	45.86	40.54	13.13	15.19	13.63
Motor	84.58	82.57	2.44	52.38	50.60	3.53	21.15	21.63
MAT	1.88	1.74	8.57	0.26	0.35	-24.02	0.47	0.45
Fire	54.45	55.06	-1.12	9.89	12.97	-23.79	13.61	14.42
Liability	22.35	24.67	-9.40	4.73	3.91	20.95	5.59	6.46
Credit	0.06	0.17	-61.54	0.00	0.01	-92.68	0.02	0.04
Miscellaneous	4.76	9.59	-50.40	0.24	0.24	-0.54	1.19	2.51

* Including A&H premiums by Life Companies

** In case of life claims, the figures include Death Claims, Maturities, Surrenders & Other insured events

*** incurred claims

Cyprus currency: EURO

NOTE: 1H2016 life insurance rate exhibit a large increase vs.1H 2015. This is due to the fact that ALLIANZ GWP relating to the annually renewable group life policies (covering the period commencing from 01.01.2016) have been recognised for accounting purposes at the beginning of the year. This shift in approach concerning the recognition of GWP was decided in order to become aligned with international accounting standards.

analyzed period EUR 200 million in GWP - a half of the total insurance industry or 87% of the non-life field.

In the case of incurred claims, the aggregate value was down by 5.8% y-o-y to EUR 280 million. For the life segment, the indicator decreased by 5.14% y-o-y, to EUR 122.59 million "helped" by lower values in case of surrender claims (-18%) and maturities (-29%), while the value of "death claims" increased by 13%.

In the analyzed period, the Cyprus life insurance market reported a gross underwriting profit of EUR 14.3 million (vs. EUR 35.7 million in 1H2015), while the net underwriting profit was EUR 12.2 million. According to IAC's figures, all life insurers reported profits, from this point of view the "Top 3 most profitable insurers" being comprised by EUROLIFE (net profit of EUR 6.8 million), CYPRIALIFE (EUR 3.7 million) and HELLENIC ALICO (EUR 1.5 million).

In case of non-life insurers, the underwriting result was EUR 11.6 million, or EUR 1.5 million less compared a year before. On insurance classes, the largest contribution had the following segments: fire (EUR 8.6 million), liability (EUR 5.8 million) and motor (EUR 1.1 million), while the A&H sub-segment experienced a loss of -EUR 3.6 million.

The average gross claims ratio was 51.8% (vs. 50.4% in 1H2015), while the gross combined ratio totaled 83.8% (vs. 80.3%). On insurance classes, the highest values of the gross combined ratio were reported in case of A&H insurance (104.6%) and motor policies (102%). Overall, the operating costs of the non-life sector totaled EUR 21.5 million (vs. EUR 19.8 million) while the commission & acquisition costs increased by 9% to EUR 48.4 million.

At the end of June, were active 1,013,130 non-life policies, of which 582,109 were related to motor class, 242,502 - fire policies and 122,287 - accidents & health insurance.

During 1H2016 were reported 221,699 non-life claims, of which 183,914 - accidents & health, 31,894 - motor and 4,301 related to fire insurance.

According to IAC statistics, the average premium on motor insurance was EUR 283 (claims frequency of 11.1%) while for the fire policies the same indicator was EUR 444 (3.6%). (VB)

Cyprus

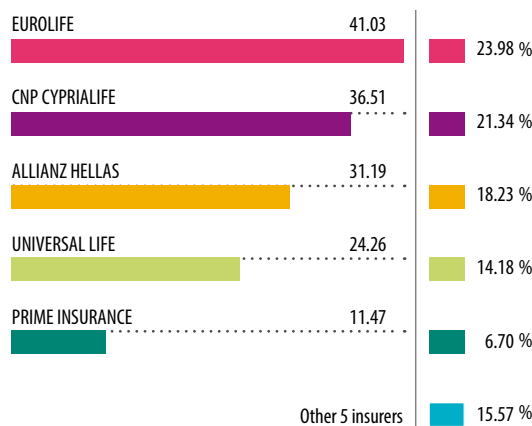
FIND MORE ON WWW.XPRIMM.COM/CYPRUS

Full market rankings per company & per class

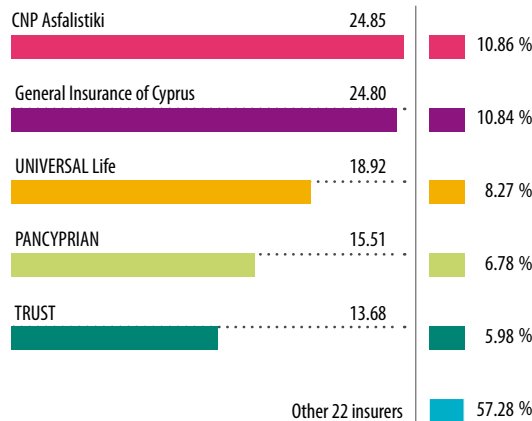
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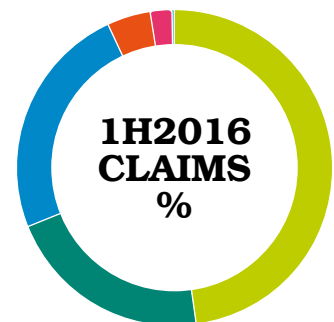
TOP 5 Life insurance (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	42.78
A&H	15.19
Motor	21.15
Fire	13.61
Liability	5.59
Other	1.68



Life	47.94
A&H	21.06
Motor	24.06
Fire	4.54
Liability	2.17
Other	0.23

Greece



S&P Rating
B- STABLE

Moody's rating
CAA3 NEGATIVE

Fitch Rating
CCC N/A

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² Hellenic Association of Insurance Companies

³ XPRIMM calculations



Changing life insurance classification system influenced the GWP rate on the life segment

The report published by HAIC include the figures for 56 insurers accounting for 97.1% of the insurance market's full data for 2015; the F.O.S insurers were not included in the study

FIND MORE ON
WWW.XPRIMM.COM/GREECE

GWP portfolio per class

MSEXcel format

Market's main indicators-timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	EUR billion ¹	226.03	207.03	191.20	180.39	177.56	176.02
GDP per capita, current prices	EUR ¹	20,327.83	18,612.04	17,246.71	16,393.61	16,249.85	16,279.63
Unemployment rate	% of total labor force ¹	12.73	17.85	24.43	27.48	26.50	25.00
Population	Millions ¹	11.12	11.12	11.09	11.00	10.93	10.81
Gross written premiums	EUR million ²	5,332.30	4,987.30	4,410.00	3,823.54	3,800.88	3,579.17
Insurance penetration degree	% in GDP ³	2.36%	2.41%	2.31%	2.12%	2.14%	2.03%
Insurance density	EUR/capita ³	479.57	448.38	397.80	347.47	347.84	331.04

The Greek insurers, members of HAIC - Hellenic Association of Insurance Companies, reported a total GWP of EUR 1.88 billion in the first half of 2016, or 5% less y-o-y, according to the half year report. The non-life GWP accounted for 51% of the total (EUR 967 million, 0.6% more y-o-y), while the life segment accounted for the remainder of the market (EUR 922 billion, or 10% less y-o-y).

On the life subsegment, traditional policies increased by 5.5% y-o-y, while the unit linked products reported a significant increase of more than 43%. In case of the non-life sector, the main sub-classes reported negative rates: MTPL (-11.5%), Motor Hull (-8.2%), and property (-5.9%).

According to HAIC, the strong decrease in life insurance is due to change in classification of insurance classes (implementation of law 4364 - Solvency II): *not all data from January 2016 and onwards are comparable to the figures for previous periods (up to December 2015). According to the law, premium of IV.2."Health insurance" (as previously recorded in Life insurance) is partitioned in the Non-life classes of 1."Accidents" and 2."Sickness". Therefore, the study of premium growth rate recorded in this report should take into account the reclassification of the operations as described above.* (VB)

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			Weight in all GWP	
	1H2016 EUR m	1H2015 EUR m	Change %	1H2016 %	1H2015 %
TOTAL MARKET	1,889.31	1,991.51	-5.13	100.00	100.00
TOTAL LIFE	922.49	1,030.72	-10.50	48.83	51.76
Annuities and supplementary ins.	691.31	655.27	5.50	36.59	32.90
Unit-linked	133.75	236.63	-43.48	7.08	11.88
Other life insurance*	97.43	138.82	-29.82	5.16	6.97
TOTAL NON-LIFE*	966.82	960.79	0.63	51.17	48.24
Overall property insurance	232.23	246.81	-5.91	12.29	12.39
Fire and allied perils	170.09	185.72	-8.41	9.00	9.33
Damages to property	62.13	61.09	1.71	3.29	3.07
Overall motor insurance	459.35	515.44	-10.88	24.31	25.88
Motor Hull	88.56	96.42	-8.16	4.69	4.84
MTPL	370.79	419.02	-11.51	19.63	21.04
GTPL	47.84	48.14	-0.62	2.53	2.42
Other non-life insurance	227.41	150.40	51.20	12.04	7.55

*Due to change in classification of classes of insurance (implementation of law 4364 - Solvency II), not all data from January 2016 and onwards are comparable to the figures for previous periods (up to December 2015). According to the law, premium of IV.2."Health insurance" (as previously recorded in Life insurance) is partitioned in the Non-life classes of 1."Accidents" and 2."Sickness". Therefore, the study of premium growth rate recorded in this report should take into account the reclassification of the operations as described above.

Greek currency: EURO



Life	48.83
Property	12.29
Motor Hull	4.69
MTPL	19.63
GTPL	2.53
Other	12.04

Who is CertAsig?

CertAsig is a Romanian specialist non-life insurance company, that operates across the corporate and SME sector primarily through insurance brokers, offering a diverse range of niche non-motor insurance products. CertAsig operates in Romania, Bulgaria and Turkey.

Established in 2003, CertAsig has achieved continued profitable growth in terms of total Gross Written Premiums, underwriting EUR 0.5m in 2007, EUR 13m in 2014 and EUR 14.5m in 2015.

Since December 2007, CertAsig has been majority-owned by Royalton Capital Investors II, a private equity fund, having limited liability partners including **Alpha Associates, the European Bank for Reconstruction and Development (EBRD) and the European Investment Fund (EIF).**



Executive Summary

- » Pioneer of new innovative products to the market such as contractual bonds, drone insurance and event insurance
- » Focused on low-loss ratio and high growth classes
- » Experienced and dynamic management led by former Lloyd's of London professional

Main developments in 2016

- » In an uncertain Romanian market, CertAsig continued its growth trend with Gross Written Premium of EUR 6.9m in H1 2016.
- » Liability, engineering, commercial property, bonds and marine portfolios all returned strong gross and net underwriting profits.
- » Main driver of premium growth has been Romanian, Bulgarian and Turkish brokers who collectively bring more than 98% of total premiums.
- » Fully Solvency 2 compliant

Map of CertAsig offices



Contact

CERTASIG Insurance & Reinsurance

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Bucharest, Romania 014142

Phone: +40 21 311 9104

Fax: +40 21 311 5056

Email: office@certasig.ro

www.certasig.ro

Specialized products offered:

Product portfolio - Romania

- » Commercial Property Insurance
- » Contractors' All Risks (CAR)
- » General Third party Liability
- » Professional Indemnity
- » Event Insurance
- » Bond Insurance: Bid Bonds, Advance
- » Payment Bonds, Performance Bonds, Maintenance Bonds
- » Marine insurance including Hull and Protection & Indemnity
- » General Aviation: Hull, Passenger/Third Party Liabilities, Crew Personal Accident
- » Cargo & Goods in transit – by land, sea or air
- » Group Travel, Accident & Health
- » High value goods insurance (cash in transit and in safe)
- » Electronic Equipment insurance

Product portfolio - Turkey

- » Marine Hull & Machinery
- » Protection & Indemnity
- » Cargo – by land, sea or air
- » Ship Building Risks
- » General Aviation: Hull, Passenger/Third Party Liability, Crew Personal Accident

Product portfolio - Bulgaria

- » Commercial Property Insurance
- » Contractors' All Risks (CAR)
- » Commercials Liability, including General Third Party
- » Professional Indemnity
- » Event Insurance
- » Bond insurance: Bid Bonds, Advance
- » Payment Bonds, Performance Bonds, Maintenance Bonds
- » Cargo – by land, sea or air
- » General Aviation: Hull, Passenger/Third Party Liability, Crew Personal Accident
- » Marine insurance including P&I

Reinsurance

- » All policies are underpinned by reinsurance programmes placed with first-class reinsurers including Hannover Re, Swiss Re, Lloyd's, Mapfre Re, Partner Re and Polish Reinsurance Company as well as others with minimum A- rating with S&P and/or A.M. Best
- » Reinsurers provide valuable expertise on niche products in new markets where CertAsig operates and comfort to our brokers.



James GRINDLEY, CEO

CertAsig Management

» **James Grindley - British**

CEO & President of the Board: 21 years insurance experience. Prior to joining CertAsig he was a Director at AON Romania and founding partner of International Risk Solutions Limited, a Lloyd's Broker

» **Cristian Daianu - Romanian / German**

Chief Financial Officer and Member of the Board: 18 years financial services including Dresdner Bank and PLUS (Tengelmann Group)

» **Todd Passman – American**

Director of Marine Insurance: 18 years experience in legal and insurance markets, including 6 years in the Turkish Marine market

» **Andrei Mirauta - Romanian**

Reinsurance Manager: 11 years experience in reinsurance. Previously Head of Inward Reinsurance at OMNIASIG (VIG)

» **Mihai Bizineche - Romanian**

Chief Underwriting Officer: 11 years insurance experience as senior corporate underwriter, senior risk consultant and broker manager at various companies including Generali and AON

» **Alina Toma - Romanian**

Head Actuary: 12 years actuarial and audit experience. Previously with Euroins and KPMG





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Point of view:

Murat KAYACI

Chairman of the Board

DASK - The Turkish Catastrophe Insurance Pool

A New Era in Cat Management with DASK

One of the main objectives of the Turkish National Catastrophe Insurance Pool (DASK / TCIP) is to increase earthquake awareness among citizens for helping prevent earthquakes turning into disasters in our country and to ensure everyone to take necessary precautions for this purpose. Increasing awareness about earthquake is also an important prerequisite for increasing the penetration rate of Compulsory EQ Policy and reaching the goal of 10 million insured homes before 2020.

Along with increasing the penetration rate of the earthquake policies, claims and catastrophe management has always been another primary concern of DASK. For this reason, DASK continuously invests in technology in order to improve its claims adjusting capacity.

40.94%

mandatory earthquake penetration degree

In order to be successful in managing disasters, it is important for DASK to have a robust platform which is capable of processing the loss adjustment of both structural and nonstructural damages during not only small but also large scale earthquakes with a large number of claim files. It is also important to have a robust infrastructure that is capable of handling several million claim files in case of a severe earthquake. Nevertheless, small and medium size damages also occur in Turkey, so the system should also be capable of serving for these types of damages as well.

Proper assessment of earthquake damage in a building is another determining factor in disaster management. The loss adjustment process of a minor-damaged building is very different than the one for a building with a substantial structural damage. Handling such minor claims may result in a heavy burden on the operational capacity of DASK, whereas heavy damages may result in a financial burden. DASK has developed a target disaster management model for handling both heavy and minor damage cases. The methodology for assessing earthquake damage to a



building is developed in collaboration with universities and it is scientifically proven with similar methods.

In order to build an infrastructure that enables DASK to manage claims caused by any kind of catastrophic events including severe earthquake, cooperation with expert business partners is needed.

DASK Cat Management Platform improved for managing the claims business process is in use since beginning of 2016. It is customized according to new methodologies and principles, some of which are:

▶ Multi-line claim notification & Adjuster Appointment: in case of a severe earthquake, claim files can be created without notification by SMS, web, IVR or Call Center for every insured dwelling at the selected areas. The appointment of loss adjusters is also possible for each apartment block collectively.

▶ Multi-Level Assessment Process: The process runs on a Mobile Loss Assessment Tool. Categorization of Building Damage for structural damages and Claim Standardization Tool for assessment of nonstructural damages of each insured dwelling runs on the mobile that enables standard, quick and easy loss assessment and on-line data transfer.

TRY 162 million

Total claims paid by TCIP since inception

- ▶ Smart Transactions: Web, mobile tools, and IVR will be used during claims operational and management process. The clients will run the process without human assistance.
- ▶ Simple & Easy Claim Payment: The insureds will be able to receive payments just with their personal ID's from any branch of supporting banks in Turkey.
- ▶ Integration to GIS Platform (ARYS)

The DASK Disaster Risk Management System (ARYS) will be used especially for managing the earthquake process. The development of the ARYS platform that contains on-desk loss assessment and change detection analysis modules is being carried out with a local partner. With this project, pre-earthquake and post-earthquake aerial photos and satellite images are used to determine the extent of losses, collapses, destruction of the buildings and field damage progress after earthquake shocks. The first phase of the platform was completed by the end of 2014 and it comprises analysis for the Istanbul region. An extension to all of Turkey will be possible after the completion of several nationwide projects.

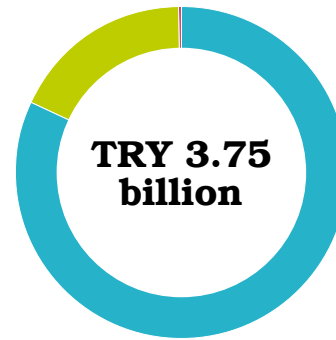
Concurrently, the second phase of the software development for integrating ARYS to the Cat Management Platform is in progress.

Before a catastrophic event, ARYS may be used in disaster preparedness; for the analysis of the financial risk exposure, determination of the resource needs for cat response, and planning of response operations. Following a disaster, quick determination of the extent of the damage, organizing disaster response teams and loss adjusters, support to claim management operations will also be possible.

DASK's priority is to improve its Cat Management systems to be ready for a severe earthquake. Another priority for DASK is to develop contingency resources for loss adjustment, where important steps have already been taken.

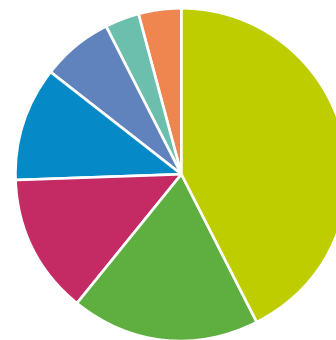
Number of policies	7.23 million
Coverage	TRY 509.55 billion
Premium income	TRY 786.1 million
Average cover	TRY 70,472
Paid commissions	TRY 130.95 million

Composition of the Funds of TCIP



Term deposits Turkish Liras	82.04%
Treasury bills/Government bonds	17.83%
Foreign exchange term deposits	0.13%

Insurance Ratio according to the Regions



Marmara	42.58%
Central Anatolia	18.51%
Aegon	13.55%
Mediterranean	10.92%
Black Sea	7.11%
Eastern Anatolia	3.22%
Southeastern Anatolia	4.11%

Highest cost/event in 2015

Hakkari/Merkez earthquake June 1st, 2015; magnitude 4.0
TRY 48,795 for 4 claims



Turkey



S&P Rating

BB NEGATIVE

Moody's rating

BAA3 NEGATIVE

Fitch Rating

BBB- NEGATIVE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016² Central Bank of the Republic of Turkey³ Insurance Association of Turkey⁴ XPRIMM calculations

MTPL GWP growth of 125% was the main market driver; unlike the recent years, in 1H2016 the growth factor was no longer the increasing number of insured cars, provided the high cars sales figures, but the increasing MTPL tariffs, which have almost doubled;

The Turkish Treasury has enacted new general conditions for MTPL Insurance on June 1st, 2015 and the adoption process of new rules to increase the MTPL Insurance sector's profitability is under way.

