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# INSURANCE REPORT

by XPRIMM

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## 2016 Full Year Country Profiles

● CEE ● SEE ● CIS

### Interviews

- **Nathalie BERGER**, European Commission
- **Michael J. MORRISSEY**, International Insurance Society
- **Fadi AbuNahl**, TRUST RE
- **Alexander GAZIZOV**, SBERBANK Insurance Broker
- **Andrei UNTON**, BELARUS Re

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As the new wave of European legislation is making its way into the insurance and reinsurance landscape, more and more undertakings are looking at the impact upon the business. And it is not often that we get the change to find out the latest news directly from the policymaker – the European Commission, in an exclusive interview with...

# Nathalie BERGER


Head of Unit Insurance and Pensions Directorate  
General for Financial Stability, Financial Services and  
Capital Markets Union (FISMA), European Commission

## **XPRIMM: What are the main obstacles still remaining from creating a single market for financial services in Europe?**

**Nathalie BERGER:** Despite significant progress in recent decades to develop a single market for capital, there are still many long-standing and deep-rooted obstacles that stand in the way of cross-border investments, which deter investors from diversifying their portfolios geographically. These obstacles have their origins in national law – insolvency, collateral and securities law, as well as market infrastructure and tax barriers.



Despite significant progress in recent decades to develop a single market for capital, there are still many long-standing and deep-rooted obstacles that stand in the way of cross-border investments.



There is evidence that tax barriers continue to hinder cross-border investment. Withholding tax procedures are considered as a major barrier to cross-border

investment. Double taxation agreements concluded between states should normally allow investors directly or indirectly investing (among others) through investment funds to avoid double taxation, either by getting relief at source or by benefiting from full or partial refund. Total cost of withholding tax refund processes is estimated at € 8.4 billion per year.

Divergences in supervisory outcomes lead to cross-border spill-overs and unjustified differences in the supervision of the same risk. Deeper financial integration will need to be accompanied by increased convergence of supervisory outcomes across the EU and necessary adjustments to strengthen the supervisory framework in order to ensure that the capacity to supervise and manage risks keeps pace, in particular in cross-border and critical areas.

## **XPRIMM: EU Member States are currently in the process of transposition of the Insurance Distribution Directive. How is this process developing? What feedback have you received so far?**

**N.B.:** All Member States are currently proceeding with the transposition of the directive into national law. We are assisting them in this endeavour and have organised two transposition workshops to this effect. We are confident that the vast majority of Member States will be able to meet the transposition deadline of 23 February 2018.

## **XPRIMM: What benefits and what challenges brings the Insurance**

## **Distribution Directive in terms of product information and conflict of interest management?**

**N.B.:** The Insurance Distribution Directive (IDD) improves the standards for product information to be given to consumers before they sign an insurance contract. The newly created Insurance Product Information Document (IPID) will provide consumers with basic information on the main features of proposed non-life insurance contracts, allowing them to easier understand and compare the products on offer. For life insurance products and insurance-based investment products, insurance distributors are already obliged under the PRIIPs Regulation and the Solvency II Directive to provide comparable information documents.

As for conflict of interest management, IDD provides specific rules for identifying, preventing and managing conflicts of interest in the distribution of insurance-based investment products. These new rules are largely aligned to the standards applicable to the sale of regular investment products under MiFID II, ensuring a level playing field for sellers and guaranteeing consumer the same high standard of protection in all sales of investment products. In addition, the Directives provides rules requiring insurance distributors to make disclosures about their remuneration, on which basis advice is given (in particular whether they are limited to selling products from one specific provider) and on possible influences from companies belonging to

the same group. Insurance distributors are also obliged to avoid conflicts of interest in the remuneration or incentivisation of their employees.

Deeper financial integration will need to be accompanied by increased convergence of supervisory outcomes across the EU and necessary adjustments to strengthen the supervisory framework.



**XPRIMM: The General Data Protection Regulation is due to come into force in May 2018 but already there are many discussions relating to the costs of its implementation. What is your comment on that and, also, could you please elaborate on the main benefits for European consumers that the GDPR is offering?**

**N.B.:** The data protection reform package helps the Digital Single Market realise the potential through (for instance): One continent, one law: a single, pan-European law for data protection, replacing the current inconsistent patchwork of national laws. Companies will deal with one law, not 28. The benefits are estimated at €2.3 billion per year; One-stop-shop: a 'one-stop-shop' for businesses: companies will only have to deal with one single supervisory authority, not 28, making it simpler and cheaper for companies to do business in the EU.

For businesses, this reform provides clarity and consistency of the rules to be applied, and restores trust of the consumer, thus allowing undertakings to seize fully the opportunities in the Digital Single Market. In the case of citizens, the reform provides tools for gaining control of one's personal data, the protection of which is a fundamental right in the European Union. The data protection reform will strengthen citizens' rights and build trust.

**XPRIMM: The European Commission has launched a Public consultation on the operations of the European Supervisory Authorities. What is the purpose of this exercise? Are we about to see changes in the financial supervision framework in Europe?**

**N.B.:** The consultation is an opportunity for all stakeholders to provide their views on what possible changes may be needed to the current rules governing the ESAs so that they can operate more effectively and deliver on their tasks and objectives in full.

Our aim now is to identify areas where the effectiveness and efficiency of the ESAs can be strengthened and improved. A general review of the ESAs was foreseen for this year, and mandated by their founding Regulations.

The consultation focuses on these key areas such as (1) tasks and powers; (2) governance; (3) supervisory architecture; and (4) funding. We are focusing on

optimising ESAs' powers in the following 8 areas, as follows: work on supervisory convergence; non-binding measures such as guidelines and Q&As; work on consumer and investor protection; enforcement powers; international aspects of ESAs work; access to data; powers in relation to reporting and financial reporting.

In terms of future steps to be taken, we will have to wait for the feedback to the public consultation before proceeding but we will have to do an evaluation before we decide on the next steps.

**XPRIMM: One of the main risks for the insurance industry is the very low interest rates environment. How are you dealing with this at EU level?**

**N.B.:** Low interest rates are currently of highest concerns for (re)insurers. The perception of the interest rate related risks worsened from the beginning of 2016. EIOPA conducted a stress test in last year to

assess the insurance sector's vulnerabilities to a combination of market risk adverse scenarios. It was based on a sample of solo insurance undertakings most vulnerable in a persistent low interest rate environment and a double hit scenario where, in addition to the low interest rates, the assets prices are also stressed.

In fact, stress tests represent one of the regular supervisory tools that help to assess the resilience of the insurance sector to potential adverse market developments and to extract valid conclusions to support the stability of the financial system.


In order to ensure coordinated supervisory actions, following the 2016 stress test, EIOPA issued recommendations to national supervisors, inter alia: - to ensure that undertakings align their internal risk management processes to the external risks faced; - to review the clauses of the guarantees, their typologies, and the optionalities they carry to assess if the valuation of the technical provisions can be considered proportionate and prudent; and - to request a reduction in the maximum guarantees or in unsustainable profit participations offered in new business etc.

#### **XPRIMM: What will be the benefits of the Pan-European Personal Pensions product project for EU citizens?**


**N.B.:** The forthcoming PEPP initiative will contribute to further develop EU capital markets towards sufficiently deep, liquid and efficient markets, benefitting investment and growth in the EU. A well-functioning internal market for personal pensions could contribute significantly to provide consumers with adequate choice of personal pension products with minimum EU quality standards protecting consumers and to provide them with adequate market access across the European Union.

Consumers, all over the EU, will benefit from the specific advantages of a PEPP, including when exercising their mobility (single market with standardisation, cross-border and CMU completion, and enhanced features for consumer protection). Also, a larger market provides more and better opportunities for consumers to save for retirement, with better returns and better products. It also means more and better opportunities to save for retirement across borders for mobile consumers and allows for additional opportunities to save for retirement for employees usually not covered by the

regular state or occupational pension provision.



The Insurance Distribution Directive (IDD) improves the standards for product information to be given to consumers before they sign an insurance contract. The newly created Insurance Product Information Document (IPID) will provide consumers with basic information on the main features of proposed non-life insurance contracts, allowing them to easier understand and compare the products on offer.



#### **XPRIMM: There are public discussions regarding the role that Solvency II Directive played in connection with the Mergers & Acquisitions market for insurance undertakings. Also, there are local insurers that complained about the impact of this regulatory framework. Could you please comment on that?**

**N.B.:** We have no reliable information on the effect of Solvency II on M&A activity. As already announced, we will review the Solvency II Directive in 2020.

#### **XPRIMM: Can you comment upon the Romanian Government decision regarding the MTPL tariffs cap?**

**N.B.:** In November 2016, the Romanian Government introduced a premium cap for MTPL insurance. This cap is in principle valid for 6 months (until 18 May 2017), but can theoretically be extended by the Government for subsequent periods of 3 months. We consider that this premium cap has a negative impact on the free competition in the Romanian motor insurance sector and puts significant

pressure on the business activity of insurance undertakings concerned.

It may also have a negative impact on the quality of insurance services provided to consumers. This price regulation in the MTPL insurance sector raises serious concerns for us as to its compatibility with the Solvency II Directive (especially Articles 21 and 181), as well as with the case-law of the EU Court of Justice (in particular the decision in case C-59/01).

Solvency II prohibits a prior approval or a notification obligation of premiums and, following the court's interpretation, also direct price regulation, unless a general price-control system exists in a Member State. As a general price-control system is not in place in Romania - we expect that the premium cap not be extended upon the expiry of the current measures on 18 May 2017. We will monitor the developments closely and take the necessary decisions, in order to ensure full compliance with EU law.

#### **XPRIMM: What consequences will Brexit have on the European Insurance market, in your opinion?**

**N.B.:** We very much regret the UK's decision to withdraw from the European Union. And, as soon as the UK is ready, we shall start negotiating in a constructive manner. Given that both sides have less than two years to close a deal, we are advising firms to prepare for the UK's withdrawal from the EU as of now.

#### **XPRIMM: Thank you!**

Interview conducted by  
Alexandru CIUNCAN & Mihaela CIRCUCU





Solvency II and Reinsurance?  
**WITH XLAYERS I SLEEP EASY**

# Optimizing reinsurance costs – a matter of **skills** and **technology**

Are trends in the reinsurance market a primary issue of outward reinsurance? In fact, what are the reinsurance costs that really matter to an insurer? What should the priorities be?

It is right that an insurer should pay attention to trends in the reinsurance market. And it is normal that an extremely soft or hard reinsurance market puts insurers under pressure and reduces their ability to react quickly. This happens not only because of the obvious need or opportunity to keep costs under control, but also because for many years now it has been common practice to also include the cost of reinsurance among those costs that go towards calculating the insurance premium. The insurer must always be ready to revise the rates charged to customers. Extremely hard market conditions cannot last for too many consecutive years and significant changes to the cost of reinsurance may have a substantial effect on the cost of a product. Disregard it - or react too slowly - could prove very costly.

At the moment, we are going through an exasperating soft market that is also affecting the direct market. Although many believe this is an irreversible structural situation, supported by the fact that we are starting to notice a turnaround in demand for reinsurance without any noticeable effect on the relative cost, those who have spent many years in the industry will find such a view pretty hard to accept. Certainly, although it will be difficult to reverse this trend, prices will not continue to fall indefinitely. There are certain costs that can hardly be reduced beyond a certain limit for direct insurers and reinsurers. You can review your reserves, sell assets, assess mergers and/or acquisitions, close the financial year in the red, let employees work from home, etc. but all these factors cannot continue indefinitely. Of course, it may occur that some insurance and/or reinsurance players are forced to permanently close their businesses before the trend reverses, but this could also contribute to the inversion of the trend itself.

Today, for all companies, the main problem is to figure out when the current economic crisis - that forces businesses to close and family budgets to be readjusted - will allow the surviving companies and households to protect themselves more adequately and, above all, to be able to do so (I mean to believe that this is possible). An end to the crisis, furthermore, would facilitate the establishment and consolidation of new companies that would not only result in more products being sold, but also into increasing prices and protection for the products currently sold on the direct market. And with enough direct impact on reinsurance, although to a lesser extent because of lower costs and greater diversification enjoyed by the reinsurance industry (eg. geographical distribution).

So nobody can say that there is no point in worrying about trends in the reinsurance market. But if attention to the trends is justified

for an insurer, this does not mean that being ready to cope with a reversal in the trend is sufficient, nor that it should be a priority. The cost of reinsurance generates far more complicated problems for the insurance company, bringing into play all the expertise and knowledge required in the Reinsurance Manager role.

The importance of adequately covering the underwriting risks and therefore the entire activity of an insurance company with all the complications this entails, is obvious. That is in fact the delicate task of the Reinsurance Department. Much has been written and is still to be written on the subject, in exploring all aspects that make reinsurance one of the most interesting activities within an insurance company. For example you could discover that some delicate tasks are often just managed, disregarded or even totally unknown, resulting in the loss or risk of loss of much of the control of the direct business and therefore creating enormous difficulties vis-a-vis the competition. But such a vast subject cannot be analysed in its entirety in this article. My aim here is just to talk about the reinsurance costs and in doing so highlight what an insurer should look out for first and foremost, before starting to worry about the trends in the reinsurance market.



To have a highly professional and efficient Reinsurance Manager and a software specialist fully focused on this sector may be critical for an insurer in managing reinsurance costs.

So let's return to competitiveness in the market(s) of reference and let's focus on the cost of reinsurance. It goes without saying that, if the costs that go towards making up the final insurance premium are higher for an insurer than for the competitors, everything becomes more difficult for that insurer. Given that the cost of reinsurance is reflected in the final product, a lot of attention should be given to avoiding that the cost of reinsurance gives rise to such a situation. No doubt the theory of value has its importance in the marketing of a product, but starting with





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the disadvantage of higher "base costs" is never the best way to approach a market and, even less so, in these times of crisis. To put it even more clearly, if you pay too much for peace of mind, then not only your competitors pay the reinsurance at a lower rate, but it is very likely that the surplus you paid will further offset discounts given to competitors, so that the gap between the cost of reinsurance widens even further. This translates into financing your competitors.

The underwriting policy, the statistics, exposures and negotiation skills are all essential when finalising the cost of reinsurance. Since the underwriting policy is not a document that can be delivered to the reinsurer, the skill and expertise of the Manager in presenting the details during the negotiations with the reinsurer become paramount. The idea that reinsurance can be negotiated between actuaries, who play a hugely important role, is not correct. This is just a recent development, based on the poor perception of how a good Reinsurance Manager can make a difference.

The negotiating power of the brand does exist, but does not have a major impact. International groups generally have greater negotiating power, but they must be careful not to give to their subsidiaries over-competitive market prices, to avoid being accused of shifting profits from country to country in order to evade local taxes. This effectively cancels out the advantage of international groups compared to other local competitors. In the end, then, what is really important is the expertise and the professional skills of the Reinsurance Manager who is well supported by the actuary (any reasoning or action taken rarely goes unsupported by statistics and exposures).

## Therefore, what is really important for an insurer who employs a highly professional and efficient Reinsurance Manager?

The answer is simpler than you think:

- the quality of the data used, first of all in the process of evaluating the reinsurance needs and, subsequently, the cost of reinsurance, including the prices of new programmes, even if

there is a radical change in the reinsurance policy (not to mention the calculation of the solvency margin based on Solvency II standards), and

- the speed with which such data is obtained.

Address the problem from the beginning, without neglecting any of the detail, is therefore the best advice. This does not mean neglecting other aspects, but get off on the right foot by optimising all the processes and thus achieve each goal. In this case, the reinsurance process will flow quickly and correctly, ensuring the quality of the data. Ultimately, then, for insurers that have not already done so, a software system for the administration and accounting of reinsurance that really works is a necessity.

## So how does one go about choosing the right system? What are the various characteristics that represent value and that should be examined carefully?

Since reinsurance is a very specialist area and difficult to manage automatically, it is important to find a software specialist fully focused on this sector for many years. It is important to look at the number of clients they have, their size and their level of satisfaction. The software house should not only employ software developers and specialist analysts but also reinsurance experts, 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 means that the software house must be able to easily introduce the necessary requirements or adjustments and tailor them to the specific complexity of each individual client. These goals can be achieved only if the vendor is truly dedicated to reinsurance, i.e. constantly focused on such a complex and strategic process. The result of this dedication will be a large number of satisfied clients, which, in a nutshell, means quality and completeness of the system and of the service. The software must be able to manage outward reinsurance correctly whether by product, by branch, by line of business or by specific guarantee, and have the necessary flexibility to feed into each individual reinsurance programme and contract automatically. All types of traditional reinsurance contracts must be managed (QP, SPLS, XL, SL, including facultative) whatever the working base used (U/Y, R/A, O/Y, C. Cut). In addition, the system must be able to accept various premium and claim portfolios in order to guarantee activity in the case of mergers. Needless to say, run-off business must also be managed as well as inward reinsurance. The system must work without the continuous presence of the vendor's staff in the company, otherwise the license and maintenance costs become a fraction of what the real cost will be. Moreover, and this should not be overlooked, it must include the information requested by the local regulator as well as EIOPA, in order to store and update the necessary reinsurance information into one single database. Finally, it must be able to process all calculations and reports in a very short timeframe. Such a system exists and it is easy to find.

There are only a few industry organisations in the insurance landscape that have a tradition in gathering high-level executives and thinkers, as IIS- International Insurance Society does. Therefore, one might argue that interviewing its President & CEO represents not only a leap forward into the future of this business, but also an honor granted to the XPRIMM Publications. Find out why, only in an interview with...

# Michael J. MORRISSEY,

## President & CEO, IIS - International Insurance Society

**XPRIMM: Worldwide, the IIS - International Insurance Society is a well known and recognized organization, but in the Central and Eastern European financial markets there still might be room for an introduction. So, what is the role of the IIS?**

**Michael MORRISSEY:** Well, the role of the IIS is to promote growth and innovation in the insurance industry by exchanging ideas and strategies between all stakeholders. By that I mean that there are many industry organizations, some of them regional, some focused on certain lines of business, but there are only few truly global. But even the few global ones have a niche in which they stay focused. Our membership from 102 countries currently includes AXA, ALLIANZ, Munich Re, Swiss Re, Nippon Life, AIG etc. It also includes the Green Delta Insurance Company in Bangladesh or a Nigerian life insurance company - and anything in between, so there are big companies as well as small companies, developed markets and emerging markets. Also, we have about 50 national insurance regulators plus 130 insurance scholars from universities around the world, the global insurance leaders of the professional advisory firms etc. So, among our members are the heads of insurance for KPMG, Deloitte, EY and PwC; the heads of insurance globally for BlackRock, Deutsche Bank, McKinsey, Milliman, DLA Piper, Clyde & Co., just to name a few. So, in other words, we believe that the more inclusive and diverse the membership is, the more robust the exchange of ideas can be and the better the outcome. I'll

give you an amusing example. At our big annual conference, two years ago, one of the management board members of a major insurer came up to me during a break and said "You know that fellow over there?" and I said "That's Mr. Lhendup, he runs the Royal Insurance Corporation of Bhutan" and he asked me a question about our business and I must admit I had a hard time answering it. And I said "Well, Klaus, that's what we think it's one of the key values of the IIS. We don't think that the best ideas necessarily come from the biggest companies from the biggest countries. We think good ideas can come from unexpected places and if you put all the industry's stakeholders into the same room, you end up with better ideas. So, that's the idea of the IIS. I may also say that, secondarily, as it has evolved, promoting and emerging the insurance development form is a particular focus.

**XPRIMM: You do organize a Global Insurance Forum. Last year it was hosted by Singapore, this year it will take place in London. What is the purpose of this conference, knowing that there are so many events out there?**

**M.M.:** This is different. This will be our 53rd edition, which itself tells you something about the value of this event. We have each year more than 500 industry leaders from more than 50 countries, so, again, it's a diversity, it's the inclusiveness of industry leaders to get an opportunity to address the most important issues of the day. We used to go to a different city every year, with occasional repeats. We decided

recently that we should really have a hub city strategy and rotate for the convenience of our members and logistics, so now we do London, New York. We had to think hard about our region hub and it was either Hong Kong or Singapore and we decided on Singapore. It's really the greatest assembly of all leaders in the industry of any gathering. We'll also have military, national defence experts. We try to bring a different prospectors to the big decisions of our industry.

The role of the IIS is to promote growth and innovation in the insurance industry by exchanging ideas and strategies between all stakeholders.

**XPRIMM: You've mentioned in your public appearances about an increasing number of challenges for the global insurance industry. Is it fair to say that we are living in a time of structural change?**

**M.M.:** Well, certainly accelerating change. It's true: we lagged the banking industry, we also lagged the asset management industry or some other industries which is why some companies are struggling and why there are also opportunities for new entities.



Peer2Peer insurance: in some ways is like “old wine in new bottles”. And by that I mean that P2P insurance structurally is not much different than affinity-based mutual or cooperative insurance.

**XPRIMM: Which one of these will most likely disrupt the industry the most? Technology, Peer2Peer insurance...**

**M.M.:** Well, in general you say technology is the one that has a lot of manifestations and the industry has been slow to adopt new technology for the last 50 years, whether is simply using computers to increase processing speed 30-40 years ago or other factors. For a long time it didn't threaten their basic position. But now young buyers don't care if the insurance company has been in business for a hundred years. I think about the commercials and the advertisements that I used to see 30 years ago: there were some references to the company being in business for 150 years, but young buyers don't care. They don't care if the company has a multibillion dollar balance sheet or not. They are spoiled by an entirely different level of customer experience. You know, people who buy products from Apple or people who go to Starbucks have a different expectation of what they get for the money they spend. They want something different, they want something better. And it's hard for legacy companies to adjust. It's hard from the change of computer systems, it's hard from the change of their attitudes. So it's giving an opportunity for new entities within the industry - I spent a day at Google recently and the group of insurance companies' CEOs were invited there to talk to them and the tone of the meeting was very friendly, but the undercurrent of the meeting was “we would like to have a cooperative relationship with your industry, but if you don't want to have that kind of relationship, we will just come into your business on our own anyway”. This feels threatening, but they are very much in the insurance industry; Amazon is in the insurance

industry, other companies are getting into the insurance industry - because they see it as big and maybe easy pickings for them. There is a lot of arrogance there. But they are smart guys. There is a saying in Texas: “If you can do it, it's not bragging!”... So, there are those external completely new sources for competition. But even within the industry, there are entities that made it by not having a big legacy system to support. For instance, for a US Property & Casualty company, the expense ratio is somewhere around 30%, roughly half administrative, roughly half compensation to sellers, whatever they may be. Can you think of another product this day and age for which 30% of what you pay for it goes to those costs? Therefore, if you start a new company you can have a leaner system and that is not doing something revolutionary at all. This is using tools that are already available, such as outsourcing. You mentioned Peer2Peer insurance: in some ways is like “old wine in new bottles”. And by that I mean that P2P insurance

structurally is not much different than affinity-based mutual or cooperative insurance. It is like risk retention groups.

On the same topic: we recently had a meeting of the World Economic Forum's insurance group in Munich. One of the presenters was Dan Schreiber, the CEO of Lemonade, the famous P2P carrier. As I heard him talk I realised that the efficiency difference and the lower cost proposition wasn't due to the fact that it was P2P but due to it being a new company. By starting from a blank sheet of paper they could adopt behavioural analysis-driven underwriting modelling and actuarial work, block chain-processing technologies, internet sales etc. Is it more efficient? It can be. Because it is P2P? Not really.

So the bottom line is that it isn't really that different than mutual business model. I'm not saying it won't work, all I'm saying it is not really revolutionary. However, traditional carriers will have to adjust in the future so it is tough for legacy companies.



**XPRIMM: Understood. But moving forward to a different topic now, you are also advising the United Nations on the insurance related issues. Can you share some of your common areas of interest in this regard?**

**M.M.:** Let me give a quick history first. In 2012, when the U.N. was preparing the launch of the Principles of Sustainable Insurance (PSI), they approached the IIS to review the principles prior to the launch. As we were communicating with them about the final text, I said, "who would be at the ceremony from the insurance industry to hear this important message?" "We're having our annual conference in Rio, why don't you bring the team and launch the PSI at the IIS Global Insurance Forum where we will have 600 insurance leaders from 55 countries and all the world's insurance media in attendance, and really make a splash, really have a big impact. They decided to launch the PSI at the Forum and were very happy with the outcome. It opened their eyes to the diversity of our organization and that also opened the door to us working with other international organizations such as International Labour Organization, the Every Woman, Every Child program, which expands healthcare opportunities for women and children, and the U.N. Development Project. The IIS advisory role in the development of PSI, ultimately led to the formation of the Insurance Development Forum (IDF). Through our work with the PSI, and through our diversity, the IIS became the incubator of the IDF and is now its permanent secretariat.

**XPRIMM: The U.N. has been involved in several projects aiming at bridging the protection gap. From this angle, what can a global society do, in order to increase the penetration level?**

**M.M.:** We have some education to do. In example, in California, earthquake insurance is rarely available, because the take-up is lower than 10%. That is not smart. It's irresponsible for people not to buy this coverage. In the Mid-West of the United States there is plenty of flood insurance available, but people don't buy it and then they cry after a disaster has occurred. So, we need to do more education with people in order to make them understand that bad things don't only happen to other people, they can also happen to you. And, of course, work with the governments to make sure the

insurance really is available. None of the Sub-Saharan African countries with the exception of South Africa had either the financial resources or frankly the expertise to have catastrophe insurance plans. Now, the African Risk Capacity has been formed, there are more than 20 sub-Saharan governments involved. These governments pay the premiums for a cover that's parametrically triggered, which is a great thing. So, it's not only the education of consumers, but also the education of governments. And there are ways to do this but it is a big mission. There is nothing wrong in saying that the insurance industry wants to help people avoid these calamities or recover from them, but that we also want to expand our market.



The industry has been slow to adopt new technology for the last 50 years, whether is simply using computers to increase processing speed 30-40 years ago or other factors. For a long time it didn't threaten their basic position. But now young buyers don't care if the insurance company has been in business for a hundred years.



When we first started talking with the U.N. we kept in mind that most of those people have never worked in the private sector. So there is not only ignorance but cynicism about for-profit organization - so it took time to explain that this is a legitimate way to expand our business.

Chronologically, the first protection gap that we are targeting is that with respect to natural catastrophes. In example, when Hurricane Sandy hit New York City, almost 15% of the losses were insured. When the Chilean earthquake struck 2% of losses were insured; in the Thai floods about 10% - so there are huge gaps. However, there is an equally large protection gap on the other side of the industry: life& health,

whether this is expressed as retirement saving gaps, access to health insurance etc. So down the road this will be just as important in the next 2-3 years, although currently it is not so visible in terms of what you might have read in the media.

Huge infrastructure spending needs around the world are financed by insurance companies and pension funds but in most countries insurance investment regulation is based on a kind of 1970s' frame reference: bonds are safe, equities are risky; short term is safer, long term is risky; publicly quoted is safer, private investments are risky. If you add all those things together and understand that it is on that basis that regulators assign capital charges to make investments, it means that insurers are steered towards investing in bonds, especially in Government bonds, because those are the safest. Tell that to the Greek or Italian insurers!

**XPRIMM: How should regulators deal with this?**

**M.M.:** We have to educate them that risk is different than it was 30 or 40 years ago.

**XPRIMM: That is quite a bold statement!**

**M.M.:** I know. OK, you're absolutely right. ...discuss with the regulators. As long as we have this in place, the money is not going to go where it can do most good. So that is an important effort of the IDF. You can call it an education, you can call it discussion. But regulators have to be shown the evidence, in a non-confrontational way, that risk profiles have changed. Remember that they have a dual role: prudent regulation aspects are important, but the other role is providing adequate access to insurance in a certain territory. Because if you focus entirely on prudent regulation and your laws are so bulletproof that no insurance company can ever go broke there, but your people don't have access to a range of insurance products on an affordable basis, what have you really accomplished? We need to encourage regulators to broaden access to insurance. China is only country I know that explicitly in its insurance law says that the insurance industry can be a driver of the economic growth and not a derivative. That's a powerful statement!