Market's main indicators-timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	TRY billion ¹	1,098.80	1,297.71	1,416.80	1,567.29	1,747.36	1,996.31
	EUR billion ⁴	532.11	528.47	601.23	533.15	616.94	625.88
GDP per capita, current prices	TRY ¹	15,022.82	17,483.74	18,846.42	20,607.31	22,721.64	25,679.99
	EUR ⁴	7,274.97	7,119.95	7,997.63	7,010.01	8,022.33	8,051.16
Unemployment rate	% of total labor force ¹	11.13	9.10	8.43	9.04	9.92	10.21
Population	Millions ¹	73.14	74.22	75.18	76.06	76.90	77.74
TRY/EUR exchange rate	End of period ²	2.07	2.46	2.36	2.94	2.83	3.19
Gross written premiums	TRY million ³	14,129.39	17,165.08	19,826.76	24,229.62	25,989.55	31,025.90
	EUR million ⁴	6,842.32	6,990.18	8,413.65	8,242.21	9,176.13	9,727.21
Paid claims	TRY million ³	8,653.54	9,907.88	11,204.75	11,808.00	13,410.92	15,568.58
	EUR million ⁴	4,190.57	4,034.81	4,754.83	4,016.74	4,734.99	4,881.04
Insurance penetration degree	% in GDP ⁴	1.29%	1.32%	1.40%	1.55%	1.49%	1.55%
Insurance density	EUR/capita ⁴	93.55	94.18	111.92	108.37	119.32	125.13

At the end of June 2016, the Turkish insurance sector totalled TRY 20.66 billion (about EUR 6.4 billion), up by 35.6% y-o-y, according to the preliminary data from the Insurance Association of Turkey (TSB). Non-life insurance GWP was up by 37.83% to TRY 18.14 billion while the life insurance segment reported a 19.52% y-o-y growth-rate.

The impressive GWP growth during the last decade was, yet accompanied by a permanent lack of profitability. Motor insurance lines, which are the undisputed growth drivers of the non-life market, are

at the same time also the loss drivers, in profitability terms, especially because of the MTPL line working parameters.

The 1H2016 market results show a GWP growth rate of 125% in national currency for the MTPL line. Unlike the recent years, this time the growth factor was no longer the increasing number of insured cars, provided the high cars sales figures, but the increasing MTPL tariffs.

In fact, according to data provided by the Turkish Association of Insurers, the average MTPL premium in Turkey was of EUR 110 in 2015, as compared with EUR

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016 EUR m	1H2015 EUR m	Change %	1H2016 EUR m	1H2015 EUR m	Change %	1H2016 %	1H2015 %
TOTAL MARKET	6,425.94	5,007.78	28.32	2,827.56	2,503.92	12.93	100.00	100.00
TOTAL LIFE	695.69	625.39	11.24	367.02	347.74	5.54	10.83	12.49
TOTAL NON-LIFE	5,730.26	4,382.39	30.76	2,460.53	2,156.18	14.12	89.17	87.51
Accidents	215.91	171.39	25.98	26.60	23.87	11.43	3.36	3.42
Sickness and health	722.81	631.95	14.38	485.56	415.25	16.93	11.25	12.62
Overall motor insurance	2,982.31	1,851.96	61.04	1,439.16	1,217.24	18.23	46.41	36.98
Motor Hull	947.33	882.72	7.32	595.85	548.17	8.70	14.74	17.63
Motor vehicle liability	2,034.99	969.24	109.96	843.31	669.07	26.04	31.67	19.35
Goods in transit	93.36	93.51	-0.16	25.38	24.59	3.20	1.45	1.87
Overall property insurance	1,452.06	1,358.55	6.88	365.26	378.71	-3.55	22.60	27.13
Fire and allied perils	741.25	733.64	1.04	219.09	255.93	-14.39	11.54	14.65
Damages to property	710.80	624.91	13.75	146.16	122.78	19.05	11.06	12.48
GTPL	128.85	127.82	0.81	38.34	44.28	-13.42	2.01	2.55
Casco insurance (Railway, aircraft & ships, summed)	36.53	36.57	-0.10	28.52	18.40	55.06	0.57	0.73
Carriers' liability (Aircraft & ships, summed)	13.26	13.58	-2.40	3.16	3.40	-7.10	0.21	0.27
Credit, suretyship & financial losses	70.70	79.18	-10.71	48.39	30.27	59.87	1.10	1.58
Legal Expenses	14.01	17.29	-18.99	0.17	0.18	-2.83	0.22	0.35
Assistance	0.47	0.58	-19.86	-	-	-	0.01	0.01

1 EUR = 3.2135 Turkish lira - TRY (June 30th, 2016)1 EUR = 3.0036 Turkish lira - TRY (June 30th, 2015)

Mehmet Akif
EROĞLU
Secretary General
TSB - Insurance
Association of
Turkey



Turkey

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Full market rankings per company & per class

MSEcel format * in EUR and local currency

230 in the EU, while the frequency of losses was of 9% vs. 6% in the EU. Based on the 1H2016 provided by the Undersecretariat of Treasury, Turkish insurers have reported GWP of EUR 2.035 billion in 1H2016 by issuing a number of 8,462,506 MTPL policies, which corresponds to an average premium of about EUR 240.

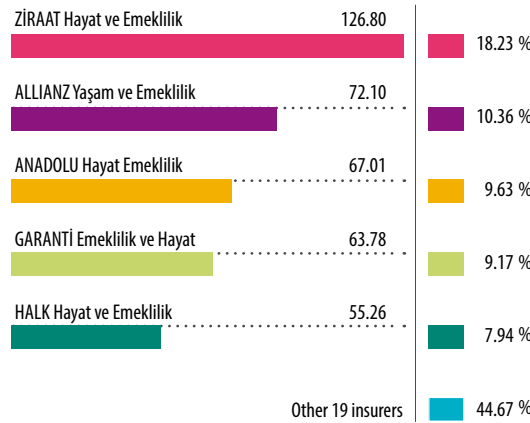
Besides the price issue, the Turkish MTPL market is also trying to improve the legal framework, so as to allow insurers to achieve a profitable business also in this prevalent segment of the market. The Turkish Treasury has enacted new general conditions for MTPL Insurance on June 1st, 2015 and the adoption process of new rules to increase the MTPL Insurance sector's profitability is under way.

The MTPL sector has still some way to go until reaching the optimum and is still challenged in many respects. For example, the minimum wage was increased by 30% as of January 1, 2016 has imposed a burden on both the MTPL and MOD segments. On the one hand, insurers need to keep higher provisions for bodily injury claims, as the future expected income of the victims is calculated based on the minimum wage value, if not clearly specified otherwise. On the other hand, higher labor costs are increasing repairs' costs both for the MTPL and MOD classes.

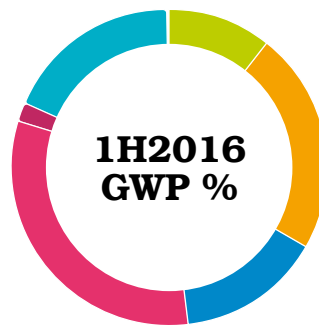
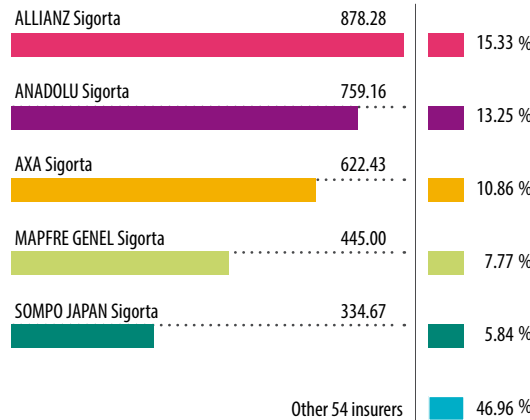
However, the consolidated technical result of the market has definitely improved, especially on the non-life side where insurers ended 1H with an aggregated technical result of EUR 114.6 million, significantly improved as compared with the technical loss of EUR 72 million recorded in 1H2015. In local currency, the difference is even bigger.

The insurance companies are working painstakingly to improve their internal processes and to better manage claims, make their underwriting more efficient and take the required precautions for identifying and limiting the effects of fraud. In addition, the sector puts a lot more emphasis on the importance information processing infrastructures, stated Mehmet Akif EROĞLU, Secretary General, TSB - Insurance Association of Turkey for XPRIMM. (DG)

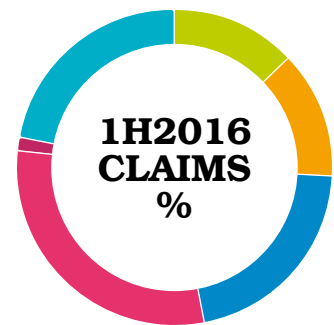
TOP 5 Life insurance (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	10.83
Property	22.60
Motor Hull	14.74
MTPL	31.67
GTPL	2.01
Other	18.16



Life	12.98
Property	12.92
Motor Hull	21.07
MTPL	29.82
GTPL	1.36
Other	21.85

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Azerbaijan



S&P Rating

BB+ NEGATIVE

Moody's rating

BA1 NEGATIVE

Fitch Rating

BB+ NEGATIVE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² Central Bank of Azerbaijan Republic

³ Financial Markets Supervision Authority and Azerbaijan Insurance Association

⁴ XPRIMM calculations

Insurance business is directly dependent on the banking sector, some insurance companies being affiliated to banks

Transfer of the insurers' capital in parent banks will no longer be taken into account as investment of the insurer

The Supervisory authority has revoked licenses of three insurance companies and 88 insurance intermediaries

Insurance market goes through a restructuring phase, with M&A, bankruptcies insurers entering on new lines of business

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	AZN billion ¹	42.47	51.16	53.97	57.71	58.98	54.35
	EUR billion ⁴	40.21	50.26	52.01	53.53	61.94	31.89
GDP per capita, current prices	AZN ¹	4,692.67	5,608.38	5,869.57	6,226.52	6,312.99	5,771.68
	EUR ⁴	4,443.82	5,510.30	5,656.33	5,776.00	6,629.90	3,385.95
Unemployment rate	% of total labor force ¹	6.05	6.05	6.05	6.05	6.05	6.05
Population	Millions ¹	9.05	9.12	9.20	9.27	9.34	9.42
AZN/EUR exchange rate	End of period ²	1.06	1.02	1.04	1.08	0.95	1.70
Gross written premiums	AZN million ³	155.59	212.98	342.52	405.67	429.18	442.91
	EUR million ⁴	147.34	209.26	330.08	376.32	450.73	259.83
Paid claims	AZN million ³	53.83	61.57	93.86	122.80	157.13	180.24
	EUR million ⁴	50.98	60.49	90.45	113.92	165.02	105.74
Insurance penetration degree	% in GDP ⁴	0.37%	0.42%	0.63%	0.70%	0.73%	0.81%
Insurance density	EUR/capita ⁴	16.28	22.94	35.90	40.60	48.25	27.59

The Azerbaijan's insurance market non-life segment is still in recessions, affected by the insurance business' directly dependence on the banking sector, given the affiliation of several insurance companies to the banking system. As known, during last year the banking system of Azerbaijan has seen 10 banks' licenses revoked.

In the reporting period, in Azerbaijan have been operating in total 28 insurance companies, for three companies (QARANT

Sigorta, ERA-TRANS Sigorta and CHARTIS Azerbaijan) licenses being revoked. The supervisory authority has also revoked the licenses of 88 insurance intermediaries (two legal entities, 86 individuals).

Another company, ALFA Insurance, has been declared bankrupt on August 29th. Given the bankruptcy of its sole owner, Texnikabank, ALFA Insurance's financial situation became even more critical, as no capital injection was possible.

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	166.97	206.60	-19.18	59.34	78.53	-24.43	100.00	100.00
TOTAL LIFE INSURANCE	47.94	56.14	-14.61	21.51	26.11	-17.61	28.71	27.18
Voluntary life insurance	35.46	38.25	-7.29	20.54	25.14	-18.30	21.24	18.51
Compulsory life insurance*	12.48	17.89	-30.26	0.98	0.98	-0.04	7.47	8.66
TOTAL NON-LIFE INSURANCE	119.03	150.45	-20.89	37.83	52.42	-27.82	71.29	72.82
Accident and diseases (V)	1.35	4.55	-70.44	0.29	0.50	-41.02	0.81	2.20
Medical insurance (V)	30.44	35.77	-14.89	17.69	20.74	-14.68	18.23	17.32
Travel insurance (V)	0.68	0.83	-17.78	0.08	0.08	-7.15	0.41	0.40
Fire and other perils (V)	12.31	14.13	-12.89	0.65	3.30	-80.20	7.37	6.84
Overall agricultural ins. (V)	0.95	1.18	-18.82	0.17	0.18	-4.90	0.57	0.57
Aircraft insurance (V)	4.13	4.88	-15.40	-	-	-	2.47	2.36
Ships insurance (V)	2.31	1.68	37.56	0.01	-	-	1.38	0.81
Cargo insurance (V)	1.12	5.20	-78.48	0.04	0.13	-68.34	0.67	2.52
Aircraft liability insurance(V)	1.25	1.54	-18.48	0.01	-	-	0.75	0.74
Ships liability insurance (V)	0.21	1.74	-87.73	-	0.23	-	0.13	0.84
GTPPL (V)	4.67	4.72	-0.91	0.06	0.19	-70.19	2.80	2.28
Professional liability (V)	0.91	0.57	58.76	-	0.00	-	0.55	0.28
Overall motor insurance	32.33	44.79	-27.81	14.61	23.55	-37.98	19.36	21.68
Motor Hull (V)	6.65	13.42	-50.42	4.37	10.38	-57.86	3.99	6.50
Motor Vehicle liability (V)	0.58	0.63	-8.79	0.03	0.08	-68.25	0.35	0.31
Liability for owners of motor vehicles (M)	25.10	30.73	-18.33	10.21	13.09	-22.02	15.03	14.88
Immovable property (M)	9.81	15.50	-36.73	0.42	0.39	8.63	5.87	7.50
Military servants (M)	9.44	6.73	40.16	3.45	2.47	39.67	5.65	3.26
Servants of judicial and law-enforcement bodies (M)	6.29	4.71	33.55	0.32	0.57	-43.47	3.77	2.28
Other non-life insurance (V)+(M)	0.81	1.93	-57.86	0.03	0.09	-69.71	0.49	0.93
TOTAL VOLUNTARY INSURANCE	103.65	130.67	-20.68	43.97	61.04	-27.96	62.08	63.25
TOTAL MANDATORY INSURANCE	63.32	75.92	-16.60	15.37	17.49	-12.11	37.92	36.75

1 EUR = 1.1733 Manat - AZN (June 30th, 2015)

1 EUR = 1.7090 Manat - AZN (June 30th, 2016)

*compulsory insurance against industrial disability arising out of industrial accidents and occupational illnesses

(V) - Voluntary insurance

(M) - Mandatory insurance

Rufat ASLANLI,
Chairman of the
Financial Markets
Supervision
Authority



Orkhan
BAYRAMOV,
Chairman,
Azerbaijan
Insurers
Association



M&A operations are also part of the current market reshape, BUTA Sigorta transferring its insurance portfolio to GUNAY Sigorta. On the other hand, QALA Sigorta, daughter company of leading reinsurer AzRe Reinsurance's, has received a license to enter on the MTPL market.

The consolidated share of Azerbaijan's leading insurance companies (TOP 5) in the total market GWP increased from 57.63% to 64.35% in the first half of 2016.

It is worth reminding that at the beginning of the current year (in February 2016), in Azerbaijan was established the Financial Markets Supervision Authority, which took over the functions of the three state institutions: the State Committee for Securities, the State Insurance Supervision Service under the Finance Ministry, and the Financial Monitoring Service under the Central Bank of Azerbaijan. Rufat ASLANLI was appointed as Chairman of the new Financial Markets Supervision Authority.

Motor insurance improvements

The motor insurance market in Azerbaijan is subject of an important change related to development of a mechanism for calculation of Motor Hull tariffs. Each insurance company will determine Motor Hull tariffs in accordance with the loss ratio of its own portfolio, added Orkhan BAYRAMOV, Chairman, Azerbaijan Insurers Association.

At the same time, since October 1st, 2015 in Azerbaijan has been introduced the AUDATEX system which allows companies to implement a common approach and evaluation of damages in case of road accident. Moreover, the Compulsory Insurance Bureau in Azerbaijan plans to buy a 5% stake of AUDATEX Azerbaijan.

Another significant event was that

Azerbaijan

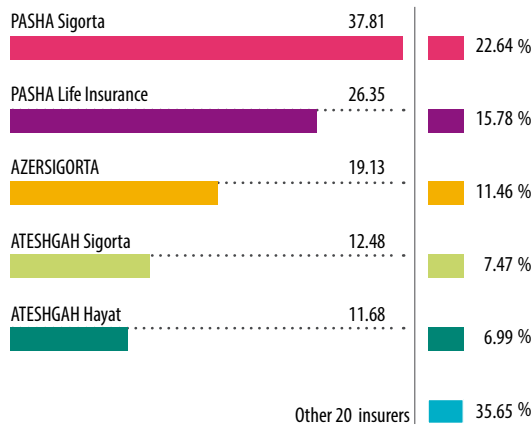
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Full market ranking

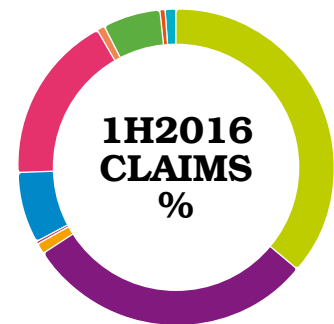
MSEcel format * in EUR and local currency



TOP 5 Total market (GWP, EUR million)



Life	28.71
Medical	18.23
Fire, other perils	7.37
GTPL	2.80
Motor Hull	3.99
MTPL	15.03
Immovable property	5.87
Military servants	5.65
Servants of judicial and law-enforcement bodies	3.77
Other	8.57



Life	36.25
Medical	29.82
Fire, other perils	1.10
GTPL	0.10
Motor Hull	7.37
MTPL	17.20
Immovable property	0.71
Military servants	5.81
Servants of judicial and law-enforcement bodies	0.54
Other	1.11

Azerbaijan joined the Green Card system, which had become operational in Azerbaijan since January 1, 2016.

Compulsory health insurance - pilot project was approved

Azerbaijan is taking steps ahead towards the compulsory medical insurance system's implementation. The draft list concerning the diseases and medical services covered by the mandatory health insurance

package has recently been submitted to Azerbaijan's Cabinet of Ministers.

The basic package includes more than 1800 medical services, including surgery and some laboratory examinations, MRI, CT, X-ray examinations. According to the first official estimations, the yearly cost of insurance will be not higher than EUR 60.

Two districts have been selected as pilot areas given demographic indicators, namely, Mingachevir and Yevlakh. (OA)

Armenia



Moody's rating
B1 STABLE

Fitch Rating
B+ STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² Central Bank of Armenia

³ ArmInfo News Agency

⁴ XPRIMM calculations

Starting with September 1st, 2016, there are changes which have been adopted in the process of concluding MTPL contracts

The new MTPL tariff was adjusted on the basis of the five-year motor insurance statistics

MTPL insurance events below AMD 100,000 can be settled based on the mutual consent of drivers

About 32% of total accidents can be settled based on amicable report

Market's main indicators - timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	AMD billion ¹	3,460.20	3,777.95	4,266.46	4,555.64	4,843.15	5,047.43
	EUR billion ⁴	7.19	7.58	8.02	8.14	8.39	9.55
GDP per capita, current prices	AMD ¹	1,168,987.40	1,276,332.97	1,436,518.69	1,528,737.65	1,622,379.80	1,687,854.24
	EUR ⁴	2,429.52	2,559.22	2,699.01	2,732.13	2,809.46	3,192.52
Unemployment rate	% of total labor force ¹	19.00	18.40	17.30	16.20	17.60	17.70
Population	Millions ¹	2.96	2.96	2.97	2.98	2.99	2.99
AMD/EUR exchange rate	End of period ²	481.16	498.72	532.24	559.54	577.47	528.69
Gross written premiums	AMD million ³	8,256.00	22,382.44	35,522.14	34,513.86	30,059.45	31,351.40
	EUR million ⁴	17.16	44.88	66.74	61.68	52.05	59.30
Paid claims	AMD million ³	1,742.41	8,125.84	14,486.73	17,922.51	22,019.50	13,564.46
	EUR million ⁴	3.62	16.29	27.22	32.03	38.13	25.66
Insurance penetration degree	% in GDP ⁴	0.24%	0.59%	0.83%	0.76%	0.62%	0.62%
Insurance density	EUR/capita ⁴	5.80	15.16	22.47	20.70	17.44	19.83

In the first half of 2016, the six active insurance companies of the Armenian market totaled GWP of AMD 16.1 billion (note: based on the Central Banks financial standards), while based on IFRS standards local market totaled only AMD 15.8 billion. At the same time the indemnities paid by local insurers reached AMD 6.2 billion, according to ArmInfo News Agency.

In the first half of 2016, the consolidated assets of the Armenian insurance market reached to AMD 40.2 billion (up by 3.5% y-o-y), while liabilities amounted to AMD 22.1 billion (decline by 2% y-o-y) and the capital totaled AMD 18 billion (up 11% y-o-y).

In the reporting period, the leading insurance company in terms of GWP was ROSGOSSTRAKH-Armenia (AMD 4.8 billion), followed by INGO Armenia (AMD 3.7 billion), NAIRI Insurance (AMD 3.05 billion), SIL Insurance (AMD 1.95 billion), RESO (AMD 1.5 billion) and ARMENIA Insurance (AMD 846 million).

According to the Central Bank of Armenia – CBA's report about the development of Armenia's Banking Sector in 2016-2018⁵, a further reduction of the number of insurance companies by mergers and transfer of portfolio is to be expected. At the same note, compulsory health insurance will be introduced.

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	30.41	30.30	0.35	12.84	11.95	7.44	100.00	100.00
Accidents	0.49	0.51	-4.92	0.08	0.09	-12.79	1.61	1.69
Health	5.82	5.07	14.67	3.24	2.82	14.96	19.14	16.75
Overall property insurance	2.53	2.16	16.72	0.12	0.04	193.60	8.30	7.14
Fire and allied perils	2.18	1.88	15.66	0.11	0.03	236.46	7.16	6.21
Other damages to property	0.35	0.28	23.77	0.01	0.01	-18	1.15	0.93
Overall motor insurance	19.47	20.26	-3.86	8.49	8.80	-3.54	64.05	66.85
Motor Hull	1.75	2.14	-18.45	1.05	1.12	-6.02	5.74	7.06
MTPL	17.73	18.12	-2.14	7.44	7.69	-3.18	58.31	59.79
CARGO	0.56	0.47	19.38	0.01	0.02	-11.11	1.83	1.54
GTPL	0.62	0.55	12.56	0.00	0.02	-85.37	2.04	1.82
Travel	0.33	0.34	-1.97	0.06	0.09	-28.67	1.09	1.12
Other	0.59	0.93	-36.95	0.83	0.08	912.43	1.94	3.08

1 EUR = 528.48 Dram - AMD (June 30th, 2015)

1 EUR = 530.45 Dram - AMD (June 30th, 2016)

Emmanuil
MKRTCHYAN
General Director
ArmInfo News
Agency



Armenia

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Full market ranking

MSExcel format * in EUR and local currency



Moreover, further strengthening of the competition between the insurance companies will lead to a certain decrease in tariffs. Also according to ArmInfo News Agency, over the next three years it is expected the gradual formation of the Institute of Actuaries - key element for the insurance market in terms of risks.

In 2016-2018 the Central Bank of Armenia plans to introduce legislative changes in order to improve insurance law.

Changes in the process of concluding MTPL contract

Starting with September 1st, 2016, car owners are no longer required to declare upon buying MTPL insurance the names of other drivers they allow to drive the vehicles.

Vahan AVETISYAN, Executive Director of the Armenian Motor Insurers Bureau has stated that due to the latest changes in the legal provisions, which came into force starting September 1st, while signing MTPL insurance contract owners of vehicles will not have to pay additional insurance premium for multiple drivers. At the same time he explained that any person holding a driver license can use the owner's car without any letter of attorney.

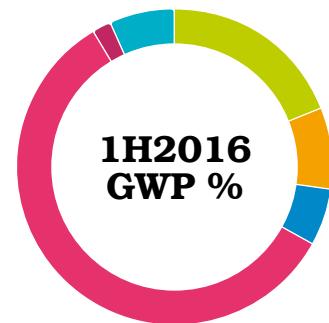
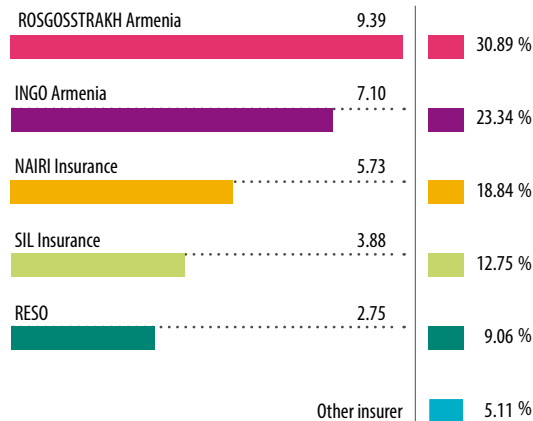
However, owners of vehicles should be very careful when choosing a person to give their car because in case of a road accident, it is the car owner who will be penalized by the 'bonus-malus' system, he noted.

In the same note, starting with September 1st, a new MTPL tariff is in use: *The new MTPL tariff was adjusted on the basis of the five-year motor insurance statistics, as well as were eliminated from tariff calculation the risks as age and driver's experience.*

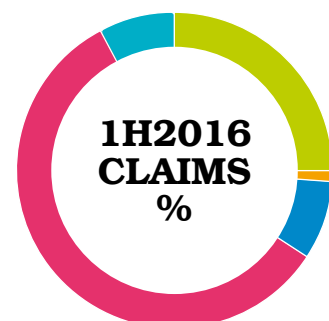
Amicable report apply starting with September 1st

Starting with September, 1st 2016, MTPL insurance events below AMD 100,000 may be settled based on the mutual consent of drivers, in other cases road accidents

TOP 5 Total market (GWP, EUR million)



Health	19.14
Property	8.30
Motor Hull	5.74
MTPL	58.31
GTP	2.04
Other	6.47



Health	25.22
Property	0.92
Motor Hull	8.17
MTPL	57.98
GTP	0.02
Other	7.69

being solved by the traffic police, added Executive Director of Bureau for ArmInfo News Agency.

In is important to note, that currently about 32% of total accidents qualify for the settlement based on amicable report.

Net profit achieved by the six insurance companies operating on the Armenian market amounted to AMD 2.6 billion (EUR 4.9 million) in 1H2016, up by 74% y-o-y in local currency, according to ArmInfo Rating Agency. Four out of the six insurance companies saw higher net profits, with two of them (INGO Armenia and RESO) reporting a 2.3 - 3-fold increase as compared with 1H2015. However, ROSGOSSTRAKH Armenia maintained its leadership position in net profit terms, with AMD 1.2 billion (up 81.5% versus 1H2015), followed by INGO Armenia - AMD 523.7 million and NAIRI Insurance - AMD 426.3 million.

Insurance companies' assets in 1H2016 totaled AMD 40.2 billion, 3.5% up from the beginning of the year; their liabilities fell by 2% to AMD 22.1 billion while the consolidated market capital grew by 11% to AMD 18 billion drams. (OA)

Belarus



S&P Rating
B- STABLE

Moody's rating
CAA1 STABLE

Fitch Rating
B- STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² National Bank of the Republic of Belarus

³ Ministry of Finance of the Republic of Belarus

⁴ XPRIMM calculations

• About half of insurance types are linked to foreign currency, especially to USD

• In order to strengthen the national currency and to fight high inflation the national currency (BYR) was denominated

• Since July 1st all insurance contracts have to be concluded using the new currency

• The amendments to the insurance legislation require insurance companies to gradually increase the minimum authorized capital till May 1st, 2017

Market's main indicators-timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	BYR billion ¹	164,476.10	297,157.70	530,355.50	649,110.70	778,455.50	869,701.91
	EUR billion ⁴	41.40	27.51	46.77	49.63	54.13	42.84
GDP per capita, current prices	BYR ¹	17,313,273.68	31,342,442.78	56,033,333.33	68,587,352.07	82,219,634.56	91,560,098.93
	EUR ⁴	4,358.17	2,902.08	4,941.21	5,243.68	5,717.64	4,510.35
Unemployment rate	% of total labor force ¹	0.83	0.67	0.62	0.52	0.52	1.00
Population	Millions ¹	9.50	9.48	9.47	9.46	9.47	9.50
BYR/EUR exchange rate	End of period ²	3,972.60	10,800.00	11,340.00	13,080.00	14,380.00	20,300.00
Gross written premiums	BYR million ³	1,342,046.38	2,365,643.88	4,337,589.24	6,645,108.30	7,267,293.51	8,139,583.52
	EUR million ⁴	337.83	219.04	382.50	508.04	505.38	400.96
Paid claims	BYR million ³	804,447.23	1,338,675.36	2,064,765.46	2,761,334.96	3,281,364.54	4,699,020.13
	EUR million ⁴	202.50	123.95	182.08	211.11	228.19	231.48
Insurance penetration degree	% in GDP ⁴	0.82%	0.80%	0.82%	1.02%	0.93%	0.94%
Insurance density	EUR/capita ⁴	35.56	23.10	40.41	53.68	53.38	42.21

According to data provided by the Ministry of Finance of Republic of Belarus, the local insurance market saw a 22.7% positive evolution in GWP terms at the end of the first half of 2016. Voluntary types of insurance increased only by 1.3%, while compulsory lines remain the market driver and recorded a 19% growth.

In the reporting period the local currency's devaluation against USD was of about

45% while against EUR the Belarusian Ruble (BYR) has lost about 15%. This has significantly impacted on the insurers' activity as about half of insurance types are linked to foreign currency, especially to USD.

In European currency, the market figures show a quite different trend in GWP terms due to devaluation: EUR 220.66 million or 6.2% less y-o-y.

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	220.66	235.18	-6.17	113.62	133.62	-14.97	100.00	100.00
TOTAL LIFE (V)	18.40	14.82	24.17	8.70	7.50	16.00	8.34	6.30
Life insurance	8.72	4.51	93.50	3.52	2.11	67.18	3.95	1.92
Supplementary pension ins.	9.68	10.31	-6.14	5.18	5.39	-4.01	4.39	4.38
TOTAL NON-LIFE (V)+(M)	202.25	220.36	-8.22	104.92	126.12	-16.81	91.66	93.70
VOLUNTARY INS. (V) of wich:	102.92	111.25	-7.49	50.54	58.08	-12.98	46.64	47.31
Medical expenses insurance	15.05	11.97	25.74	7.88	7.15	10.24	6.82	5.09
Accidents	10.53	11.62	-9.35	3.73	4.00	-6.86	4.77	4.94
Property of legal entities	25.74	31.16	-17.40	15.97	18.80	-15.08	11.67	13.25
Property of individuals	25.74	31.66	-18.69	14.76	16.79	-12.04	11.67	13.46
Cargo	1.56	1.52	2.16	0.47	0.11	311.90	0.70	0.65
Business risks	9.18	10.24	-10.33	3.95	8.97	-55.96	4.16	4.35
Construction risks	2.38	2.60	-8.42	1.35	0.19	598.47	1.08	1.11
Liability insurance	12.74	10.48	21.57	2.43	2.06	17.73	5.77	4.46
MANDATORY INS. (M) of wich:	99.33	109.11	-8.96	54.37	68.03	-20.08	45.02	46.39
Real estate property of individuals	4.68	6.16	-24.09	0.69	1.01	-31.92	2.12	2.62
Ins. with State support of agricultural crops, livestock and poultry	9.49	13.27	-28.50	6.04	15.31	-60.53	4.30	5.64
Medical ins. for foreign citizens	1.89	1.93	-1.93	0.33	0.32	5.08	0.86	0.82
Accidents at work and occupational diseases	26.84	33.56	-20.01	20.02	24.94	-19.75	12.17	14.27
Compulsory state insurance	0.10	0.10	1.15	0.09	0.09	-0.42	0.04	0.04
MTPL	39.21	34.20	14.63	23.77	23.00	3.35	17.77	14.54
Green Card insurance	14.47	17.76	-18.50	3.20	3.17	0.93	6.56	7.55
Carriers' liability	1.20	1.11	7.57	0.22	0.17	31.14	0.54	0.47
Commercial organizations engaged in real estate activities	0.11	0.11	-3.89	0.00	0.02	-87.23	0.05	0.05
Temporary managers in case of economic insolvency (bankruptcy)	0.03	0.03	7.94	0.01	-	-	0.01	0.01
Civil liability of legal persons and individual employers for damages caused by activities related to the operation of certain facilities	1.28	0.86	49.08	0.00	0.00	-67.74	0.58	0.36
Civil liability of the carrier for the carriage of dangerous goods	0.04	0.02	122.19	0.00	0.00	30.67	0.02	0.01

1 EUR = 16,974.00 Ruble - BYR (June 30th, 2015)

1 EUR = 22,210.00 Ruble - BYR (June 30th, 2016)

Since 2011, Belarus has seen five devaluations of its national currency. The need for denomination has been discussed already a long time ago, while the international rating agencies have indicated the Belarusian ruble as one of weakest currencies. Thus, denomination was carried out in order to strengthen the national currency and to do little to stop inflation. Moreover, since July 1st all insurance contracts have to be filled in using the new, denominated values of BYR, while the agreement signed before denomination will be valid only until the end of 2016.

On the other hand, the amendments to the insurance legislation require insurance companies to gradually increase the minimum authorized capital till May 1st, 2017 from EUR 1 million to EUR 5 million (the equivalent in BYR).

The first stage of the capital increase took place on May 1st, 2015. The second stage took place on May 1st, 2016: up to EUR 3.25 million for non-life companies and EUR 3.5 million for life insurers. As a result, some insurance companies left the market due to their incapacity of complying with the new capital requirements.

Potential removal of the discrimination between private/sate owned companies

In an attempt to improve insurance market's contribution to the national GDP, the National Bank of Belarus has worked out a project named "Strategy of developing financial market in 2016-2020", which involves liberalization of the local insurance market and setting a level playing field for privately owned companies and state controlled organizations. In case of adoption, the National Bank of Belarus expects a growth in competition and attractiveness of the domestic insurance market, one of main provisions of the strategy referring to granting non-governmental insurance companies (or private insurance) the right to undertake mandatory insurance. Currently the insurance law excludes private insurance companies from carrying out mandatory types of insurance.

At the same time, the current legal provisions compelling state owned enterprises to buy insurance only from the state owned insurers may be removed, allowing private insurers to access an extended corporate segment of clients. (OA)

Belarus

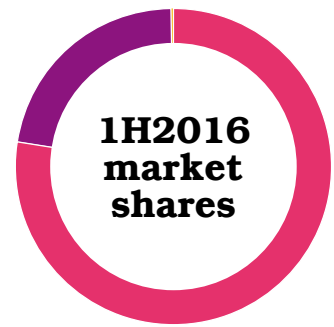
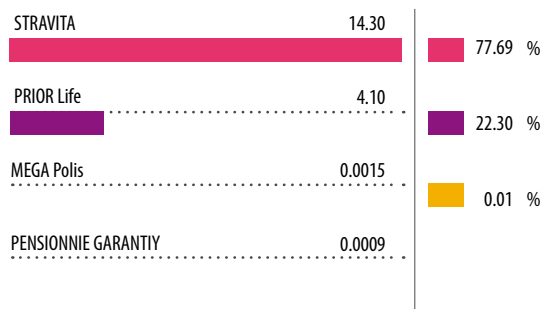
FIND MORE ON WWW.XPRIMM.COM/BELARUS

Full market rankings per company & per class

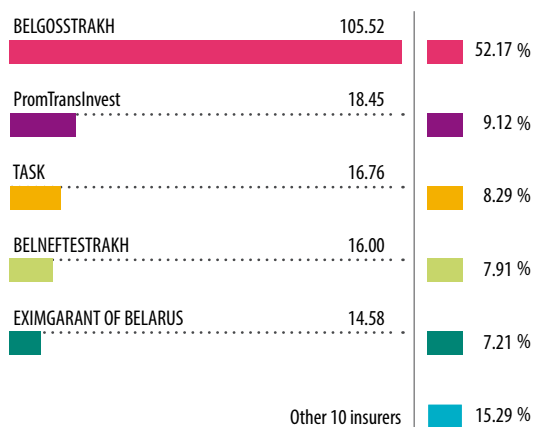
MSEcel format * in EUR and local currency



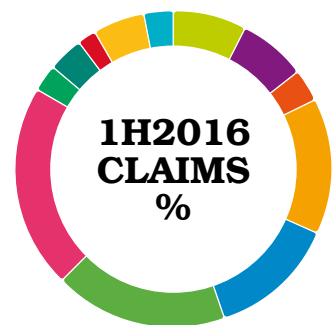
Life insurance ranking (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	8.34
Medical expenses	6.82
Accidents	4.77
Property of legal entities	11.67
Property of individuals	11.67
Occupational diseases	12.17
MTPL	17.77
Green Card	6.56
Business Risk	4.16
Liability insurance	5.77
Mandatory agricultural ins.	4.30
Other	6.01



Life	7.66
Medical expenses	6.94
Accidents	3.28
Property of legal entities	14.06
Property of individuals	12.99
Occupational diseases	17.62
MTPL	20.92
Green Card	2.82
Business Risk	3.48
Liability insurance	2.14
Mandatory agricultural ins.	5.32
Other	2.79

Insight View

About company's evolution, business development and main reinsurer's achievements and challenges over the years we discussed with Andrey T. UNTON, General Director, Belarus Re

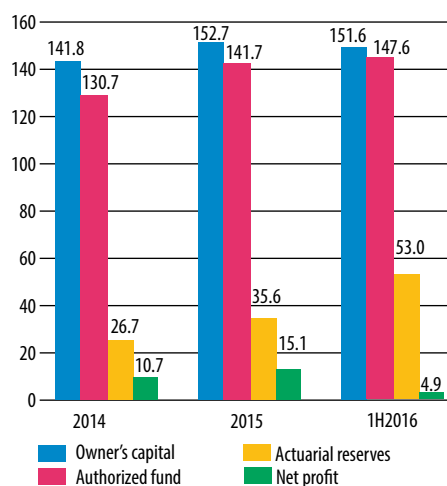
XPRIMM: How would you describe the company's achievements so far?