**XPRIMM: Thank you and good luck!**

Alexandru CIUNCAN



## 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.*

## The CEE Insurance market in 2016

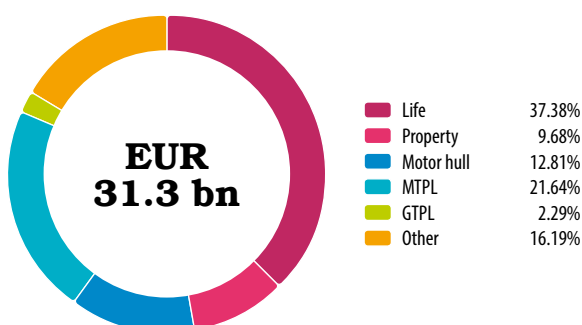
# Striving for growth and stability

After a visible deceleration in Q3 2016, the economic activity picked up in the final quarter of the last year. Overall, the regional GDP saw a 2.28% increase y-o-y (current prices), while the average GDP per capita indicator went up from EUR 10,065 in 2015, to EUR 10,324 in 2016. The better performance was driven largely by an acceleration in Poland—the region’s

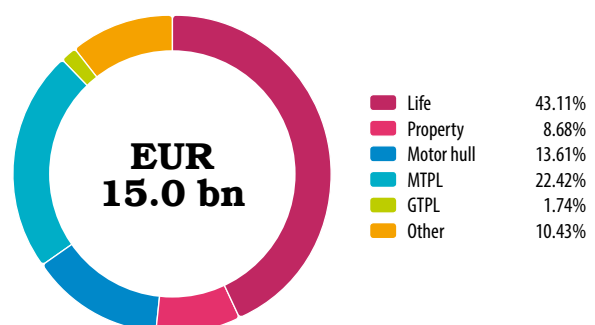
largest economy—as well as faster growth in Romania. Overall, at difference paces, all the CEE markets saw a positive economic outcome in 2016. Yet, challenges are still present, in part because of the raising political unrest, in part because of the trend of shifting to forms of more “illiberal” democracy that was witnessed in some of the most relevant economies in the area, as

Poland or Hungary. Although the general economic sentiment has not deteriorated visibly and the CEE countries are still attractive for the foreign investors for many reasons, some points of concern are on the agenda: the more visible political interference in the economic life that intervened in some countries, changing the governmental approach towards issues as

CEE GWP portfolio (%)



CEE claims portfolio (%)



# CEE, SEE & CIS MACRO INDICATORS 2012-2016

	GDP, current prices (EUR billion)					GDP per capita, current prices (EUR)					Population (million)				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
<b>CEE - CENTRAL AND EASTERN EUROPE</b>															
Albania	9.55	9.63	9.95	10.45	11.13	3,292	3,324	3,439	3,617	3,858	2.90	2.90	2.89	2.89	2.89
Bosnia	13.39	13.67	13.96	14.65	15.00	3,448	3,526	3,606	3,793	3,893	3.88	3.88	3.87	3.86	3.85
Bulgaria	41.95	42.01	42.76	45.29	47.36	5,760	5,804	5,937	6,330	6,658	7.28	7.24	7.20	7.15	7.11
Croatia	43.79	43.15	42.83	43.72	45.41	10,261	10,139	10,105	10,401	10,889	4.27	4.26	4.24	4.20	4.17
Czech Rep.	161.49	149.43	155.59	168.53	174.54	15,372	14,210	14,801	15,993	16,538	10.51	10.52	10.51	10.54	10.55
Estonia	17.94	18.89	19.76	20.25	20.92	13,534	14,309	15,016	15,421	15,945	1.33	1.32	1.32	1.31	1.31
Hungary	98.39	101.47	102.89	108.58	113.73	9,907	10,240	10,417	11,017	11,564	9.93	9.91	9.88	9.86	9.84
Kosovo	5.06	5.33	5.57	5.81	6.05	2,842	2,993	3,128	3,262	3,400	1.78	1.78	1.78	1.78	1.78
Latvia	21.89	22.79	23.63	24.37	25.02	10,703	11,259	11,807	12,269	12,706	2.05	2.02	2.00	1.99	1.97
Lithuania	33.35	35.00	36.59	37.33	38.63	11,162	11,834	12,478	12,851	13,456	2.99	2.96	2.93	2.91	2.87
Macedonia	7.59	8.16	8.58	9.06	9.88	3,680	3,950	4,148	4,376	4,765	2.06	2.07	2.07	2.07	2.07
Montenegro	3.18	3.36	3.46	3.63	3.73	5,126	5,413	5,561	5,826	5,989	0.62	0.62	0.62	0.62	0.62
Poland	398.56	399.51	403.47	421.99	416.89	10,471	10,496	10,613	11,103	10,980	38.06	38.06	38.02	38.01	37.97
Romania	133.61	144.25	150.33	159.98	169.06	6,649	7,205	7,534	8,051	8,556	20.10	20.02	19.95	19.87	19.76
Serbia	31.52	33.81	32.31	33.25	34.02	4,377	4,718	4,531	4,692	4,845	7.20	7.17	7.13	7.09	7.02
72.70	74.17	75.95	78.69	80.96	13,453	13,708	14,023	14,514	14,920	5.40	5.41	5.42	5.42	5.43	
Slovenia	36.00	35.92	37.33	38.57	39.77	17,515	17,445	18,113	18,697	19,266	2.06	2.06	2.06	2.06	2.06
CEE Region	1,129.96	1,140.55	1,164.96	1,224.14	1,252.11	9,231	9,335	9,557	10,065	10,324	122.41	122.18	121.89	121.63	121.28
<b>SEE - SOUTHEAST EUROPE</b>															
Cyprus	19.47	18.12	17.57	17.64	17.90	22,583	20,925	20,475	20,823	21,102	0.86	0.87	0.86	0.85	0.85
Greece	191.20	180.65	177.94	175.70	175.54	17,247	16,418	16,285	16,181	16,176	11.09	11.00	10.93	10.86	10.85
Turkey	666.10	615.61	721.84	732.86	697.01	8,808	8,030	9,291	9,307	8,733	75.63	76.67	77.70	78.74	79.82
SEE Region	876.77	814.38	917.35	926.19	890.45	10,012	9,198	10,252	10,240	9,730	87.58	88.54	89.48	90.45	91.51
<b>CIS - COMMONWEALTH OF INDEPENDENT STATES</b>															
Armenia	8.02	8.14	8.36	9.52	9.89	2,699	2,732	2,801	3,183	3,308	2.97	2.98	2.99	2.99	2.99
Azerbaijan	52.01	53.53	61.94	31.89	32.18	5,656	5,776	6,630	3,386	3,390	9.20	9.27	9.34	9.42	9.49
Belarus	48.29	51.28	56.04	44.29	47.54	5,102	5,418	5,918	4,672	5,006	9.47	9.46	9.47	9.48	9.50
Georgia	11.99	11.24	12.87	12.13	12.05	3,125	2,971	3,450	3,262	3,255	3.84	3.78	3.73	3.72	3.70
Kazakhstan	155.68	170.47	178.74	110.11	129.77	9,206	9,931	10,260	6,227	7,230	16.91	17.17	17.42	17.68	17.95
Kyrgyzstan	4.96	5.25	5.59	5.19	6.29	875	908	948	862	1,030	5.66	5.78	5.90	6.02	6.11
Moldova	5.52	5.59	5.90	5.71	6.44	1,549	1,572	1,659	1,606	1,813	3.56	3.56	3.56	3.55	3.55
Russia	1,663.66	1,579.21	1,158.86	1,044.36	1,345.86	11,611	11,015	8,080	7,280	9,383	143.29	143.37	143.43	143.46	143.44
Tajikistan	5.74	6.16	7.07	6.34	6.56	721	758	851	747	758	7.96	8.13	8.30	8.48	8.66
Turkmenistan	26.62	28.53	35.78	32.95	34.28	5,146	5,444	6,734	6,116	6,274	5.17	5.24	5.31	5.39	5.46
Ukraine	133.31	132.70	82.51	75.83	83.85	2,938	2,933	1,930	1,780	1,973	45.37	45.25	42.76	42.59	42.50
Uzbekistan	36.91	39.50	48.87	55.66	58.00	1,241	1,306	1,597	1,797	1,850	29.75	30.24	30.60	30.97	31.34
CIS Region	2,152.70	2,091.59	1,662.51	1,433.97	1,772.69	7,603	7,359	5,879	5,054	6,227	283.15	284.22	282.81	283.75	284.69
CEE+SEE+CIS	4,159.43	4,046.53	3,744.82	3,584.31	3,915.24	8,435	8,176	7,578	7,229	7,870	493.13	494.94	494.18	495.82	497.48

Sources: You can find the sources of all presented data, to the dedicated pages of each country profile

the private pensions or health insurance; an increased volatility of the fiscal framework already seen in other parts of the CEE where governments in search for extra sources of income for the public budget have imposed new taxes on premiums or altered the fiscal incentives for insurance products.

Labor markets in the Central and Eastern European (CEE) region are continuing to improve. Unemployment rates have reached the lowest levels ever recorded and most CEE economies are enjoying lower unemployment than the EU average. Rising wages and low inflation, amid

improving consumer sentiment, have made household consumption the main driving force behind economic expansion. *Developments on the labor market have undoubtedly been beneficial for households. They have become more confident, as confirmed by rising sentiment indicators and increasing private consumption - which has become the CEE region's main economic growth driver. A further contraction in unemployment, accompanied by rising wages, is anticipated. These factors will undoubtedly retain household spending as the main propulsion for regional growth,*

reads a recent study published by COFACE<sup>1</sup> *Labour shortages in Central and Eastern Europe countries: a growing concern for businesses*, COFACE Economic Publications Panorama, May 2017].

Yet, time and time again, there is a question which didn't find yet a satisfactory answer: how much of this positive economic evolution and the increased household consumption have turned to insurance? Judging by the overall results of the CEE insurance industry, the answer would probably and unfortunately be: not very much. The average growth rate achieved by the insurance industry in the



Gross written premiums (EUR million)					Insurance penetration degree (% in GDP)					Insurance density (EUR/capita)					
2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	
64	61	83	103	114	0.67%	0.63%	0.83%	0.98%	1.03%	22.11	21.02	28.66	35.52	39.59	Albania
258	269	287	305	324	1.93%	1.97%	2.06%	2.08%	2.16%	66.49	69.49	74.25	78.86	84.12	Bosnia & Herzegovina
820	884	907	1,004	1,048	1.96%	2.10%	2.12%	2.22%	2.21%	112.63	122.17	125.99	140.39	147.38	Bulgaria
1,198	1,188	1,117	1,143	1,159	2.74%	2.75%	2.61%	2.61%	2.55%	280.66	279.20	263.63	271.78	277.96	Croatia
4,528	4,157	4,148	4,295	4,386	2.80%	2.78%	2.67%	2.55%	2.51%	431.07	395.26	394.60	407.54	415.55	Czech Republic
297	317	341	361	388	1.65%	1.68%	1.73%	1.78%	1.86%	224.00	240.25	259.09	275.13	295.74	Estonia
2,611	2,700	2,649	2,668	2,849	2.65%	2.66%	2.57%	2.46%	2.50%	262.89	272.45	268.16	270.71	289.65	Hungary
82	77	80	79	81	1.61%	1.45%	1.44%	1.36%	1.34%	45.81	43.48	44.99	44.25	45.64	Kosovo
447	471	517	531	532	2.04%	2.07%	2.19%	2.18%	2.13%	218.63	232.68	258.58	267.43	270.37	Latvia
518	563	601	645	710	1.55%	1.61%	1.64%	1.73%	1.84%	173.37	190.48	204.93	222.06	247.24	Lithuania
114	117	124	134	142	1.50%	1.43%	1.45%	1.48%	1.44%	55.31	56.61	59.99	64.91	68.43	Macedonia
67	73	72	77	80	2.10%	2.16%	2.09%	2.12%	2.15%	107.76	117.19	116.43	123.69	128.64	Montenegro
15,323	13,952	12,886	12,860	12,667	3.84%	3.49%	3.19%	3.05%	3.04%	402.55	366.56	338.96	338.37	333.63	Poland
1,838	1,806	1,760	1,920	2,090	1.38%	1.25%	1.17%	1.20%	1.24%	91.47	90.22	88.22	96.63	105.79	Romania
540	559	574	665	722	1.71%	1.65%	1.78%	2.00%	2.12%	75.06	77.94	80.45	93.90	102.82	Serbia
2,036.37	2,081.90	2,105.55	2,019.80	1,987.25	2.80%	2.81%	2.77%	2.57%	2.45%	376.83	384.75	388.77	372.59	366.25	Slovak Republic
2,054	1,978	1,938	2,004	2,033	5.71%	5.51%	5.19%	5.19%	5.11%	999.53	960.44	940.10	971.22	985.15	Slovenia
32,796	31,254	30,191	30,814	31,314	2.90%	2.74%	2.59%	2.52%	2.50%	267.92	255.80	247.68	253.34	258.20	CEE Region
830	772	727	745	764	4.26%	4.26%	4.14%	4.22%	4.27%	962.88	891.45	847.38	879.19	901.03	Cyprus
4,410	4,012	3,966	3,617	3,784	2.31%	2.22%	2.23%	2.06%	2.16%	397.80	364.63	362.93	333.13	348.68	Greece
8,414	8,242	9,176	9,727	10,894	1.26%	1.34%	1.27%	1.33%	1.56%	111.25	107.51	118.10	123.53	136.48	Turkey
13,654	13,027	13,869	14,089	15,441	1.56%	1.60%	1.51%	1.52%	1.73%	155.91	147.13	154.99	155.77	168.73	SEE Region
67	62	52	59	64	0.83%	0.76%	0.62%	0.62%	0.65%	22.47	20.70	17.44	19.83	21.48	Armenia
330	376	451	260	261	0.63%	0.70%	0.73%	0.81%	0.81%	35.90	40.60	48.25	27.59	27.47	Azerbaijan
383	508	505	405	475	0.79%	0.99%	0.90%	0.92%	1.00%	40.41	53.68	53.38	42.75	50.04	Belarus
236	197	134	137	141	1.97%	1.75%	1.04%	1.13%	1.17%	61.55	52.12	35.81	36.96	38.01	Georgia
1,191	1,322	1,199	776	1,013	0.77%	0.78%	0.67%	0.71%	0.78%	70.43	77.04	68.82	43.90	56.43	Kazakhstan
13	14	14	12	16	0.27%	0.27%	0.25%	0.23%	0.25%	2.37	2.47	2.41	2.01	2.59	Kyrgyzstan
68	67	63	57	64	1.23%	1.19%	1.07%	1.00%	1.00%	19.13	18.75	17.82	16.09	18.16	Moldova
20,112	20,122	14,453	12,846	18,502	1.21%	1.27%	1.25%	1.23%	1.37%	140.36	140.35	100.77	89.55	128.99	Russia
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Tajikistan
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Turkmenistan
2,041	2,596	1,392	1,134	1,237	1.53%	1.96%	1.69%	1.50%	1.48%	44.99	57.37	32.55	26.62	29.11	Ukraine
109	112	147	179	203	0.30%	0.28%	0.30%	0.32%	0.35%	3.67	3.69	4.80	5.79	6.46	Uzbekistan
24,550	25,376	18,410	15,867	21,976	1.14%	1.21%	1.11%	1.11%	1.24%	86.70	89.28	65.10	55.92	77.19	CIS Region
71,000	69,656	62,470	60,770	68,731	1.71%	1.72%	1.67%	1.70%	1.76%	143.98	140.74	126.41	122.56	138.16	CEE+SEE+CIS

region was of 1.62% y-o-y, significantly lower than the overall economic growth. Yet, one should note that the figure is affected by the currency effects which in some cases have altered visibly the market results when denominated in European currency. For example, it is enough to consider the Polish example: in the largest CEE market, accounting for about 40% of the regional GWP, the almost 4% devaluation of the local currency has pulled the modest positive market growth rate calculated in local currency, of 2.25%, in negative territory when translated in Euro, to (minus) 1.5%. In other countries, as

**1.62%**

y-o-y GWP growth in the CEE in 2016

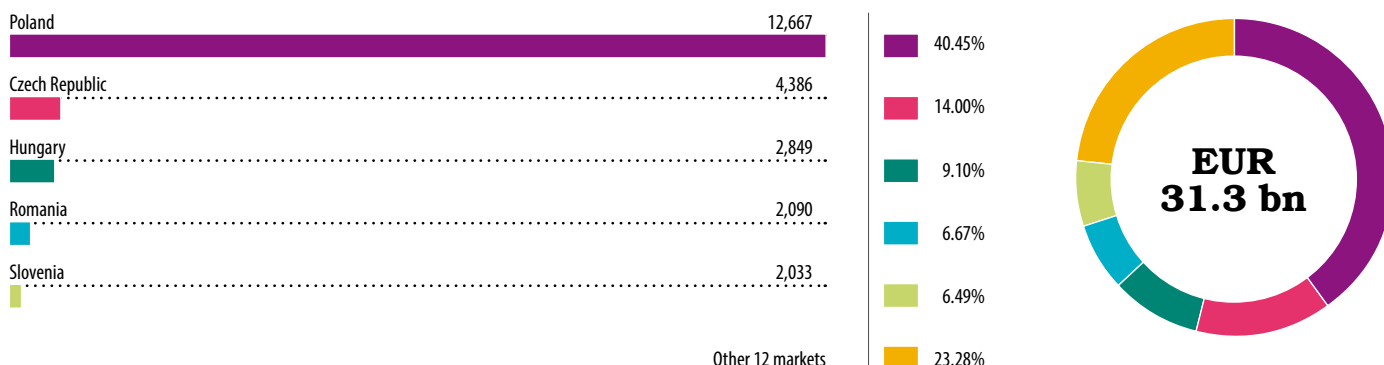
Albania or Croatia, the national currencies' strengthening resulted in higher growth rates for the market results denominated in Euro.

According to XPRIMM estimations, the nominal regional average dynamic, excluding the currency effects, may be at its best, is in line with the average economical growth rate, meaning that the regional insurance penetration didn't improve. Yet, there were a few exceptions. Among the most relevant markets in the region, in GWP terms, Romania and Hungary recorded the highest growth rates, in both cases mostly driven by the increasing tariffs for the MTPL insurance. Lithuania, on the other hand seems to have benefited from the interest that lately insurers have manifested for establishing in this country

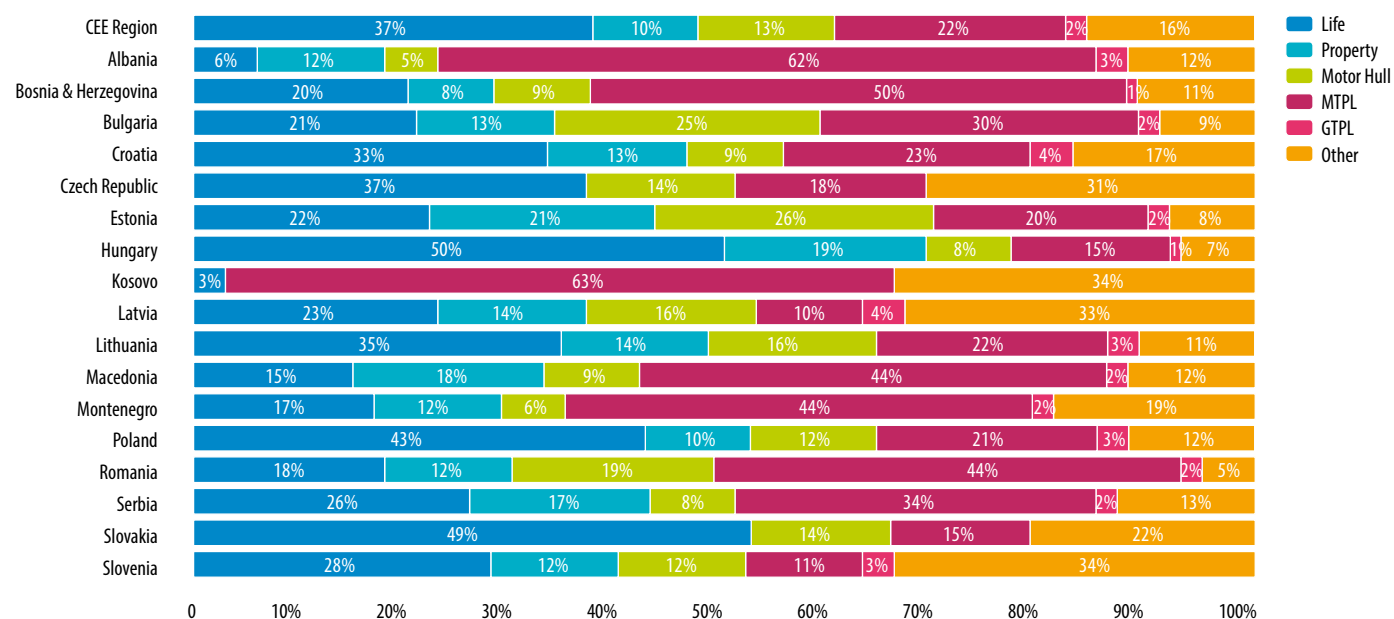
# CEE - OVERALL MARKET DATA

Country	GWP		Change	Claims		Change	Regional market share	
	2016	2015		2016	2015		2016	2015
	EUR m.	EUR m.	%	EUR m.	EUR m.	%	%	%
Albania	114.22	102.62	11.31	31.62	26.50	19.32	0.36	0.33
Bosnia & Herzegovina	324.19	304.63	6.42	125.51	129.32	-2.95	1.04	0.99
Bulgaria	1,048.49	1,004.34	4.40	526.22	525.27	0.18	3.35	3.26
Croatia	1,159.09	1,142.56	1.45	629.54	601.09	4.73	3.70	3.71
Czech Republic	4,385.73	4,294.70	2.12	na	na	-	14.00	13.94
Estonia	388.00	361.24	7.41	231.84	206.94	12.03	1.24	1.17
Hungary	2,848.73	2,668.08	6.77	1,723.88	1,636.92	5.31	9.10	8.66
Kosovo	83.84	81.47	2.91	36.87	36.97	-0.27	0.27	0.26
Latvia	532.36	531.12	0.23	313.54	310.61	0.94	1.70	1.72
Lithuania	709.84	645.09	10.04	372.79	331.88	12.33	2.27	2.09
Macedonia	141.86	134.42	5.53	58.65	51.69	13.46	0.45	0.44
Montenegro	80.14	76.93	4.17	34.18	30.01	13.89	0.26	0.25
Poland	12,667.08	12,860.17	-1.50	8,290.54	8,176.89	1.39	40.45	41.73
Romania	2,090.35	1,920.12	8.87	961.42	1,010.07	-4.82	6.67	6.23
Serbia	721.93	665.37	8.50	270.37	252.56	7.05	2.31	2.16
Slovak Republic	1,987.25	2,019.80	-1.61	na	na	-	6.35	6.55
Slovenia	2,033.34	2,003.62	1.48	1,357.01	1,364.87	-0.58	6.49	6.50
Total CEE	31,316.44	30,816.28	1.62	14,963.97	14,691.59	1.85	100.00	100.00

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



## CEE GWP portfolio per countries





their operation base for the Baltic region. At the other end of the list, Poland continued to record a significant decrease in the life insurance GWP which couldn't be offset by the positive dynamic in the non-life segment, leading to an overall negative change in GWP.

## EUR 31.3 billion

Total premiums written in the CEE in 2016

Overall, 2016 brought some interesting changes in the regional market GWP portfolio: life insurance lost about 4.5pp of its weight while on the non-life side, property insurance's share decrease by about 3pp; on the other hand, motor insurance lines gained extra weight: the Motor Hull line's weight went up by 1.5pp and the MTPL line saw its portfolio share increasing by almost 4pp. It is worth noting that the portfolio share held by the here nominated "other lines" also went up by about 6pp, indicating an attempt of diversification. Among the "other" lines of business not presented here in detail, empirical evidence shows that the travel insurance one seems to have gained an increased importance in several markets.

### Life insurance

The life insurance segment saw in many of the regional big markets a poor dynamic. In Poland, the largest specialty market in the region, accounting for almost half of the regional GWP, life insurance lines providing for products with an investment component are responsible for the segment's decrease in premiums volume.

## EUR 258

Per capita annual insurance expenses in the CEE

According to the market representatives, the new legislation introduced since the beginning of 2016 led to decreasing sales, but at the same time facilitated a better informed choice of services, which in the long run may help to create a more stable portfolio. As a result of the double digit decrease in GWP, the Polish life insurance segment's weight in the regional portfolio went down by about 5pp.

A less spectacular negative change in the life insurance GWP was recorded also in the Czech Republic where single paid premiums life insurance contracts saw the most visible fall in business volume, with premiums decreasing by about 24%. Yet, as the line's weight in the life insurance business volume is very small, the overall effect was less dramatic.

Among the small markets, only Albania saw a decrease in the life insurance premiums, while on the contrary, Serbia and Macedonia have recorded double digit positive growth rates. In both cases, the products diversification played an important role; the pure endowment life insurance line, as well as the newly introduced Unit-Linked insurance products saw an increasing popularity. In addition, the developing bancassurance distribution supported growth, allowing for a better visibility of the life insurance offer.

## Hungary

has the highest share of life insurance (50%) in the market GWP

Yet, it is worth noting that the persistence of the low yield environment remains the main challenge for insurers, especially for those managing a relevant portfolio of policies with a guaranteed return. In fact, in many cases, the market players themselves showed a clear tendency to restrain their efforts put in the traditional products sales, giving a clear preference to the saving products lines for which the investment risks is at least shared, if not fully beard by the policy owners. In Croatia and Bulgaria, for example, the UL life insurance business doubled in volume as compared with the previous year.

### Non-life insurance

The non-life insurance segment saw, with only one exception, a positive trend across the region, remaining almost everywhere under the motor insurance lines reign. Not by chance, the best growth rates were recorded in the markets where the motor insurance lines, especially the MTPL one, performed very well, as Poland, Hungary or Romania. As the further pages will show, the main reason of the motor GWP growth in these countries was the substantial increase in the MTPL tariffs.

MTPL insurance accounts for

## 22%

in the CEE regional portfolio

Non-life claims also grew, more or less in line with the premiums increase. Yet, besides the natural growth related to the higher business volume, some countries of the Central Europe and of the Adriatic region have also been challenged by several rounds of extreme weather related events which, although not of catastrophic size, have produced significant losses.

### In search for growth and financial strength

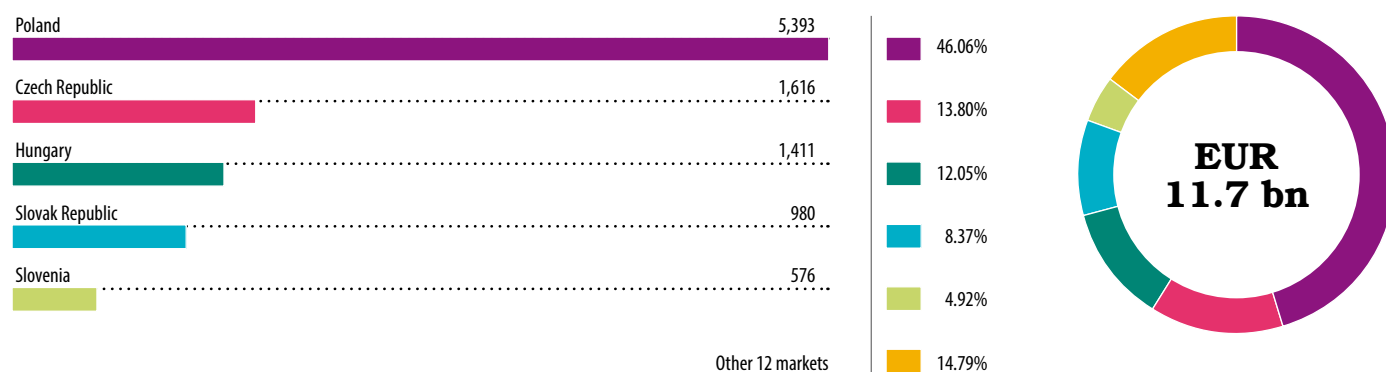
Introduction of the Solvency II regime definitely was the most important challenge: a bunch of new rules, as well as the increased capital requirements put a strong pressure of the local players, many of them needing to put a lot of effort to comply with the new requirements. Still, it is worth saying that all the EU markets in the region coped well with the new requirements, demonstrating that despite all difficulties the markets are resilient and financially sound.