Andrey T. UNTON: The practice of setting up state reinsurance companies is extended in many countries, including France, Brazil, India, and Korea. The state reinsurer in the Russian Federation will begin its activity in 2017.

The establishment of the effective reinsurance system in the Republic of Belarus was a key component to providing a reliable protection for the insurance companies, stabilizing the financial system, and guaranteeing compliance with the economic interests of the Belarusian economic entities. In addition, the establishment of the state reinsurer was to ensure the control and transparency in the course of reinsurance operations with foreign counterparts.

Since its establishment, Belarus Re has taken an active part in the projects that are important for the country. Among

Figure 1.
The key financial indicators of Belarus Re, BYN million



Period	Belarus Re Key Figures (2014-1H2016)						Combined ratio, %
	Premium written		Liability accepted		Indemnity paid		
	BYR '000 000	BYN '000 000*	BYR '000 000	BYN '000 000*	BYR '000 000	BYN '000 000*	
2014	337,419	33.7	364,133,400	36,413.3	34,010	3.4	26.7
2015	487,996	48.8	528,134,120	52,813.4	74,319	7.4	30.2
1H 2016	372,915	37.3	642,992,744	64,299.3	75,146	7.5	32.7

*The redenomination was held in the Republic of Belarus on 1st July 2016 (1:10 000)

them are the reinsurance of risks under the Green Card System, the property reinsurance of the largest enterprises of the Republic of Belarus, such as the "Belarusian Steel Works", "Mozyr Oil Refinery" and "Naftan", cargo and other risks of the "Belarusian Potash Company" and "Belaruskali", aviation risks of "Belavia" and the "Transaviaexport" airline companies. The organization of the reinsurance coverage in relation to such a significant project as Belarusian NPP should not go unnoticed.

The sum insured liability limits on these risks greatly exceed the capabilities of the Belarusian insurance companies. Belarus Re is actively working with the international insurance market in order to find a retrocession coverage with optimal costs and conditions.

XPRIMM: What were the main challenges for Belarus Re on local and international markets?

Andrey T. UNTON: As in any project, it was necessary to solve a number of organizational issues at the initial stage, in order to form a team capable of solving the tasks at hand. Certainly, the lack of experience and the necessary knowledge were some of the key problems. These difficulties were solved due to the cooperation with colleagues from the neighboring countries. A significant

support was provided by a number of companies from the Russian Federation. Employees completed trainings at seminars held both in Belarus and abroad.

In terms of business development, it should be noted that a favorable environment was established on the domestic market, which allowed us to increase the business volume. In particular, as in most countries which had set up national reinsurers, compulsory cession was introduced, which provided a wide coverage of the market and also allowed to gain experience in various types of insurance. However, it should be noted that Belarus Re has an essential obligation to consider risks in a two-day period, which requires operational training and detailed responses to a significant number of requests from insurance companies of the Republic of Belarus.

As for international business, Belarus Re faced with difficulties, which are typical for new companies entering the market, such as the little-known lack of work experience or the low rating level. On the one hand, the company got through the first two difficulties: Belarus Re is known on a significant number of markets as a reliable partner. On the other hand, there are still objective difficulties with the company's rating, which are connected with the sovereign rating of the Republic of Belarus. Nevertheless, the company's activity is developing on the international

market with a share of international risks in the portfolio amounting to 15%.

XPRIMM: Could you point some barriers that Belarus Re faced, when entering on foreign reinsurance market?

Andrey T. UNTON: Rating limitations are the main obstacles for the business expansion. In some countries, there is a need for registration and passing the procedures established by the national regulator. In the first case, it is difficult to overcome the barrier; in the latter case, the company is working actively to enter the market.

The rating requirements refer to the first type of barriers, which restrict the extension of cooperation of Belarus Re with other insurance companies. As a rule, the risk transfer in many countries is only permitted to the companies with a rating of at least "A-", in accordance with the international rating agencies scale. For example, companies in Western Europe put forward higher requirements for the financial strength rating of reinsurers. Western insurance companies transfer their risks only to the companies with a rating of at least "A-", assigned by such agencies like Standard & Poor's and Fitch Ratings. These requirements are applied in many European countries and some Asian countries. It is difficult to overcome this barrier, because the rating of our company is connected with the sovereign rating of the Republic of Belarus.

The second type of barriers includes restrictions related to the administrative procedures after the passage of which the company is allowed to interact with insurance companies from a particular country. The most striking example is India because the requirements of the insurance supervision of this country are quite difficult to comply with. Nevertheless, our company is constantly working on the passage of the different administrative procedures in order to get the opportunity to enter the market of a particular country.

XPRIMM: What is your company's geographical coverage?

Andrey T. UNTON: The international cooperation is one of the strategic directions of Belarus Re. Companies from the CIS countries are traditionally the main partners of Belarus Re and provide a substantial share of incoming international business to our organization, as well as a

BELARUS Re Celebrating 10 years



Andrey T. UNTON
General Director, Belarus Re

capacity for reinsurance of large Belarusian projects requiring the acquisition of retrocession coverage abroad.

It should be noted that partnership relations with the Russian companies are currently moving to a qualitatively new level, particularly, in a view of sanction restrictions, which are put on Russian reinsured and complicating reinsurance of large infrastructure projects on Western markets. At the same time, our work with the companies from the CIS countries moves beyond Russian counterparts: Belarus Re established partnership relations with insurance and reinsurance companies from Kazakhstan, Azerbaijan

and Ukraine, with which we are actively cooperating on incoming and outgoing facultative business.

Belarus Re also cooperates with companies from the Middle East region and the Balkan countries, and this cooperation includes both incoming and outgoing business. One of the main partners of our organization in the Balkan region is Sava Re, with which we established stable partnership relations. As for the Middle East, this region took its place in a number of priority areas of Belarus Re a long time ago. It is necessary to single out Trust Re among the Middle Eastern partners, which is a member of the program of obligatory



property reinsurance, construction and cargo risks of our company. In addition, in recent years a growth of volume of facultative business coming from such countries as the UAE, Saudi Arabia and Oman, has been observed.

In terms of business classes, the major risks taken from foreign partners are the property risks. In addition, we are expanding our portfolio by cargo, space, energy and other types of insurance.

XPRIMM: The international reinsurance market has been in a “soft” phase for several years in a row. How long will this “soft” phase last? What are your forecasts in this regard?

Andrey T. UNTON: We can observe a downward trend in tariffs in the past few years. In our view, this tendency could be changed only in case of interaction of two factors. Firstly, the return on investments in the insurance industry decrease in comparison with the returns on investment in other sectors of the economy. Secondly, the insurance market will undergo a significant impact of losses due to catastrophic events, which will increase dramatically and for a long term the loss ratio of the majority of leading reinsurers.

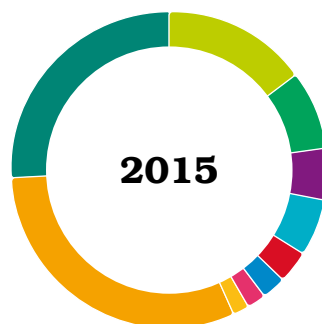
XPRIMM: What are the main goals and plans for Belarus Re’s for forthcoming years?

Andrey T. UNTON: The company’s strategy will not undergo significant changes. The work of improving the national reinsurance system and implementing the international practices and standards in the processes of the company will be continued. Despite the “soft” market and the loss ratio, which is higher than at the national level, the development of international cooperation

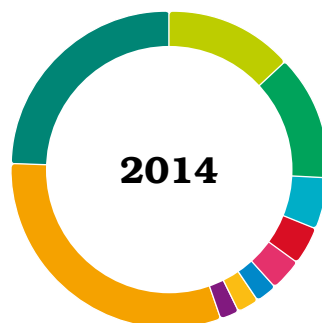
Structure of GWP



Financial Risk	30.20 %
Aviation	25.06 %
Property	15.55 %
Green Card	14.01 %
Other	6.29 %
EAR	4.89 %
Cargo	2.45 %
Motor Hull	1.55 %



Property	30.97 %
Financial Risk	25.56 %
Aviation	14.76 %
Green Card	8.18 %
Other	6.04 %
EAR	5.17 %
CAT XL	3.23 %
Cargo	2.50 %
Motor Hull	2.05 %
TIR Convention	1.55 %



Property	30.65 %
Financial Risk	24.42 %
Aviation	13.14 %
Green Card	12.95 %
Other	5.04 %
CAT XL	4.14 %
Motor Hull	3.15 %
Cargo	2.26 %
TIR Convention	2.15 %
EAR	2.10 %

will remain one of the priorities in the activity of Belarus Re. As before, the company will focus on building long-term mutually beneficial relations with our partners. The policy of accessibility and

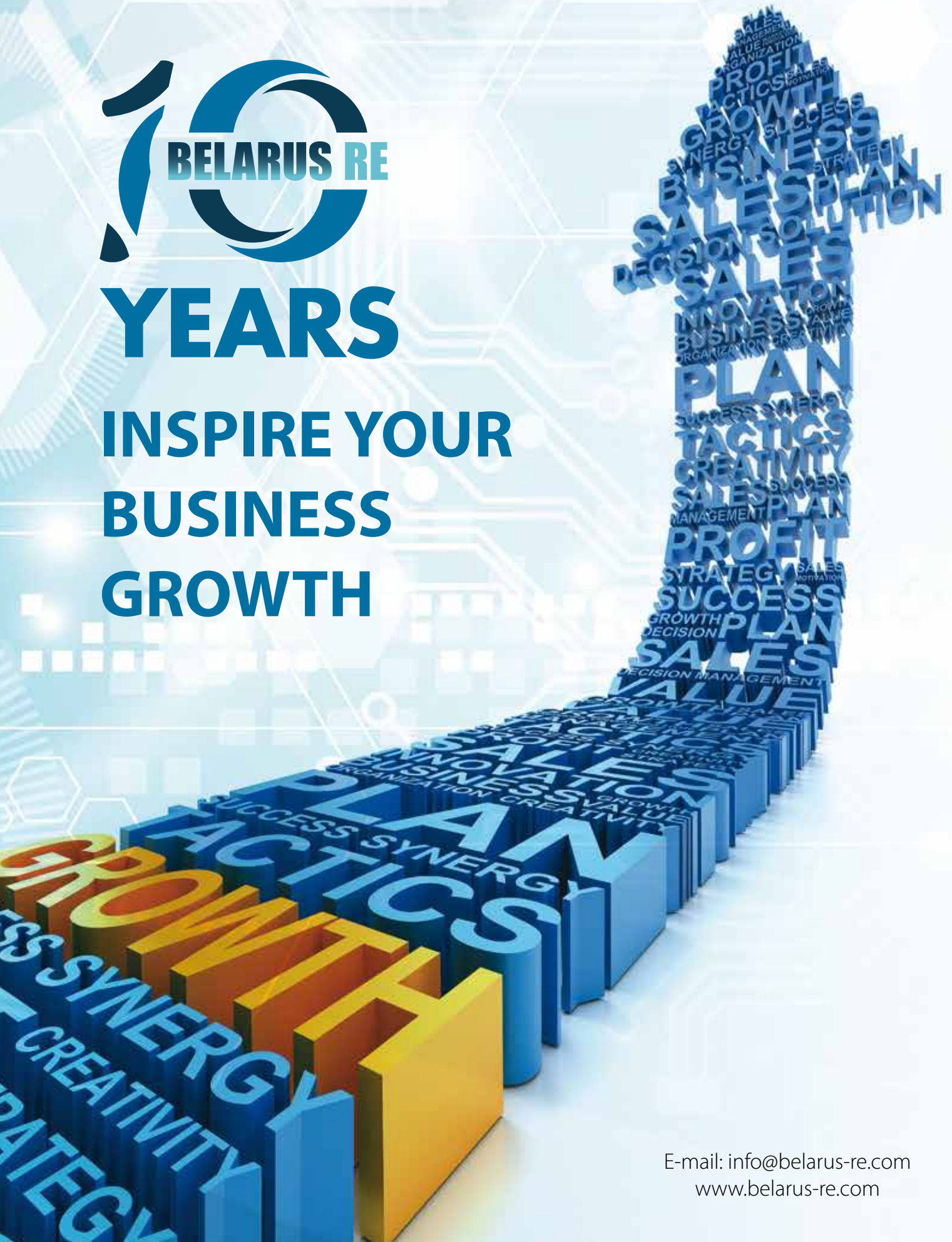
transparency of financial reporting will be continued by the international ratings, as well as the publication of audit reports in accordance with IFRS.

Olesea ADONEV

FitchRatings has assigned BELARUS Re an Insurer Financial Strength (IFS) rating of 'B-'. The Outlook is Stable. The company rating corresponds to sovereign rating.

10 BELARUS RE YEARS

INSPIRE YOUR BUSINESS GROWTH



Georgia



S&P Rating

BB- STABLE

Moody's rating

BA3 STABLE

Fitch Rating

BB- STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² The National Bank of Georgia

³ State Insurance Supervision Service of Georgia

⁴ XPRIMM calculations

🌸 VIG subsidiaries are accounting for about 28% of local market GWP

🌸 MTPL will be a motivating factor and will strengthen the development of insurance in general in Georgia

🌸 In Georgia only 5% of drivers have insured their cars

🌸 For 2016, from the state budget have been allocated about GEL 570 million for the State universal healthcare program

Market's main indicators-timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	GEL billion ¹	20.74	24.34	26.17	26.85	29.15	31.78
	EUR billion ⁴	8.83	11.24	11.99	11.24	12.87	12.14
GDP per capita, current prices	GEL ¹	5,260.13	6,258.08	6,820.60	7,096.84	7,816.19	8,596.13
	EUR ⁴	2,238.35	2,889.23	3,125.13	2,970.51	3,449.94	3,284.85
Unemployment rate	% of total labor force ¹	16.29	15.06	15.03	14.56	12.35	NA
Population	Millions ¹	3.94	3.89	3.84	3.78	3.73	3.70
GEL/EUR exchange rate	End of period ²	2.35	2.17	2.18	2.39	2.27	2.62
Gross written premiums	GEL million ³	361.46	321.15	515.47	471.07	302.64	359.80
	EUR million ⁴	153.81	148.27	236.18	197.17	133.58	137.49
Paid claims	GEL million ³	188.76	221.91	264.74	387.61	219.09	210.52
	EUR million ⁴	80.33	102.45	121.30	162.24	96.70	80.45
Insurance penetration degree	% in GDP ⁴	1.74%	1.32%	1.97%	1.75%	1.04%	1.13%
Insurance density	EUR/capita ⁴	39.00	38.11	61.55	52.12	35.81	37.19

In January-June 2016, the Georgian insurance market has increased by 10.7% y-o-y, in local currency, to GEL 230 million (EUR 88.5 million), according to the data published by the Insurance Supervisory Office - ISO. The value of claims paid by insurers was up by 4% y-o-y, to GEL 106 million.

On insurance classes, the life segment increased by 10.3%, to GEL 14.3 million (about 6.2% of total GWP), while the non-life GWP increased by 10.7% y-o-y due to the strong positive trend reported by the health insurance sub-class: +13.5% to GEL 113.4 million - about 50% of total market.

At the end of June, GPI Holding VIG accounted for the largest share on the local market (22%), followed by IMEDI L (18.7%) and ALDAGI (18.4%). Adding GWP volume realized by the other VIG insurer (IRA O VIG, ranked fifth, 5.5% market share),

the aggregate market share of Austrian subsidiaries in Georgia was about 27.6% vs. 24.2 in 1H2015.

By segments, it is worth mentioning that GPI Holding VIG controlled about 40% of life insurance sector being the absolute market leader (40% market share). GPI Holding VIG was also the non-life top insurer generating about 21% of non-life GWP.

Vakhtang DEKANOSIDZE, General Director of IRAO (Vienna Insurance Group) explained that the local market is not yet matured, showing an asymmetric structure, with important discrepancies between the development levels of different lines of insurance. In addition, many of the business lines differ from classic lines of insurance that exist on developed markets. Another reason of the market's immaturity is the lack of traditionally compulsory types

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	88.54	83.11	6.52	40.79	40.77	0.05	100.00	100.00
TOTAL LIFE	5.51	5.19	6.16	1.30	1.00	30.29	6.22	6.24
TOTAL NON-LIFE	83.03	77.93	6.55	39.49	39.77	-0.71	93.78	93.76
Accidents	0.89	0.95	-6.29	0.01	0.03	-78.01	1.00	1.14
Health	43.64	39.96	9.23	27.42	25.76	6.43	49.30	48.07
Overall motor insurance	14.18	14.47	-2.01	7.29	6.43	13.40	16.02	17.41
Motor Hull	12.40	12.59	-1.51	6.63	5.68	16.75	14.01	15.15
MTPL	1.78	1.88	-5.36	0.66	0.75	-11.91	2.01	2.26
Property	13.91	13.85	0.46	1.89	1.90	-0.38	15.71	16.66
CARGO	0.92	1.00	-7.86	0.07	0.13	-46.82	1.04	1.21
Aviation hull ins.	0.22	1.01	-77.78	-	0.32	-	0.25	1.22
Aviation TPL	0.47	0.60	-22.00	0.48	0.73	-34.25	0.53	0.73
GTPL	5.68	3.10	82.95	1.51	0.13	1,081.96	6.41	3.73
Financial Risks	0.48	0.38	26.39	0.01	2.76	-99.58	0.54	0.46
Suretyship	1.10	1.32	-16.81	0.74	1.53	-51.81	1.24	1.59
Travel	1.40	1.12	24.20	0.07	0.06	18.02	1.58	1.35
Other	0.13	0.16	-18.49	-	0.00	-	0.14	0.19

1 EUR = 2.4992 Lari - GEL (June 30th, 2015)

1 EUR = 2.5976 Lari - GEL (June 30th, 2016)

of insurance, as MTPL, , employer's liability insurance, etc. *Launching compulsory lines of insurance would become a trigger for formulating a symmetric and comprehensive market*, he said.

MTPL on the verge of being implemented

Georgia is one of the few counties in the world which has no compulsory MTPL insurance. "We think that if the law passes and is enforced (there are plans for 2016-17) it will be a motivating factor and will strengthen the development of insurance in general in Georgia and also will create opportunities for us to work on MTPL Reinsurance facility for smaller companies which currently don't have it in place", is the opinion of the Levan JISHKARIANI, General Director, MAI GEORGIA Insurance Brokers (member of MAI CEE Group).

Even if MTPL enforcement has been postponed, the competition on the local insurance market intensified in motor segment and the companies offer customers new packages. In particular, a new market player, KOPENBUR, offers Group CASCO under the collective insurance agreement, which allows insurer to offer low insurance rates. According to company's officials "in this case the cost for motor insurance is much lower than in case of the individual contract", wrote portal Business – Georgia. The other insurance companies are rather skeptical regarding this product and offered tariff. At the same time, in Georgia only 5% drivers have insured their cars.

The State universal healthcare program - new approach for more efficient spending

The State universal healthcare program, which was implemented in 2013, will be changed in the near future, said David SERGEENKO, Minister of Labour, Health and Social Protection. Source: News-Georgia

According to David SERGEENKO: *universal healthcare program does not mean that the state should pay for all, but it is a public health model, in which medical services are available for 100% of the population. This model will be kept, but will be changed for more efficient spending.*

More than half a million of people use private health insurance, but the state automatically included them in the universal health care program.

For 2016, about GEL 570 million have been allocated from the state budget for the State universal healthcare program. (OA)

Georgia

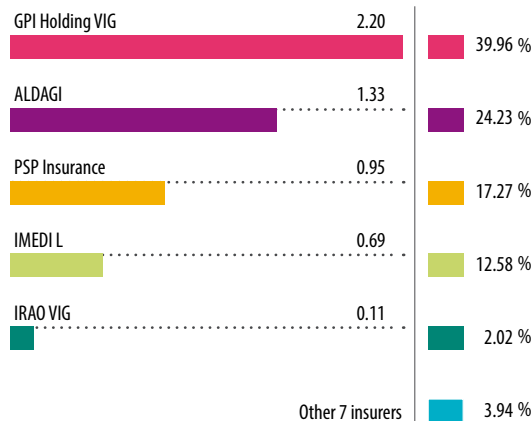
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Full market rankings per company & per class

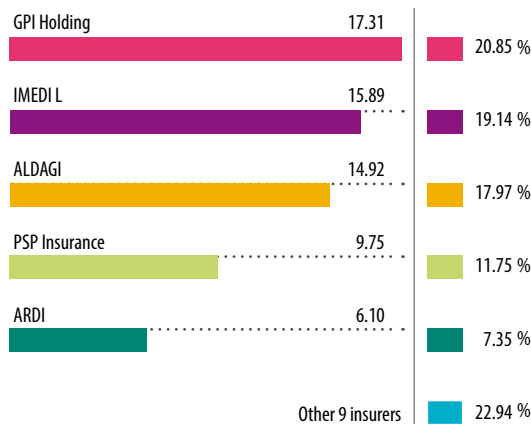
MSExcel format * in EUR and local currency



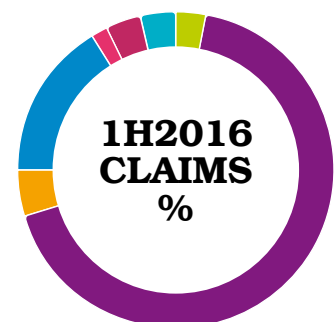
TOP 5 Life insurance (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	6.22
Health	49.30
Property	15.71
Motor Hull	14.01
MTPL	2.01
GTPPL	6.41
Other	6.34



Life	3.18
Health	67.23
Property	4.63
Motor Hull	16.25
MTPL	1.62
GTPPL	3.71
Other	3.38

Kazakhstan



S&P Rating

BBB- NEGATIVE

Moody's rating

BAA3 NEGATIVE

Fitch Rating

BBB STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² The National Bank of Kazakhstan

³ XPRIMM calculations

MTPL remains the main source of fraudulent business 1H2016

The cargo transportation business has slowed down especially due to sanctions regime against the main business partner (Russia) and depreciation of the national currency (KZT)

The claims on voluntary insurance health will increase as employees are not sure if this service will be further included in the social package

Market's main indicators-timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	KZT billion ¹	21,815.52	27,571.89	30,346.96	35,275.15	39,040.90	38,406.09
	EUR billion ³	111.74	143.81	152.33	167.05	175.88	103.43
GDP per capita, current prices	KZT ¹	1,327,478.55	1,653,585.76	1,794,414.48	2,055,062.82	2,240,910.94	2,171,968.48
	EUR ³	6,799.56	8,625.00	9,007.20	9,731.79	10,095.56	5,849.47
Unemployment rate	% of total labor force ¹	5.78	5.40	5.29	5.23	5.04	5.04
Population	Millions ¹	16.43	16.67	16.91	17.17	17.42	17.68
KZT/EUR exchange rate	End of period ²	195.23	191.72	199.22	211.17	221.97	371.31
Gross written premiums	KZT million ²	153,496.82	198,503.34	237,301.43	279,235.45	266,120.94	288,272.59
	EUR million ³	786.24	1,035.38	1,191.15	1,322.33	1,198.90	776.37
Paid claims	KZT million ²	27,139.61	46,139.25	75,697.24	61,461.09	70,980.29	82,792.31
	EUR million ³	139.01	240.66	379.97	291.05	319.77	222.97
Insurance penetration degree	% in GDP ³	0.70%	0.72%	0.78%	0.79%	0.68%	0.75%
Insurance density	EUR/capita ³	47.84	62.10	70.43	77.04	68.82	43.90

The market GWP increased mainly due to the following types of insurance: MTPL (c), carriers' liability (v), credit insurance (v), financial losses (v), worker against accidents (c) and ecological insurance (c).

Moreover, due to the sanctions regime against the country's main business partner (Russia), as well as to the depreciation of the national currency (KZT), the cargo transportation business has slowed down. For simple comparison, in 1H2015 the GWP in the Cargo insurance

line increased by 31.35% compared with the similar period of 2014, despite the financial crisis. In 1H2016 this type of business increased only by 13.7% compared to 1H2015.

At the same time, an upswing trend was seen in paid claims during the last period, as a result of the growing compensations paid on MTPL, sickness insurance, air transport insurance, ecological insurance and Motor Hull.

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET*	537.59	731.58	-26.52	122.48	187.85	-34.80	100.00	100.00
TOTAL LIFE	64.02	114.50	-44.09	17.73	26.06	-31.96	11.91	15.65
Life insurance (v)	30.61	58.35	-47.54	3.09	1.59	94.30	5.69	7.98
Annuity (v)	33.41	56.15	-40.50	14.64	24.47	-40.16	6.21	7.68
TOTAL NON-LIFE	473.57	617.08	-23.26	104.74	161.79	-35.26	88.09	84.35
Accidents (v)	9.45	16.76	-43.58	1.85	5.10	-63.71	1.76	2.29
Sickness (v)	41.11	75.77	-45.74	23.97	38.27	-37.37	7.65	10.36
Property insurance (v)	148.55	186.79	-20.47	12.36	26.78	-53.83	27.63	25.53
Overall motor insurance	93.33	132.41	-29.52	40.37	54.18	-25.49	17.36	18.10
Motor Hull (v)	22.56	37.25	-39.43	9.50	13.45	-29.35	4.20	5.09
MTPL (c)	70.76	95.16	-25.63	30.87	40.73	-24.22	13.16	13.01
Railway, air and water transport (v)	10.53	19.31	-45.46	13.45	1.99	576.88	1.96	2.64
CARGO (v)	7.23	11.54	-37.37	0.26	1.34	-80.89	1.34	1.58
Carriers' liability (v)	6.20	4.39	41.34	-	5.34	-	1.15	0.60
GTPL (v)	65.23	63.87	2.13	3.04	1.99	52.50	12.13	8.73
Credit insurance (v)	9.84	4.75	107.29	0.01	0.02	-54.55	1.83	0.65
Financial losses (v)	30.48	37.97	-19.71	0.88	2.41	-63.69	5.67	5.19
Worker against accidents (c)	42.72	49.86	-14.32	7.61	22.68	-66.46	7.95	6.81
Carrier liability ins. for passengers (c)	2.79	4.38	-36.20	0.05	0.05	2.24	0.52	0.60
Ecological insurance (c)	1.36	2.01	-32.17	0.26	0.08	236.40	0.25	0.27
Others (c)+(v)	4.74	7.28	-34.94	0.64	1.56	-59.16	0.88	1.00
TOTAL COMPULSORY INSURANCE	119.97	155.21	-22.70	39.31	64.90	-39.43	22.32	21.22
TOTAL VOLUNTARY INSURANCE	417.62	576.37	-27.54	83.17	122.94	-32.35	77.68	78.78
DIRECT PREMIUMS/CLAIMS	485.60	674.49	-28.00	106.52	155.40	-31.46	90.33	92.20
REINSURANCE ACCEPTED	51.99	57.09	-8.93	15.96	32.45	-50.82	9.67	7.80

(v) - voluntary insurance / (c) - compulsory insurance

* insurance premiums accepted on insurance and reinsurance contracts, summed

Exchange rate for calculations (according to NBK) 1 EUR = 375.77 Tenge - KZT (June 30th, 2016) / 1 EUR = 206.98 Tenge - KZT (June 30th, 2015)

Oleg HANIN,
Chairman of the
Board, KOMMESK-
OMIR



Kazakhstan

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Full market rankings per company & per class

MSEcel format * in EUR and local currency



One of the explanations for the claims growth on MTPL insurance is the strong devaluation of national currency against USD, as most of spare parts are imported. Moreover, insurance fraud adds to the burden, as according to the security experts, about 60% of all recorded cases of fraud have been caused by insurance agents and professional fraudsters.

At the same time, according to the local experts, in the current year the claims on voluntary insurance health will increase due to the fact that employees are not sure if this service will be further included in the social package. On the other hand, the prices for imported drugs, equipment and treatments have increased, due to depreciation of the national currency.

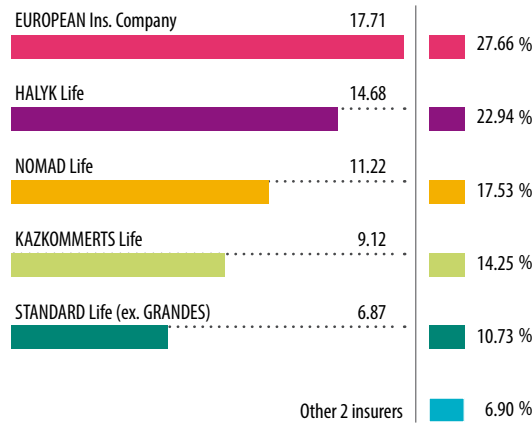
In 2017, in Kazakhstan will be introduced the mandatory health insurance for employers, and then for employees. Therefore it is expected a decline in demand of voluntary health insurance.

Yet, for the time being insurers are dealing with several challenges. According to Oleg HANIN, Chairman of the Board, KOMMESK-OMIR *the business of insurers which are actively working with risks of oil industry, is characterized by high exposure to various types of shocks such as drop in oil prices, lower production levels, optimize costs, etc. A similar situation will happen with insurers focused on partnerships with public sector or dependence on the Bancassurance.*

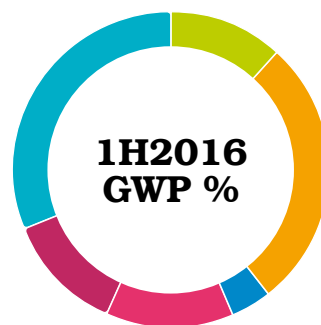
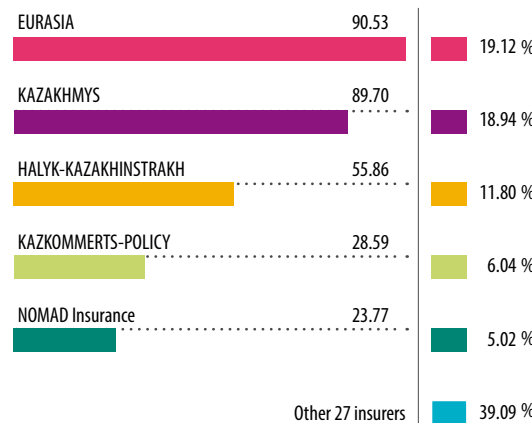
No less important to remind about the crisis in tourism caused by the existence of systemic risks in this industry, which has led to the bankruptcy of major tour operators and travel agents.

Oleg HANIN stated that, nowadays insurance companies continue to experience difficulties with financial investments instruments, since they can either invest in deposits or in financial institutions' securities. Moreover, the ratings of some banks lowered, narrowing insurers' investment options as they have to comply several conditions on the financial institutions' ratings: *In this regard the insurance market needs a new investment tools to be placed.* (OA)

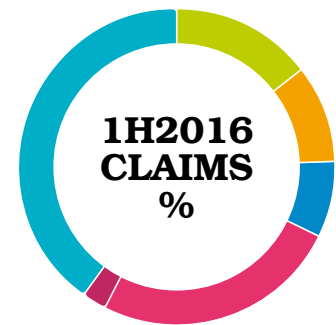
TOP 5 Life insurance (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	11.91
Property	27.63
Motor Hull	4.20
MTPL	13.16
GTPL	12.13
Other	30.96



Life	14.48
Property	10.10
Motor Hull	7.76
MTPL	25.20
GTPL	2.48
Other	39.99

Moldova



Moody's rating
B3 NEGATIVE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² The National Bank of Moldova

³ The National Commission of Financial Market (NCFM)

⁴ XPRIMM calculations

🌸 GWP up by more than 9.5%, while claims have increased by over 40%

🌸 15 active companies were active on the Moldavian insurance market, out of which only 9 have experienced an increase in business

🌸 The market portfolio remains dominated by the motor insurance lines, which sum up to a total of 68.4%

🌸 ASITO and ALLIANCE Insurance Group (AIG) have been placed under a special administration regime

Market's main indicators-timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	MDL billion ¹	71.89	82.35	88.23	100.51	112.05	121.01
	EUR billion ⁴	4.38	5.04	5.67	6.01	6.01	5.79
GDP per capita, current prices	MDL ¹	20,171.61	23,128.87	24,786.27	28,237.27	31,495.53	34,048.14
	EUR ⁴	1,230.01	1,415.74	1,592.62	1,688.42	1,690.39	1,629.25
Unemployment rate	% of total labor force ¹	7.40	6.70	5.60	5.10	3.90	4.90
Population	Millions ¹	3.56	3.56	3.56	3.56	3.56	3.55
MDL/EUR exchange rate	Annual average ²	16.40	16.34	15.56	16.72	18.63	20.90
Gross written premiums	MDL million ³	914.72	1,006.32	1,089.27	1,198.92	1,203.55	1,228.46
	EUR million ⁴	55.78	61.60	69.99	71.69	64.60	58.78
Paid claims	MDL million ³	322.69	348.42	430.51	432.45	513.61	386.55
	EUR million ⁴	19.68	21.33	27.66	25.86	27.57	18.50
Insurance penetration degree	% in GDP ⁴	1.27%	1.22%	1.23%	1.19%	1.07%	1.02%
Insurance density	EUR/capita ⁴	15.65	17.30	19.66	20.14	18.16	16.54

The Moldavian insurance market has recorded in 1H2016 total GWP of MDL 628 million (EUR 28.2 million), increasing by 9.5% comparing to 1H2015, according to the official data published by the National Commission of the Financial Market in Moldova (CNPF). In the European currency, GWP have suffered a decrease of 0.49%, as a consequence of the national currency depreciation against the European one.

At the same time, the total claims paid reached MDL 224.6 million (EUR 10.1 million), marking a 43.2% y-o-y increase. The non-life insurance sector managed to occupy a total of 93.9%, while life insurance came to a share of 6.05% from the total GWP value.

In late June, there were 15 active companies in the Moldavian insurance market, out of which only 9 have experienced an increase in business. According to CNPF data, the first 5 insurance companies ranked by the GWP volume are: MOLDASIG, with a market share of 17.88%, followed by DONARIS-GROUP VIG (15.69%), GRAWE CARAT INSURANCE (14%), ALLIANCE Insurance Groups (11.3%) and ASTERRA Group (8.39%). In total, these companies have generated a final share of 67.36% of the total market GWP.

Furthermore, among the reported companies with increases the most important in the referred period, according to the CNPF data, are GALAS Insurance

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016 EUR m	1H2015 EUR m	Change %	1H2016 EUR m	1H2015 EUR m	Change %	1H2016 %	1H2015 %
TOTAL MARKET	28.24	28.38	-0.49	10.10	7.77	30.10	100.00	100.00
TOTAL LIFE	1.71	1.89	-9.44	0.23	0.22	1.46	6.05	6.65
TOTAL NON-LIFE	26.53	26.50	0.14	9.88	7.54	30.95	93.95	93.35
Accidents insurance	0.52	0.57	-8.70	0.13	0.08	56.74	1.84	2.00
Overall health insurance	1.54	1.46	5.86	0.57	0.39	45.37	5.46	5.13
Health - valid in Moldova	0.47	0.42	11.70	0.32	0.18	75.13	1.67	1.49
Health - valid outside Moldova	1.07	1.03	3.46	0.25	0.21	19.55	3.78	3.64
Overall property insurance	2.69	3.31	-18.59	0.43	0.14	203.56	9.54	11.66
Fire and allied perils	2.57	2.32	10.84	0.18	0.04	348.22	9.11	8.18
Damages to property	0.12	0.99	-87.74	0.25	0.10	146.84	0.43	3.48
Overall motor insurance	19.32	18.46	4.62	8.67	6.91	25.40	68.39	65.05
Motor Hull	5.73	5.57	2.90	3.26	2.93	11.29	20.28	19.61
MTPL	7.22	6.20	16.44	3.28	2.51	30.48	25.55	21.83
Green Card	5.87	6.11	-3.89	2.06	1.42	44.77	20.79	21.53
Other motor insurance	0.50	0.59	-15.31	0.07	0.05	45.72	1.76	2.07
Aircraft insurance	0.51	0.64	-20.40	-	0.00	-	1.81	2.26
Aircraft liability	0.92	1.19	-23.07	-	0.00	-	3.25	4.21
Goods in transit	0.22	0.21	6.51	0.02	0.01	207.19	0.78	0.73
GTPL	0.65	0.48	34.17	0.01	0.00	220.83	2.30	1.70
Financial loss insurance	0.13	0.14	-8.95	0.03	0.00	6,770	0.47	0.51
Other non-life insurance	0.03	0.07	-48.22	0.02	0.02	-10.35	0.12	0.23

Currency conversions were calculated for an average exchange rate of:

MDL 22.2362/EUR - in 1H2016

MDL 20.1914/EUR - in 1H2015

(+78%), MOLDAGO (+61.3%), ASTERRA Group (+37.7%) and KLASSIKA Insurance (+33.8%).

The market portfolio remains dominated by the motor insurance lines, which is up to a total of 68.4%, of which MDL 160.4 million come only from the MTPL policies, Green Card policies came to a total of MDL 130.5 million and CASCO policies to a total of MDL 127.3 million.

When it comes to the other insurance segments, property type policies (fire and allied perils) summed up to a total share of 9.5%, followed by life policies, with 6% and health policies with 5.4%.

Two TOP 5 companies under special administration!

ASITO, the second insurance company in Moldova and ALLIANCE Insurance Group (AIG), which has held the fourth place in TOP 5 have been placed under a special administration regime by the Financial Market National Committee.

In the same note, the Financial Market National Committee decided to block ASITO's current accounts and restricted the use of available funds from deposit accounts, excepting the sum necessary to meet obligations towards policyholders.

In the second step, the supervisory authority obliged ASITO's shareholders to sell their stake (81.3%) until 26 November, 2016. The decision was taken on August, 26th and will be implemented within 3 months. Shareholders, which were targeted: Windon & Flanders Limited (50.12% stake), DORWAN Management Limited (17%) and OURIMON Venture Ltd (16%).