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

## CEE - LIFE INSURANCE

Country	GWP			Change	Claims			Change	Weight in all GWP	
	2016	2015	%		2016	2015	%		2016	2015
	EUR m.	EUR m.			EUR m.	EUR m.			%	%
Albania	7.23	7.48	-3.38	1.35	1.37	-1.75	6.33	7.29		
Bosnia & Herzegovina	66.09	63.16	4.64	24.01	21.90	9.63	20.39	20.73		
Bulgaria	219.03	200.05	9.49	88.33	79.07	11.71	20.89	19.92		
Croatia	386.09	384.31	0.46	241.79	215.88	12.00	33.31	33.64		
Czech Republic	1,615.90	1,645.28	-1.79	na	na	-	36.84	38.31		
Estonia	85.65	82.44	3.90	54.89	45.61	20.34	22.07	22.82		
Hungary	1,411.09	1,363.71	3.47	1,094.84	1,048.78	4.39	49.53	51.11		
Kosovo	2.60	2.70	-3.70	na	na	-	3.10	3.31		
Latvia	123.71	114.94	7.62	73.16	63.04	16.05	23.24	21.64		
Lithuania	246.72	235.96	4.56	113.83	96.71	17.71	34.76	36.58		
Macedonia	21.01	17.87	17.54	3.37	2.07	62.85	14.81	13.30		
Montenegro	13.68	12.93	5.81	3.96	4.18	-5.17	17.07	16.80		
Poland	5,392.56	6,459.04	-16.51	4,132.97	4,542.46	-9.01	42.57	50.23		
Romania	371.84	354.89	4.77	159.50	161.11	-1.00	17.79	18.48		
Serbia	187.31	159.21	17.65	52.07	41.66	24.97	25.95	23.93		
Slovak Republic	980.16	1,054.49	-7.05	na	na	-	49.32	52.21		
Slovenia	575.97	594.19	-3.07	406.88	425.23	-4.32	28.33	29.66		
Total CEE	11,706.63	12,752.65	-8.20	6,450.96	6,749.09	-4.42	37.38	41.38		

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



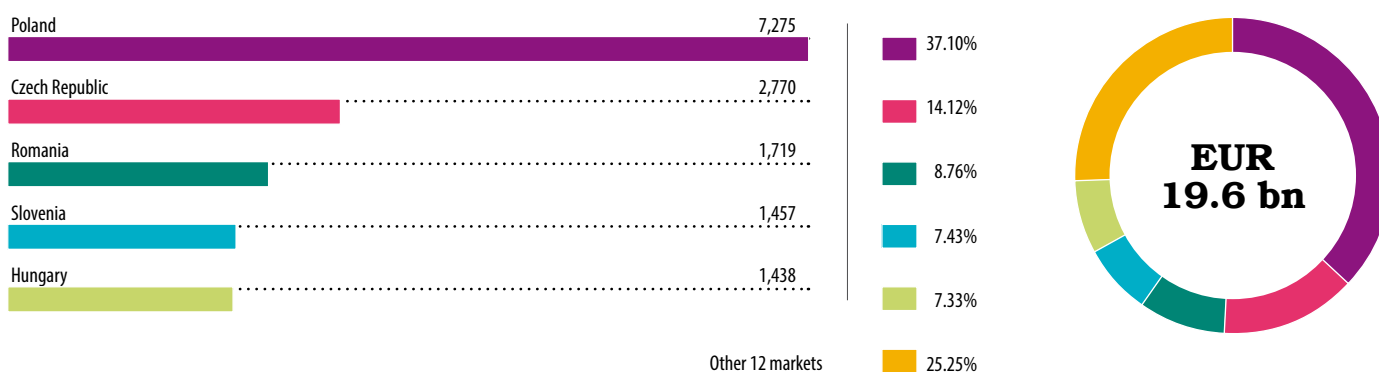
## CEE - LIFE UNIT-LINKED INSURANCE

Country	GWP			Change	Claims			Change	Weight in all GWP	
	2016	2015	%		2016	2015	%		2016	2015
	EUR m.	EUR m.			EUR m.	EUR m.			%	%
Albania	-	-	-	-	-	-	-	-	-	
Bosnia & Herzegovina	-	-	-	-	-	-	-	-	-	
Bulgaria	29.83	13.81	116.04	11.08	7.32	51.32	2.84	1.37		
Croatia	64.17	31.60	103.08	16.11	22.71	-29.08	5.54	2.77		
Czech Republic	na	na	-	na	na	-	-	-		
Estonia	29.06	31.87	-8.82	29.08	22.90	27.00	7.49	8.82		
Hungary	746.08	851.69	-12.40	633.38	607.56	4.25	26.19	31.92		
Kosovo	-	-	-	-	-	-	-	-		
Latvia	44.86	43.21	3.81	20.51	17.10	19.96	8.43	8.14		
Lithuania	156.59	170.18	-7.98	74.85	64.67	15.74	22.06	26.38		
Macedonia	-	-	-	-	-	-	-	-		
Montenegro	-	-	-	-	-	-	-	-		
Poland	2,333.89	3,147.15	-25.84	2,169.93	2,243.91	-3.30	18.42	24.47		
Romania	105.54	128.96	-18.16	na	na	-	5.05	6.72		
Serbia	-	-	-	-	-	-	-	-		
Slovak Republic	na	na	-	na	na	-	-	-		
Slovenia	299.51	315.07	-4.94	199.66	203.63	-1.95	14.73	15.72		
Total CEE	3,809.53	4,733.53	-19.52	3,154.59	3,189.80	-1.10	12.16	15.36		

# CEE – NON-LIFE INSURANCE

Country	GWP			Change	Claims			Change	Weight in all GWP	
	2016	2015	%		2016	2015	%		2016	2015
	EUR m.	EUR m.			EUR m.	EUR m.			%	%
Albania	106.99	95.14	12.46	30.27	25.13	20.47	93.67	92.71		
Bosnia & Herzegovina	258.10	241.47	6.89	101.49	107.41	-5.51	79.61	79.27		
Bulgaria	829.45	804.29	3.13	437.89	446.20	-1.86	79.11	80.08		
Croatia	773.00	758.25	1.95	387.75	385.22	0.66	66.69	66.36		
Czech Republic	2,769.83	2,649.42	4.54	na	na	-	63.16	61.69		
Estonia	302.35	278.81	8.45	176.95	161.32	9.69	77.93	77.18		
Hungary	1,437.64	1,304.37	10.22	629.04	588.13	6.96	50.47	48.89		
Kosovo	81.24	78.77	3.13	36.87	36.97	-0.27	96.90	96.69		
Latvia	408.65	416.18	-1.81	240.38	247.57	-2.90	76.76	78.36		
Lithuania	463.12	409.14	13.19	258.95	235.17	10.11	65.24	63.42		
Macedonia	120.85	116.55	3.69	55.28	49.62	11.40	85.19	86.70		
Montenegro	66.46	64.01	3.84	30.22	25.83	16.98	82.93	83.20		
Poland	7,274.52	6,401.13	13.64	4,157.56	3,634.43	14.39	57.43	49.77		
Romania	1,718.51	1,565.22	9.79	801.92	848.96	-5.54	82.21	81.52		
Serbia	534.62	506.15	5.62	218.30	210.90	3.51	74.05	76.07		
Slovak Republic	1,007.09	965.32	4.33	na	na	-	50.68	47.79		
Slovenia	1,457.38	1,409.44	3.40	950.14	939.64	1.12	71.67	70.34		
Total CEE	19,609.81	18,063.63	8.56	8,513.01	7,942.50	7.18	62.62	58.62		

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



process, a trend that began to be visible in the region. 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. CROATIA Osiguranje took steps to increase its presence in the region, particularly in the Slovene market. AXA sold its subsidiaries from Serbia and Romania, but made a new acquisition in Poland, further intending to merge all its Polish units in one, AXA Direct. ERGO Group has bought the Romanian CREDIT EUROPE Asigurari and finalized the acquisition of the Greek ATE Insurance. The

Bulgarian EUROINS Insurance Group (EIG) made several acquisitions in Ukraine and Bulgaria and is planning to open a Greek branch, while looking for acquisitions in key central European markets, like the Czech Republic and Poland, with the final goal of becoming a leading insurer in Eastern Europe. After several acquisitions in the banking field, the PZU Group is now tuning its attention again towards the expansion in the European insurance market, also looking for potential takeovers. The Slovenian SAVA Group has successfully completed the merger of its four EU-based insurers and will continue its integration process, also exploring new opportunities for growth through acquisitions – primarily in the Western Balkans. The Austrian VIG group also made several acquisitions in 2016 – the BTA Baltic Insurance Company

(BTA Baltic), headquartered in Latvia and operating through branch offices in Lithuania and Estonia and the AXA subsidiaries from Serbia and Romania. Recently, VIG announced it will merge its Hungarian units. The trend seems to also continue in 2017.

<sup>14</sup>Labour shortages in Central and Eastern Europe countries: a growing concern for businesses”, COFACE Economic Publications Panorama, May 2017





# Getting increased relevance

Motor insurance not only remained the main non-life insurance business segment of the CEE market, but even saw its weight in the regional portfolio increasing, both for the Motor Hull and MTPL classes.

Two were the most important factors supporting the motor insurance lines' growth: the increasing sales of passenger cars and commercial vehicles across the region and the prices augmenting trend.

According to the ACEA (European Automobile Manufacturers Association) statistics, the number of newly registered vehicles in the 11 EU member countries belonging to the CEE area was of 1,365,475 units in 2016, of which 1,147,359 passenger cars. The figures show a visible increase in the car sales, of 15.8% for the passenger cars and almost 10% for the commercial vehicles.

The increasing sales of new vehicles served as a catalyst for the Motor Hull policies' sales, but was not the only growth driver. For example:

▶▶ In Hungary, the number of Motor Hull policies grew y-o-y by 6.4%, while the GWP volume for this line of business went up by 7.1% (nominal terms, local currency)

▶▶ In Poland, while the number of Motor Hull policies increased by 8%, the GWP volume went up by 19.4% (nominal terms, local currency)

Both examples suggest that an increase in the policy prices also took place, probably at least in part fueled by the increasing share of new vehicles in the national insurable fleet.

On the MTPL side, there is no doubt that the main growth driver was the tariffs' increase, as the most relevant examples show:

▶▶ In Hungary, the number of MTPL policies grew y-o-y by 9.97%, to a total of 4,894,367 units, while the GWP volume for this line of business went up by 36.5% (nominal terms, local currency)

▶▶ In Poland, while the number of MTPL policies increased by 12.57%, to 25.214 million, the GWP volume went up by 39.07% (nominal terms, local currency)

▶▶ In Romania, the number of MTPL policies increased by 5.06%, to 4.98 million while GWP volume went up by 26% (nominal terms, local currency)

On the paid claims side, it should be said that although insurers' expenses with claim increased as compared with the previous year, there were no exceptional peaks, except maybe for some imbalances created in the countries which saw their currency weakening, thus the prices of spare parts increasing. In fact, there are examples across the region of markets where paid claims recorded a downsize trend as compared with the previous years. It should be stressed out that, in what the Romanian market is concerned, the negative trend in the claims paid for MTPL is more a "formal" one, considering that claims pertaining the policies issued by ASTRA and CARPATICA, gone bankrupt, were transferred to the Guarantee Fund, thus are no longer added to the regular market figures.

However, problems raised by the bodily injury claims are still of actuality in most markets, although some progress has been made in achieving a more predictable environments in what this matter is concerned.

## Challenging the Green Card system

For tourism or commercial purposes, there are many CEE-registered vehicles on the European roads. The big number of accidents produced by these vehicles insured in the CEE countries represents one of the most serious challenges facing the Green Card system in preserving its financial stability. Globally, the system records daily over 1,000 cross-border road accidents<sup>1</sup>, of which 43% are produced by vehicles registered in CEE countries, even if the total size of the auto fleet in this region represents a lower percentage, only 13-14% of the total number of vehicles registered in Europe. Moreover, the majority of these accidents are produced in countries in which the damages limits are very high, such as Germany, Italy, Great Britain, etc. Over 28% of the online

warranty requests issued by the Green Card system (OGS - Online Guarantee Calls) - 34% -, are addressed to the offices in the CEE countries. The growth rate of these warranties, in terms of files as well as total value, is much higher than the average at the system level.

On the contrary, only 16% of the accidents administered through the system are produced on the CEE roads by vehicles registered in other European countries.

The significance of the above figures need to be judged in the context in which in the majority of the CEE countries the cross-border exposure is included in the MTPL premiums, and the MTPL market is a very competitive one, exerting a strong pressure on the prices and thus many times leading to underpriced insurance premiums in comparison to the real exposure. It is enough to take into consideration the example of the commercial trucks operating globally. Given the lower registration and insurance costs in the CEE countries, diverse economic operators in the professional road transportation field chose to open local branches, registering fleets of hundreds of commercial vehicles in CEE countries such as Romania, Bulgaria or Croatia. Thus, the trucks traveling on their domestic territories maybe only when their obligatory technical check is due, charge „the bill" for the damages paid through the Green Card system with important amounts, under the conditions in which insurance is paid at low levels. Similarly, but with a diminished impact, there is also an important number of personal use vehicles registered, by means of different legal shams, in CEE countries at lower costs, but traveling constantly in countries with very high damage limits, where their owners have their real residence. The example of the hundreds of cars registered by Italian or Spanish owners in Romania or in Bulgaria is telling. The damages paid by these in their own countries fall onto the Green Card system – maybe not by chance, for example 30% of the damages produced abroad by cars registered in Romania occur in Italy -, while the insurers in the countries where the cars are registered cash the premiums

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## CEE - MTPL INSURANCE

Country	GWP			Change	Claims			Change	Weight in all GWP	
	2016	2015	%		2016	2015	%		2016	2015
	EUR m.	EUR m.			EUR m.	EUR m.			%	%
Albania	70.32	61.74	13.89	16.52	13.48	22.55	61.56	60.17		
Bosnia & Herzegovina	163.18	148.61	9.81	53.87	48.65	10.73	50.34	48.78		
Bulgaria	317.49	301.77	5.21	191.98	169.31	13.39	30.28	30.05		
Croatia	270.28	275.26	-1.81	139.89	131.93	6.04	23.32	24.09		
Czech Republic	777.36	757.48	2.62	na	na	-	17.72	17.64		
Estonia	79.00	71.02	11.24	51.89	48.38	7.26	20.36	19.66		
Hungary	422.75	307.62	37.42	263.71	208.47	26.50	14.84	11.53		
Kosovo	52.40	53.31	-1.70	22.75	23.96	-5.06	62.50	65.43		
Latvia	53.19	56.55	-5.93	41.99	39.40	6.57	9.99	10.65		
Lithuania	155.97	136.01	14.67	99.52	87.74	13.43	21.97	21.08		
Macedonia	62.73	59.94	4.67	5.79	25.05	-76.89	44.22	44.59		
Montenegro	35.23	32.89	7.13	12.51	11.60	7.87	43.97	42.75		
Poland	2,634.41	1,966.60	33.96	1,803.78	1,638.53	10.08	20.80	15.29		
Romania	922.81	739.90	24.72	435.90	456.64	-4.54	44.15	38.53		
Serbia	245.14	238.50	2.79	73.76	66.95	10.17	33.96	35.84		
Slovak Republic*	290.00	270.56	7.18	na	na	-	14.59	13.40		
Slovenia	225.63	220.51	2.32	141.09	136.71	3.20	11.10	11.01		
Total CEE	6,777.90	5,698.26	18.95	3,354.96	3,106.81	7.99	21.64	18.49		

\*estimates for FY2016

## CEE - MOTOR HULL INSURANCE

Country	GWP			Change	Claims			Change	Weight in all GWP	
	2016	2015	%		2016	2015	%		2016	2015
	EUR m.	EUR m.			EUR m.	EUR m.			%	%
Albania	5.37	4.20	27.76	2.97	2.52	18.08	4.70	4.10		
Bosnia & Herzegovina	29.43	28.57	3.01	21.61	21.31	1.40	9.08	9.38		
Bulgaria	261.62	247.58	5.67	171.57	186.30	-7.90	24.95	24.65		
Croatia	106.36	93.54	13.69	75.48	75.04	0.59	9.18	8.19		
Czech Republic	623.93	569.65	9.53	na	na	-	14.23	13.26		
Estonia	101.95	95.61	6.63	69.49	64.68	7.44	26.28	26.47		
Hungary	231.22	214.46	7.82	133.41	119.80	11.36	8.12	8.04		
Kosovo	na	na	-	na	na	-	-	-		
Latvia	87.30	90.10	-3.10	59.85	63.22	-5.33	16.40	16.96		
Lithuania	112.58	95.40	18.00	80.96	70.68	14.55	15.86	14.79		
Macedonia	12.34	11.25	9.66	1.71	6.07	-71.91	8.70	8.37		
Montenegro	5.08	5.04	0.68	3.55	3.06	15.86	6.34	6.56		
Poland	1,484.21	1,290.44	15.02	949.37	907.59	4.60	11.72	10.03		
Romania	391.04	379.66	3.00	253.96	280.16	-9.35	18.71	19.77		
Serbia	56.02	51.21	9.38	40.47	36.04	12.27	7.76	7.70		
Slovak Republic*	270.00	256.71	5.18	na	na	-	13.59	12.71		
Slovenia	234.49	221.44	5.89	172.28	163.49	5.37	11.53	11.05		
Total CEE	4,012.92	3,654.88	9.80	2,036.68	1,999.97	1.84	12.81	11.86		

\*estimates for FY2016

based on the risk profile of a domestic car, at a price level specific to the market, but they are bound to pay „international“ damages produced in countries with significantly higher damages limits. The result of this situation, even if not at the necessary magnitude to affect a company's financial stability, certainly has a negative impact on the profitability.

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Finally, it is worth saying a few words about the penetration of new technologies in the CEE motor insurance markets. Although they definitely may be of help in efficiency terms, new technologies as Telematics of IoT 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. The good news, in this context, is that the current technological delay recorded in comparison with the mature markets will offer the necessary time to learn from the latter's experience. On the other hand, the social and political acceptance level of a price scheme in which the values will vary between extremes very far apart for different categories of car drivers, could pose some problems, especially that the auto segment will continue to offer the most consistent part of the business figure on the insurance markets in the region.

However, the Usage-Based insurance services have made the first steps in CEE lately, as the telematic technologies recording a series of first initiatives in Hungary, the Czech Republic, Slovakia,

or Slovenia. In the near future though a major progress is not expected, according to the regional specialists. Most likely the technological upgrading will remain at a relatively small scale even in a pilot phase in terms of premiums written.

On a longer term, which at the current advancement pace of the digital technologies, is not measured in decades anymore, the implementation of the new technologies will become an inevitable phase.

<sup>1</sup>Data were presented by Hayk ZAYIMTSYAN, Risk & Monitoring Manager, Council of Bureaux, on the occasion of the IIF 2017 – **New challenges for the CEE motor insurance industry** conference, in Vienna, February 2017





Property insurance in the CEE

# No visible progress

Property insurance business in the CEE recorded in 2016 a rather mediocre year, with the overall premium production remaining quasi unchanged as compared with the previous year. In fact, most of the markets in the region posted negative growth rates. The only few exceptions were: Croatia, Estonia, Hungary, Lithuania, Serbia and Slovenia.

In many of the CEE markets, property insurance is intimately linked to the bank lending activity, more precisely to the loans for housing purchase or to the mortgage dynamics. Tightening lending conditions in many areas of the region have resulted

in a poor dynamic also for the housing insurance.

As far as the paid claims are concerned, most markets saw a rather “calm” year in 2016, little challenged by extreme weather events. Yet, there were several rounds of mass loss events - the largest being the summer storms with hail and the April frost and local flooding in Slovenia and the surrounding areas. Storms, hail and flooding also affected Poland during the summer and, after that, in October. On the other hand, Estonia, which also saw a double digit growth of the claims paid for property insurance, was confronted

with numerous property fires, causing significant losses.

Overall, the property insurance segment's status remains almost the same as in the past years – with only few countries showing a reasonable good coverage of the property risks on the retails side – especially on what the nat cat risks are concerned -, and with a rather modest penetration of the agricultural insurance. Although in the last years reducing the property insurance deficit a topic was often brought into attention, up to this moment no relevant progress was made.

(D.G.)

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

Country	GWP			Change	Claims			Change	Weight in all GWP	
	2016 EUR m.	2015 EUR m.	%		2016 EUR m.	2015 EUR m.	%		2016 %	2015 %
Albania	13.91	13.94	-0.18	6.46	4.80	34.37	12.18	13.58		
Bosnia & Herzegovina	27.17	29.77	-8.75	12.05	24.14	-50.07	8.38	9.77		
Bulgaria	139.61	151.01	-7.55	39.39	53.32	-26.12	13.32	15.04		
Croatia	153.75	152.48	0.83	81.26	78.37	3.68	13.26	13.35		
Czech Republic	na	na	-	na	na	-	-	-		
Estonia	79.64	73.45	8.42	40.07	31.87	25.72	20.52	20.33		
Hungary	542.53	512.95	5.77	175.02	189.76	-7.77	19.04	19.23		
Kosovo	na	na	-	na	na	-	-	-		
Latvia	75.61	84.34	-10.35	38.95	39.25	-0.76	14.20	15.88		
Lithuania	97.65	89.05	9.66	44.18	32.84	34.52	13.76	13.80		
Macedonia	25.29	26.65	-5.08	7.49	10.33	-27.47	17.83	19.82		
Montenegro	9.91	10.44	-5.02	2.24	2.31	-3.11	12.37	13.57		
Poland	1,249.16	1,264.80	-1.24	641.88	546.97	17.35	9.86	9.84		
Romania*	246.21	253.96	-3.05	43.53	41.14	5.80	11.78	13.23		
Serbia	126.33	121.26	4.17	58.86	66.71	-11.77	17.50	18.23		
Slovak Republic	na	na	-	na	na	-	-	-		
Slovenia	244.54	234.71	4.19	108.01	111.79	-3.38	12.03	11.71		
Total CEE	3,031.29	3,018.82	0.41	1,299.40	1,233.61	5.33	9.68	9.80		

\* only fire and allied perils claims

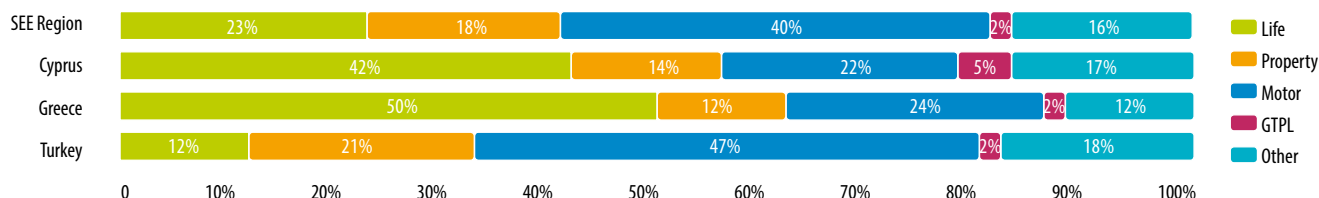
## CEE – GTPL INSURANCE

Country	GWP			Change	Claims			Change	Weight in all GWP	
	2016 EUR m.	2015 EUR m.	%		2016 EUR m.	2015 EUR m.	%		2016 %	2015 %
Albania	3.24	3.39	-4.44	0.61	0.00	13,802	2.83	3.30		
Bosnia & Herzegovina	3.74	3.69	1.58	0.77	0.58	32.96	1.16	1.21		
Bulgaria	20.57	19.16	7.33	3.39	6.17	-45.08	1.96	1.91		
Croatia	45.80	49.38	-7.26	17.14	15.84	8.22	3.95	4.32		
Czech Republic	na	na	-	na	na	-	-	-		
Estonia	9.23	8.71	6.00	2.71	3.44	-21.04	2.38	2.41		
Hungary	38.25	71.49	-46.50	5.49	12.80	-57.11	1.34	2.68		
Kosovo	na	na	-	na	na	-	-	-		
Latvia	19.03	21.10	-9.81	4.17	3.49	19.37	3.57	3.97		
Lithuania	20.01	19.82	0.96	4.01	3.04	32.03	2.82	3.07		
Macedonia	3.26	3.12	4.44	0.38	1.51	-74.92	2.30	2.32		
Montenegro	1.27	1.31	-3.03	0.12	0.27	-53.87	1.58	1.70		
Poland	420.33	471.46	-10.84	197.56	180.35	9.54	3.32	3.67		
Romania	50.64	64.40	-21.36	na	na	-	2.42	3.35		
Serbia	15.57	12.27	26.92	3.99	2.55	56.54	2.16	1.84		
Slovak Republic	na	na	-	na	na	-	-	-		
Slovenia	67.60	61.56	9.81	20.26	22.65	-10.52	3.32	3.07		
Total CEE	718.53	810.85	-11.38	260.61	252.68	3.14	2.29	2.63		

## SEE - OVERALL MARKET DATA

Country	GWP			Change	Claims			Change	Regional market share	
	2016	2015			2016	2015			2016	2015
	EUR m.	EUR m.	%	EUR m.	EUR m.	%	%	%	%	
Cyprus	764.07	744.67	2.61	472.53	456.26	3.56	4.95	5.29		
Greece	3,783.52	3,617.13	4.60	NA	NA	-	24.50	25.67		
Turkey	10,893.50	9,727.21	11.99	4,876.66	4,919.91	-0.88	70.55	69.04		
Total SEE	15,441.10	14,089.01	9.60	NA	NA	-	100.00	100.00		

## SEE GWP portfolio per countries (%)

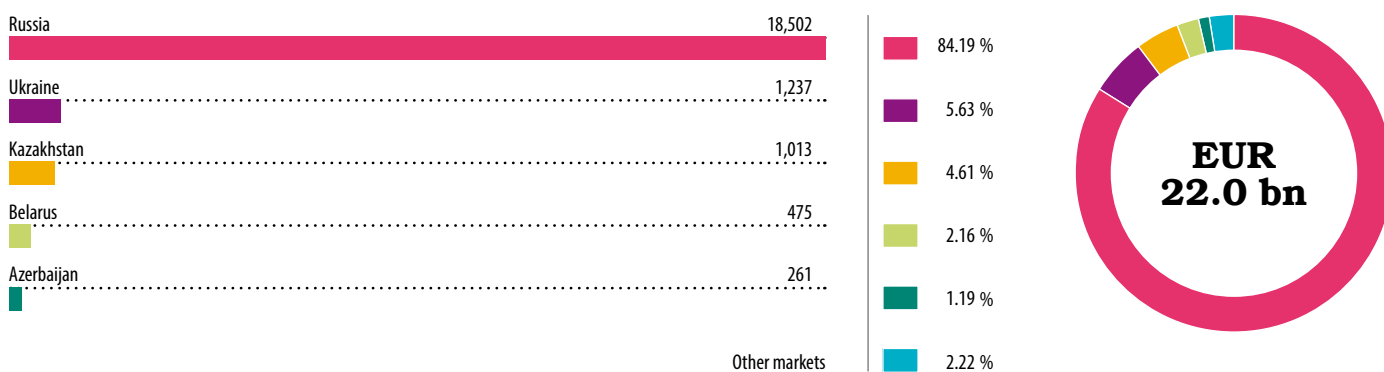


## CIS - OVERALL MARKET DATA

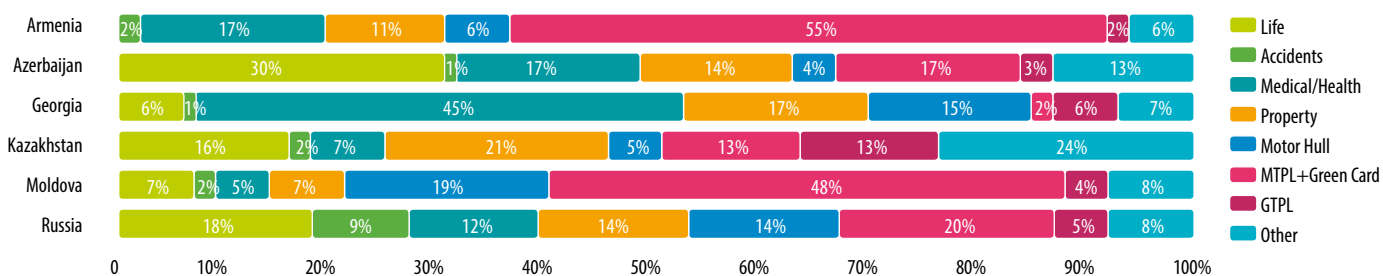
Country	GWP			Change	Claims			Change	Regional market share	
	2016	2015			2016	2015			2016	2015
	EUR m.	EUR m.	%	EUR m.	EUR m.	%	%	%		
Armenia	64.26	59.30	8.36	27.77	25.66	8.23	0.29	0.37		
Azerbaijan	260.71	259.83	0.34	127.25	105.74	20.35	1.19	1.64		
Belarus	475.27	405.28	17.27	262.78	232.83	12.86	2.16	2.55		
Georgia	140.67	137.49	2.31	82.99	80.45	3.15	0.64	0.87		
Kazakhstan	1,012.72	776.37	30.44	275.47	222.97	23.54	4.61	4.89		
Kyrgyzstan*	15.79	12.13	30.20	NA	NA	-	0.07	0.08		
Moldova	64.48	57.19	12.76	24.46	18.00	35.93	0.29	0.36		
Russia	18,501.98	12,846.36	44.03	7,926.37	6,389.40	24.05	84.19	80.96		
Tajikistan	NA	NA	-	NA	NA	-	-	-		
Turkmenistan	NA	NA	-	NA	NA	-	-	-		
Ukraine	1,237.41	1,133.96	9.12	311.00	308.91	0.68	5.63	7.15		
Uzbekistan	202.56	179.41	12.91	38.17	36.11	5.70	0.92	1.13		
Total CIS	21,975.85	15,867.31	38.50	9,076.26	7,420.06	22.32	100.00	100.00		

\* XPRIMM estimates for FY2016

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



## CIS GWP portfolio on selected countries (%)



# MARKET LEADING EXPERTISE

At JLT Re, our trusted team combines market leading expertise and proprietary analytical tools with the freedom to challenge conventions. We create new insights and explore innovative capital solutions tailored to meet client needs.



Despite prevailing soft market conditions and the ever present threat of emerging risks, TRUST RE reported a profitable 2016. With authorized capital of 500 million USD and issued and paid-up capital of 250 million USD, TRUST RE is a highly reliable security rated A- by both S&P and A.M. Best. Committed to its business partners in the region, the Company's Cyprus Branch takes care of business emanating from CEE, SEE, Russia and the CIS. But what will the future bring for the company?  
All in an interview with...

# Mr. Fadi AbuNahl, Group Chief Executive Officer & Director TRUST RE

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

**Fadi AbuNahl:** Slowing economic growth, continued pressure on pricing, emerging risks (e.g. Cyber hacking) and regulatory changes such as Solvency II in Europe, C-ROSS in China, IRDA in India, and new South African regulations are some of the main challenges we face.

To tackle, or counter these issues we strive towards improving our competitive position and our value proposition to partners by strengthening our underwriting capabilities, and enhancing client services such as Risk Engineering and Training. Also by diversification in lines of business and efficiency through improvements in technology and mobility.

**XPRIMM: In the number of future plans that you mentioned previously you spoke about the Asian market. How is the Asian market, China in particular, included in your strategy? What future do you see there?**

**F.A.:** Asia has been an important market for TRUST RE since inception, its growing importance propelled the opening of our Labuan Branch Office in Malaysia back in 2004 to enable us to better service our

clients in the Far East and ASEAN regions. The capabilities of this branch continue to be strengthened.

More recently, we are working closely with several stakeholders to be able to provide solutions for the One Belt One Road (OBOR) venture which involves projects across the Afro-Asian markets.

Regarding China specifically, we are monitoring regulatory developments there closely. We expect that ongoing implementation of C-ROSS may result in a protected market for domestic reinsurers with the knock-on effect of more volatile reinsurance and retro pricing.

However, establishing a physical presence in China remains an attractive prospect for us in order to have direct access to some of the biggest countries within our geo-scope.

**XPRIMM: Which are the most challenging aspects of a reinsurer activity in the CEE, possibly in need of further improvement? What are the expected measures in this regard?**

**F.A.:** Here we can refer to our market survey conducted in 2016, *The Outlook for Insurance and Reinsurance in Central and Eastern Europe*. Understanding the challenges of reinsurance activity in the CEE also means understanding what stakeholders perceive, what they want, and meeting these expectations.

The first challenge to overcome is building

awareness of insurance, to ultimately increase insurance and hence reinsurance penetration. More education and training and improved technical skills were seen to be necessary as well. Combined, and once delivered, these factors would help to offset challenges for reinsurers.

Competition is also a challenge, as merger and acquisition activity is anticipated; thus to survive, reinsurers really have to offer added value. Those who innovate will be those who have the best prospects of surviving in an increasingly competitive market.

**XPRIMM: How would you describe the progress made by your company last year?**

**F.A.:** Building resilience was critical to our performance last year. Market conditions were challenging, we continued to face the threat of emerging risks. We were proud that both Standard & Poor's and A.M. Best affirmed our A- rating with stable outlook, and S&P upgraded our Enterprise Risk Management from 'adequate' to 'adequate with strong risk controls'.

We made good progress towards our objective of expanding our service offerings to our clients, introducing Aviation and Surety lines of business to our product offering. Also progress was made on a number of strategic projects which aim to increase operational efficiency. We also restructured the organization so that

departments with common responsibilities can interact more closely and to improve operational synergy and efficiency.

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

**F.A.:** Our focus will always be projects which support the achievement of our Board approved strategic direction.

Improving our value proposition which differentiates us from other reinsurers is a key point of focus. Included in this is making sure we provide effective solutions for our partners, a wide range of products, value-added services and tailor-made solutions. This is in-line with our mission *to be innovative in providing reinsurance solutions and prompt responses, always.*

Maintaining our strong, competitive position and strengthening relationships with partners is key as is further embedding of risk management in all levels of our organization.

Further improving our ability to lead by geography and by product is also a major aspect of our strategy, as is enhanced use of analytics.

**XPRIMM: What is the added value that TRUST RE is bringing to cedent companies in comparison with some of the other market players?**

**F.A.:** Our Thought Leadership strategy and knowledge-sharing add value to cedent companies. Our expert team provides tailor-made in-house training, workshops, and seminars and participates in major industry events as panel speakers and in the production of white papers.

Business Partners' Seminars are held 2-3 times a year in various territories where TRUST RE operates. Last year a seminar called Managing Trends of Property & Engineering Insurance was held in Vienna for our Business Partners from Central and Eastern Europe. More recently, in April this year, we held a "Risk Management & Underwriting Practices" Seminar in Moscow for more than 30 senior insurance and reinsurance executives in Russia.