The decision comes as a result of lack of annual financial statements with explanatory notes for 2015, as required by law. Also, company's management have not complied previous decisions, including disclosure of data regarding the participation of the company's shareholders, according to legal norms. ALLIANCE Insurance Group (AIG), former VICTORIA Insurance, is in the similar situation. So, Financial Market National Committee has obliged major shareholders AIG to sell its shares (87.2%) until December, 16th 2016. The major shareholders are GENERASHON Financial B.V. (57% stake), BELLEFOND Invest (19.53%) and PAPILLON Invest LTD (10.7%).

(OA)

Moldova

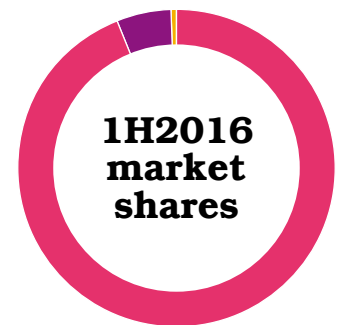
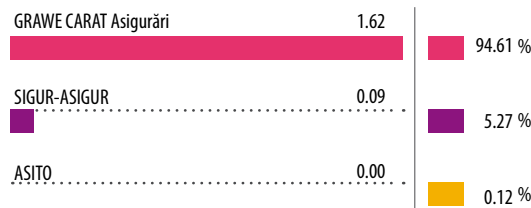
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Full market rankings per company & per class

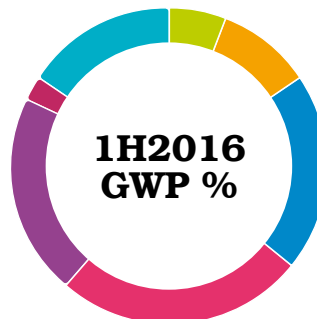
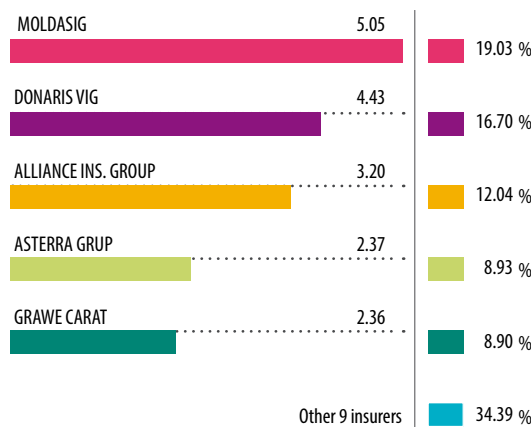
MSEcel format * in EUR and local currency



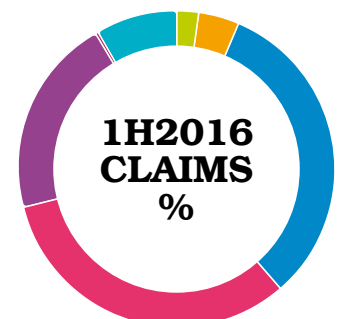
Life insurance ranking (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life	6.05
Property	9.54
Motor Hull	20.28
MTPL	25.55
Green Card	20.79
GTPL	2.30
Other	15.48



Life	2.25
Property	4.24
Motor Hull	32.27
MTPL	32.45
Green Card	20.40
GTPL	0.13
Other	8.26

Russia



S&P Rating

BB+ NEGATIVE

Moody's rating

BA1 NEGATIVE

Fitch Rating

BBB- NEGATIVE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² The Central Bank of the Russian Federation

³ Media-Information Group - "Insurance Today" (2007-2010), Financial Markets Service of the Bank of Russia (2011-2014)

⁴ XPRIMM calculations

Life insurance and MTPL were the key drivers for the positive insurance dynamics

The market concentration trend continued in 2016 and there are probably nearly 100 insurers in the red zone leaving the market in the following months

MTPL insurance gave the market a strong, but short-term positive effect, in terms of profits

The main fall was shown by Motor Hull, whose share decreased by 2.8 percentage points

Market's main indicators-timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	RUB billion ¹	49,395.55	59,698.10	66,976.10	71,055.40	77,893.10	80,412.50
	EUR billion ⁴	1,224.69	1,432.59	1,664.89	1,580.07	1,139.74	1,008.98
GDP per capita, current prices	RUB ¹	345,665.15	417,469.23	467,383.81	494,470.42	532,420.37	549,641.15
	EUR ⁴	8,570.26	10,018.12	11,618.20	10,995.59	7,790.45	6,896.62
Unemployment rate	% of total labor force ¹	7.30	6.50	5.50	5.50	5.20	5.58
Population	Millions ¹	142.90	143.00	143.30	143.70	146.30	146.30
RUB/EUR exchange rate	End of period ²	40.33	41.67	40.23	44.97	68.34	79.70
Gross written premiums	RUB million ³	557,180.08	663,662.97	809,059.77	904,863.56	987,772.59	1,023,819.32
	EUR million ⁴	13,814.46	15,926.10	20,111.56	20,121.54	14,453.23	12,846.36
Paid claims	RUB million ³	294,508.68	303,134.39	369,439.73	420,769.03	472,268.59	509,217.48
	EUR million ⁴	7,301.91	7,274.40	9,183.51	9,356.68	6,910.30	6,389.40
Insurance penetration degree	% in GDP ⁴	1.13%	1.11%	1.21%	1.27%	1.27%	1.27%
Insurance density	EUR/capita ⁴	96.67	111.37	140.35	140.02	98.79	87.81

The Russian insurance market increased by 14% in nominal terms and in the local currency, in the first half of 2016. *Unlike many other sectors of the financial industry, insurance is growing. We are ahead of other industries and this is a fact, said Igor YURGENS, President, All-Russian Insurance Association (ARIA) and President Russian Association of Motor Insurers (RAMI).*

Life insurance and MTPL were the key drivers for the positive insurance dynamics. On the same note, other "unsaturated" types of insurance - such as liability insurance for damage to third parties, property insurance of individuals, voluntary health insurance etc. - saw a positive development.

But, overall the insurance market follows

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016 EUR m	1H2015 EUR m	Change %	1H2016 EUR m	1H2015 EUR m	Change %	1H2016 %	1H2015 %
TOTAL MARKET	8,281.26	8,415.95	-1.60	3,438.04	3,844.86	-10.58	100.00	100.00
LIFE INSURANCE*	1,247.66	867.27	43.86	183.93	163.41	12.56	15.07	10.31
OVERALL NON-LIFE INSURANCE	7,033.60	7,548.69	-6.82	3,254.11	3,681.44	-11.61	84.93	89.69
VOLUNTARY NON-LIFE INSURANCE	5,217.07	5,604.67	-6.92	2,073.42	2,645.38	-21.62	63.00	66.60
Personal insurance, of which:	1,996.41	2,071.19	-3.61	777.95	890.80	-12.67	24.11	24.61
Accidents and diseases	715.35	650.14	10.03	101.48	120.58	-15.84	8.64	7.73
Health	1,281.06	1,421.05	-9.85	676.47	770.22	-12.17	15.47	16.89
Property insurance, of which:	2,663.01	3,022.28	-11.89	1,140.37	1,647.78	-30.79	32.16	35.91
Motor Hull	1,167.52	1,460.85	-20.08	734.88	1,223.01	-39.91	14.10	17.36
Railway, aircraft and ships insurance	122.31	136.36	-10.30	55.08	99.38	-44.58	1.48	1.62
CARGO insurance	133.32	148.34	-10.13	17.77	28.66	-38.00	1.61	1.76
Real estate property insurance, of which:	1,164.19	1,188.27	-2.03	310.24	261.12	18.81	14.06	14.12
Property of legal entities	853.36	872.97	-2.25	251.24	205.35	22.35	10.30	10.37
Property of individuals	310.83	315.30	-1.42	59.00	55.77	5.78	3.75	3.75
Agricultural insurance	75.68	88.46	-14.44	22.40	35.61	-37.09	0.91	1.05
Civil liability insurance**	358.99	335.95	6.86	57.97	73.54	-21.17	4.33	3.99
Business risks	69.45	72.30	-3.94	88.12	23.59	273.54	0.84	0.86
Financial risks	129.22	102.95	25.51	9.02	9.67	-6.76	1.56	1.22
MANDATORY INSURANCE	1,816.53	1,944.02	-6.56	1,180.69	1,036.06	13.96	21.94	23.10
Personal insurance***	146.91	292.83	-49.83	85.99	129.96	-33.83	1.77	3.48
Compulsory MTPL	1,597.45	1,526.44	4.65	1,087.83	898.30	21.10	19.29	18.14
Dangerous installations' owners TPL insurance	35.12	81.58	-56.94	1.53	1.94	-21.43	0.42	0.97
Other	37.04	43.16	-14.18	5.34	5.86	-8.88	0.45	0.51

1 EUR = 71.2102 Russian ruble - RUB (June 30th, 2016)

1 EUR = 61.5206 Russian ruble - RUB (June 30th, 2015)

*life and pension plans, summed

**carriers and other voluntary TPL insurances, summed

***mandatory life and health insurance for military personnel and other compulsory personal insurances provided by the federal laws

Pavel SAMIEV,
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the Russian
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for Financial
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of the Insurance
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Igor YURGENS,
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Association
(ARIA) and
President Russian
Association of
Motor Insurers
(RAMI)



the tendency of the national economy, challenged by the tight monetary policy as well as the international sanctions, the ruble depreciation, the real wages deterioration, the lowering of private consumption and the reduction of costs by corporate entities for doing business in order to survive on the high competitive market.

We have revised our assessment of market growth prospects to negative, reflecting our expectation of negative real growth of the insurance market in 2015 and 2016, and unclear prospects that growth will pick up, given significant macroeconomic uncertainties. Given the current environment, we are not expecting any new entrants to the market, stated in S&P's report.

The market concentration trend continued in 2016 and according to the Central Bank estimations, there are probably nearly 100 insurers in the red zone leaving the market in the following months. Thus, the tightening of regulation will lead to an increase in the reliability and the transparency of the market. Through measures of market "cleaning", the insured will obtain payments and benefits, which finally will contribute to the increase in the confidence in the insurance industry.

Another important change in the market structure was bancassurance becoming the main distribution channel. The growth can be explained through the increase in the sales of long-term non-credit bancassurance products as a part of the life insurance portfolio.

Russia

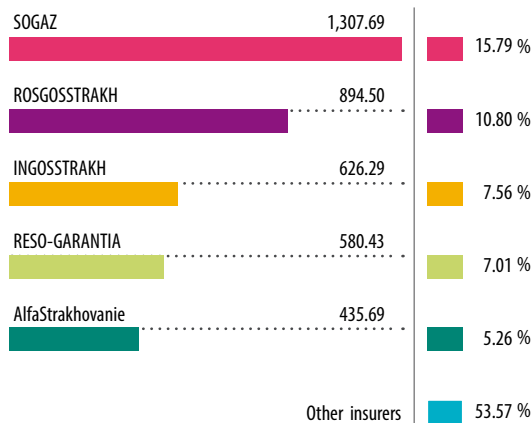
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Full market rankings per company & per class

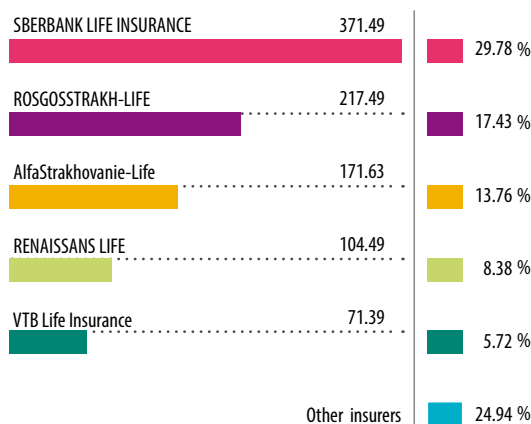
MSEcel format * in EUR and local currency



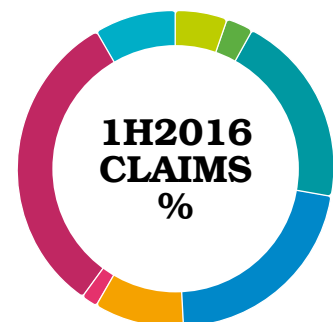
TOP 5 Total market (GWP, EUR million)



TOP 5 Life insurance (GWP, EUR million)



Life insurance	15.07
Accidents and diseases	8.64
Health	15.47
Motor Hull	14.10
Real estate property insurance	14.06
Civil liability insurance	4.33
Compulsory MTPL	19.29
Other	9.05



Life insurance	5.35
Accidents and diseases	2.95
Health	19.68
Motor Hull	21.37
Real estate property insurance	9.02
Civil liability insurance	1.69
Compulsory MTPL	31.64
Other	8.30

However, the independent agents and individual entrepreneurs remained a key sales channel for the insurance services.

According to Pavel SAMIEV, Managing Partner, the Russian National Agency for Financial Studies and Executive Director of the Insurance Institute, All-Russia Insurance Association, MTPL insurance gave the market a strong, but short-term positive effect, in terms of profits, as insurers managed to achieve a good loss ratio in motor insurance despite all the negative factors. Yet, at the end of 2016, the motor insurance business is expected to return to the previous loss ratio level as the advantage provided by the growth of MTPL tariffs and the increase rates for Motor Hull will be already entirely consumed by many companies. Thus, by the end of 2016 the loss ratio will return to the 2014 level, while the GWP growth for the MTPL line will flatten.

At the same time, *the main fall was shown by Motor Hull, whose share decreased by 2.8 percentage points. The possible reasons for this tendency are the reduction in volumes of motor loan and the unwillingness of a number of policyholders to prolong insurance agreements due to the increase in the insurance tariffs*, explained Igor YURGENS.

Property insurance of the legal entities' line continues to be influenced by the unfavorable economic environment: the fall in the economy, the deficit of funds in a large number of enterprises, the construction slowdown and the reduction of bank loans due to high costs.

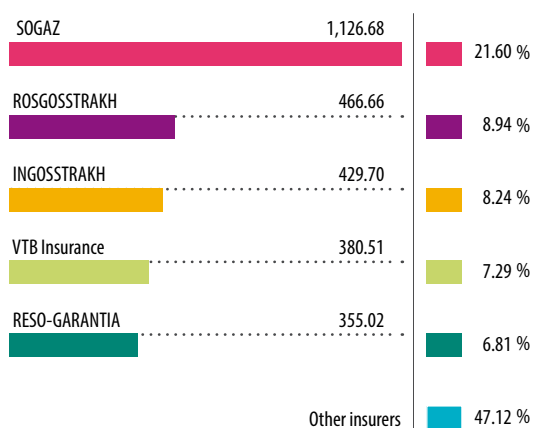
Property insurance of individuals has the best prospects in terms of development: by the volume of GWP this type exceeded all other lines of business and continues to grow rapidly. However, the level of penetration of this type of insurance is still extremely insignificant.

A deep stagnation on the voluntary health insurance segment: as corporate customers are generally operating reductions of personnel and operational costs, the important part of voluntary health insurance sales to the corporate sector has inevitably seen a significant fall in volume.

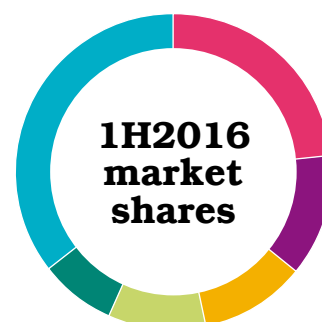
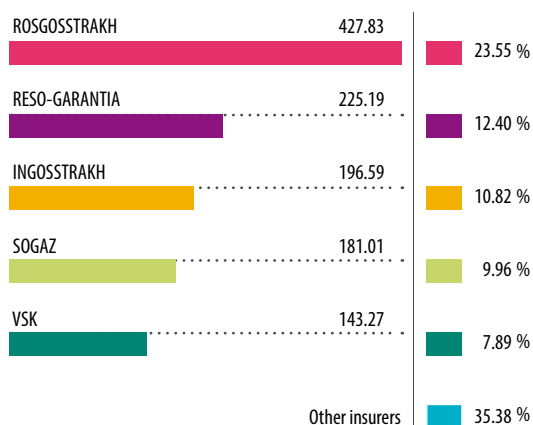
Note: A full version of comprehensive analysis on the Russian insurance market's performance is available in the new issue of the XPRIMM insurance Profile RUSSIA 1H2016.

(OA)

TOP 5 Voluntary non-life insurance (GWP, EUR million)



TOP 5 Overall mandatory insurance (GWP, EUR m)



INSURANCE Profile Russia 1H2016

The biannual bilingual publication (Russian and English) includes the 1H2016 financial results of the insurance market, from gross written premiums and mediated premiums to claims paid, but also aspects such as reinsurance statistical data, the insurance companies' GWP portfolios etc.

Read in the October 2016 issue:

How will the new National Reinsurance Company work and what are the market players thinking about the future of the reinsurance business in Russia

Guest column: ● S&P: Russia's p/c insurance sector carries high country risk

Other: ● Russian insurance market - In search of optimization solutions

● Life goes on: Investment products - key driver for the life business

● MTPL Insurance: Between losses and profit ability

● Marine insurance - 2015: navigation through a challenging environment

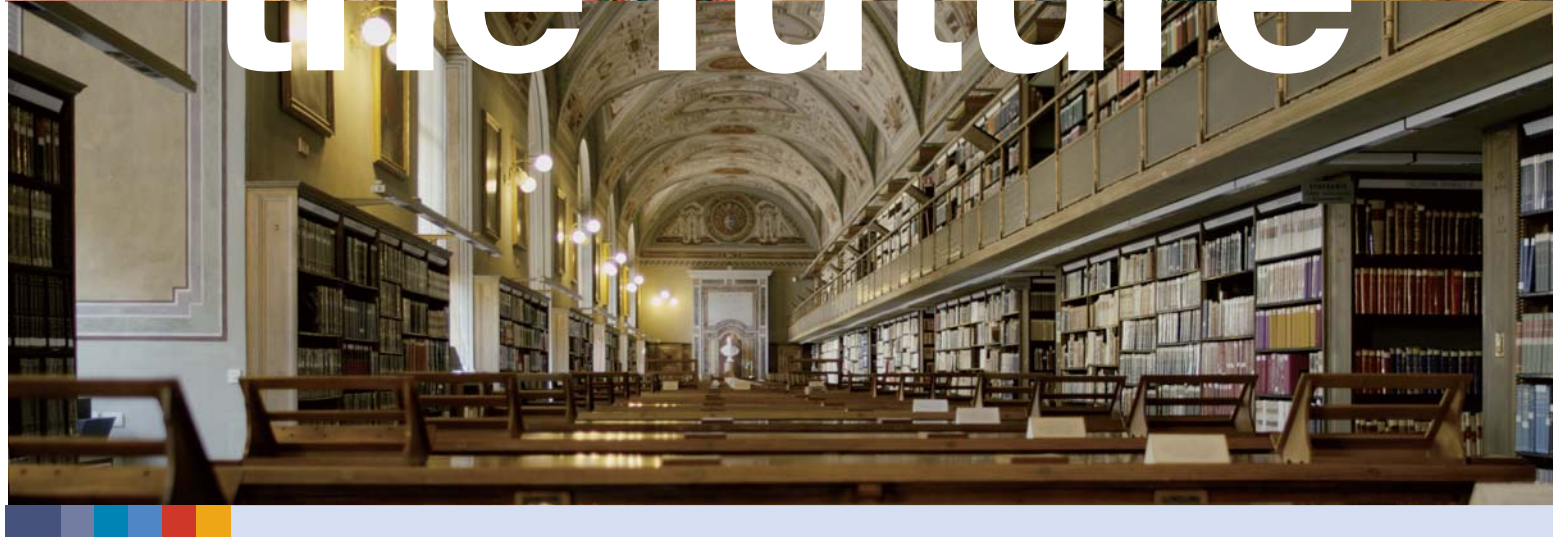
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Global IT Innovator

Ukraine



S&P Rating

B- STABLE

Moody's rating

CAA3 STABLE

Fitch Rating

CCC N/A

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² National Bank of Ukraine

³ League of Insurance Organizations of Ukraine, Insurance Top Magazine

⁴ XPRIMM calculations

Life insurance market increased by almost 40%

Compared 1H2016/1H2015 the number of companies decreased by 53 units

One of the positive trends, is the improving of the quality of insurance companies' assets

Several foreign groups have left the Ukrainian insurance market lately

Only 32 insurance companies passed the stress tests. The rest of the insurance companies need to increase capital with a total of USD 8.5 billion

Market's main indicators-timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	UAH billion ¹	1,079.35	1,299.99	1,404.67	1,465.20	1,586.92	1,979.46
	EUR billion ⁴	102.08	126.24	133.31	132.70	82.51	75.49
GDP per capita, current prices	UAH ¹	23,670.80	28,600.59	30,958.46	34,151.01	35,073.12	43,840.96
	EUR ⁴	2,238.77	2,777.28	2,938.02	3,092.96	1,823.60	1,671.84
Unemployment rate	% of total labor force ¹	8.10	7.86	7.53	7.25	9.28	9.48
Population	Millions ¹	45.60	45.45	45.37	42.90	45.25	45.15
UAH/EUR exchange rate	End of period ²	10.57	10.30	10.54	11.04	19.23	26.22
Gross written premiums	UAH million ³	23,081.70	22,693.50	21,508.21	28,661.90	26,767.30	29,736.00
	EUR million ⁴	2,183.05	2,203.67	2,041.17	2,595.83	1,391.74	1,133.96
Paid claims	UAH million ³	6,104.60	4,864.00	5,151.04	4,651.85	5,065.40	8,100.50
	EUR million ⁴	577.37	472.32	488.84	421.30	263.37	308.91
Insurance penetration degree	% in GDP ⁴	2.14%	1.75%	1.53%	1.96%	1.69%	1.50%
Insurance density	EUR/capita ⁴	47.88	48.48	44.99	60.50	30.76	25.11

In the first half of 2016, GWP collected by local insurers totaled UAH 16.4 billion, up by 21.2% y-o-y, of which UAH 15.1 billion were collected on the non-life insurance segment (up by 20%), while life insurance GWP marked a significant increase, by almost 40%, indirectly supported by the halving number of surrendered 5 years contracts.