We also support market research activity so that both we and our partners can understand market trends and future business opportunities.

Additionally, there is an advantage in the diversity brought by the TRUST RE team itself, which comprises 42 different



nationalities, thus enhancing our ability to understand better the markets and cultures with whom we work.

**XPRIMM: Which are in your view the most "promising" business lines in the CEE market and how is your company intending to take advantage of the opportunities offered by these lines?**

**F.A.:** Here also, we can refer to our market survey conducted in 2016, "The Outlook for Insurance and Reinsurance in Central and Eastern Europe". One of the reasons for conducting it was to understand market trends and opportunities, which is equally vital for us and our business partners.

One of the areas looked at in this survey is growth expectations for various lines of business. Survey participants thought growth in mainstream risks would likely remain fairly subdued. As a whole, in the CEE market they were thought to be highest in Life, Healthcare and Liability. Also important to note is that in a risk

such as Cyber, which currently has low participation, 40% expected to participate in it by the end of 2018 compared to 5% in 2016. Moreover, Life and Health is also likely to grow as a result of people realizing they cannot rely on state pensions.

As part of our objective of diversified growth, amongst others, we are exploring Cyber as a future part of our risk solutions. It is a fast growing sector and its increasing demand is something we cannot ignore.

Similarly, back in 2015, we introduced Life & Health reinsurance, it represented a natural extension of our service offering and reinforced our strategy of ensuring that we deliver products and services that meet our partners' needs.

**XPRIMM: Thank you and all the best for the future!**

Interview conducted by  
Alexandru CIUNCAN & Mihaela CIRCU

# Albania



S&P Rating

**B+ STABLE**

Moody's rating

**B1 STABLE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> Bank of Albania

<sup>3</sup> Albanian Financial Supervisory Authority (AFSA)

<sup>4</sup> XPRIMM calculations

The MTPL class provided for three quarters of the premiums surplus achieved in 2016

Insurers' total assets exceeded the 2% of GDP threshold in 2016

The decreasing bank lending activity affected both the life insurance and the property insurance segments

The Law "On Compulsory Insurance within the Transport Sector" will be amended in 2017, allowing for the Bonus-Malus system's implementation

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
GDP, current prices	ALL billion <sup>1</sup>	1,332.81	1,350.05	1,394.42	1,434.74	1,505.03
	EUR billion <sup>4</sup>	9.55	9.63	9.95	10.45	11.13
GDP per capita, current prices	ALL <sup>1</sup>	459,550.86	466,073.47	481,888.74	496,592.80	521,730.10
	EUR <sup>4</sup>	3,292.15	3,324.35	3,438.62	3,617.37	3,858.09
Unemployment rate	% of total labor force <sup>1</sup>	13.40	16.00	17.50	17.10	16.10
Population	Millions <sup>1</sup>	2.90	2.90	2.89	2.89	2.89
ALL/EUR exchange rate	End of period <sup>2</sup>	139.59	140.20	140.14	137.28	135.23
Gross written premiums	ALL million <sup>3</sup>	8,949.78	8,535.48	11,624.60	14,087.70	15,446.22
	EUR million <sup>4</sup>	64.11	60.88	82.95	102.62	114.22
Paid claims	ALL million <sup>3</sup>	2,806.81	2,695.77	2,838.96	3,638.09	4,276.09
	EUR million <sup>4</sup>	20.11	19.23	20.26	26.50	31.62
Insurance penetration degree	% in GDP <sup>4</sup>	0.67%	0.63%	0.83%	0.98%	1.03%
Insurance density	EUR/capita <sup>4</sup>	22.11	21.02	28.66	35.52	39.59

Albanian insurers ended 2016 with GWP of EUR 114.22 million, 11.3% up y-o-y, a market increase fully owed to the non-life insurance lines, which account for over 93% of the market portfolio. In all fairness, the MTPL class is in fact the actual growth driver, as it provided for three quarters of the premiums surplus.

*The insurance market continued a pace of expansion with total assets to GDP of 2.2% in 2016 from 1.92% during 2015, Ervin KOÇI, Executive General Director, Albanian FSA told XPRIMM. However, he added, the penetration rate is still low, the development of this market remaining a key priority.*

Life insurance recorded a negative GWP y-o-y change, of 3.4%, its already very small share in the market portfolio further decreasing by about 1pp, to 6.33%. The decrease, as explained by the FSA head, was caused by the downsize trend recorded on the two main life insurance lines, together accounting for almost 71% of the life portfolio: Debtor's Life Insurance (-16.52%) and Life Insurance with Savings portfolio (-7.99%). While due to the current economic environment with a low interest rate savings life insurance products might have lost its attractiveness, the reduction in the Debtors' life portfolio was determined by the decreasing bank lending activity

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	114.22	102.62	11.31	31.62	26.50	19.32	100.00	100.00
<b>TOTAL LIFE</b>	7.23	7.48	-3.38	1.35	1.37	-1.75	6.33	7.29
<b>TOTAL NON-LIFE</b>	106.37	95.04	11.92	30.27	25.13	20.47	93.13	92.61
Accidents insurance	3.71	3.94	-5.86	0.44	0.67	-34.71	3.25	3.84
Health insurance	5.31	4.21	25.96	3.03	2.72	11.13	4.64	4.10
Overall property insurance	13.91	13.94	-0.18	6.46	4.80	34.37	12.18	13.58
Fire and allied perils	10.11	11.21	-9.78	2.11	1.83	15.44	8.85	10.92
Damages to property	3.80	2.73	39.19	4.35	2.98	45.98	3.33	2.66
Overall motor insurance	75.69	65.95	14.77	19.49	16.00	21.85	66.26	64.26
Motor Hull	5.37	4.20	27.76	2.97	2.52	18.08	4.70	4.10
MTPL	70.32	61.74	13.89	16.52	13.48	22.55	61.56	60.17
- DMTP	54.53	48.13	13.29	12.58	9.91	26.89	47.74	46.90
- Green Card	11.18	9.80	14.02	3.50	3.10	12.85	9.79	9.55
- Border	4.61	3.81	21.13	0.44	0.47	-5.02	4.04	3.71
Goods in transit	0.31	0.34	-10.72	0.04	0.47	-92.44	0.27	0.33
GTPL	3.24	3.39	-4.44	0.61	0.00	13,802	2.83	3.30
Suretyship	1.77	1.68	5.08	0.21	0.46	-53.21	1.55	1.64
Other non-life insurance	2.44	1.59	53.47	-	-	-	2.14	1.55
<b>REINSURANCE ACCEPTED</b>	0.62	0.09	558.26	-	-	-	0.54	0.09

1 EUR = 137.28 Lek - ALL (December 31<sup>st</sup>, 2015)

1 EUR = 135.23 Lek - ALL (December 31<sup>st</sup>, 2016)



Ervin KOÇI,  
Executive General  
Director, Albanian  
FSA



# Albania

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Full market rankings per company & per class

MSExcel format \* in EUR and local currency



and neglect of the yearly renewal of the existing policies.

On the non-life side, as said before, motor insurance holds the main share of the market GWP. Throughout the last three years, the MTPL class saw a spectacular increase in GWP, every year recording double digit positive growth rates, mostly because of the MTPL tariffs increase following the market correction measures imposed by the FSA. The upward trend is expected to continue in the following years, although *nevertheless the pace of growth will start to decrease according to the trend defined in the region.*

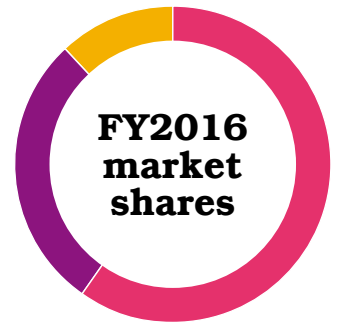
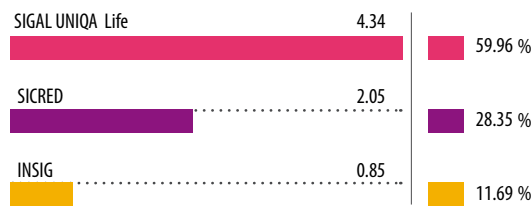
In contradistinction to the motor segment, property "fire and allied perils" insurance line recorded an almost 10% decline in GWP. As most policies of this type are in fact part of the bank lending arrangements, the restrictive loan policy for the year 2016 led to a linear drop percentage in the number of contracts and in the premium volume as well.

Several regulatory novelties are to be expected in 2017. First of all, the approval of the draft law "On some Amendments of the 2009 Law "On Compulsory Insurance within the Transport Sector", which among others will give consent to the implementation of Bonus-Malus system, which might affect positively in the stabilization of the insurance market in Albania. Other pieces of regulation will be launched to improve supervision activity, the Guarantee Fund functioning etc.

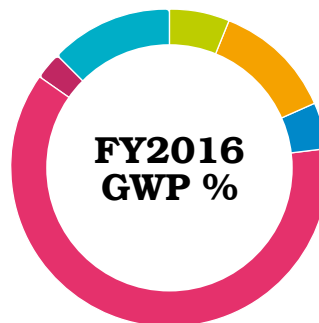
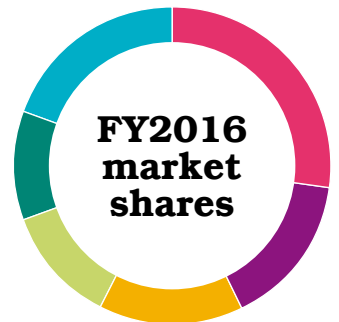
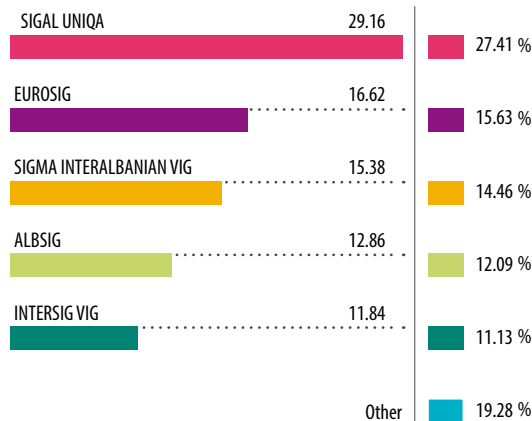
Three players are active on the life insurance segment, while on the non-life side the market is formed by eight companies. SIGAL UNIQA leads both segments, holding a 66% share of the life GWP and an almost 29% share of the non-life business. The second ranked non-life insurer is EUROSIG which in Q1 2016 bought, for EUR 15.9 million, state owned insurer INSIG. Together, the two companies hold a 21% market share.

(D.G.)

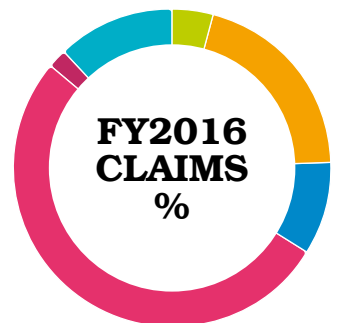
## Life insurance ranking (GWP, EUR m)



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



Life	6.33
Property	12.18
Motor Hull	4.70
MTPL	61.56
GTPL	2.83
Other	12.39



Life	4.26
Property	20.42
Motor Hull	9.40
MTPL	52.25
GTPL	1.92
Other	11.75

# Bosnia and Herzegovina



S&P Rating  
**B STABLE**

Moody's rating  
**B3 STABLE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> Central Bank of Bosnia and Herzegovina

<sup>3</sup> AZOBIH - Insurance Agency of Bosnia and Herzegovina

<sup>4</sup> XPRIMM calculations

BiH submitted its application for EU membership

The economic growth is expected to reach 3% on the medium term

27 insurers operated in the country: 13 were based in FBiH and 14 in RS

FBiH (70%) vs. RS (30%) were the shares of the two entities to the FY2016 aggregate GWP

FBiH based UNIQA osiguranje is the new market leader

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	BAM billion <sup>1</sup>	26.19	26.74	27.30	28.66	29.35
	EUR billion <sup>4</sup>	13.39	13.67	13.96	14.65	15.00
<b>GDP per capita, current prices</b>	BAM <sup>1</sup>	6,744.20	6,896.71	7,053.63	7,418.47	7,613.62
	EUR <sup>4</sup>	3,448.26	3,526.23	3,606.46	3,793.00	3,892.78
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	28.00	27.50	27.50	27.70	25.40
<b>Population</b>	Millions <sup>1</sup>	3.88	3.88	3.87	3.86	3.85
<b>BAM/EUR exchange rate</b>	fixed <sup>2</sup>	1.96	1.96	1.96	1.96	1.96
<b>Gross written premiums</b>	BAM million <sup>3</sup>	505.09	527.03	562.12	595.80	634.06
	EUR million <sup>4</sup>	258.25	269.47	287.41	304.63	324.19
<b>Paid claims</b>	BAM million <sup>3</sup>	188.53	201.03	249.61	252.92	245.47
	EUR million <sup>4</sup>	96.39	102.79	127.62	129.32	125.51
<b>Insurance penetration degree</b>	% in GDP <sup>4</sup>	1.93%	1.97%	2.06%	2.08%	2.16%
<b>Insurance density</b>	EUR/capita <sup>4</sup>	66.49	69.49	74.25	78.86	84.12

In February 2016, Bosnia and Herzegovina submitted its application for EU membership and in December received the questionnaire, which has to be completed within 6 months. On the basis thereof, the European Commission will decide on the status of BiH.

Based on a positive answer, regarding the development of the country, the economic growth is expected to reach 3% in the medium term, largely based on higher consumption. At the same time, BiH must continue to progress of the necessary reforms, which will attract investment in

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	324.19	304.63	6.42	125.51	129.32	-2.95	100.00	100.00
<b>TOTAL LIFE</b>	66.09	63.16	4.64	24.01	21.90	9.63	20.39	20.73
<b>TOTAL NON-LIFE</b>	258.10	241.47	6.89	101.49	107.41	-5.51	79.61	79.27
Accidents	21.70	19.94	8.80	11.17	10.46	6.76	6.69	6.55
Health	4.09	3.66	11.77	1.54	1.15	33.98	1.26	1.20
Goods in transit	1.91	2.04	-6.06	0.09	0.15	-39.61	0.59	0.67
Overall property insurance	27.17	29.77	-8.75	12.05	24.14	-50.07	8.38	9.77
Fire and allied perils	13.30	14.17	-6.14	4.17	6.26	-33.41	4.10	4.65
Damages to property	13.86	15.60	-11.13	7.88	17.88	-55.90	4.28	5.12
Overall motor insurance	192.61	177.18	8.71	75.48	69.96	7.89	59.41	58.16
Motor Hull	29.43	28.57	3.01	21.61	21.31	1.40	9.08	9.38
MTP/L	163.18	148.61	9.81	53.87	48.65	10.73	50.34	48.78
GTPL	3.74	3.69	1.58	0.77	0.58	32.96	1.16	1.21
Credit insurance	5.31	3.88	36.89	0.23	0.62	-63.72	1.64	1.27
Suretyship	0.11	0.11	3.01	0.02	0.02	-21.39	0.04	0.04
Financial loss	1.24	1.04	19.11	0.14	0.32	-57.57	0.38	0.34
Travel	0.15	0.02	709.03	0.00	0.00	30.55	0.05	0.01
Other non-life insurance	0.05	0.14	-60.72	0.01	0.00	3,452.16	0.02	0.05
FBiH insurers								
<b>TOTAL FBiH insurers</b>	228.38	217.03	5.23	94.14	88.10	6.86	70.45	71.24
Life	55.42	53.81	3.00	20.11	18.69	7.64	17.10	17.66
Non-Life	172.95	163.23	5.96	74.03	69.41	6.65	53.35	53.58
RS insurers								
<b>TOTAL RS insurers</b>	95.81	87.60	9.38	31.36	41.22	-23.91	29.55	28.76
Life	10.67	9.35	14.05	3.90	3.22	21.20	3.29	3.07
Non-Life	85.14	78.24	8.82	27.46	38.00	-27.73	26.26	25.68

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

MSEcel format \* in EUR and local currency



different areas and which will contribute to a gradual rise in GDP and also in... insurance industry.

As at the 2016 year-end, 27 insurers operated in the Bosnian market, of which 13 were domiciled in the Federation of Bosnia and Herzegovina (FBiH) and the 14 in the Republic of Srpska (RS).

Out of 27 insurance companies, 17 companies were exclusively engaged in non-life insurance, while the other 10 were composite companies. Out of the total number of companies, 17 are mostly domestic and 11 are majority owned by foreign capital, said Samir OMERHODZIC, Director, Insurance Agency of Bosnia and Herzegovina.

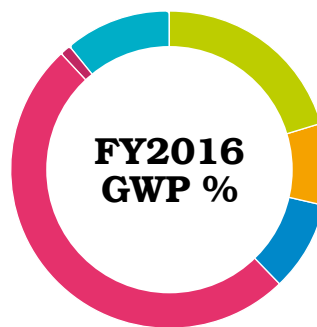
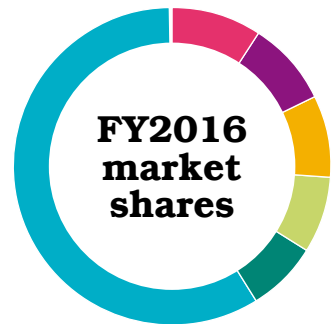
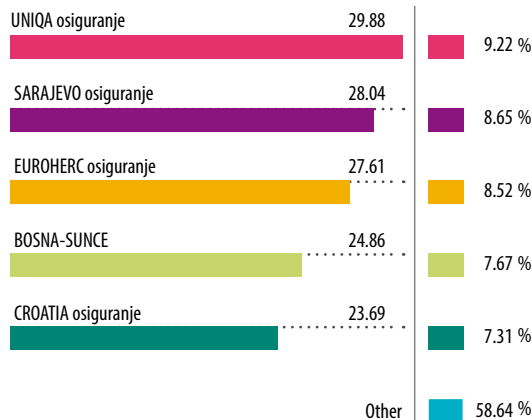
The aggregate FY 2016 GWP of the 27 insurers increased by 6.4% y-o-y to BAM 634.1 million (EUR 324.2 million), as data from the local insurance agency - AZOBIH show. The value of GWP of the FBiH insurers increased by 5.2% to EUR 228.4 million. In RS, the remaining 14 insurers generated about EUR 95.8 million, up by 9.4% y-o-y.

Considering these results, Samir OMERHODZIC pointed out that, at the moment, for such a small insurance market, the number of insurers is quite high: *I would mention that in the neighboring Republic of Croatia there are currently a total of 21 insurance and reinsurance companies, and in the Republic of Serbia 20 insurance companies and four companies for reinsurance, and we are surely talking about insurance markets that are more developed than the market in BiH.*

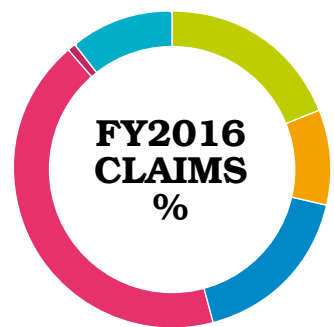
Overall, the aggregate GWP portfolio consisted of about 20.4% - life insurance, the equivalent of EUR 66.1 million, of which EUR 55.4 million - generated by FBiH life insurers and about EUR 10.7 million - by RS life insurers. From the non-life subclasses, 8.4% of GWP corresponded to the property lines and 59.4% to motor insurance (Motor Hull and MTPL, summed) - the equivalent of EUR 192.6 million.

*(...) it is necessary to shift the focus from compulsory insurance, first of all to the*

## Top 5 Total market (GWP, EUR m)



Life	20.39
Property	8.38
Motor Hull	9.08
MTPL	50.34
GTPL	1.16
Other	10.66



Life	19.13
Property	9.60
Motor Hull	17.22
MTPL	42.92
GTPL	0.61
Other	10.51

*question of insurance against motor third party liability insurance, to voluntary insurance, said Samir OMERHODZIC.*

Speaking about expected regulatory changes to be introduced in 2017 *the liberalization of the market of insurance against motor third party liability also brings with it a certain chances in terms of increased competition and increased efficiency in the insurance market. However, the free determination of the price of the insurance premium from the motor third party liability system carries a dose of uncertainty regarding the continuation of insurance business operations that could not withstand the burden of competition.*

According to the presented figures, FBiH based UNIQA osiguranje - a unit of Austrian insurance group UNIQA - was the largest insurer in the country, the mentioned company reporting the highest GWP volume: EUR 29.9 million (9.2% market share).

Top 3 was completed by other FBiH insurers - the former leader - SARAJEVO osiguranje (EUR 28 million) and EUROHERC (EUR 27.6). The largest RS insurer was WIENER Osiguranje (ranked 8th), a unit of Austrian VIG: GWP of EUR 16.1 million, market share of 5%.

(V.B.)



# Bulgaria



S&P Rating

**BB+ STABLE**

Moody's rating

**BAA2 STABLE**

Fitch Rating

**BBB- STABLE**



Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> Bulgarian National Bank

<sup>3</sup> The Financial Supervision Commission of Bulgaria (FSC)

<sup>4</sup> XPRIMM calculations

🌸 Svetla NESTOROVA, CEO and Chairperson of the Managing Board of BULSTRAD Life Vienna Insurance Group (VIG) was elected as Chairperson of the Managing Board of the Association of the Bulgarian Insurers (ABZ) for the next two years mandate

🌸 The aggregate market profitability strongly improved, especially on the non-life insurance segment

🌸 In June, Karina KARAIVANOVA was appointed as chairperson of the Financial Supervision Commission (FSC)

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	BGN billion <sup>1</sup>	82.04	82.17	83.63	88.57	92.64
	EUR billion <sup>4</sup>	41.95	42.01	42.76	45.29	47.36
<b>GDP per capita, current prices</b>	BGN <sup>1</sup>	11,266.13	11,351.50	11,612.33	12,381.05	13,021.97
	EUR <sup>4</sup>	5,760.28	5,803.93	5,937.29	6,330.33	6,658.02
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	12.38	13.04	11.52	9.24	7.67
<b>Population</b>	Millions <sup>1</sup>	7.28	7.24	7.20	7.15	7.11
<b>BGN/EUR exchange rate</b>	fixed <sup>2</sup>	1.96	1.96	1.96	1.96	1.96
<b>Gross written premiums</b>	BGN million <sup>3</sup>	1,604.14	1,729.41	1,774.74	1,964.32	2,050.66
	EUR million <sup>4</sup>	820.19	884.24	907.41	1,004.34	1,048.49
<b>Paid claims</b>	BGN million <sup>3</sup>	791.37	847.69	965.29	1,027.34	1,029.19
	EUR million <sup>4</sup>	404.62	433.42	493.54	525.27	526.22
<b>Insurance penetration degree</b>	% in GDP <sup>4</sup>	1.96%	2.10%	2.12%	2.22%	2.21%
<b>Insurance density</b>	EUR/capita <sup>4</sup>	112.63	122.17	125.99	140.39	147.38

Bulgarian insurers reported for the FY2016 GWP of EUR 1,048.5 million, 4.4% up y-o-y. While the GWP increase could be characterized as rather modest, it is worth mentioning the important improvement achieved in profitability terms, especially on the non-life insurance side. Thus, the aggregate net profit of the life insurance segment went up by about 8%, to EUR 16.15 million while on the non-life insurance side, the 2016 results show an almost triple aggregate net profit as compared with the previous year, of EUR 45.5 million. The largest contribution to

the improved market profitability came from the non-life insurer BULSTRAD, the flagship of the Austrian VIENNA Insurance Group in Bulgaria, followed by the Bulgarian subsidiary of GENERALI.

The Bulgarian Financial Supervision Commission (FSC) run in 2016 a balance sheet review for the insurance sector whose results show a consolidated Solvency Capital Requirement (CIP) ratio of 154% and a Comprehensive Minimum Capital Requirement (MCC) ratio of 308% for companies at individual level. Following the review, 13 companies had

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	1,048.49	1,004.34	4.40	526.22	525.27	0.18	100.00	100.00
<b>TOTAL LIFE</b>	219.03	200.05	9.49	88.33	79.07	11.71	20.89	19.92
Life ins. and annuities	146.36	144.60	1.22	65.40	59.19	10.50	13.96	14.40
Unit-linked	29.83	13.81	116.04	11.08	7.32	51.32	2.84	1.37
Marriage and birth	5.30	5.38	-1.49	1.86	1.87	-0.52	0.51	0.54
Supplementary insurance	9.36	9.63	-2.83	2.21	2.62	-15.85	0.89	0.96
Other life insurance	28.18	26.63	5.82	7.78	8.07	-3.61	2.69	2.65
<b>TOTAL NON-LIFE</b>	829.45	804.29	3.13	437.89	446.20	-1.86	79.11	80.08
Accidents insurance	16.85	16.88	-0.15	4.94	4.60	7.44	1.61	1.68
Health	23.69	22.27	6.38	14.85	14.09	5.37	2.26	2.22
Railway, aircraft and ships	9.15	11.14	-17.90	2.76	5.47	-49.50	0.87	1.11
Goods in transit	9.31	8.77	6.13	1.90	2.16	-11.87	0.89	0.87
Overall property insurance	139.61	151.01	-7.55	39.39	53.32	-26.12	13.32	15.04
Fire and allied perils	123.98	126.83	-2.25	36.00	45.20	-20.36	11.82	12.63
Damages to property	15.63	24.18	-35.38	3.39	8.11	-58.22	1.49	2.41
Overall motor insurance	579.11	549.35	5.42	363.55	355.61	2.23	55.23	54.70
Motor Hull	261.62	247.58	5.67	171.57	186.30	-7.90	24.95	24.65
MTP/L	317.49	301.77	5.21	191.98	169.31	13.39	30.28	30.05
Carriers' liability (air and sea)	3.43	4.94	-30.61	0.01	0.01	-44.71	0.33	0.49
GTPL	20.57	19.16	7.33	3.39	6.17	-45.08	1.96	1.91
Credit insurance	3.15	4.36	-27.81	2.73	0.45	505.35	0.30	0.43
Financial loss	4.97	5.95	-16.43	1.41	0.88	60.64	0.47	0.59
Travel	9.75	8.62	13.14	2.92	3.01	-2.93	0.93	0.86
Other non-life insurance	9.87	1.83	438.79	0.03	0.43	-92.99	0.94	0.18

<sup>1</sup> EUR = 1.95583 Leva, BGN (fixed)

Kiril BOSHOV,  
CEO, Euroins  
Insurance  
Group (EIG)



Karina  
KARAIVANOVA,  
Chairperson of  
the FSC



to increase their own funds or strengthen their capital base. In the beginning of 2017, only 5 companies, with a total market share of less than 2%, still didn't fulfil the capital requirements, the market watchdog imposing a recovery regime on them, with a 6 months deadline.

According to Karina KARAIVANOVA, Chairperson of the FSC, the BSR revealed two problem areas – evaluation of financial instruments – in lack of a clear definition for what constitutes an active market -, and treatment of quota reinsurance contracts. However, both the BSR exercise and the stress test showed that, overall, *insurance sectors are stable, sustainable, and well-functioning.*

## Market changes

In January 2016 the Bulgarian unit of GENERALI has finalized the acquisition of local non-life insurer VICTORIA Insurance. On the other hand, the Italian group left the life insurance business, transferring the entire GENERALI Life Insurance portfolio to local life insurance firm SAGLASIE.

Also in 2016, EUROINS has finalized the acquisition of the Ukrainian HDI Strakhuvannya, operation which part of an expansion plan aiming to *make EUROINS the leading independent insurance player in its core markets in SEE*, as Kiril BOSHOV, CEO, EUROINS Insurance Group (EIG) stated. The Group, which already operates in Romania, Macedonia and Ukraine, is in search for new acquisitions to extend its regional footprint.

(D.G.)

# Bulgaria

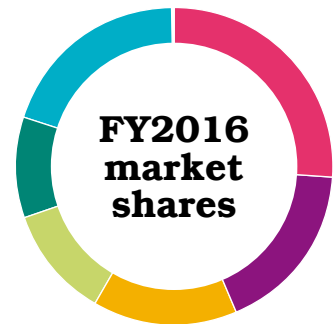
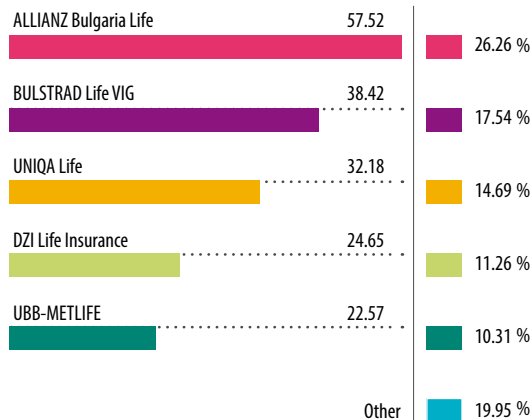
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Full market rankings per company & per class

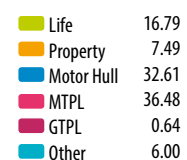
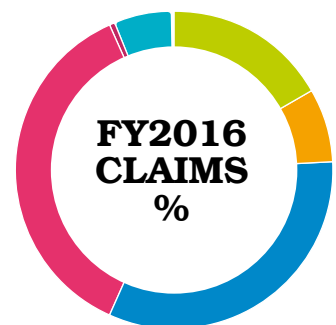
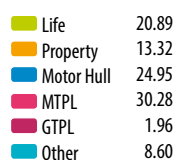
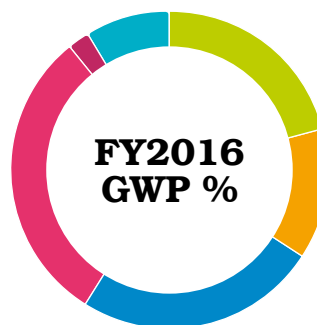
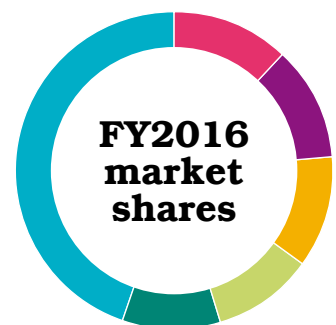
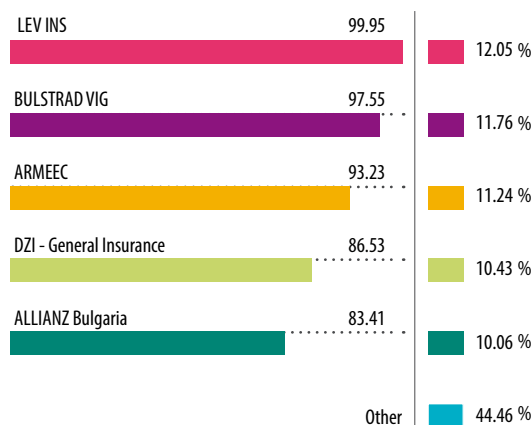
MSExcel format \* in EUR and local currency



## TOP 5 Life insurance (GWP, EUR million)



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



# Croatia



S&P Rating  
**BB STABLE**

Moody's rating  
**BA2 STABLE**

Fitch Rating  
**BB STABLE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> Croatian National Bank

<sup>3</sup> Croatian Insurance Bureau

<sup>4</sup> XPRIMM calculations

While traditional life insurance line lost ground, UL products became increasingly popular, their GWP volume doubling

MTPL prices deterioration seems to have reached an end; new underwriting criteria led to a more diversified offering for the retail customers, while giving up the territorial criteria for corporate clients was advantageous for some of the carriers

CROATIA Osiguranje, owned by the Croatian ADRIS Group, remains the absolute market leader and takes steps to expand its regional footprint



## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	HRK billion <sup>1</sup>	330.46	329.57	328.11	333.84	343.19
	EUR billion <sup>4</sup>	43.79	43.15	42.83	43.72	45.41
<b>GDP per capita, current prices</b>	HRK <sup>1</sup>	77,426.66	77,436.56	77,420.48	79,409.13	82,295.34
	EUR <sup>4</sup>	10,261.13	10,138.80	10,105.17	10,400.61	10,888.81
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	18.60	19.81	19.28	17.07	14.96
<b>Population</b>	Millions <sup>1</sup>	4.27	4.26	4.24	4.20	4.17
<b>HRK/EUR exchange rate</b>	End of period <sup>2</sup>	7.55	7.64	7.66	7.64	7.56
<b>Gross written premiums</b>	HRK million <sup>3</sup>	9,038.48	9,075.65	8,559.95	8,723.51	8,760.18
	EUR million <sup>4</sup>	1,197.84	1,188.28	1,117.27	1,142.56	1,159.09
<b>Paid claims</b>	HRK million <sup>3</sup>	4,634.84	4,672.41	4,408.94	4,589.38	4,757.94
	EUR million <sup>4</sup>	614.24	611.76	575.47	601.09	629.54
<b>Insurance penetration degree</b>	% in GDP <sup>4</sup>	2.74%	2.75%	2.61%	2.61%	2.55%
<b>Insurance density</b>	EUR/capita <sup>4</sup>	280.66	279.20	263.63	271.78	277.96

The aggregate GWP by Croatian insurers amounted to HRK 8.76 billion (EUR 1.15 billion) at the end of December 2016, up by 0.42% y-o-y in local currency, according to the Croatian Insurance Bureau. Non-life GWP increased by 0.91% to HRK 5.84 billion, while the life insurance segment went down by 0.55%, to HRK 2.92 billion. The aggregate value of paid claims was HRK 4.75 billion, or 3.67% more y-o-y.

Despite a 9.49% y-o-y decrease in GWP, the traditional life insurance policies dominate the life portfolio (HRK 2.24 billion) followed by unit-linked products (HRK 485 million), which in turn have experienced a doubling of the volume of underwritings. *Interest*

*rates are currently low and are expected to remain low in the long run; therefore the traditional composite insurance products have become less attractive. This lead to a shift in insurance companies' focus towards 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.*

In the non-life sector - the two motor subsegments (MTPL and Motor Hull), property products and A&H policies (accident and health, summed) - generate

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	1,159.09	1,142.56	1.45	629.54	601.09	4.73	100.00	100.00
<b>TOTAL LIFE</b>	386.09	384.31	0.46	241.79	215.88	12.00	33.31	33.64
Life insurance	296.78	324.57	-8.56	219.43	187.68	16.92	25.60	28.41
Supplementary insurance	18.72	19.33	-3.15	2.87	2.87	-0.21	1.62	1.69
Unit-linked	64.17	31.60	103.08	16.11	22.71	-29.08	5.54	2.77
Other life insurance	6.42	8.80	-27.11	3.38	2.61	29.52	0.55	0.77
<b>TOTAL NON-LIFE</b>	773.00	758.25	1.95	387.75	385.22	0.66	66.69	66.36
Accident insurance	62.88	62.48	0.64	15.13	14.27	6.01	5.42	5.47
Health insurance	54.13	43.13	25.50	33.59	26.18	28.29	4.67	3.77
Goods in transit	4.55	5.15	-11.66	1.64	2.57	-36.12	0.39	0.45
Overall property insurance	153.75	152.48	0.83	81.26	78.37	3.68	13.26	13.35
Fire and allied perils	76.13	74.20	2.60	26.08	28.79	-9.41	6.57	6.49
Damages to property	77.61	78.28	-0.85	55.17	49.58	11.29	6.70	6.85
Overall motor insurance	376.63	368.80	2.12	215.38	206.97	4.06	32.49	32.28
Motor Hull	106.36	93.54	13.69	75.48	75.04	0.59	9.18	8.19
MTPL	270.28	275.26	-1.81	139.89	131.93	6.04	23.32	24.09
GTPL	45.80	49.38	-7.26	17.14	15.84	8.22	3.95	4.32
Marine insurance (hull)	18.72	21.11	-11.33	10.48	22.05	-52.49	1.61	1.85
Marine liability	5.76	5.89	-2.30	2.28	1.56	45.56	0.50	0.52
Credit insurance	20.16	20.91	-3.60	-0.22	9.75	-102.24	1.74	1.83
Financial loss insurance	16.17	15.55	3.98	4.76	3.50	35.92	1.40	1.36
Travel insurance	10.22	9.08	12.55	3.67	2.99	22.97	0.88	0.79
Other non-life insurance	4.25	4.29	-0.96	2.64	1.16	128.83	0.37	0.38

1 EUR = 7.635047 Kuna - HRK (December 31<sup>st</sup>, 2015)

1 EUR = 7.557787 Kuna - HRK (December 31<sup>st</sup>, 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

together about 84% of non-life GWP or more than 55% of total market.

Overall, the motor insurance lines account for over 32% of the total GWP, the largest part (23.4%) being held by the MTPL class. The fast depreciation of the MTPL tariffs witnessed after the market liberalization has started to slow down, the prices most probably reaching the lowest possible limit. One of the main changes in the MTPL pricing occurred on the corporate segment, insurers adopting a uniform pricing policy for the entire territory of the country. As a result, carriers registered in some of the Croatia's counties have seen their insurance expenses decreasing significantly. On the retail segment, introducing the new criteria led to greater diversification of tariffs.

## The market players

On the life segment, ALLIANZ Zagreb was the market leader (18.50% market share), followed by CROATIA osiguranje (18.28%) and WIENER VIG (10.00%).

CROATIA Osiguranje led the non-life ranking (29.70% of the market share), followed by EUROHERC Osiguranje - (14.42%) and ALLIANZ Zagreb (9.87%)

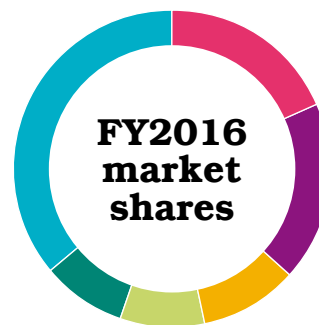
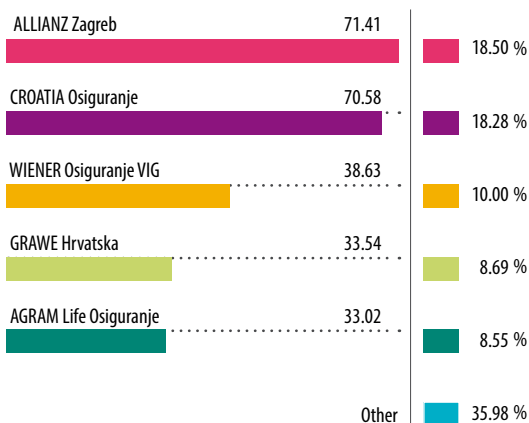
CROATIA Osiguranje, owned by the Croatian ADRIS Group, remains the absolute market leader. The company underwent an extensive restructuring process, significantly improving its distribution network, launching new products and revising its pricing policy. As a result, CO Group achieved a consolidated net profit of HRK 175 million in 2016, which is 54% more than the previous year, the group representatives said.

CROATIA Osiguranje has also strengthened its international focus, taking steps to achieve a more relevant position in the Adriatic region's insurance markets.

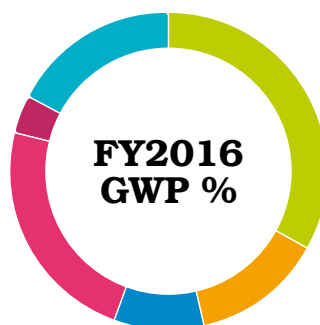
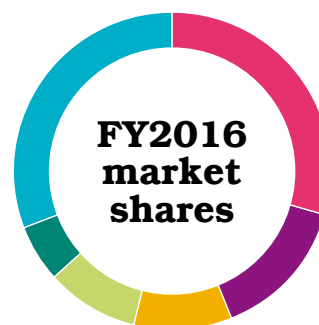
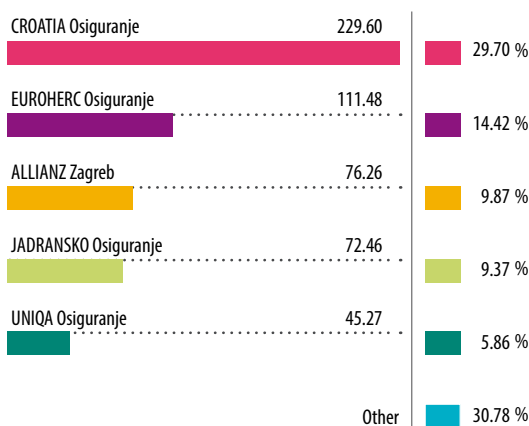
After gradually increasing its stake in the Slovenian reinsurer SAVA Re to 20%, in October 2016 the Slovenian insurance supervisory authority banned CO from getting a more extensive control.

(D.G.)

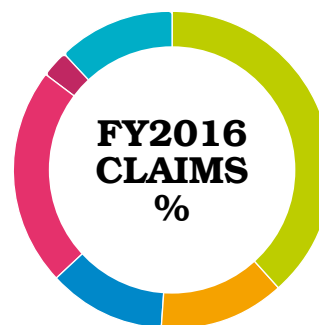
## TOP 5 Life insurance (GWP, EUR million)



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



Class	GWP %
Life	33.31
Property	13.26
Motor Hull	9.18
MTPL	23.32
GTPL	3.95
Other	16.98



Class	CLAIMS %
Life	38.41
Property	12.91
Motor Hull	11.99
MTPL	22.22
GTPL	2.72
Other	11.75

# Czech Republic



S&P Rating  
**AA- STABLE**

Moody's rating  
**A1 STABLE**

Fitch Rating  
**A+ STABLE**



Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> Czech Insurance Association (CAP) & Czech National Bank (CNB)

<sup>3</sup> XPRIMM calculations

Single Paid Premiums life insurance contracts saw the most visible fall in business volume, but the negative trend didn't affect significantly the overall life insurance result as the line has a very small weight in the total GWP volume

The Motor Hull line recorded a higher growth rate in GWP terms than the market average and most of the other non-life lines, including the MTPL class

The number of fraudulent claims increased by 3.6%

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	CZK billion <sup>1</sup>	4,059.91	4,098.13	4,313.79	4,554.62	4,716.14
	EUR billion <sup>3</sup>	161.49	149.43	155.59	168.53	174.54
<b>GDP per capita, current prices</b>	CZK <sup>1</sup>	386,457.88	389,699.44	410,351.70	432,197.40	446,864.81
	EUR <sup>3</sup>	15,372.23	14,209.64	14,800.78	15,992.50	16,538.30
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	6.98	6.95	6.11	5.05	4.00
<b>Population</b>	Millions <sup>1</sup>	10.51	10.52	10.51	10.54	10.55
<b>CZK/EUR exchange rate</b>	End of period <sup>2</sup>	25.14	27.43	27.73	27.03	27.02
<b>Gross written premiums (CAP)</b>	CZK million <sup>2</sup>	113,843.96	113,993.60	115,004.12	116,064.28	118,502.43
	EUR million <sup>3</sup>	4,528.40	4,156.56	4,148.03	4,294.70	4,385.73
<b>Gross written premiums (CNB)</b>	CZK million <sup>2</sup>	153,609.89	156,579.31	157,922.22	153,395.09	NA
	EUR million <sup>3</sup>	33.92	37.67	38.07	35.72	-
<b>Paid claims (CNB)</b>	CZK million <sup>2</sup>	88,197.79	100,619.77	105,033.27	99,664.88	NA
	EUR million <sup>3</sup>	3,508.27	3,668.91	3,788.40	3,687.88	-
<b>Insurance penetration degree (based on CAP GWP)</b>	% in GDP <sup>3</sup>	2.80%	2.78%	2.67%	2.55%	2.51%
<b>Insurance density (based on CAP GWP)</b>	EUR/capita <sup>3</sup>	431.07	395.26	394.60	407.54	415.55

At the end of 2016, the aggregate GWP value of the Czech insurance market amounted, according to the Czech Insurance Association (ČAP), to CZK 118.5 billion (about EUR 4.4 billion), meaning a 2.1% y-o-y growth rate.

The life insurance segment showed a negative dynamic (-1.8% y-o-y to EUR 1.6 billion), while the non-life sector was up by 4.5% y-o-y to EUR 2.8 billion.

Single Paid Premiums life insurance contracts saw the most visible fall in business volume, with premiums decreasing by about 24%. Yet, as the line's weight in the life insurance business volume is very small (~3.3%), the overall effect was less dramatic. On the other hand, according to the ČAP representatives, last year's data show a reduction in the number of canceled life insurance policies (in 3Q

canceled policies have totaled some 780 thousand, compared with 1 million policies in 3Q 2015).

As far as the non-life segment was concerned - the two motor sub-segments (MTPL and Motor Hull) and Industry & Business policies (cl. 5-6, 8, 9, 11, 12, 13 - without workers' compensation) - generated together about 77% of non-life GWP or 48% of total market.

Somehow atypically in the region, the Motor Hull line recorded a higher growth rate in GWP terms than the market average and most of the other non-life lines, including the MTPL class. According to Jan MATOUŠEK, CEO of ČAP, a strong contribution to the positive trend came from the corporate clients: *Thanks to the positive economic developments, entrepreneurs are more interested in*

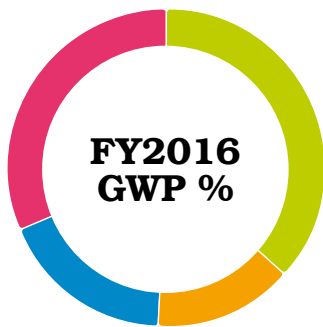
## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			Weight in all GWP	
	2016	2015	Change	2016	2015
	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	4,385.73	4,294.70	2.12	100.00	100.00
<b>TOTAL LIFE</b>	1,615.90	1,645.28	-1.79	36.84	38.31
<b>TOTAL NON-LIFE</b>	2,769.83	2,649.42	4.54	63.16	61.69
<b>Overall motor insurance</b>	1,401.28	1,327.14	5.59	31.95	30.90
Motor Hull	623.93	569.65	9.53	14.23	13.26
MTPL	777.36	757.48	2.62	17.72	17.64
Industry and business*	720.30	696.79	3.37	16.42	16.22
Other non-life insurance	648.25	625.50	3.64	14.78	14.56

\*cl. 5-6, 8, 9, 11, 12, 13 (without workers' compensation)

1 EUR = 27.025 Kroon - CZK (December 31<sup>st</sup>, 2015)

1 EUR = 27.020 Kroon - CZK (December 31<sup>st</sup>, 2016)



Life	36.84
Motor Hull	14.23
MTPL	17.72
Other	31.20

insurance coverage, which is confirmed by a growth rate of 4.3% in the number of insurance policies, and is the result of a 2.1% year-on-year enlargement in premiums written.

The MTPL line saw a calm year, the rather modest GWP growth recorded in 2016 being mainly attributable to the increasing number of insured cars. According to a recent study, the number of uninsured cars might be of about 120,000 units.

Finally, it should be said that, based on the 2016 casuistry, ČAP representatives reported an increasing incidence of the insurance fraud cases. Thus, after investigating a number of 16,043 cases of suspected claims, the Czech insurers have identified insurance frauds totalling CZK 1.218 billion (~EUR 45 million). The number of insured claims with revealed insurance fraud increased by 3.6%, according ČAP, with life insurance and the motor insurance lines being the main sources.

## The market players

On the life segment, CESKA pojistovna - the main arm of GENERALI CEE Holding B.V. - was the market leader (18.8% market share), followed by the two VIG subsidiaries: KOOPERATIVA pojistovna (15.5%) and Pojistovna Ceske sporitelny (14.3%).

CESKA pojistovna also led the non-life ranking (24.8% of the market share), followed by KOOPERATIVA pojistovna - (30.0%) and ALLIANZ pojistovna (12.9%).

In November 2016, A.M. Best has

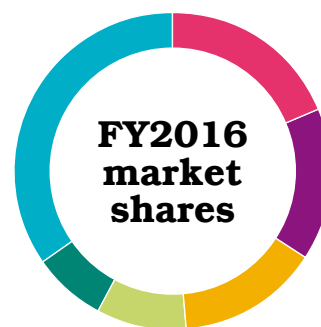
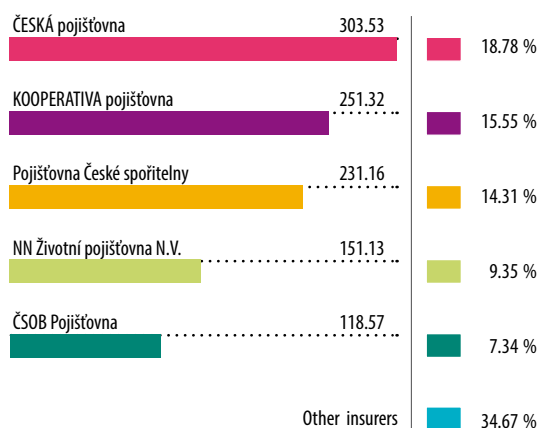
# Czech Republic

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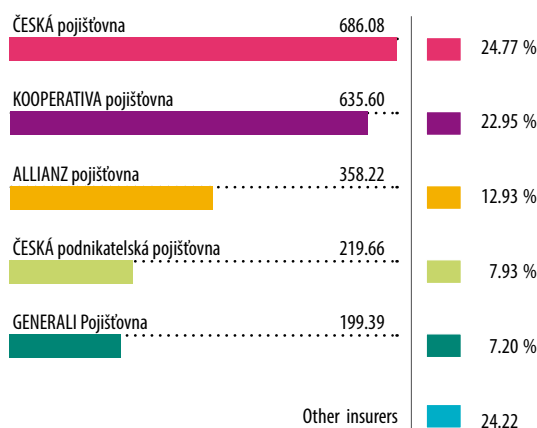
Full market rankings per company & per class

MSEcel format \* in EUR and local currency

## Top 5 Life insurance (GWP, EUR m)



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



affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Rating of "a" of Ceska pojistovna a.s. The outlook of these Credit Ratings (ratings) remains stable. The rating agency has stressed out in explaining its rating action that the company has maintained

an excellent track record of technical profitability demonstrated by a five-year average (2011-2015) combined ratio of 86.4%. The company produced a return-on-equity of 16.8% in 2015, and is a consistent source of earnings for Generali.

(D.G.)



# Estonia



S&P Rating  
**AA- STABLE**

Moody's rating  
**A1 STABLE**

Fitch Rating  
**A+ STABLE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> The Estonian National Statistics Board

<sup>3</sup> XPRIMM calculations



## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	EUR billion <sup>1</sup>	17.94	18.89	19.76	20.25	20.92
<b>GDP per capita, current prices</b>	EUR <sup>1</sup>	13,533.55	14,308.82	15,015.94	15,420.80	15,945.33
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	10.02	8.63	7.35	6.10	6.91
<b>Population</b>	Millions <sup>1</sup>	1.33	1.32	1.32	1.31	1.31
<b>Gross written premiums</b>	EUR million <sup>2</sup>	296.80	317.13	340.97	361.24	388.00
<b>Paid claims</b>	EUR million <sup>2</sup>	170.53	183.14	189.50	206.94	231.84
<b>Insurance penetration degree</b>	% in GDP <sup>3</sup>	1.65%	1.68%	1.73%	1.78%	1.86%
<b>Insurance density</b>	EUR/capita <sup>3</sup>	224.00	240.25	259.09	275.13	295.74

Insurers operating on the Estonian market reported total GWP of EUR 388 million for the financial year 2016, up by 7.4% y-o-y, according to the market data published by the Estonian National Statistics Board. The value of life GWP increased by 3.9% y-o-y, to EUR 85.7 million (22.1% of the total market), while Estonian general insurers posted GWP of EUR 302.3 million, 8.5% more y-o-y.

The largest portfolio shares in non-life were reported by MoD sub-class (EUR 102 million), property insurance (EUR 76,6 million) and Motor TPL (EUR 79 million). On the life segment, the largest share was held by unit-linked products (GWP of EUR 29.1 million), followed by pension insurance (EUR 22.7 million).

As GWP volume, Estonia's market leader in non-life insurance was If P&C Insurance AS (23.1% market share), while out of all five life insurers, SWEDBANK Life Insurance SE

ranked first with 39.3% market share.

According to the The Estonian Traffic Insurance Fund (LKF), despite the fact that the MTPL increased significantly, the local insurers suffered losses on this segment, reporting a EUR 9.7 million loss. "There were registered 35,423 traffic accidents, which is more than ever before, while the average loss rose to a record EUR 1,992", as LKF pointed out in a press release.

Jesse MART, Chairman, LKF said that the main source of the traffic accidents are the parking places in shopping centers, which are very narrow: *The brings a lot of traffic losses (...). This year, we will work with local authorities that private car parks meet all the standards.*

As LKF warns, what is worrying is that, is the increasing claims frequency, especially for large vehicles as trucks and buses. In 2016, this indicator was 13.06% for trucks and 17.36% for buses: *This means that every*

MTPL insurers reported losses of EUR 9.7 million

Fires caused damage to property insurers in amount of EUR 6.8 million

Estonian insurers ascertained in 2016 a total of 451 insurance fraud cases

Estonia allows self-driving cars on the roads

Estonia's presidency of the EU Council will start in July

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	388.00	361.24	7.41	231.84	206.94	12.03	100.00	100.00
<b>TOTAL LIFE</b>	85.65	82.44	3.90	54.89	45.61	20.34	22.07	22.82
Term and whole life assurance	14.42	12.11	19.15	1.14	1.14	0.02	3.72	3.35
Endowment insurance	14.28	15.24	-6.27	15.51	13.95	11.11	3.68	4.22
Pension insurance	22.68	18.89	20.04	8.09	6.78	19.45	5.85	5.23
Unit linked life insurance	29.06	31.87	-8.82	29.08	22.90	27.00	7.49	8.82
Supplementary insurance	5.21	4.33	20.31	0.99	0.67	47.54	1.34	1.20
Other life insurance	0.00	0.00	-45.47	0.08	0.17	-53.56	0.00	0.00
<b>TOTAL NON-LIFE</b>	302.35	278.81	8.45	176.95	161.32	9.69	77.93	77.18
Accident and sickness	5.37	5.04	6.55	1.56	1.36	14.53	1.39	1.40
Overall property insurance	79.64	73.45	8.42	40.07	31.87	25.72	20.52	20.33
Overall motor insurance	180.95	166.63	8.60	121.39	113.06	7.36	46.64	46.13
Motor Hull	101.95	95.61	6.63	69.49	64.68	7.44	26.28	26.47
MTPL	79.00	71.02	11.24	51.89	48.38	7.26	20.36	19.66
GTPL	9.23	8.71	6.00	2.71	3.44	-21.04	2.38	2.41
Other vehicles insurance	1.21	1.26	-4.10	0.54	0.60	-9.98	0.31	0.35
Goods in transit insurance	1.55	1.40	11.15	0.26	0.69	-62.03	0.40	0.39
Vehicles liability insurance	2.71	2.58	4.75	1.29	1.44	-10.41	0.70	0.72
Travel insurance	12.25	11.35	7.91	6.60	6.29	5.06	3.16	3.14
Insurance for pecuniary loss	9.43	8.37	12.68	2.54	2.59	-1.97	2.43	2.32

Estonian currency: EURO

sixth insured bus and every eighth insured truck - causes road accidents during the year. Last year, there were 2301 insured trucks and 919 buses were involved in traffic accidents.

At the same time, the Estonian Insurance Association's (EKSL) data show that last year, property fires caused damage to insurers in amount of EUR 6.8 million. Overall, 547 cases were reported (down by 8% y-o-y), of which residential properties - 362 (-12%) and 185 non-residential properties.

The largest damage to a residential property totaled EUR 200 thousand, through the full burning of a private residence -, insured by SWEDBANK P & C Insurance AS. In the case of non-residential properties, the largest damage amounted to EUR 700 thousand in a deposit - and was insured by PZU.

Insurance companies operating in Estonia ascertained in 2016 a total of 451 insurance fraud cases – (30% more y-o-y), mostly of them being related to property or travel insurance, according to Andres PIIRSALU, Member of Executive Board, LKF & EKSL. *There were increases in the number of insurance fraud mainly under EUR 3 thousand (...). Compared to earlier periods, there were an upward trend of frauds related to consumer electronics, travel interruption and phishing attempts.*

At the beginning of March, Estonia announced it has allowed the testing of self-driving cars on the country's roads. A number of self-driving shuttles will be put into service in Tallinn at the start of Estonia's presidency of the EU Council in July. According to Pirko KONSALA, the Head of the governmental group of experts on self-driving vehicles quoted by Estonian World, *Estonia as a small and flexible country has the opportunity to be first in applying new solutions, and the local entrepreneurs could become the first to export this know-how to international markets.*

(V.B.)

**It is important to note:**

The figures published by the Estonian National Statistics Board reflect the performance of Estonian insurers and other EU branches - for the insured risks only in Estonia. The FSA figures reflect the performance of the insurers registered in Estonia - including their cross-border business, but aggregated data of insurance companies were no longer published due to implementation of Solvency II (effective as of 01.01.2016).

# Estonia

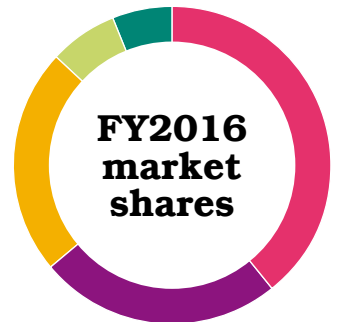
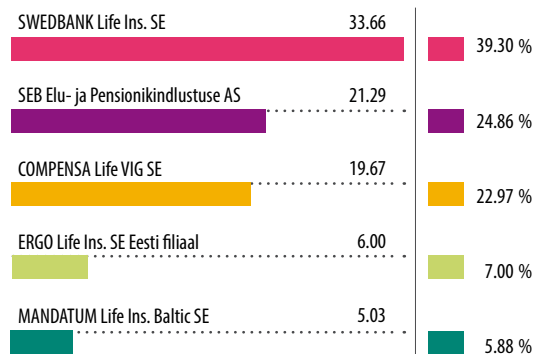
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Full market rankings per company & per class

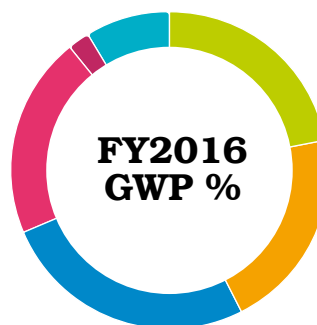
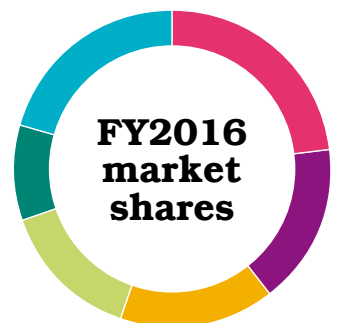
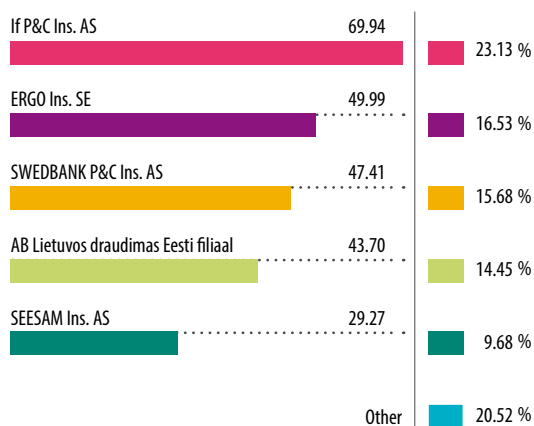
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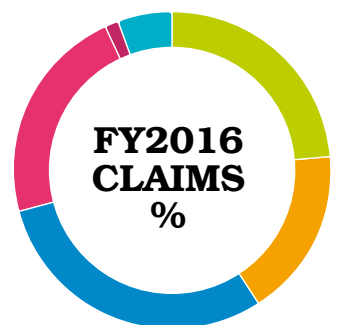
## Life insurance ranking (GWP, EUR million)



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



Life	22.07
Property	20.52
Motor Hull	26.28
MTPL	20.36
GTPL	2.38
Other	8.38



Life	23.68
Property	17.28
Motor Hull	29.97
MTPL	22.38
GTPL	1.17
Other	5.51

# Hungary



S&P Rating

**BBB- STABLE**

Moody's rating

**BAA3 STABLE**

Fitch Rating

**BBB- STABLE**



Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> National Bank of Hungary

<sup>3</sup> XPRIMM calculations

🌸 Growing at a lower pace than the market average, life insurance has lost almost 2pp of its market weight

🌸 The MTPL line has recorded the most impressive positive trend, with GWP increasing by 37.42%, driven by the increasing number of contracts and higher tariffs

🌸 Three non-life insurance classes have recorded a real collapse in the GWP volume: accident insurance, health insurance and GTPL

🌸 VIENNA Insurance Group (VIG) will merge its three Hungarian subsidiaries

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	HUF billion <sup>1</sup>	28,660.52	30,127.35	32,400.15	33,999.01	35,372.57
	EUR billion <sup>3</sup>	98.39	101.47	102.89	108.58	113.73
<b>GDP per capita, current prices</b>	HUF <sup>1</sup>	2,885,674.39	3,040,402.56	3,280,363.27	3,449,575.08	3,596,584.80
	EUR <sup>3</sup>	9,906.53	10,240.15	10,417.49	11,016.78	11,563.84
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	11.07	10.24	7.77	6.85	4.88
<b>Population</b>	Millions <sup>1</sup>	9.93	9.91	9.88	9.86	9.84
<b>HUF/EUR exchange rate</b>	End of period <sup>2</sup>	291.29	296.91	314.89	313.12	311.02
<b>Gross written premiums</b>	HUF million <sup>2</sup>	760,567.36	801,575.67	834,022.33	835,428.40	886,012.48
	EUR million <sup>3</sup>	2,611.03	2,699.73	2,648.61	2,668.08	2,848.73
<b>Paid claims</b>	HUF million <sup>2</sup>	571,692.88	563,368.97	512,996.38	512,551.40	536,161.61
	EUR million <sup>3</sup>	1,962.62	1,897.44	1,629.13	1,636.92	1,723.88
<b>Insurance penetration degree</b>	% in GDP <sup>3</sup>	2.65%	2.66%	2.57%	2.46%	2.50%
<b>Insurance density</b>	EUR/capita <sup>3</sup>	262.89	272.45	268.16	270.71	289.65

Hungarian insurance market ended 2016 with GWP of HUF 886 billion (EUR 2.85 billion), about 6% up y-o-y, benefitting especially from the positive effect exerted by the MTPL premium increase on the underwriting volume.