At the same time, for the second consecutive year there is a tendency of concentration on the local market. For example, in 1H2015 the number of insurance players decreased by 23 units, while in the analyzing period the market has lost 53 players (note: 11 life insurers and 42 non-life companies). The process is expected to further continue, given the market's need of sound and well capitalized companies.

Only 32 insurance companies passed the stress tests recently performed by the market watchdog. The rest of the insurance companies need a total capital increase of USD 8.5 billion, is the official announce of National Commission for State Regulation of Financial Services Markets.

One of the positive trends, which can now be seen - is improving of the insurance

companies' assets quality. Previously, there were cases when the insurance companies were placing in banks deposits, for example, UAH 300 million, while the total bank assets were UAH 1 billion. Then followed a period when most banks went bankrupt and the insurers' deposits vanished. Despite of this, in the current year, insurers' income from interest rates went up by 26%, said Alexander ZALETOV, Member of the National Commission for State Regulation of Financial Services Markets, Ukraine.

According to ZALETOV, nowadays-insurance companies have to invest more in government securities. Thus, in the first quarter of this year, investments in government bonds grew by 65%, to UAH 4.3 billion.

Despite the regulatory authority's efforts several foreign groups left the Ukrainian insurance market lately. However, among the M&A operations were also some entrances.

At the end of 2015, MetLife Global Holding Company II GmbH (Switzerland) became the MetLife Insurance Company (Kiev) shareholder, with a 99.9988% participation to the share capital of the company (8,234,000 shares). So, American Life

Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016 EUR m	1H2015 EUR m	Change %	1H2016 EUR m	1H2015 EUR m	Change %	1H2016 %	1H2015 %
TOTAL MARKET	592.34	571.99	3.56	143.47	129.78	10.55	100.00	100.00
TOTAL LIFE	47.70	39.93	19.47	7.18	12.00	-40.12	8.05	6.98
TOTAL NON-LIFE	544.64	532.07	2.36	136.29	117.78	15.71	91.95	93.02

1 EUR = 23.541404 Hryvnia - UAH (June 30th, 2015)

1 EUR = 27.563540 Hryvnia - UAH (June 30th, 2016)

Alexander ZALETOV
Member of the National Commission for State Regulation of Financial Services Markets Ukraine



Ukraine

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Full market rankings per company & per class

MSExcel format * in EUR and local currency



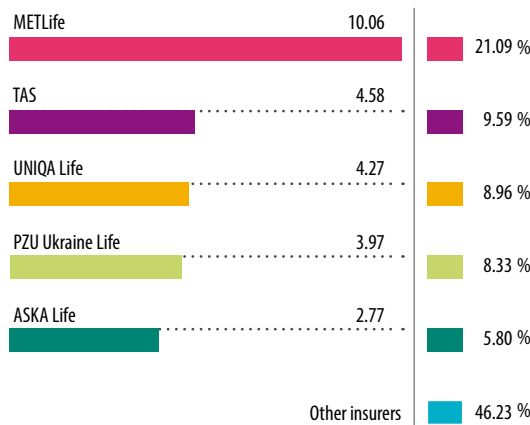
Insurance Company (USA), former owner of MetLife Insurance Company (Kiev), has sold 99.99% of shares and withdrew from the shareholders of the insurance company.

Moreover, the Ukrainian Commission for State Regulation of the Financial Markets has approved the acquisition of HDI Strakhuvannya by the Bulgarian EUROINS Insurance Group (EIG), a subsidiary of the EUROHOLD financial holding. The deal in Ukraine came after EIG has already acquired HDI Strakhuvannya - the Bulgarian business of the Hannover based insurer TALANX International. *After the acquisition of HDI Strakhuvannya, EIG will be represented in five insurance markets with more than 100 million population. Furthermore we will strengthen our position as one of the leading insurance groups in the region,* said Kiril BOSHOV, CEO of EUROINS Insurance Group.

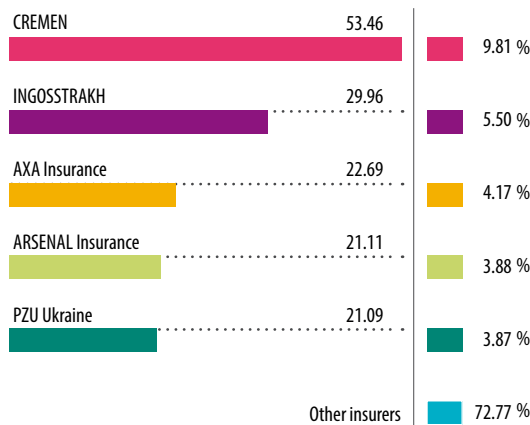
By the end of September 2016 Dutch insurer AEGON announced that it will exit the Ukrainian market after less than four years, by selling 100% of AEGON Life Ukraine to local insurance firm TAS Group. The parties have agreed not to disclose the terms and conditions of the transaction. Subject to customary closing conditions, including regulatory approvals, TAS Group will merge the business of Aegon Life Ukraine with its existing life insurer under the brand TAS Life.

The combined operations will form the number two player in the Ukrainian market in life, savings and pensions, as AEGON announced in a press release. AEGON entered the Ukrainian market in December 2012 with the acquisition of 100% of FIDEM Life from local private equity company Horizon Capital, the fifth largest insurance company in the country at the time. (OA)

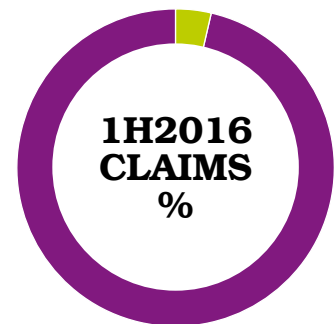
TOP 5 Life Insurance (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)



Life 8.05
Non-life 91.95



Life 5.01
Non-life 94.99

Uzbekistan



Sources:

1 International Monetary Fund, World Economic Outlook Database, April 2016

2 The Central Bank of the Republic of Uzbekistan

3 Ministry of Finance of the Republic of Uzbekistan

4 Information-Rating Agency SAIPRO

5 XPRIMM calculations

In the first half of 2016 almost 69% of market GWP was generated by voluntary insurance lines

GROSS Insurance has become the 10th insurer which operating on the MTPL line of business

In the 1st half of 2015 the market loss ratio was 22.3%; by the end of the 1st half of 2016 this index fell to 19.8%

The average MTPL insurance premium's growth was of 11.5%, to UZS 40.7

Market's main indicators-timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	UZS billion ¹	61,793.90	77,866.10	96,723.40	119,750.40	145,998.50	171,369.00
	EUR billion ⁴	28.54	33.25	36.91	39.50	49.74	56.52
GDP per capita, current prices	UZS ¹	2,168,207.02	2,675,811.00	3,251,649.38	3,959,862.51	4,770,578.15	5,533,174.56
	EUR ⁴	1,001.42	1,142.55	1,240.94	1,306.07	1,625.20	1,825.05
Unemployment rate	% of total labor force ¹	NA	NA	NA	NA	NA	NA
Population	Millions ¹	28.50	29.10	29.75	30.24	30.60	30.97
UZS/EUR exchange rate	End of period ²	2,165.13	2,341.97	2,620.31	3,031.90	2,935.38	3,031.80
Gross written premiums	UZS million ³	175,500.00	221,800.00	285,885.52	338,483.34	439,134.13	551,530.03
	EUR million ⁴	81.06	94.71	109.10	111.64	149.60	181.92
Paid claims	UZS million ³	27,600.00	45,100.00	46,006.06	66,919.81	74,632.59	111,001.85
	EUR million ⁴	12.75	19.26	17.56	22.07	25.43	36.61
Insurance penetration degree	% in GDP ⁴	0.28%	0.28%	0.30%	0.28%	0.30%	0.32%
Insurance density	EUR/capita ⁴	2.84	3.25	3.67	3.69	4.89	5.87

In the first half of 2016 the Uzbek insurance market reached a total GWP volume of UZS 347,700 million, up by 36.94% in local currency and by 18.02% in European currency. Total claims paid amounted to UZS 68,700 million, 21.16% more than in January-June 2015. In Uzbekistan are active 27 insurance companies, of which 3 insurers operate on the life insurance segment and 24 companies on the non-life lines of business.

By types of insurances, GWP for voluntary insurance lines went up by 43.56%, while the mandatory classes saw a raise of 24.11% in the premium volume. Thus, voluntary insurance lines accounted at the end of 1H to almost 69% of the market GWP, some 3pp more than in 1H2015. A growth of voluntary insurance share in total premiums shows that insurance companies have stepped up their activity on voluntary types of insurance, which is a good result, proving that the market grew without the assistance of the compulsory insurance classes, the Information-Rating Agency SAIPRO stressed out.

It also noteworthy the improvement achieved in the efficiency ratios, such as the loss ratio which went down from 22.3% in the first half of 2015, to 19.8% in 1H2016. It should also stressed out that the loss ratio is fairly low in comparison with other insurance markets.

UZAGROSUGURTA, KAFOLAT, UZBEKINVEST, ALFA Invest and ALSKOM are forming the Uzbek market's Top 5 elite in GWP terms, accounting together for 57.97% of the total market.

GROSS Insurance is the tenth motor insurer In the reporting period, the composition of insurance companies operating on the market of compulsory insurance of civil liability for vehicle owners changed. GROSS Insurance became the 10th insurer which operated on MTPL line of business.

Thus, currently the following companies are involved in this segment: UZBEKINVEST, UZAGROSUGURTA, KAFOLAT, ALSKOM, ALFA Invest, ASIA Insurance, ISHONCH, KAPITAL Sugurta and UNIVERSAL Sugurta and GROSS Insurance, stated SAIPRO.

In January-June 2016, the volume of MTPL gross written premiums reached UZS 44.6 billion, going up by 15.6% as compared with 1H2015, while the number of issued polices increased by 3.7%, to 1,095.4 thousand.

Moreover, the average growth of the MTPL insurance premium was of 11.5%, to UZS 40.7. It is important to note, that the annual base rate of MTPL insurance tariff is determined as percentage from the fixed insured sum. Thus, the growth of average of the insurance premium depends not only on the increase of the number of

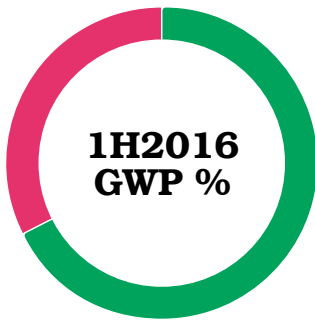
Market portfolio at June 30th, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2016	1H2015	Change	1H2016	1H2015	Change	1H2016	1H2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET, of which:	104.28	88.36	18.02	20.60	19.73	4.42	100.00	100.00
Voluntary ins.	71.86	58.08	23.73	13.05	12.52	4.17	68.91	65.73
Mandatory ins.	32.42	30.31	6.96	7.53	7.20	4.50	31.09	34.30

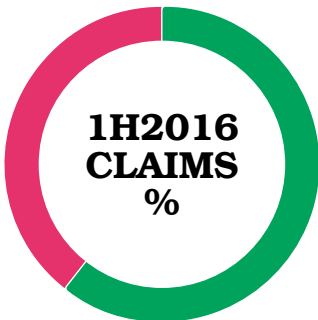
1 EUR = 3,334.25 Som - UZS (June 30th, 2016)

1 EUR = 2,873.61 Som - UZS (June 30th, 2015)

vehicles, but also on the exchange rate between UZS- USD, because the insured sum is calculated in equivalent to this currency. (OA)



Voluntary ins. 68.91
Mandatory ins. 31.09



Voluntary ins. 63.30
Mandatory ins. 36.70

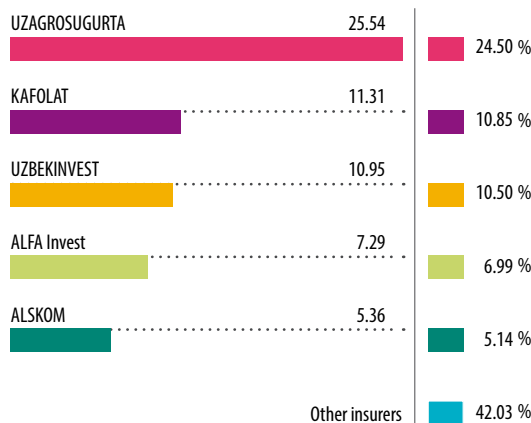
Uzbekistan

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Full market ranking

MSEXcel format * in EUR and local currency

TOP 5 Total market (GWP, EUR million)



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Kyrgyzstan



S&P Rating
B STABLE

Moody's rating
B2 STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² National Bank of the Kyrgyz Republic

³ FSA - Gosfinnadzora; XPRIMM estimates as 0.25% in GDP (2015)

⁴ XPRIMM calculations

Market's main indicators-timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	KGS billion ¹	220.37	285.99	310.47	355.30	400.69	423.64
	EUR billion ⁴	3.57	4.76	4.96	5.25	5.59	5.10
GDP per capita, current prices	KGS ¹	40,231.00	51,511.93	54,823.56	61,505.87	67,970.69	70,887.58
	EUR ⁴	651.04	857.60	874.97	908.44	948.06	853.99
Unemployment rate	% of total labor force ¹	8.60	7.92	7.74	7.65	7.56	7.47
Population	Millions ¹	5.48	5.55	5.66	5.78	5.90	5.98
KGS/EUR exchange rate	End of period ²	61.79	60.07	62.66	67.70	71.69	83.01
Gross written premiums	KGS million ³	531.84	709.19	839.90	967.79	1,017.99	1,059.09
	EUR million ⁴	8.61	11.81	13.40	14.29	14.20	12.76
Paid claims	KGS million ³	20.39	60.67	51.18	92.47	134.87	NA
	EUR million ⁴	0.33	1.01	0.82	1.37	1.88	-
Insurance penetration degree	% in GDP ⁴	0.24%	0.25%	0.27%	0.27%	0.25%	0.25%
Insurance density	EUR/capita ⁴	1.57	2.13	2.37	2.47	2.41	2.14

Tajikistan



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² The National Bank of Tajikistan

³ XPRIMM estimates as 0.44% in GDP

⁴ XPRIMM calculations

Market's main indicators-timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	TJS billion ¹	24.71	30.07	36.16	40.53	45.61	48.40
	EUR billion ⁴	4.18	4.80	5.74	6.16	7.07	6.34
GDP per capita, current prices	TJS ¹	3,243.62	3,854.79	4,540.39	4,983.61	5,493.06	5,709.98
	EUR ⁴	548.79	614.81	720.59	757.71	850.98	747.49
Unemployment rate	% of total labor force ¹	2.20	2.49	NA	NA	NA	NA
Population	Millions ¹	7.62	7.80	7.96	8.13	8.30	8.48
TJS/EUR exchange rate	End of period ²	5.91	6.27	6.30	6.58	6.46	7.64
Gross written premiums	TJS million ³	108.00	132.00	160.00	180.00	200.00	215.00
	EUR million ⁴	18.27	21.05	25.39	27.37	30.98	28.15
Insurance penetration degree	% in GDP ⁴	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%
Insurance density	EUR/capita ⁴	2.40	2.70	3.19	3.37	3.73	3.32

Turkmenistan



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2016

² Central Bank of Turkmenistan

³ State Insurance Organization (2008-2011), XPRIMM estimates as 0.2% in GDP (2012-2015)

⁴ XPRIMM calculations

Market's main indicators-timeline

		2010	2011	2012	2013	2014	2015
GDP, current prices	TMT billion ¹	63.12	83.32	100.22	118.48	131.73	124.88
	EUR billion ⁴	16.73	22.57	26.62	30.25	38.00	32.62
GDP per capita, current prices	TMT ¹	12,519.25	16,314.94	19,373.58	22,610.66	24,792.69	23,178.45
	EUR ⁴	3,317.50	4,420.44	5,146.25	5,773.62	7,151.05	6,053.87
Unemployment rate	% of total labor force ¹	NA	NA	NA	NA	NA	NA
Population	Millions ¹	5.04	5.11	5.17	5.24	5.31	5.39
TMT/EUR exchange rate	End of period ²	3.77	3.69	3.76	3.92	3.47	3.83
Gross written premiums	TMT million ³	149.57	168.51	200.44	236.96	263.47	249.76
	EUR million ⁴	39.63	45.66	53.24	60.51	75.99	65.23
Insurance penetration degree	% in GDP ⁴	0.24%	0.20%	0.20%	0.20%	0.20%	0.20%
Insurance density	EUR/capita ⁴	7.86	8.94	10.29	11.55	14.30	12.11

Azre

TƏKRARSİĞORTA — REINSURANCE

AZRE REINSURANCE - REINSURANCE FROM A TO Z

RATED B+ (STABLE) BY A.M.BEST

“AzRe Reinsurance” OJSC is the first and the only reinsurer on Azerbaijan market with a paid up capital 40 mln AZN.