Growing at a lower pace than the market average, life insurance has lost almost 2pp of its market weight, accounting at the end of 2016 for about 49.5% of the total premium production. U-L products saw the strongest downward trend, of 12.4%, losing almost 6pp of the line's share in the total GWP.

On the non-life side, the MTPL line has recorded the most impressive positive trend, with GWP increasing by 37.42%, to HUF 131.48 billion (EUR 422 million), supported by the strong increase in tariffs,

but also by a revitalized car market. The Motor Hull class also saw a positive trend, with GWP increasing by 7.8%, to HUF 71.9 billion (EUR 231.22 million). It is interesting to observe that while for the Motor Hull line the growth in premiums is almost fully in line in the increase of the number of contracts, on the MTPL side, the number of contracts concluded in 2016 is only by a little less than 10% higher than in 2015, thus indicating that the GWP increase must have been determined in a significant measure also by the insurance price increase.

Yet, three non-life insurance classes have recorded a real collapse in the GWP volume: accident insurance (GWP down by 61%), health insurance (down by 71.6%) and GTPL (down by almost 47%)

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	2,848.73	2,668.08	6.77	1,723.88	1,636.92	5.31	100.00	100.00
<b>TOTAL LIFE</b>	1,411.09	1,363.71	3.47	1,094.84	1,048.78	4.39	49.53	51.11
Assurance on death	146.91	150.80	-2.58	88.85	92.93	-4.39	5.16	5.65
Assurance on survival	13.64	12.91	5.58	12.76	9.51	34.28	0.48	0.48
Endowment	261.43	248.78	5.08	264.31	276.50	-4.41	9.18	9.32
Unit linked	746.08	851.69	-12.40	633.38	607.56	4.25	26.19	31.92
Other life insurance	243.03	99.53	144.18	95.54	62.29	53.38	8.53	3.73
<b>TOTAL NON-LIFE</b>	1,437.64	1,304.37	10.22	629.04	588.13	6.96	50.47	48.89
Accidents insurance	26.45	67.65	-60.91	10.37	16.57	-37.43	0.93	2.54
Health insurance	7.91	27.68	-71.42	3.72	8.67	-57.06	0.28	1.04
Overall property insurance	542.53	512.95	5.77	175.02	189.76	-7.77	19.04	19.23
Overall motor insurance	653.96	522.08	25.26	397.12	328.28	20.97	22.96	19.57
Motor Hull	231.22	214.46	7.82	133.41	119.80	11.36	8.12	8.04
MTPL	422.75	307.62	37.42	263.71	208.47	26.50	14.84	11.53
GTPL	38.25	71.49	-46.50	5.49	12.80	-57.11	1.34	2.68
Other non-life insurance	168.55	102.52	64.41	37.32	32.05	16.45	5.92	3.84

<sup>1</sup> EUR = 313.12 Forints - HUF (December 31<sup>st</sup>, 2015)

<sup>1</sup> EUR = 311.02 Forints - HUF (December 31<sup>st</sup>, 2016)



Hungarian insurers managed to maintain a good profitability in 2016. Pre-tax profit amounted to HUF 55.7 billion (~ EUR 180 million); the technical result for life insurance was HUF 21.5 billion (EUR 69.13 million), while for the non-life insurance segment was HUF 23.13 billion (EUR 74.37 million).

# Hungary

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**GWP & claims portfolio per class**

MSExcel format \* in EUR and local currency



## The market players

ALLIANZ, GENERALI and GROUPAMA are the Top 3 insurers, with market share of 13.73% 13.65% and 10.5% respectively.

The life insurance Top 3 is formed by NN (17.22%), Magyar Posta Élet (11.16%) and GENERALI (9.55%). On the non-life side, the Top 3 team consists in ALLIANZ (19.55%), GENERALI (18.06%) and AEGON (11.96%).

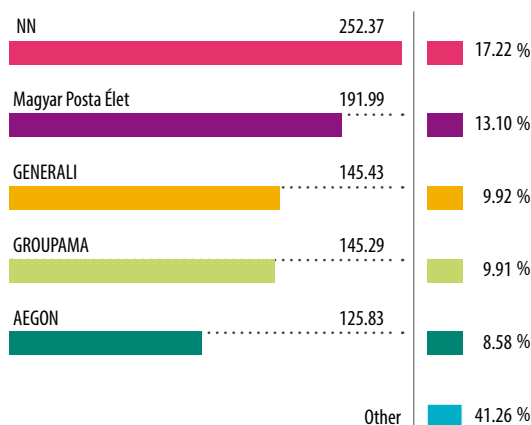
The market structure didn't change much in 2016, but this year will bring a novelty, as Austrian insurer VIENNA Insurance Group (VIG) announced it will merge its three Hungarian subsidiaries - ERSTE Biztosito, UNION Biztosito and VIENNA Life Biztosito - into one company. The new insurer will operate under the "UNION brand" as of the beginning of 2018. *The three units together serve almost one million clients. In the new operation size we will be joining up our resources and optimizing our sales structure to enable us to respond to client demands more efficiently,* said Gabor LEHEL, president and CEO of UNION Biztosito. At the end of 2016 the three VIG units had an aggregate market share of 7.6%, (GWP of HUF 69.8 billion / EUR 225 million).

## New rules in life insurance

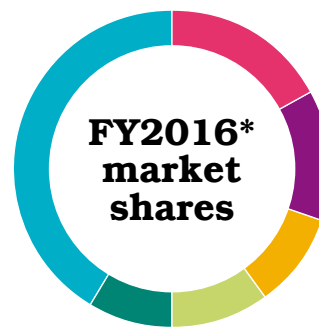
The latest amendment to the Hungarian insurance act sets a limit to the minimum amount which can be charged on the insurance premium, to be utilised for investment during the initial years of the policy. This percentage is a minimum 20% of the insurance premium (minus risk element) for the first year, 50% for the second, and 80% for the third year. The Hungarian National Bank also introduced new rules and limitations for the TCC (total cost charged) for unit-linked life insurances, and the obligation to provide clear information to consumers regarding the related costs and risks.

(D.G.)

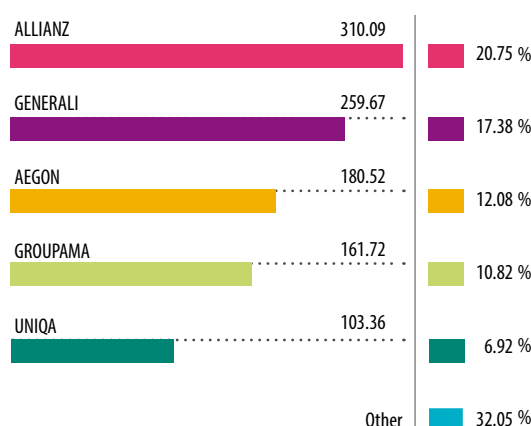
### TOP 5 Life insurance (GWP, EUR million)



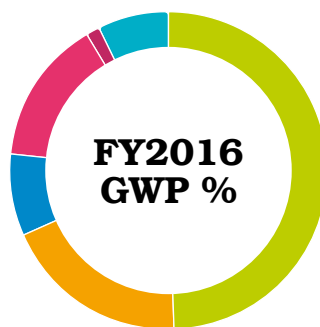
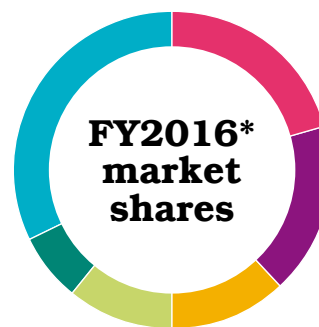
\*according to MABISZ - Association of Hungarian Insurance Companies



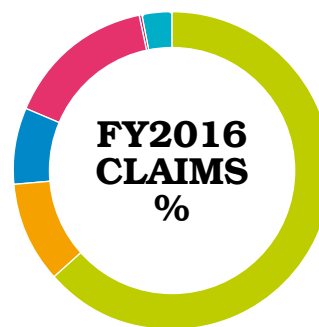
### TOP 5 Non-Life insurance (GWP, EUR million)



\*according to MABISZ - Association of Hungarian Insurance Companies



Class	Value
Life	49.53
Property	19.04
Motor Hull	8.12
MTPL	14.84
GTPL	1.34
Other	7.12



Class	Value
Life	63.51
Property	10.15
Motor Hull	7.74
MTPL	15.30
GTPL	0.32
Other	2.98

# Kosovo



## Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> Kosovo Agency of Statistics (KAS)

<sup>3</sup> Central Bank of the Republic Kosovo

<sup>4</sup> XPRIMM calculations

🌸 Kosovo's market posted a net loss of EUR 23.9 million, more than three times than a year ago.

🌸 The number of employees in insurance industry increased from 1,614 (at the end of 2015) to 2,141 (December 2016)

🌸 15 insurance institutions, 10 commercial banks, 2 pension funds and 16 microfinance institutions composed the Kosovo financial environment

🌸 The total number of policies sold by local insurers decreased by about 26 thousand due the impressive reduction in Border policies

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	EUR billion <sup>1</sup>	5.06	5.33	5.57	5.81	6.05
<b>GDP per capita, current prices</b>	EUR <sup>4</sup>	2,842.13	2,992.70	3,128.09	3,262.36	3,400.00
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	NA	NA	NA	NA	NA
<b>Population</b>	Millions <sup>2</sup>	1.78	1.78	1.78	1.78	1.78
<b>Gross written premiums</b>	EUR million <sup>3</sup>	81.53	77.39	80.08	78.77	81.24
<b>Paid claims</b>	EUR million <sup>3</sup>	30.58	38.45	31.18	36.97	36.87
<b>Insurance penetration degree</b>	% in GDP <sup>4</sup>	1.61%	1.45%	1.44%	1.36%	1.34%
<b>Insurance density</b>	EUR/capita <sup>4</sup>	45.81	43.48	44.99	44.25	45.64

Last year, the Kosovo insurance market totaled EUR 83.8 million, or 2.9% more y-o-y, according to data published by the Central Bank of the Republic of Kosovo (CBK). At the same time, the volume of paid claims by local insurers remained about at the 2015 level: EUR 37 million (Note: the presented figure includes only the volume paid by non-life insurers).

The GWP portfolio consisted of about 54% Mandatory TPL policies, 8.2% - Border policies, 3.1% - life insurance, the remaining volume being represented by other voluntary non-life classes (~34.4%).

The positive dynamic of the local insurance market was supported by the double-digit increases reported by the voluntary non-life classes (+13% to EUR 28.8 million) and by the 5.5% increase in Third Party Liability subclass (to EUR 45.5 million).

On the other hand, Border policies compressed by a third to EUR 6.9 million, as the Central Bank data showed.

In the analysed period, the total number of policies sold by local insurers was of 951.54 thousand (vs. 977.51 in 2016), of which

about 387 thousand were DMTPPL contracts (vs. 350 thousand) and 362 thousand - border policies (vs. 442 thousand).

Kosovo's insurance companies posted a combined net loss of EUR 23.9 million, more than three times higher than their aggregate net loss of EUR 7.7 million in 2015.

Return on assets (ROA) stood at minus 15.2% at end-2016 versus minus 5.8% a year earlier, whereas return on equity (ROE) worsened to a negative 58.1% from a negative 16.8% in 2015.

The assets held by Kosovo insurance companies increased by 6.2% to EUR 162.1 million, of which EUR 145.7 million was accounted by non-life insurers.

15 insurance institutions were active on the local market, of which 12 - non-life insurers and 3 companies active only in life segment.

Number of offices is 586, while the number of employees in insurance industry increased from 1,614 (at the end of 2015) to 2,141 (December 2016)

By comparison, on the Kosovo financial

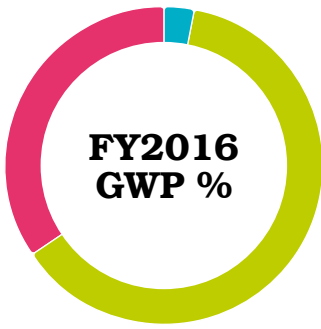
## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	83.84	81.47	2.91	36.87	36.97	-0.27	100.00	100.00
<b>TOTAL LIFE*</b>	2.60	2.70	-3.70	NA	NA	-	3.10	3.31
<b>TOTAL NON-LIFE**</b>	81.24	78.77	3.13	36.87	36.97	-0.27	96.90	96.69
MTPL	52.40	53.31	-1.70	22.75	23.96	-5.06	62.50	65.43
Third Party Liability	45.50	43.14	5.48	21.32	22.83	-6.62	54.27	52.95
Border policies	6.90	10.17	-32.15	1.43	1.13	26.41	8.23	12.48
Other (non TPL)	28.83	25.46	13.25	14.12	13.01	8.54	34.39	31.25

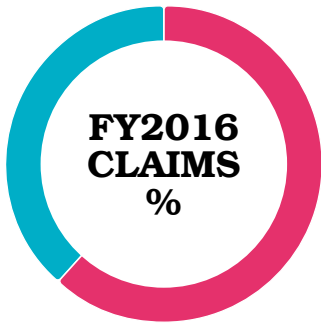
\*according to "Financial System - Monthly Information" published by CBK

\*\*according to "Insurance Companies Activity" published by CBK

Kosovo currency: EURO



Life 3.10  
MTPL 62.50  
Other 34.39



Life -  
MTPL 61.69  
Other 38.31

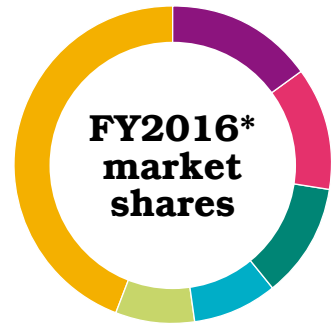
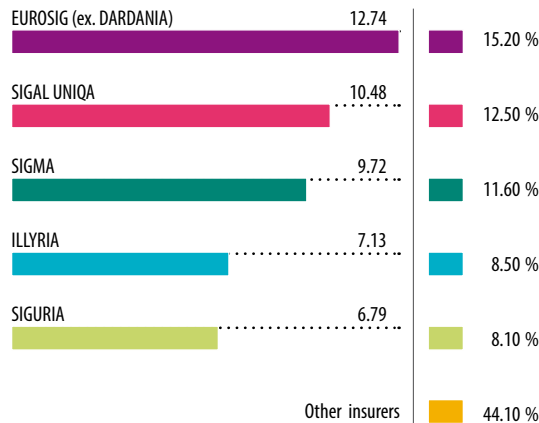
# Kosovo

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**GWP & claims portfolio per class**

MSExcel format

### Top 5 Total market (GWP, EUR m)



\*The presented market shares are according to the Audited Annual Report of the Sava Re Group and SAVA re, d.d. for 2016

market were active 10 commercial banks (258 offices / 3,341 employees), 16 microfinance institutions (117/930) and 2 pension funds (31 employees).

The local insurance industry has been independent since 2000, and currently, nine insurers are foreign owned, some of them being members of well-known

European insurance entities like GRAWE, UNIQA Group Austria, VIENNA Insurance Group or Slovenian SAVA Re Group.

(V.B.)

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## Insurance Statistics Quarterly Updated!

# Latvia



S&P Rating  
**A- STABLE**

Moody's rating  
**A3 STABLE**

Fitch rating  
**A- STABLE**



Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> The Financial and Capital Market Commission of Latvia - FKTK (local an EU branches, added-up)

<sup>3</sup> XPRIMM calculations

FKTK figures: About 68.4% of the total GWP were written by the local insurers, the rest being written by EU branches

Latvian Insurers' Association expects consolidation to continue on insurance market

Local insurers posted profits totaling EUR 104.95 million as opposed to a loss in 2015 of 887 thousand

Eight local insurers, 13 EU branches and 81 brokers were active on the market

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	EUR billion <sup>1</sup>	21.89	22.79	23.63	24.37	25.02
<b>GDP per capita, current prices</b>	EUR 1	10,702.99	11,259.13	11,806.91	12,269.43	12,706.34
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	15.05	11.87	10.84	9.88	9.64
<b>Population</b>	Millions <sup>1</sup>	2.05	2.02	2.00	1.99	1.97
<b>Gross written premiums</b>	EUR million <sup>2</sup>	447.09	470.94	517.41	531.12	532.36
<b>Paid claims</b>	EUR million <sup>2</sup>	240.02	261.66	282.76	310.61	313.54
<b>Insurance penetration degree</b>	% in GDP <sup>3</sup>	2.04%	2.07%	2.19%	2.18%	2.13%
<b>Insurance density</b>	EUR/capita <sup>3</sup>	218.63	232.68	258.58	267.43	270.37

The year 2016 saw a consolidation trend in the insurance sector in the Baltic region and Latvia was no exception. Austrian VIG acquired BALTIKUMS and BTA Baltic Insurance Company in a deal which will contribute to the stability and sustainability of the local insurance industry.

According to a statement made by the Latvian Insurers' Association (LAA) quoted by The Baltic Course, a consolidation trend is expected to yield over the next five years a final number of five to six large market players in the entire Baltics region.

At the same time, the Insurers' Association would like local companies to become stronger, as they can better adapt to the local market and find a specific niche, the

Association's head Janis ABASINS told LETA. LAA also points out that, following reorganization of GJENSIDIGE companies in the Baltic countries, GJENSIDIGE's head offices was transferred to Lithuania, not in Latvia. *There is a lesson in that for the supervisory authorities and the insurance industry on the whole*, believes the association.

*The number of insurance association owners is reducing, which could mean a smaller number of insurance companies in the future. One positive development for the insurance market is that it grows more rapidly than the economy*, BALTA Chairman of the Board Bogdans BENCAKS told Baltic News Network in an interview.

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016 EUR m	2015 EUR m	Change %	2016 EUR m	2015 EUR m	Change %	2016 %	2015 %
<b>TOTAL MARKET</b>	532.36	531.12	0.23	313.54	310.61	0.94	100.00	100.00
<b>TOTAL LIFE</b>	123.71	114.94	7.62	73.16	63.04	16.05	23.24	21.64
Life insurance with savings	37.67	43.52	-13.45	30.91	27.43	12.68	7.08	8.19
Unit-linked	44.86	43.21	3.81	20.51	17.10	19.96	8.43	8.14
Other life insurance	41.18	28.21	45.99	21.74	18.51	17.44	7.74	5.31
<b>TOTAL NON-LIFE</b>	408.65	416.18	-1.81	240.38	247.57	-2.90	76.76	78.36
Accidents insurance	10.67	10.08	5.80	4.18	4.30	-2.58	2.00	1.90
Health insurance	44.76	48.32	-7.37	32.88	35.12	-6.36	8.41	9.10
Overall property insurance	75.61	84.34	-10.35	38.95	39.25	-0.76	14.20	15.88
Overall motor insurance	140.50	146.64	-4.19	101.84	102.63	-0.76	26.39	27.61
Motor hull	87.30	90.10	-3.10	59.85	63.22	-5.33	16.40	16.96
MTPL	53.19	56.55	-5.93	41.99	39.40	6.57	9.99	10.65
Transport ownership liability ins.	88.31	74.17	19.06	45.61	54.60	-16.48	16.59	13.97
GTPL	19.03	21.10	-9.81	4.17	3.49	19.37	3.57	3.97
Suretyship insurance	8.59	10.39	-17.35	3.76	1.37	174.90	1.61	1.96
Assistance insurance	12.66	12.68	-0.14	3.57	3.53	0.90	2.38	2.39
Other non-life insurance	8.53	8.45	0.98	5.42	3.28	65.14	1.60	1.59
Of total:								
<b>By local insurers, of which:</b>	364.13	378.73	-3.86	214.14	227.23	-5.76	68.40	71.31
Life	47.73	46.77	2.05	33.48	29.23	14.56	8.97	8.81
Non-life	316.40	331.96	-4.69	180.65	198.00	-8.76	59.43	62.50
<b>By branches of EU insurers</b>	168.23	152.39	10.39	99.41	83.39	19.21	31.60	28.69
Life	75.98	68.17	11.44	39.68	33.81	17.34	14.27	12.84
Non-life	92.25	84.22	9.54	59.73	49.57	20.49	17.33	15.86

Latvian currency: EURO



Janis ABASINS  
President  
Latvian Insurers  
Association



# Latvia

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Full market rankings per company & per class

MSExcel format



Nevertheless, it is important to emphasize that growth of the insurance market is not a trend unique to 2016 – growth was also noticed in previous years, and we expect next year's growth to be even higher. The main reason for this growth is that society values the importance of insurance and its offered financial stability, said Bogdans BENCAKS.

In absolute figures, the Latvian insurance market totaled EUR 532.4 million at the end of 2016, 0.2% more y-o-y, according to data published by the Financial and Capital Market Commission – FKTK. About 68.4% of the total GWP were written by the local insurers (EUR 364 million, or 3.9% less y-o-y), the rest being written by the branches of EU insurers (EUR 168 million, up by 10.4% y-o-y).

Currently, there are eight insurance companies in Latvia, thirteen insurance companies' branches and 81 insurance brokers.

At the same time, Latvian insurance companies posted profits totaling EUR 104.95 million as opposed to a loss in 2015 of 887 thousand.

The significant rise in profits was mostly due to a non-life insurer selling its subsidiary. With the impact of this deal excluded, aggregate profit of non-life insurers would have been around EUR 5 million, said Agnese LICITE, a FKTK spokeswoman quoted by LETA - Latvian Information Agency.

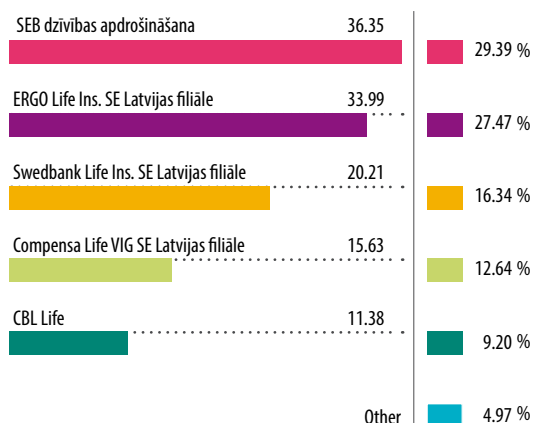
In 2016, BALCIA Insurance sold the controlling stake in its subsidiary, BTA Baltic Insurance Company to Austrian VIENNA Insurance VIG, and closed the year with pre-tax profit of EUR 98.7 million.

Per segments, profit of non-life insurers last year was EUR 103.1 million (vs. EUR 104 thousand in 2015), and life insurers made profits totaling EUR 1.8 million as opposed to a loss in 2015 of about EUR 1 million.

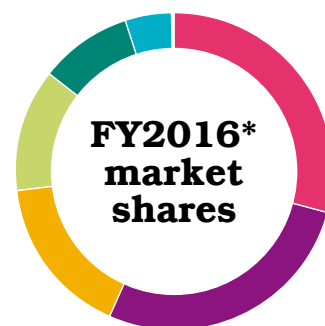
According to LAA figures, the life segment was led by SEB dzīvības apdrošināšana (GWP of EUR 36.3 million) followed by two EU branches of ERGO Life and SWEDBANK Life. The largest non-life insurer were BTA Baltic (GWP of 132 million) and BALTA (EUR 75 million).

(V.B.)

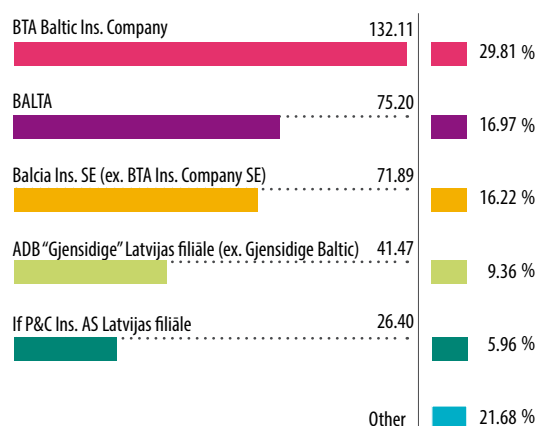
## TOP 5 Life insurance (GWP, EUR million)



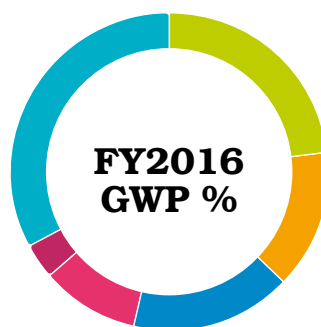
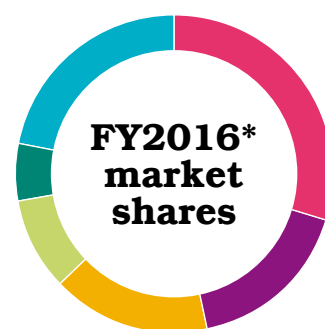
\*according to LAA - Latvian Insurers Association



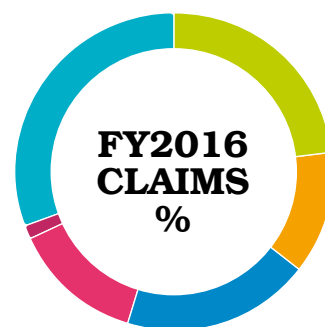
## TOP 5 Non-Life insurance (GWP, EUR million)



\*according to LAA - Latvian Insurers Association



Segment	%
Life	23.24
Property	14.20
Motor Hull	16.40
MTPL	9.99
GTPL	3.57
Other	32.59



Segment	%
Life	23.33
Property	12.42
Motor Hull	19.09
MTPL	13.39
GTPL	1.33
Other	30.43

# Lithuania



S&P Rating  
**A- STABLE**

Moody's rating  
**A3 STABLE**

Fitch Rating  
**A- STABLE**



Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> Bank of Lithuania (LB)

<sup>3</sup> XPRIMM calculations

Bank of Lithuania forecasts that in 2017 the local market will grow by about 6-7%

Lithuanian insurers earned EUR 6.5 million in profit in 2016

The assets managed by insurers rose by 18.7% over the year

Nine local insurers and eleven EU branches were active on Lithuanian market

All insurers met Solvency II requirements

At the end of 2016, the solvency ratio of non-life insurers was 1.7, while of life insurers was 2.2.

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	EUR billion <sup>1</sup>	33.35	35.00	36.59	37.33	38.63
<b>GDP per capita, current prices</b>	EUR <sup>1</sup>	11,161.62	11,834.28	12,477.97	12,850.83	13,455.59
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	13.37	11.77	10.70	9.12	7.86
<b>Population</b>	Millions <sup>1</sup>	2.99	2.96	2.93	2.91	2.87
<b>Gross written premiums</b>	EUR million <sup>2</sup>	518.04	563.45	600.85	645.09	709.84
<b>Paid claims</b>	EUR million <sup>2</sup>	315.11	311.81	316.37	331.88	372.79
<b>Insurance penetration degree</b>	% in GDP <sup>3</sup>	1.55%	1.61%	1.64%	1.73%	1.84%
<b>Insurance density</b>	EUR/capita <sup>3</sup>	173.37	190.48	204.93	222.06	247.24

Lithuanian insurers reported GWP of EUR 709.8 million in 2016, while growth within the entire insurance market was 10%. The amount of insurance premiums within the non-life insurance sector stood at EUR 463.1 million last year, an increase of 13.2% y-o-y, mostly driven by the motor insurance classes. The life segment market grew by 4.6% y-o-y to EUR 246.7 million. A positive contribution to the result of the life assurance sector stemmed from a record-high increase in the amount of single insurance premiums within the unit and index-linked insurance class, accounting for the largest share of the life assurance market, as the Central Bank announced in a press release.

This was nearly in line with the Bank of Lithuania's early projection that the non-life insurance market would accelerate its growth

rate, while the scenario for the development of the life assurance market was fulfilled far better.

At the same time, the Lithuanian insurers earned EUR 6.5 million in unaudited profits as follows: life insurers earned EUR 19.8 million in profits, while non-life companies suffered EUR 13.3 million in losses.

The year 2016 was a success for all five life assurance undertakings – their operations were profitable. Meanwhile, of the four undertakings engaged in non-life insurance, two operated at a loss, leading to the overall loss for non-life insurance undertakings. Their financial performance was affected by the reorganisation or restructuring processes that were under way, said Vytautas VALVONIS, Director of the Supervision Service of the Bank of Lithuania.

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	709.84	645.09	10.04	372.79	331.88	12.33	100.00	100.00
<b>TOTAL LIFE</b>	246.72	235.96	4.56	113.83	96.71	17.71	34.76	36.58
funds	156.59	170.18	-7.98	74.85	64.67	15.74	22.06	26.38
Other	90.13	65.77	37.02	38.98	32.03	21.69	12.70	10.20
<b>TOTAL NON-LIFE</b>	463.12	409.14	13.19	258.95	235.17	10.11	65.24	63.42
Property insurance	97.65	89.05	9.66	44.18	32.84	34.52	13.76	13.80
Overall motor insurance	268.54	231.41	16.04	180.49	158.42	13.93	37.83	35.87
Motor Hull	112.58	95.40	18.00	80.96	70.68	14.55	15.86	14.79
MTPL	155.97	136.01	14.67	99.52	87.74	13.43	21.97	21.08
Goods in transit	2.47	2.29	8.16	0.50	0.93	-46.73	0.35	0.35
GTPL	20.01	19.82	0.96	4.01	3.04	32.03	2.82	3.07
Carrier TPL insurance	4.04	3.99	1.33	2.13	1.94	9.50	0.57	0.62
Credit insurance	3.36	4.22	-20.43	0.57	14.89	-96.16	0.47	0.65
Suretyship insurance	10.05	10.38	-3.19	0.37	0.37	-1.03	1.42	1.61
Financial loss insurance	3.92	2.47	58.83	0.94	0.38	147.30	0.55	0.38
Other non-life insurance	53.07	45.51	16.62	25.79	22.36	15.35	7.48	7.05

Lithuania joined the Eurozone by adopting the euro on 1 January 2015.

# Lithuania

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Vytautas VALVONIS,  
Director of the  
Supervision  
Service  
Bank of Lithuania



The assets managed by insurers amounted to EUR 1,399 billion at the end of 2016. This indicator rose by 18.7% over the year and mostly pertains to the end of the restructuring process at ADB Gjensidige, when this insurance undertaking, operating in Lithuania, carried out a merger with an undertaking operating in Latvia.

Following last year's one-tenth increase in terms of GWP, Bank of Lithuania forecasts that in 2017, the local market will grow less strongly, by about 6-7%. Stronger development is projected for the non-life insurance market, while the life segment is pending a decline.

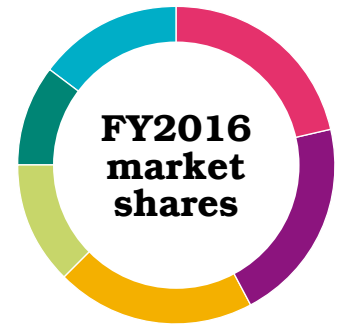
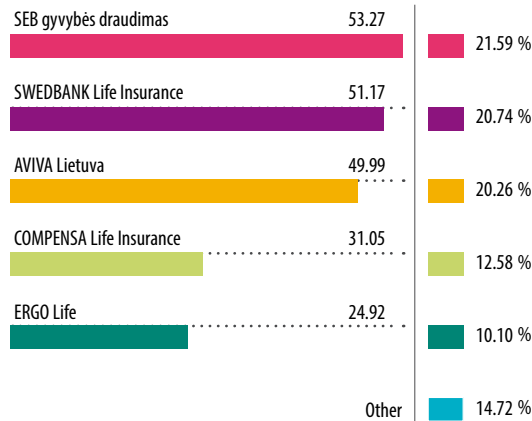
According to the predictions, the growth rate of the non-life segment, which accounts for two thirds of the entire insurance market, this year will slightly decline compared to 2016; however, it is likely to account for 10-12%.

The year 2017 is not expected to be as favourable for the life assurance market as last one - this year, the amount of insurance premiums may decrease by 4-6%.

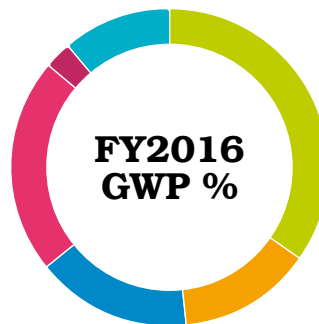
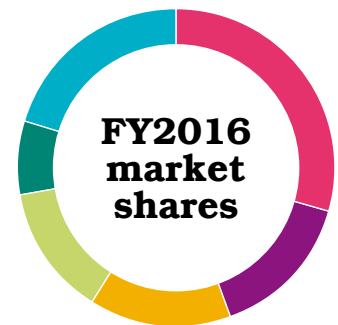
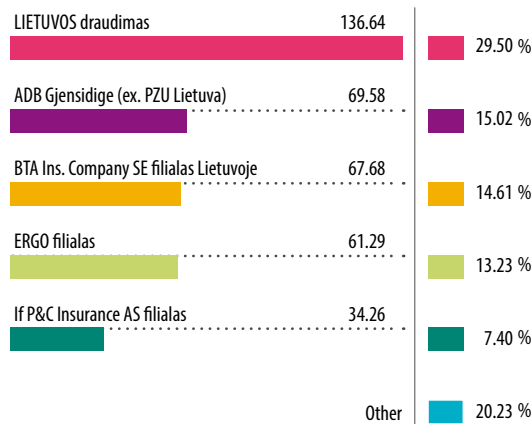
Growth in the insurance sector will be ensured by the dynamic development of the non-life insurance sector. The non-life insurance market will benefit from the development of the entire economy and the resulting growth in domestic consumption and inflation. No significant structural changes in the insurance portfolio are expected; compulsory and commercial asset insurance products will continue dominating this market. Meanwhile the projections for life assurance are opposite: a decline is forecasted. Recent changes in the regulatory and taxation environment, the protracted low interest rate environment, which resulted in a decline in the guaranteed return on insurance products, as well as an unusual leap in premiums in the last month of 2016 that will determine a high comparable base, will be the reasons behind the projected negative market change, pointed out Vytautas VALVONIS.

(V.B.)

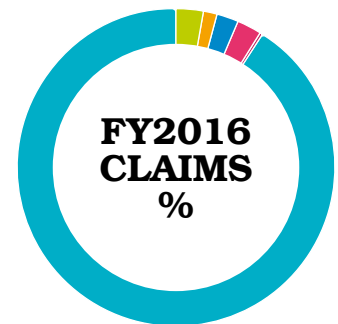
## TOP5 Life insurance (GWP, EUR million)



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



Life	34.76
Property	13.76
Motor Hull	15.86
MTPL	21.97
GTPL	2.82
Other	10.84



Life	3.05
Property	1.19
Motor Hull	2.17
MTPL	2.67
GTPL	0.11
Other	90.81

# Macedonia



S&P Rating

**BB- STABLE**

Fitch Rating

**BB NEGATIVE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> National Bank of the Republic of Macedonia

<sup>3</sup> Insurance Supervision Agency

<sup>4</sup> XPRIMM calculations

Non-life insurers reported a decrease of 4.02% y-o-y in profits, while the life segment saw an increase of 19.51% y-o-y in FY 2016 profits

The number of insurance contracts was up by 7.74% y-o-y

2016 brought a boom in unit-linked insurance

The decrease in property GWP with a simultaneous increase number of contracts indicates higher price competition between the insurers

During 2017, the local authority expects higher sales of voluntary non-life insurance

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	MKD billion <sup>1</sup>	466.70	501.89	527.63	558.24	607.45
	EUR billion <sup>4</sup>	7.59	8.16	8.58	9.06	9.88
<b>GDP per capita, current prices</b>	MKD <sup>1</sup>	226,302.85	242,956.01	254,996.20	269,514.76	292,972.31
	EUR <sup>4</sup>	3,679.72	3,949.78	4,147.53	4,375.62	4,765.23
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	31.00	29.00	28.03	26.05	23.55
<b>Population</b>	Millions <sup>1</sup>	2.06	2.07	2.07	2.07	2.07
<b>MKD/EUR exchange rate</b>	End of period <sup>2</sup>	61.50	61.51	61.48	61.59	61.48
<b>Gross written premiums</b>	MKD million <sup>3</sup>	7,013.62	7,193.50	7,630.73	8,279.71	8,721.62
	EUR million <sup>4</sup>	114.04	116.95	124.11	134.42	141.86
<b>Paid claims</b>	MKD million <sup>3</sup>	3,013.67	2,959.20	3,053.95	3,183.88	3,605.91
	EUR million <sup>4</sup>	49.00	48.11	49.67	51.69	58.65
<b>Insurance penetration degree</b>	% in GDP <sup>4</sup>	1.50%	1.43%	1.45%	1.48%	1.44%
<b>Insurance density</b>	EUR/capita <sup>4</sup>	55.31	56.61	59.99	64.91	68.43

The young and still developing insurance market of Republic of Macedonia grew by about 5% in 2016 to MKD 8.7 billion (about EUR 142 million) with a concurrent increase of 7.74% in the number of insurance contracts, according to the figures provided by the local Insurance Supervision Agency.

*The insurance industry had a relatively successful year despite the impact of the risks of non-economic nature, registering increase in the GWP, growth of the assets and increased investments, higher employment, as well as increased number of the insurance intermediaries, said Klime POPOSKI, PhD, President of the Council of Expert Insurance Supervisory Agency Macedonia.*

*At the same time, during 2017, we are expecting growth in the GWP for both non-life insurance and life insurance. The increase*

*is expected in higher sales of voluntary non-life insurance, as well as in the life insurance, especially in the unit-link insurance.*

The non-life insurers reported FY2016 profits of MKD 451 million, a decrease of 4.02% y-o-y, while the life insurance companies generated profits of MKD 54.2 million, an increase of 19.51% y-o-y.

Non-life insurance GWP, producing 85.19% of the total GWP, reached MKD 7.43 billion (EUR 121 million), an increase of 3.5% over the previous year.

In the structure of GWP, the most important category is the compulsory MTPL with a share of 44.22%. *The average MTPL premium in 2016 accounted MKD 5,331 with no significant differences compared to previous years. On the other hand, the average paid*

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	141.86	134.42	5.53	58.65	51.69	13.46	100.00	100.00
<b>TOTAL LIFE</b>	21.01	17.87	17.54	3.37	2.07	62.85	14.81	13.30
<b>TOTAL NON-LIFE</b>	120.85	116.55	3.69	55.28	49.62	11.40	85.19	86.70
Overall property insurance	25.29	26.65	-5.08	7.49	10.33	-27.47	17.83	19.82
Fire and allied perils	7.91	8.28	-4.47	1.71	2.89	-41.01	5.58	6.16
Damages to property	17.38	18.36	-5.36	5.79	7.44	-22.21	12.25	13.66
Overall motor insurance	75.07	71.18	5.46	7.49	31.12	-75.92	52.92	52.96
Motor Hull	12.34	11.25	9.66	1.71	6.07	-71.91	8.70	8.37
MTPL	62.73	59.94	4.67	5.79	25.05	-76.89	44.22	44.59
GTPL	3.26	3.12	4.44	0.38	1.51	-74.92	2.30	2.32
Other non-life insurance	17.22	15.59	10.45	39.91	6.65	499.98	12.14	11.60

1 EUR = 61.4812 Denars, MKD (December, 31st 2016)

1 EUR = 61.5947 Denars, MKD (December, 31st 2015)



Klime POPOSKI  
President  
of the Council  
of Expert ISA



# Macedonia

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claims have a decreasing trend from to MKD 61,652 in 2016, compared to 2014 when it amounted MKD 65,756. The MTPL combined ratio improved in comparison to the observed trend, told Klime POPOSKI.

Second category belongs to the property insurance (17.83% share). This line of business GWP reached MKD 1.55 billion, a decrease by 5.26% y-o-y, with a simultaneous increase of 11.65% of insurance contracts, which indicates higher price competition between insurance companies over the previous year.

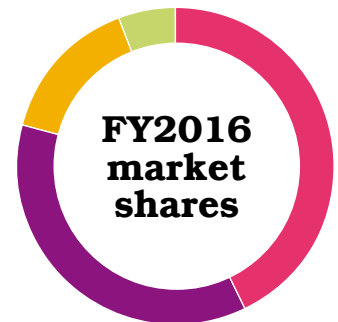
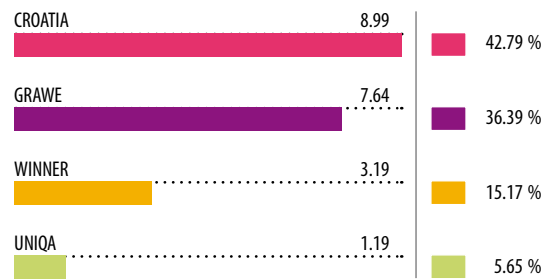
It is worth to mention that, in the last year, there were a progress regarding the health insurance. Health insurance is a relatively new insurance product, with modest beginnings in 2013. In 2016, 1.300 contracts were concluded with a total GWP of MKD 45.22 million, compared to 2015 when there were only 368 with a total GWP of MKD 6.37 million, said Klime POPOSKI.

The life insurance GWP, producing 14.81% of the total GWP, reached MKD 1.29 billion (EUR 21 million), an 17.32% increase over the previous year. The largest share in the life insurance belongs to the endowment life insurance (87.65%), additional life insurance with 7.89% and unit-linked life insurance with 4.45%. 2016 brought a boom in unit-linked insurance. This type of life insurance appeared for the first time on the domestic market in 2015 when there were 325 contracts concluded with a total GWP of MKD 7.71 million, but as of 2016 the insurance contracts reached 1,466 with a GWP of MKD 57.46 million, pointed out Klime POPOSKI.

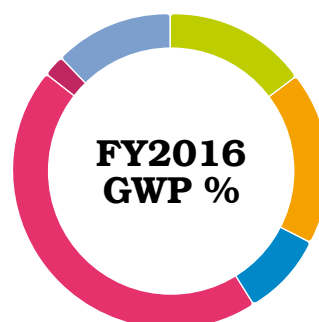
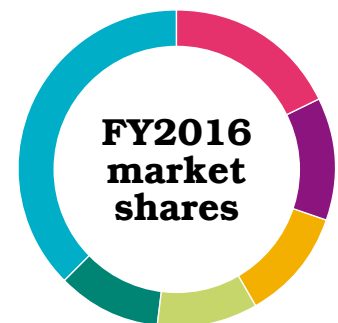
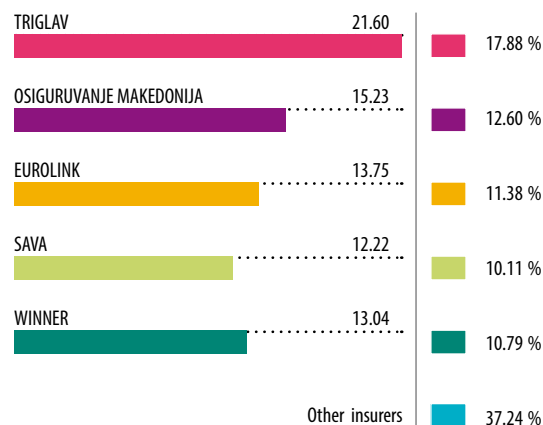
Speaking about the expected regulatory changes, the President of Macedonian ISA mentioned that there is an ongoing EU twinning project with the final goal to produce regulation harmonized with the Solvency II Directive.

(V.B.)

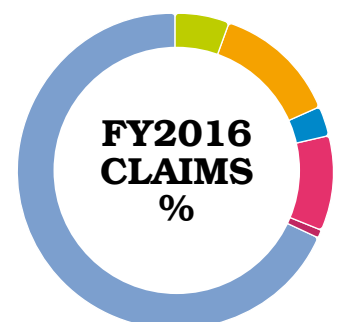
## Life insurance ranking (GWP, EUR million)



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



Life	14.81
Property	17.83
Motor Hull	8.70
MTPL	44.22
GTPL	2.30
Other	12.14



Life	5.75
Property	12.78
Motor Hull	2.91
MTPL	9.87
GTPL	0.65
Other	68.04

# Montenegro



S&P Rating

**B+ NEGATIVE**

Moody's rating

**B1 NEGATIVE**



Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> Insurance Supervision Agency of Montenegro

<sup>3</sup> XPRIMM calculations

11 insurance companies active on the Montenegrin market in 2016

The MTPL line accounted for half of the non-life insurance written premiums

Health insurance line reported a significant double digit growth rate, still remaining one of lines with a very small contribution to the market size

TRIGLAV Group's companies, LOVĆEN Osiguranje and its subsidiary LOVĆEN životna osiguranja together reached the market share of 38.9%, maintaining the leading position.

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
GDP, current prices	EUR billion <sup>1</sup>	3.18	3.36	3.46	3.63	3.73
GDP per capita, current prices	EUR <sup>1</sup>	5,126.45	5,412.88	5,561.15	5,826.06	5,989.42
Unemployment rate	% of total labor force <sup>1</sup>	NA	NA	NA	NA	NA
Population	Millions <sup>1</sup>	0.62	0.62	0.62	0.62	0.62
Gross written premiums	EUR million <sup>2</sup>	66.92	72.77	72.42	76.93	80.14
Paid claims	EUR million <sup>2</sup>	NA	26.81	30.52	30.01	34.18
Insurance penetration degree	% in GDP <sup>3</sup>	2.10%	2.16%	2.09%	2.12%	2.15%
Insurance density	EUR/capita <sup>3</sup>	107.76	117.19	116.43	123.69	128.64

Montenegro's economy saw a positive development last year, expected to continue and eventually improve in 2017, mainly as a result of intensive construction of motorways. Furthermore, favorable developments in tourism are expected to result from new hotel capacities. Yet, a rise in the unemployment rate was observed, which reached 16.9% in 2016, whereas the average net salaries went up by 4%.

There were 11 insurance companies active on the Montenegrin market in 2016, 5 selling non-life and 6, life insurance. Together they have reported GWP of EUR 80.14 million, 4.17% up y-o-y.

Although growing at a slightly higher rate than the market average, the life insurance segment didn't increase significantly its share in the market GWP portfolio, accounting for some 17% of the total premiums.

The non-life insurance segment remained, by large, under the domination of the MTPL line, as the class accounted for half of the written premiums. Thus, GWP for the MTPL insurance class totaled EUR 35.23 million, up by 7.13% y-o-y, recording in fact the highest growth rate among all business lines. Motor Hull insurance saw a quasi unchanged business volume as compared

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	80.14	76.93	4.17	34.18	30.01	13.89	100.00	100.00
<b>TOTAL LIFE</b>	13.68	12.93	5.81	3.96	4.18	-5.17	17.07	16.80
<b>TOTAL NON-LIFE</b>	66.46	64.01	3.84	30.22	25.83	16.98	82.93	83.20
Accident	9.61	9.46	1.60	7.13	7.64	-6.70	11.99	12.29
Health	1.78	1.37	30.32	0.87	0.63	37.69	2.22	1.78
<b>Overall property insurance</b>	9.91	10.44	-5.02	2.24	2.31	-3.11	12.37	13.57
Fire and allied perils	3.99	4.08	-2.34	0.64	0.72	-10.53	4.98	5.31
Damages to property	5.93	6.35	-6.74	1.60	1.59	0.25	7.39	8.26
<b>Overall motor insurance</b>	40.31	37.93	6.28	16.06	14.66	9.54	50.30	49.31
Motor hull	5.08	5.04	0.68	3.55	3.06	15.86	6.34	6.56
MTPL	35.23	32.89	7.13	12.51	11.60	7.87	43.97	42.75
GTPL	1.27	1.31	-3.03	0.12	0.27	-53.87	1.58	1.70
Other non-life insurance	3.58	3.51	2.04	3.80	0.32	1,076.58	4.47	4.56

Montenegro currency: EURO

with the previous year, overall holding a by far less consistent share in the market turnover.

Both property insurance lines have recorded a negative change in GWP. On the other hand, the health insurance line reported a significant double digit growth rate, still remaining one of lines with a very small contribution to the market size.

The insurance companies of the TRIGLAV Group, LOVČEN Osiguranje and its subsidiary LOVČEN životna osiguranja together reached the market share of 38.9% (0.6 percentage point less than in 2015), maintaining the leading position. They are followed by UNIQA (a 15.4% market share in non-life and life insurance together) and SAVA Montenegro (a 14.5% market share).

LOVČEN Osiguranje is the non-life insurance market's leader, with an almost 45% share of the total non-life GWP, followed by the subsidiary of another relevant Slovene group, SAVA Montenegro (member of the SAVA Re Group). GENERALI Osiguranje Montenegro ends the non-life Top 3.

On the life insurance side, Austrian owned companies are holding the best positions: GRAWE osiguranje – subsidiary of Grazer Wechselseitige Versicherung AG -, holds the leading position with a GWP share of 37.6%. WIENER STAEDITSHE životno osiguranje – member of the VIG Group -, ranks second, increasing its market share by 3.5 percentage points as compared with 2015. Finally, MERKUR Osiguranje – belonging to MERKUR Versicherung AG – Graz group -, ranks third, with a 15% market share.

(D.G.)

# Montenegro

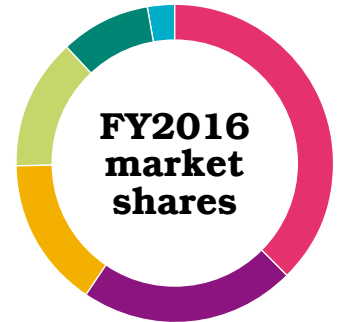
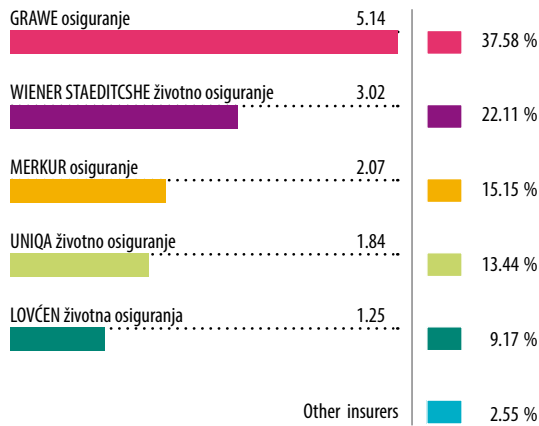
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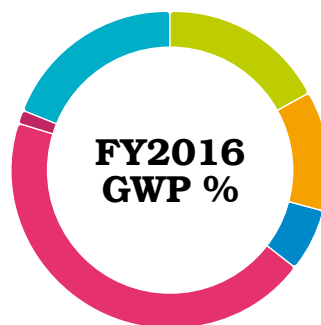
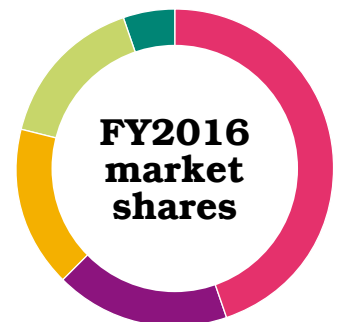
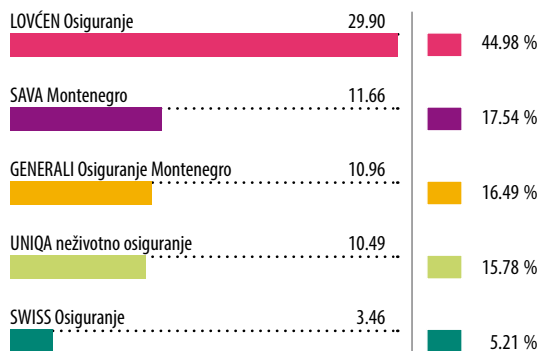
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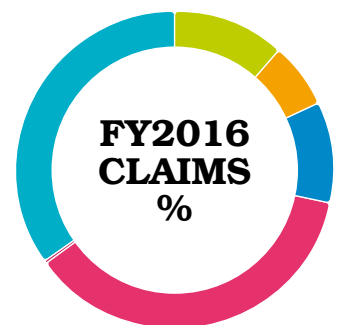
## TOP 5 Life insurance (GWP, EUR million)



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



Life	17.07
Property	12.37
Motor Hull	6.34
MTPL	43.97
GTPL	1.58
Other	18.68



Life	11.59
Property	6.56
Motor Hull	10.38
MTPL	36.61
GTPL	0.36
Other	34.50

# Poland



S&P Rating  
**BBB+ STABLE**

Moody's rating  
**A2 NEGATIVE**

Fitch Rating  
**A- STABLE**



Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> National Bank of Poland

<sup>3</sup> The Polish Financial Supervision Authority (KNF)

<sup>4</sup> XPRIMM calculations

Life insurance continued to witness a falling trend, especially on the UL products line, which saw a 23% reduction in premiums

The motor insurance segment saw a spectacular increase, of 31.3%; the increase in premiums that took place in 2016 prevented the MTPL losses escalation, but the motor market still remains unprofitable, with a loss of PLN 1 billion

The PZU group's companies not only that remained the Polish market leaders, but increased their market share in 2016

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	PLN billion <sup>1</sup>	1,629.39	1,656.84	1,719.70	1,798.30	1,844.34
	EUR billion <sup>4</sup>	398.56	399.51	403.47	421.99	416.89
<b>GDP per capita, current prices</b>	PLN <sup>1</sup>	42,806.87	43,529.47	45,234.10	47,316.74	48,577.16
	EUR <sup>4</sup>	10,470.83	10,496.11	10,612.60	11,103.31	10,980.37
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	10.09	10.33	8.99	7.50	6.11
<b>Population</b>	Millions <sup>1</sup>	38.06	38.06	38.02	38.01	37.97
<b>PLN/EUR exchange rate</b>	End of period <sup>2</sup>	4.09	4.15	4.26	4.26	4.42
<b>Gross written premiums</b>	PLN million <sup>3</sup>	62,642.64	57,862.69	54,926.02	54,803.60	56,039.18
	EUR million <sup>4</sup>	15,322.79	13,952.23	12,886.47	12,860.17	12,667.08
<b>Paid claims</b>	PLN million <sup>3</sup>	39,962.03	36,798.22	34,169.50	34,845.83	36,677.34
	EUR million <sup>4</sup>	9,774.97	8,873.03	8,016.68	8,176.89	8,290.54
<b>Insurance penetration degree</b>	% in GDP <sup>4</sup>	3.84%	3.49%	3.19%	3.05%	3.04%
<b>Insurance density</b>	EUR/capita <sup>4</sup>	402.55	366.56	338.96	338.37	333.63

Polish insurers' business remained stable in 2016, with total GWP of PLN 56.04 billion (EUR 12.7 billion), 2.25% up y-o-y in local currency, but slightly decreasing (-1.5%) when denominated in European currency. Life insurance continued to witness a falling trend, especially on the UL products line, which saw a 23% reduction in premiums.

Life insurance segment's weight in the total market GWP decreased from 50.2% in 2015, to about 42.5% at the end of 2016, as GWP fell by 13.33% y-o-y, to PLN 23.8 billion. Life insurance lines providing for products with an investment component are responsible for the segment's decrease in premiums volume. According to a recent PIU (Polish

Insurers' Association) statement, the new legislation introduced since the beginning of 2016 led to decreasing sales, but at the same time facilitated a better informed choice of services, which in the long run may help to create a more stable portfolio.

On the non-life side, GWP went up by almost 18% in local currency, to PLN 32.18 billion, mostly driven by the spectacular increase, of 31.3%, witnessed on the motor insurance segment. As Jan Grzegorz PRADZYNSKI, CEO of PIU, recently explained, *the increase in premiums that took place in 2016 prevented the MTPL losses escalation, but it should be stressed out that the increase in premiums forces insurers*

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	12,667.08	12,860.17	-1.50	8,290.54	8,176.89	1.39	100.00	100.00
<b>TOTAL LIFE</b>	5,392.56	6,459.04	-16.51	4,132.97	4,542.46	-9.01	42.57	50.23
Life insurance	1,766.49	1,978.78	-10.73	1,408.06	1,757.56	-19.89	13.95	15.39
Unit-linked	2,333.89	3,147.15	-25.84	2,169.93	2,243.91	-3.30	18.42	24.47
Accident and sickness	1,227.23	1,270.03	-3.37	506.64	493.97	2.57	9.69	9.88
Other life insurance (reinsurance accepted included)	64.96	63.08	2.98	48.35	47.02	2.83	0.51	0.49
<b>TOTAL NON-LIFE</b>	7,274.52	6,401.13	13.64	4,157.56	3,634.43	14.39	57.43	49.77
Accident	315.30	359.13	-12.20	66.18	67.72	-2.28	2.49	2.79
Sickness	139.62	143.41	-2.64	40.35	38.88	3.80	1.10	1.12
Overall property insurance	1,249.16	1,264.80	-1.24	641.88	546.97	17.35	9.86	9.84
Fire and allied perils	672.21	685.46	-1.93	295.61	318.10	-7.07	5.31	5.33
Damages to property	576.95	579.34	-0.41	346.27	228.88	51.29	4.55	4.50
Overall motor insurance	4,118.62	3,257.05	26.45	2,753.14	2,546.12	8.13	32.51	25.33
Motor Hull	1,484.21	1,290.44	15.02	949.37	907.59	4.60	11.72	10.03
MTPL	2,634.41	1,966.60	33.96	1,803.78	1,638.53	10.08	20.80	15.29
GTPL	420.33	471.46	-10.84	197.56	180.35	9.54	3.32	3.67
Credit	93.66	92.90	0.82	42.47	39.04	8.81	0.74	0.72
Shuretyship	76.02	83.71	-9.19	19.40	27.76	-30.12	0.60	0.65
Financial loss	150.88	200.64	-24.80	52.35	34.86	50.15	1.19	1.56
Travel	189.86	150.67	26.01	88.66	71.24	24.45	1.50	1.17
Other non-life insurance (reinsurance accepted included)	521.08	377.36	38.08	255.57	81.50	213.60	4.11	2.93

1 EUR = 4.2615 Zlots - PLN (December 31st, 2015)

1 EUR = 4.4240 Zlots - PLN (December 31st, 2016)



Grzegorz PRADZYNSKI  
CEO  
PIU – the  
Polish Insurers  
Association



# Poland

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Full market rankings per company & per class

MSExcel format \* in EUR and local currency



to set higher reserves, so the full effect of the increases will be visible in the insurer's accounts only after a few, and sometimes several months after their introduction. Currently, the MTPL market remains unprofitable, with a loss of PLN 1 billion.

According to PIU data, the net income of life insurers in 2016 amounted to PLN 2.2 billion (of which 1.5 billion is the biggest life insurer in Poland) and was 26.1% lower than a year earlier. P/C insurers ended 2016 with a profit of PLN 1.9 billion (of which PLN 1.6 billion belonged to the largest Polish property insurer), a decrease of 24.7%.

The technical result of life insurance was PLN 3 billion and was 6% higher than a year before. The technical result of property insurers amounted to PLN 350 million and was by 56.5% higher than in 2015.