The company was founded in 2007, total equity of the company as of January 01, 2016 is AZN 69,5 mln and total assets exceeds AZN 98,7 mln.

AzRe Reinsurance is not only a leading reinsurer of the local market, but also operates very successfully in foreign markets.

The aim of the company is to develop its relations with foreign reinsurance brokers, in order to increase its reinsurance portfolio out of Azerbaijan and to help local insurance industry to provide protection for a wide range of risks, including the largest and most complex risks.

AzRe Reinsurance’s daughter companies are “Qala Life Insurance” OJSC and “Qala Insurance” OJSC. Qala Life is one of the leading life insurance companies in Azerbaijan insurance market.

www.azre.az



Brasov, Romania, 15-19 May 2016

The European legal framework and digitalization, key topics of FIAR 2016

Well-known international specialists, hundreds of participants, conferences and workshops focusing on key topics for the re/insurance industry and a myriad of bilateral meetings represented, once again, the defining aspects of FIAR - The International Insurance-Reinsurance Forum 2016. The 19th edition of what came to be known as the one of the most important European spring events dedicated to the insurance, reinsurance and private pensions market took place between the 15th and the 19th of May, 2016, in Brasov, Romania.



Solvency II is the most important change in insurance regulation in 30 years, pointed out Prof. Karel Van HULLE, KU Leuven and Goethe University Frankfurt, Member of the IRSG of EIOPA, Member of the PIOB and former Head of Unit for Insurance and Pensions at the European Commission, during the "Solvency II & Risk Management in a Changing World" workshop at FIAR 2016.

European regulation was, in fact, the red wire in the all the FIAR's conferences. In addition, a strong accent was put in the climate change issue and the Nat Cat insurance topic. Unfortunately, *The global natural catastrophe property protection gap has risen steadily over the last 10 years*, Kurt KARL, Chief Economist, SWISS Re stated. Digitalization and new technologies

became also a common theme of FIAR 2016, multiple specialists pointing out the important changes these will bring for the insurance industry. Ted GREGORY, Operations Manager, Property Claim Services (PCS), and Bernard RETALI, President of Europe, Middle East & Africa, LIMRA addressed the issue in the Nat Cat and life insurance conferences.



Europe towards a legislation more focused on customer

Dublin, Ireland, 25 May 2016



The 8th Annual International Insurance Conference organized by Insurance Europe brought into debate the global economy and the world of tomorrow. The theme of the event was "Serving our customer in tomorrow's world", and it provided more than 600 delegates from around 50 countries with the chance to join the debate on several serious issues facing both the insurance industry and wider society.



Prof. Karel Van HULLE, KU Leuven and Goethe University Frankfurt, Member of IRSG, EIOPA and Alexandru CIUNCAN, Member of IRSG, EIOPA

We need rules to be clear, simple and fit for purpose. Unfortunately, there are many examples where EU legislation — despite being well intentioned — is none of these things, Sergio BALBINOT, the President of Insurance Europe and a Member of the Board of Management of ALLIANZ SE stated during his opening address of the 8th International Insurance Conference taking place in Dublin, Ireland, on May 25th 2016.

Even more than in previous years, consumer protection was the major focus point of the event. During the first panel of the Conference, EIOPA's Chairman stressed that the institution has been pushing for a paradigm shift of the industry towards consumers. *I'm happy to see that the attitude is now changing [...] although the road ahead is still long, Gabriel BERNARDINO, EIOPA's Chairman stated. I've been pushing on this idea since the beginning. Current legislation is much more engaged with consumers. Just as an example - EIOPA has 7 consumer representatives in its Insurance and Reinsurance Stakeholder Group (IRSG).*

Alexandru CIUNCAN



Prof. Karel Van HULLE, KU Leuven and Goethe University Frankfurt, Member of IRSG, EIOPA



Sergio BALBINOT, President of Insurance Europe and a Member of the Board of Management of ALLIANZ SE



Gabriel BERNARDINO, Chairman, EIOPA



Mike MCGAVICK, Chairman of the GENEVA Association



Rowan DOUGLAS, CEO capital, science & policy practice, WILLIS Towers Watson

On June 2nd and 3rd, 2016, TARSIM - The Agricultural Insurance Pool of Turkey organized in Istanbul, The International Agricultural Insurance Symposium (IAIS), celebrating its 10th anniversary.



Istanbul, Turkey, 2-3 June 2016

Turkey: The agricultural insurance scheme is a success story

500 guests from around 30 countries joined TARSIM, Turkey's agricultural insurance pool, for the celebration of its 10th Anniversary, which took place at the beginning of June in Istanbul. It was TARSIM's first ever International Agricultural Insurance Symposium.

The symposium was one of the largest international events on agricultural insurance which had been organized in the region so far. During the event, well-known experts in the field debated innovations and emerging topics on agricultural risk management and insurance. Aspects such as climate change, securing food supply and managing risks in the current climate context, the role of reinsurance in state supported agricultural insurance, PPP experiences in agricultural insurance, the Government's role on this segment, as well as the use of technology in agricultural insurance were among the key topics debated during IAIS.

10 years after it began operations, both TARSIM and the TCIP (Turkish Catastrophe Insurance Pool) represent good examples for the world and for the international community, it was concluded during the first day of the symposium.

Alexandru CIUNCAN



During the International Agricultural Insurance Symposium (IAIS), XPRIMM Publications received, from TARSIM, an Excellence Award for the partnership developed between the association and the company throughout the years. The Plaque was handed out to Adriana PANCIU, CEO, XPRIMM, by Yusuf SATOGLU, General Manager, TARSIM.



Munich, Germany 20-21 June 2016

IIF 2016 – „Property Insurance in the Digital Era“: The present and the future of digitalization in insurance

The 2016 edition of IIF - Property Insurance in the Digital Era, which took place between June 20-21, 2016, in Munich, Germany, brought under scrutiny two essential topics: the re/insurance tools and solutions available for risk mitigation and efficient recovery, and the specific ways in which the new digital technologies can assist and improve efficiency in the property re/insurance field.

Focusing on the situation on the European property insurance segment, Michael THEILMEIER, Chairman of the Committee for CEE, GDV-Association of German Insurers & Vicepresident, GEN Re, pointed out that *making household insurance mandatory is not really helpful. If an event 1 in 1.000 years takes place - this means that this is an insurable risk so people should understand it and get the proper coverage.*

Digitalization and its role in improving NatCat risks mitigation on the property insurance segment was another key topic debated. Currently, *mobile diagramming, drone technology, wearable devices and the Internet of Things are the main claims technology topics on the global scale*, Ted GREGORY, Director of Operations, PCS-Property Claim Services, a VERISK Analytics Business, affirmed. No matter how the insurance industry will be affected in the future, however, one important aspect



is that clients should be in the middle of this digital change, explained Dominik LORENZ, Vice President, Financial Services - Insurance, NTT Data.





AIIF 2016: Improving investments

Baku, Azerbaijan 23-24 June 2016



More than 200 leaders and professionals representing re/insurance and brokerage companies, as well as IT specialists and members of audit firms, banking institutes and companies from related domains, as well as representatives of supervisory authorities and professional associations from Caucasus, Central Asia, Europe, Turkey, Russia and CSI countries participated, between the 23rd and the 24th of June, 2016, at the AIIF 2016 - Azerbaijan International Insurance Forum, organized in Baku.

The first day of the conference was dedicated to analyzing the macroeconomic trends and their impact on the regional re/insurance market, as well as to debating the current status of the agricultural insurance segment.

Many of the discussions also focused on the situation on the Azeri financial sector. "The financial markets' development in Azerbaijan is considered a priority by the local government," Rufat ASLANI, Chairman of the newly established Financial Markets Supervision Authority of Azerbaijan, explained during the event. In fact, setting an integrated financial supervisory authority represents by itself a step forward to support a sound and sustainable development of the financial sector.

The second day of the event included two conferences on different topics, as motor insurance, or the new trends in the insurance products' design.

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Catastrophic Risks Management, analyzed during ICAR 2016

Bucharest, Romania 11 October 2016



ICAR FORUM The International CAstrophic Risks Forum
Ediția a XIII-a

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Dealing with increased frequency and magnitude of the extreme weather events, as a result of the climate change, best practices in managing catastrophic risks, the lessons learned after the recent natural disasters in Europe, as well as the way in which the contribution of the re/insurance industry can be increased in order to pre-finance risks were among the main subjects on the agenda of ICAR - The International CAstrophic Risks Forum

2016. The event took place in Bucharest, on October 11th, 2016.

The list of speakers included well-known professionals from the international and local markets, as well as representatives of the regional and national supervisory authorities. The event was co-organized by XPRIMM together with the Romanian Ministry of Internal Affairs and the World Bank.



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President,
ASF, Romania



Raed ARAFAT
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Ministry of Internal Affairs



Tom JOHANSMEYER
PCS Strategy and Development
Verisk Insurance Solutions



Henning LUDOLPHS
HANNOVER Re



Nicoleta RADU-NEACSU
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Hydra, Greece 21-23 September 2016

Hydra Meeting:

Regulatory and tech challenges debated by the Greek insurance market



Taking place between September 21-23, 2016, on the island of Hydra, the 18th Annual Conference of insurers and brokers

in Greece, organized by the Hellenic Association of Insurance Companies, gathered professionals from the local and international insurance market, as well as specialists from other related industries.

Technology is causing changes in what the consumers are looking for. All the experience insurers accumulated after centuries of activity has become almost useless in some aspects. I am exaggerating a bit, but the shift in paradigm is very real. One example is represented by driverless cars, who are thought to produce drops of 70% in motor premiums. How the industry will react to that is unknown, but certainly would

change the landscape, said Alexander SARRIGEORGIOU, Chairman of the Hellenic Association of Insurance Companies, in the opening remarks.

A survey conducted among industry executives showed that the main challenges Greek insurers must face are a combination between negative global trends (pressure on the return of investments and profitability challenges), as well as the current status of the Greek economy. Another challenge is represented by the operation complexity of Solvency II.

SorS 2016: The markets from Former Yugoslavia focus on innovation

Sarajevo, Bosnia 8-10 June 2016

Between June 8 and June 10, 2016, over 150 specialists from the most important insurance and reinsurance companies in the former Yugoslavia region, as well as representatives of international companies - such as AON, GEN Re, TRUST Re, MUNICH Re, PARTNER Re, SCOR, SWISS Re, and WILLIS Re - participated at the 27th Meeting of Insurance and Reinsurance Companies - SorS 2016 - held in Sarajevo.

This year's edition of the conference focused on innovation as a precondition for the development of the insurance and reinsurance markets, bringing into debate aspects such as innovations in the development of existing and new services of insurance companies, the management and distribution of insurance services in the context of applied innovation, as well as innovations in law or legal regulation focusing on the insurance domain.



The "SII Lessons Learned" conference, organized in Ljubljana, on September 6th, by the Insurance Supervision Agency of Slovenia under the honorary patronage of the President of Slovenia, Borut PAHOR, explored the first lessons learned during the 9 months that have passed since Solvency II officially came into force within the EU, assessing the first effects of this major regulatory change.

Solvency II – the game changer

Ljubljana, Slovenia, 6 September 2016



"The ultimate goal of Solvency II is consumer protection," Sergej SIMONITI, Director of AZN - Insurance Supervision Agency of Slovenia, explained in the opening of the "SII Lessons Learned" insurance conference held in Ljubljana at the beginning of September.

Referring to the Slovenian insurance



Sergej SIMONITI, Director of AZN - Insurance Supervision Agency of Slovenia

market, Sergej SIMONITI pointed out that it *entered the Solvency II environment in a very good shape*. Still, as Manuela ZWEIMUELLER, Head of Regulations, EIOPA, stressed out, the implementation process is entering now in a new stage, "which is supervisory convergence." *This will take time for all of us to adapt and to practice. EIOPA will add value to national supervisors but also challenge them*, she added.

Seen from the market players' angle, *insurance companies will face major changes and they will need to respond adequately to consumer demand*, explained Matija SENK, Member of the Management Board ADRIATIC Slovenica, Slovenia, invited as a speaker to the event.

To successfully do so, communication and knowledge are crucial in all aspects: *The importance of a good comprehension of Pillar III public disclosures by those who shape the public and market opinion, such as analysts and journalists, is crucial, as communication is key. Solvency II also has to be decoded for those not looking forward to getting a PhD in insurance*, stated Alexandru

CIUNCAN, Member of EIOPA's IRSG & OPSG, during the conference. He then added that *consumers are now more involved in decision-making than ever and are a part of the game. And they have to be, because elements such as globalization, the access to information and the sharing economy are reshaping the world*.

The idea of a significant change for the insurance market was also underlined by Andre VAN VARENBERG, Chairman of BIPAR Broker's Standing Committee from Belgium, who pointed out: *The insurance industry is at a major turning point. There are three main axes: regulation, market (clients, providers and new emerging risks) and digitalization. The digitalization era it is the right moment for intermediaries to demonstrate to all clients the value of our advice*.

The conclusion: *the main Solvency II lessons learned are that there is business impact and that capital management became increasingly complex*, explained Gregor PILGRAM, Chief Financial Officer, GENERALI CEE Holding. *We can see consolidation in the CEE markets as a consequence of Solvency II - which acted as an accelerator in this regard*, he concluded.



Alexandru CIUNCAN, Member of EIOPA's IRSG & OPSG

Baltic States have managed to decrease the number of death caused by traffic accidents in the past year and the region continues to implement various measurements to maintain this positive trend. Road safety and bodily injuries were two of the key topics debated during the GEN Re "Motor Insurance Baltic" Seminar that took place in Riga, Latvia, on September 28, 2016.

GEN Re tackles motor insurance in the Baltics

Riga, Latvia, 28 September 2016

Death caused by road accidents in the Baltics have decreased by 20.3% in Lithuania, by 10.9% in Latvia, and by 6.3% in Estonia as of September 2016, compared with the same period in 2015, Aldis LAMA, the head of Latvia's Road Traffic Safety Directorate, explained during the "Motor Insurance Baltic" Seminar organized by GEN Re at the end of September. In general, member states of the European Union managed to achieve a 17% reduction in the number of road deaths between 2010 and 2015, but the EU target is far more ambitious.

Latvia has a Road Safety Plan in place, covering the 2014-2020 period. The plan aims to reduce deaths from road accidents by half, from 218 to 109 persons by 2020. Therefore, the road safety in the Baltic countries has improved recently and have one of the best reduction of death in the EU.

Latvian insurers closed 2015 with an overall gross written premiums volume reaching EUR 531.1 million, 2.6% up y-o-y. Paid



claims also increased to EUR 310.6 million, 9.8% more y-o-y. On the non-life segment, which represents approximately 78% of all GWP, motor lines recorded a positive evolution, GWP increasing, on average, by 6.3%, to EUR 146.6 million.

More than 100 participants from the three Baltic states of Latvia, Lithuania and

Estonia, as well as key representatives from other European markets attended the "Motor Insurance Baltic" Seminar. GEN Re, the global reinsurer that is part of the US Berkshire Hathaway family of companies, has been a traditional organizer of such specialized workshops in a number of developing markets for many years now.





Riga, Latvia, 29 September 2016

Insurance & Reinsurance in the Baltics: Online services should be a means to lower costs



The Baltic markets need to lower their cost ratios by controlling the acquisition costs through online sales, online claims reporting and online customer relations, Ricard WENNERKLINT, Deputy CEO, IF P&C stated during the opening of the XVI International Conference "Insurance & Reinsurance in the Baltics", organized by the Latvian Insurers Association on September 29, 2016.

Rates should be going down and so should the combined ratio, but it is still not happening, as an important part of the insurance premium goes to administrative costs, noted the representative of IF. Digital and innovation - internet of things

– represent the future of insurance. For example, 40% of the interactions with clients in the Nordic countries are made through smartphones - and this was a demand from the clients, added Ricard WENNERKLINT.

Telematic systems represent another important aspect of the technological revolution that takes place today and that started to have an impact on the insurance industry. For example, Matteo CARBONE, Principal, BAIN&Company, pointed out during the event that there are 4,8 million connected cars in Italy (telematics-related box) attached to MTPL policies, representing 16% from the overall motor insurance market in Italy. This is one of the most evolved markets nowadays in what telematics is concerned - which is not a product but a technology, noted CARBONE. By comparison, in USA there are 3.3 million connected cars, while in the UK, only 0.6 million. Also, according to a recent study made by ANIA - The Italian Insurers Association, the telematics insurance portfolio (the cars which have a connected box) has 20% less claims on MTPL.

Another topic analyzed during the "Insurance & Reinsurance in the Baltics" conference was represented by EU regulation. Talking about this aspect, William VIDONJA, Head of Conduct of Business, Insurance Europe, affirmed: *The sky is going to fall soon on the insurers, intermediaries and consumers in Europe.*



He spoke about the new features of the IDD (insurance distribution directive), PRIIPs (related to investment-based insurance products) and Solvency II Directive. And, as far as IDD is concerned, the directive *will impact all types of sales, concluded by insurers, intermediaries, agents etc. Therefore, there will be new requirements concerning professional education, rules for advice for investment products, cross-selling, new rules on remuneration (the intermediaries should disclose under IDD the nature of their remuneration and fees), William VIDONJA explained.*





Istanbul, Turkey 6-7 October 2016

The International Istanbul Insurance Conference brought into debate the digital insurance market

The 8th International Istanbul Insurance Conference, organized by the Insurance Practitioners' Association, which took place between the 6th and the 7th of October, 2016, in Istanbul, focused on the concept of digitalization in the insurance industry, providing participants a platform to discuss in depth various possibilities for their companies.

We decided to continue with the organization of this traditional event, despite passing through a difficult situation in Turkey. We believe in our country, Menekse UCAROGLU, President of IUC, stated in the opening of

the event which was hosted by MILLI Re. During the event, Mehmet Akif EROGLU, Secretary General of TSB-Turkish Insurers' Association gave an overview of the Turkish insurance market. Blockchain and its impact on the insurance industry represented another topic analyzed during the event, with the Assistant Vice President of PCS, Tom JOHANSMEYER, pointing out that this technology will allow for a change of enterprise processes - from manual ones to digital. The event marked the launch of the TURKEY Insurance Profile magazine.



Les Rendez-Vous de Septembre Negotiations on a soft market

Monte Carlo, Monaco 10-15 September 2016

Almost 1,000 insurance and reinsurance professionals gathered for 5 days in the beautiful surroundings of the Monaco Principaute on the stunning Cote D'Azur, to meet current and potential business partners from the global reinsurance industry. This year was a special event celebrating its 60th anniversary.

Discussions focused on a soft reinsurance market, the absence of any recent, major global catastrophes and Solvency 2.

Reinsurers will continue to struggle in a competitive environment characterized by a sharp imbalance between supply and demand of reinsurance capacity in 2017. Further, the absence of any major global catastrophes in the last few years means that reinsurers have mostly been very

profitable; accordingly, clients without reinsurance claims will expect discounts at renewal and have more options - these are just some of the main conclusions following the tough negotiations.

XPRIMM Publications – Partner of Les Rendez-Vous de Septembre

During the event, the XPRIMM Publications were available at the XPRIMM Stand, at the Fairmont Hotel. The participants could find the latest issues of the specialized magazines dedicated to the insurance markets, including XPRIMM Insurance Profile, Property Insurance Report and Motor Insurance Report, but also five country profiles.



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