## The market leader

The PZU group's companies not only remained the Polish market leaders, but increased their market share in 2016. Thus, on the non-life segment PZU gained 1pp extra market share, while PZU Zycie achieved an extra 3pp share of the total life insurance GWP.

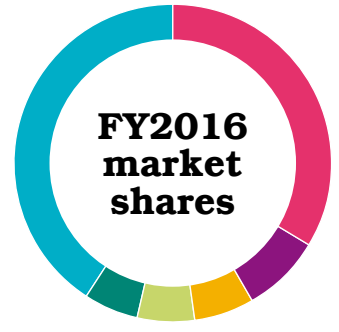
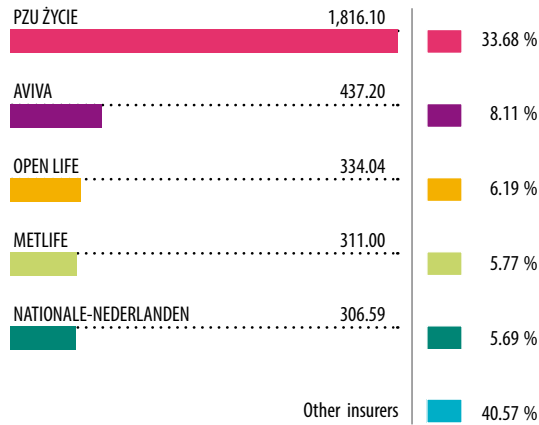
PZU's net profit in 2016 was PLN 1,947 million with ROE at 15.0%, compared to PLN 2,343 million and 18% in 2015.

PZU's development strategy until 2020 foresees that over 20% of the group's revenues come from its non-Polish affairs. The Polish Group currently holds subsidiaries in the Baltics, as well as in Ukraine. After it missed buying Croatia Osiguranje, the Croatian market leader, PZU is in search for other acquisitions. The last two years have seen also an aggressive business development of PZU in the field of health insurance, an operation in which the Group has developed a strong logistics base, also investing in medical facilities.

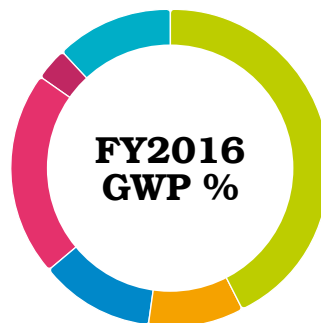
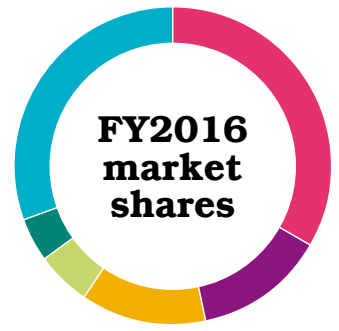
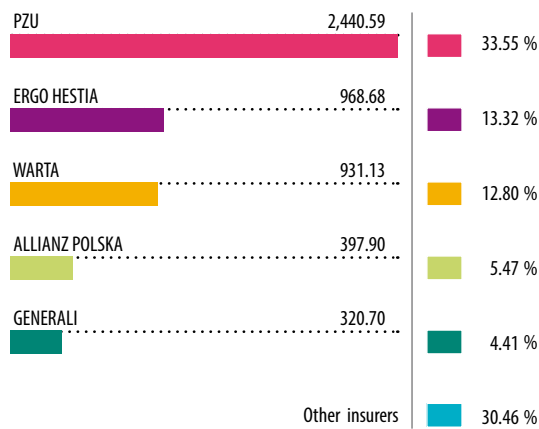
Currently, PZU holds an about 16 million customers base in Poland and is ranked as one of the largest employers in the CEE insurance market, its staff counting 16,800 employees, of which about 12,500 in Poland.

(D.G.)

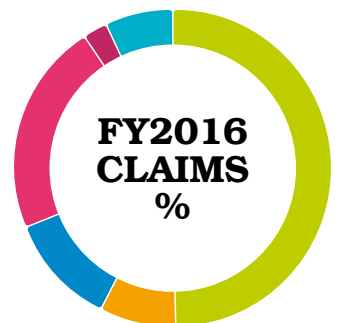
## TOP 5 Life insurance (GWP, EUR million)



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



Life	42.57
Property	9.86
Motor Hull	11.72
MTPL	20.80
GTPL	3.32
Other	11.73



Life	49.85
Property	7.74
Motor Hull	11.45
MTPL	21.76
GTPL	2.38
Other	6.81

# Romania



S&P Rating

**BBB- STABLE**

Moody's rating

**BAA3 POSITIVE**

Fitch Rating

**BBB- STABLE**



Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> The National Bank of Romania

<sup>3</sup> Financial Supervision Authority (FSA)

<sup>4</sup> XPRIMM calculations

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	RON billion <sup>1</sup>	595.37	637.46	668.14	711.10	759.23
	EUR billion <sup>4</sup>	133.61	144.25	150.33	159.98	169.06
<b>GDP per capita, current prices</b>	RON <sup>1</sup>	29,626.16	31,840.80	33,485.70	35,786.68	38,421.87
	EUR <sup>4</sup>	6,648.60	7,205.43	7,534.02	8,051.00	8,555.68
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	6.79	7.10	6.80	6.81	6.00
<b>Population</b>	Millions <sup>1</sup>	20.10	20.02	19.95	19.87	19.76
<b>RON/EUR exchange rate</b>	Annual average <sup>2</sup>	4.46	4.42	4.44	4.45	4.49
<b>Gross written premiums</b>	RON million <sup>3</sup>	8,191	7,982	7,823	8,535	9,387
	EUR million <sup>4</sup>	1,838.20	1,806.27	1,760.22	1,920.12	2,090.35
<b>Paid claims</b>	RON million <sup>3</sup>	5,145.93	4,914.13	4,760.58	4,489.77	4,317.52
	EUR million <sup>4</sup>	1,154.83	1,112.04	1,071.09	1,010.07	961.42
<b>Insurance penetration degree</b>	% in GDP <sup>4</sup>	1.38%	1.25%	1.17%	1.20%	1.24%
<b>Insurance density</b>	EUR/capita <sup>4</sup>	91.47	90.22	88.22	96.63	105.79

Romanian insurers had to deal with a challenging 2016, rich in legislative changes as well as bankruptcies, entrances and exits from the market, mergers, street protests challenging their MTPL pricing policy and many others, all of them impacting on the market's „architecture“. In financial terms, for the first time after seven years the market has exceeded the EUR 2 billion threshold in GWP.

Despite this, the figures bring again, for the nth time, the MTPL insurance in the spotlight: with GWP of over RON 4 billion

(~ EUR 920 million), of which about 88% brought by brokers, class 10 – MTPL – was one of the most dynamic segments: a nominal growth of over 26%, respectively of over RON 855 million in absolute value, primarily the result of higher average premiums in MTPL insurance, particularly for corporate customers. Other „memorable“ figures indicate an increase of the number of contracts by over 240 thousands, the reduction in the combined ratio (down to 108%), but also important growths in the average premium value and in the average claim.

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	2,090.35	1,920.12	8.87	961.42	1,010.07	-4.82	100.00	100.00
<b>TOTAL LIFE</b>	371.84	354.89	4.77	159.50	161.11	-1.00	17.79	18.48
Annuities and supplementary ins.	248.73	215.61	15.36	na	na	-	11.90	11.23
Unit-linked	105.54	128.96	-18.16	na	na	-	5.05	6.72
Other life insurance	17.57	10.33	70.07	na	na	-	0.84	0.54
<b>TOTAL NON-LIFE</b>	1,718.51	1,565.22	9.79	801.92	848.96	-5.54	82.21	81.52
Accidents and illness	12.10	16.51	-26.69	na	na	-	0.58	0.86
Health	25.30	13.14	92.47	na	na	-	1.21	0.68
Overall property insurance	246.21	253.96	-3.05	na	na	-	11.78	13.23
Fire and allied perils	210.74	217.31	-3.02	43.53	41.14	5.80	10.08	11.32
Damages to property	35.47	36.65	-3.22	na	na	-	1.70	1.91
Overall motor insurance	1,313.85	1,119.56	17.35	689.86	736.81	-6.37	62.85	58.31
Motor Hull	391.04	379.66	3.00	253.96	280.16	-9.35	18.71	19.77
MTPL	922.81	739.90	24.72	435.90	456.64	-4.54	44.15	38.53
GTPL	50.64	64.40	-21.36	na	na	-	2.42	3.35
Warranties	24.17	46.84	-48.41	na	na	-	1.16	2.44
Travel	19.40	18.17	6.76	na	na	-	0.93	0.95
Other non-life insurance	26.84	32.62	-17.72	na	na	-	1.28	1.70

Currency conversions were calculated for an average exchange rate of:

RON 4.4450/EUR - in 2015

RON 4.4908/EUR - in 2016

After 7 years, GWP of over EUR 2 billion

The non-life insurance growth - primarily as a result of higher average premiums in MTPL

Two FOS insurers authorized on MTPL: Bulgarian DallBogg and the Irish Euro Insurance DAC

31 insurers and 327 brokers were active under the Romanian supervisory regime

It is expected for the 2017 figures to be much lower than those reported for 2016, as by the end of the last year the Romanian Government decided to introduce a cap on the MTPL tariffs. The maximum tariffs were calculated by the Financial Supervisory Authority (ASF) taking into account the car's type and engine capacity and owner's age. The cap became effective on 17 November 2016 for a period of six months (until 17 May 2017).

In its most recent Country Report the European Commission pointed out that *this intervention in the price setting of insurance premiums in the absence of a general system of price control does not appear to be in line with EU law, in particular with the provisions of the Solvency II directive*. At the same time, the measure is also likely to aggravate current distortions and put further pressure, in the short term, on the profit generation capacity of insurers.

Yet, despite the current challenging market conditions, new players are coming in the MTPL market. The ASF announced during the first quarter of 2017 that, based on the FOS agreement, it has authorised Bulgarian insurer DallBogg and the Irish Euro Insurance DAC (commercial name LeasePlan Insurance) to provide MTPL policies on the Romanian market. DallBogg will be the second Bulgarian insurer operating on the Romanian MTPL market, after EUROINS - the market leader (21% market share).

On the "claims side", the aggregate value was RON 4.32 billion (EUR 961 million), of which EUR 802 million associated to non-life (-5.5% compared with 2015), respectively EUR 160 million (life insurance) – a value similar to that of 2015.

The decrease reported for the non-life insurance segment is mostly of a "formal" nature, related to the bankruptcy of three insurance companies (ASTRA, CARPATICA and FORTE). The claims associated with the insurance portfolio of the three companies were taken over by the Policyholders Guarantee Fund (FGA) - up to the limit of the EUR 100,000 threshold -, and by BAAR (the Romanian Motor Insurers' Bureau), for the external claims higher than EUR 100,000.

(V.B.)

# Romania

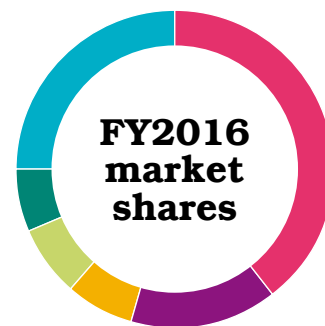
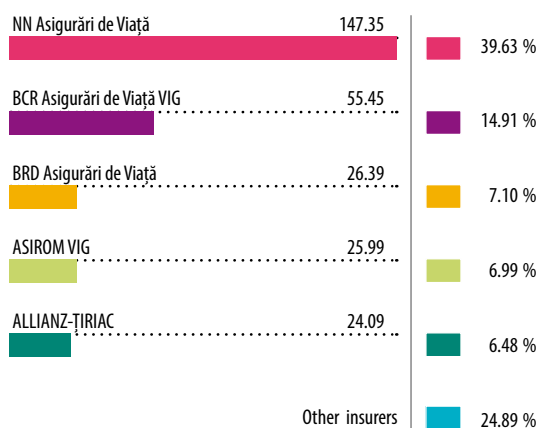
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Full market rankings per company & per class

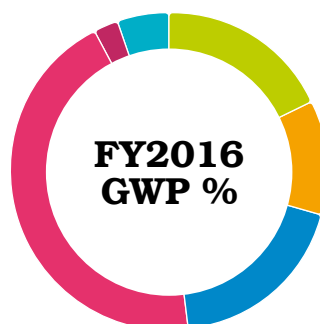
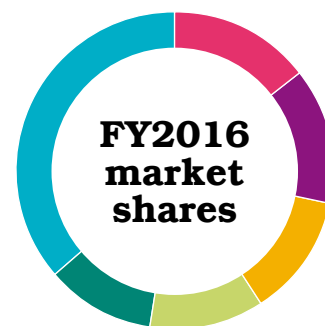
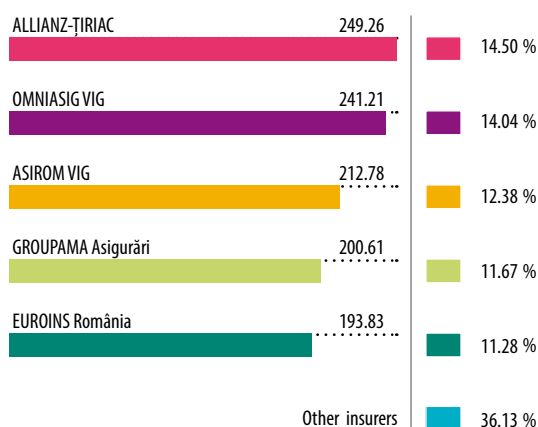
MSEcel format \* in EUR and local currency



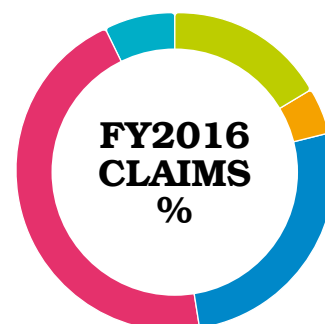
## TOP 5 Life insurance (GWP, EUR million)



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



Life	17.79
Property	11.78
Motor Hull	18.71
MTPL	44.15
GTPL	2.42
Other	5.16



Life	16.59
Fire, allied perils	4.53
Motor Hull	26.41
MTPL	45.34
Other	7.13

# Serbia



S&P Rating

**BB- POSITIVE**

Moody's rating

**BA3 STABLE**

Fitch Rating

**BB- STABLE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> National Bank of Serbia

<sup>3</sup> XPRIMM calculations

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	RSD billion <sup>1</sup>	3,584.24	3,876.40	3,908.47	4,043.47	4,200.20
	EUR billion <sup>3</sup>	31.52	33.81	32.31	33.25	34.02
<b>GDP per capita, current prices</b>	RSD <sup>1</sup>	497,707.04	540,902.08	548,035.10	570,641.11	598,258.71
	EUR <sup>3</sup>	4,376.67	4,718.18	4,530.78	4,691.77	4,845.29
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	24.60	23.00	19.90	18.20	15.91
<b>Population</b>	Millions <sup>1</sup>	7.20	7.17	7.13	7.09	7.02
<b>RSD/EUR exchange rate</b>	End of period <sup>2</sup>	113.72	114.64	120.96	121.63	123.47
<b>Gross written premiums</b>	RSD million <sup>2</sup>	61,463.70	64,041.51	69,405.01	80,925.79	89,137.99
	EUR million <sup>3</sup>	540.49	558.62	573.79	665.37	721.93
<b>Paid claims</b>	RSD million <sup>2</sup>	25,104.52	26,436.22	27,707.55	30,718.00	33,383.00
	EUR million <sup>3</sup>	220.76	230.60	229.07	252.56	270.37
<b>Insurance penetration degree</b>	% in GDP <sup>3</sup>	1.71%	1.65%	1.78%	2.00%	2.12%
<b>Insurance density</b>	EUR/capita <sup>3</sup>	75.06	77.94	80.45	93.90	102.82

The National Bank of Serbia (NBS) announced that the aggregate GWP by insurers active in the market increased by 10.15% last year, reaching RSD 89.14 billion (about EUR 722 million). Life insurance premium income increased by 19.4%, reaching RSD 23.12 billion, or 26% of total premium, while the non-life GWP grew by 7.2%, boosted by a 91% increase in credit insurance, 29% in GTPL line and 41% growth in health insurance.

*Developments in the Serbian insurance market indicate positive trends. Insurance sector maintained its position as the second most important segment of the Serbian*

*financial market increasing its share of the financial sector's balance sheet total. Capital adequacy, measured by Solvency I ratio, was very good in both non-life (217.0%) and life (244.7%) segment of the market. Last year was also a very profitable one, both for non-life (RoE of 12.9%) and life (RoE of 9.9%). Positive premium development continued in 2016 at a rate of 10.1% y-o-y driven mainly by positive developments in the life premium segment, as the NBS representatives told XPRIMM in an interview.*

According to the published figures, Compulsory MTPL business line was the largest business line, totalling RSD 30.3

🌸 The market is dominated by units of EU insurers which have a share of 77.0% in the balance sheet total

🌸 Life segment: +19.4% growth rate, reaching a share of 25.9% for the first time

🌸 Non-life: RoE of 12.9%; life - RoE of 9.9%

🌸 Solvency I ratio: non-life - 217.0%; life - 244.7%

🌸 MTPL is a compulsory line for 2.4 million vehicles

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	721.93	665.37	8.50	270.37	252.56	7.05	100.00	100.00
<b>TOTAL LIFE</b>	187.31	159.21	17.65	52.07	41.66	24.97	25.95	23.93
<b>TOTAL NON-LIFE</b>	534.62	506.15	5.62	218.30	210.90	3.51	74.05	76.07
Accidents insurance	35.35	35.28	0.21	19.05	19.80	-3.77	4.90	5.30
Health insurance	18.06	13.03	38.52	11.75	9.40	25.01	2.50	1.96
Goods in transit	5.15	5.44	-5.25	1.50	0.95	57.34	0.71	0.82
Overall property insurance	126.33	121.26	4.17	58.86	66.71	-11.77	17.50	18.23
Fire and allied insurance	40.59	41.69	-2.64	11.57	34.74	-66.70	5.62	6.27
Damages to property	85.74	79.57	7.74	47.29	31.98	47.91	11.88	11.96
Overall motor insurance	301.16	289.71	3.95	114.23	102.99	10.91	41.72	43.54
Motor Hull	56.02	51.21	9.38	40.47	36.04	12.27	7.76	7.70
MTPL	245.14	238.50	2.79	73.76	66.95	10.17	33.96	35.84
GTPL	15.57	12.27	26.92	3.99	2.55	56.54	2.16	1.84
Credit	6.89	3.66	88.00	2.16	1.13	91.21	0.95	0.55
Financial loss	6.01	6.61	-9.07	0.85	0.77	10.23	0.83	0.99
Travel	15.50	14.52	6.72	4.95	5.19	-4.51	2.15	2.18
Other non-life insurance	4.60	4.36	5.51	0.96	1.41	-31.90	0.64	0.66

Exchange rate for calculations (Middle rate):

1 EUR = 121.6261 Dinars - RSD (December 31st 2015)

1 EUR = 123.4723 Dinars - RSD (December 31st 2016)



billion - the equivalent of a 34% share of the total market: MTPL, as a compulsory line for 2.4 million vehicles, maintains the first place in the Serbian insurance market with a share of 34.0% in the total premium, down slightly compared to previous year. MTPL recorded modest premium increase of 4.3% y-o-y after a strong increase in premium in the previous period. 10 insurance companies offer cover with an average premium of little over a hundred euros, which has been stable for some time, with a slight increase of the rate of claim settlement.

The aggregate value of paid claims of Serbian insurers came in at RSD 33.4 billion in 2016, up by 8.7% y-o-y., especially due the significant increase (more than 26%) seen both in the indemnities paid for life insurance. Life insurance is the most dynamic segment of the Serbian insurance market. (...) This segment of the market shows signs of maturing evident in significant increase of payouts to beneficiaries while still maintaining double digit premium growth. Diversification of life insurance products is increasing as can be observed in the prominence of bank assurance and pure endowment products, as well as introduction of group life policies and unit-linked products.

According to the Serbian Central Bank figures, the state-owned DUNAV Osiguranje was the country's top insurer by GWP (25.7% market share), followed by GENERALI Osiguranje (EUR 22.3%) and DDOR Novi Sad (11.6%).

Speaking about the elements that would enable a future strong market development, NBS representatives pointed out: *There is a lot of catchup potential of the domestic insurance market, having in mind the level of its development compared the EU average. We can expect to see a continuation of positive premium developments coupled by a healthy increase of technical provisions. This should translate into sufficient capital adequacy and a continuation of positive trends in profitability, provided that cost pressures are kept in check.*

(V.B)

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

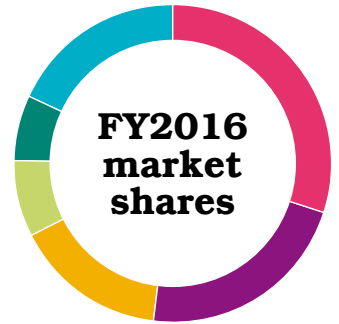
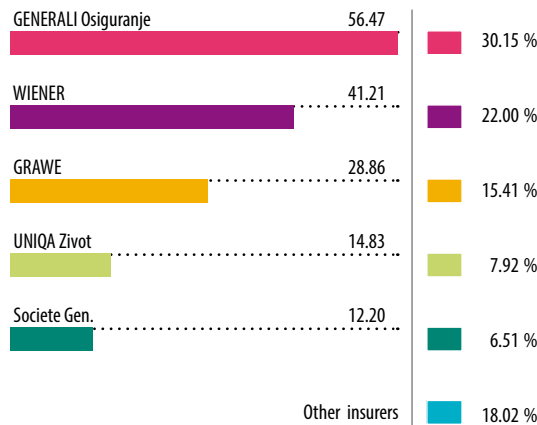


Serbia

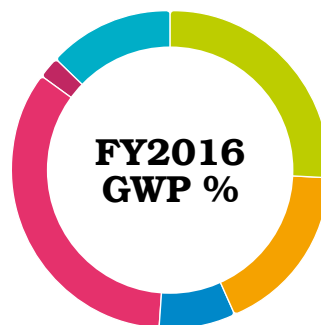
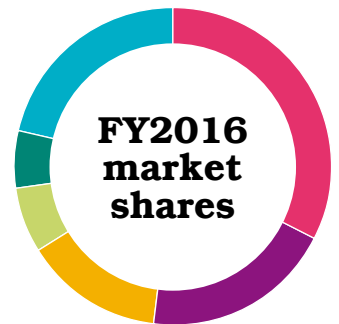
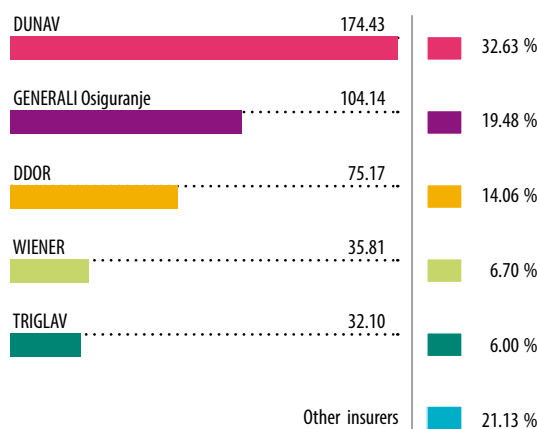
Full market rankings per company & per class

MSExcel format \* in EUR and local currency

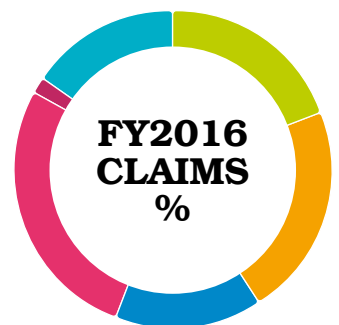
### TOP 5 Life insurance (GWP, EUR million)



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



Life	25.95
Property	17.50
Motor Hull	7.76
MTPL	33.96
GTPL	2.16
Other	12.68



Life	19.26
Property	21.77
Motor Hull	14.97
MTPL	27.28
GTPL	1.48
Other	15.25

# Slovak Republic



S&P Rating  
**A+ STABLE**

Moody's rating  
**A2 POSITIVE**

Fitch Rating  
**A+ STABLE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> National Bank of Slovakia (2012-2015), SLASPO (2016)

<sup>3</sup> XPRIMM calculations

The overall market data seems to indicate a linear status

Since January 2017, the 8% levy on the MTPL premiums was extended for all facultative non-life insurance lines; the new levy's effect on insurance prices is already visible in the market

VIG, ALLIANZ and GENERALI continue to hold the leading positions in the market hierarchy

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	EUR billion <sup>1</sup>	72.70	74.17	75.95	78.69	80.96
<b>GDP per capita, current prices</b>	EUR <sup>1</sup>	13,452.86	13,707.66	14,022.73	14,514.03	14,919.69
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	13.96	14.23	13.18	11.49	9.66
<b>Population</b>	Millions <sup>1</sup>	5.40	5.41	5.42	5.42	5.43
<b>Gross written premiums</b>	EUR million <sup>2</sup>	2,036.37	2,081.90	2,105.55	2,019.80	1,987.25
<b>Paid claims</b>	EUR million <sup>2</sup>	1,176.50	1,207.57	1,190.90	1,155.42	NA
<b>Insurance penetration degree</b>	% in GDP <sup>3</sup>	2.80%	2.81%	2.77%	2.57%	2.45%
<b>Insurance density</b>	EUR/capita <sup>3</sup>	376.83	384.75	388.77	372.59	366.25

According to the Slovak Insurance Association data, the Slovak insurers ended 2016 with GWP of EUR 1,987 million, a result which is more or less in line with the previous year's premium production. Life insurance GWP went down by about 7%, mostly because of the business reduction on the single premium segment, according some market sources. Non-life insurance lines saw a 4.3% increase in GWP, with several players mentioning motor insurance as the main driver. Yet, as at the time of writing this article only very few official data were available, one should consider these data as only informative. Anyway, if 2016 seemed a "quiet" year in the Slovak insurance, by the end of the period there was announced a regulatory change - effective starting January 2017 -, which made the headlines.

Thus, in the end of 2016, despite the counterarguments presented by the Slovak insurers' association, the Finance Ministry introduced an amendment to the act on insurance providing for charging a fee of 8% on the insurance premiums for all the facultative non-life insurance lines, not only on the MTPL premiums as before, to boost revenues to the state budget as the sector had not been subject to taxes on such products before.

The ministry estimated that the state could earn up to EUR 80 million by introducing the 8% special levies to compensate for the lack of VAT in the insurance sector. Yet, as for the period between January and November, insurance companies will pay levies in December 2017 and for December in January 2018, the positive effects on the public budget are yet to be expected.

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			Weight in all GWP	
	2016 EUR m	2015 EUR m	2016 %	2015 %	2014 %
<b>TOTAL MARKET</b>	1,987.25	2,019.80	100.00	100.00	100.00
<b>TOTAL LIFE</b>	980.16	1,054.49	49.32	52.21	55.41
Traditional life ins.	NA	509.12	-	25.21	26.52
Unit-Linked	NA	300.02	-	14.85	17.38
Supplementary ins.	NA	171.37	-	8.48	8.57
Other life ins.	NA	73.98	-	3.66	2.94
<b>TOTAL NON-LIFE</b>	1,007.09	965.32	50.68	47.79	44.59
Accident and health	NA	30.81	-	1.53	1.72
Overall motor insurance	560.00	527.27	28.18	26.10	24.32
Motor Hull	270.00	256.71	13.59	12.71	11.81
MTPL	290.00	270.56	14.59	13.40	12.52
Fire and other damages to property	NA	234.27	-	11.60	11.18
GTPL	NA	67.52	-	3.34	3.18
Credit, suretyship & other financial losses	NA	21.72	-	1.08	0.96
Travel	NA	31.17	-	1.54	1.25
Other non-life	NA	52.55	-	2.60	1.98

SOURCE OF PRESENTED FIGURES:

FY 2015 figures: National Bank of Slovakia (NBS)

FY 2016 figures: Slovak Association - SLASPO (Total, life, non-life). XPRIMM estimates (MTPL, MoD)

Slovak currency: EUR

One of the most discussed negative impacts of the levy is the rise in costs of non-life premiums. Since the act came into force, Slovak insurance companies have started increasing the premiums for some types of non-life insurance products, MTPL, travel insurance, liability insurance of employees and insurance for real estate and households, according to Maros OVCARIK, executive director of the Financny Kompas website. *Some of the policies became more expensive only by a few percent, however, other premiums increased by 15 percent and more*, OVCARIK told The Slovak Spectator.

SLASPO representatives have said that there are several reasons for the insurance prices' increase, many of them of an actuarial nature linked to the insurers' own portfolios. Yet, the 8% has a significant role to play. The new tax may also cause consumers' dissatisfaction, as although its application was limited to the new contracts concluded starting January 2017,

# Slovak Republic



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it will also affect the contracts renewed for which usually consumers were used to pay the same price as in the previous years.

### The market players

Although official data concerning the market rankings are not available, we have gathered some information from the annual reports publish by the market players. Overall, the market hierarchy seems to be quite similar to the last official rankins available, for the year 2014.

Thus, according to the VIENNA Insurance

Group report for 2016, the three insurers representing the Austrian group in Slovakia - Kooperativa, Komunálna and PSLSP -, together account for a 32.9% market share.

The GENERALI subsidiary is holding, according to the Group's statement, for a 7.5% share of the life insurance business, and a 11.5% of the P&C market.

In 2015, according to XPRIMM calculations, the ALLIANZ subsidiaries had a market share of 34.8% on the P&C segment and 23.4% on the life insurance market.

(D.G.)



## BADEN-BADEN

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## RECEPTION

22 October, 2017



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# Slovenia



S&P Rating  
**A POSITIVE**

Moody's rating  
**BAA3 POSITIVE**

Fitch Rating  
**A- STABLE**



Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> Slovenian Insurance Association

<sup>3</sup> XPRIMM calculations

🌸 Slovenian's market indicators, the best in the region: 5.11% insurance penetration degree and a density of EUR 985/capita

🌸 While the Motor Hull insurance line recorded an almost 6% increase in GWP, the MTPL insurance class only saw a 2.3% growth, remaining highly competitive

🌸 TRIGLAV Group is the Slovene insurance entity with the highest credit ratings in the country – rated "A" both by S&P's and A.M. Best

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	EUR billion <sup>1</sup>	36.00	35.92	37.33	38.57	39.77
<b>GDP per capita, current prices</b>	EUR <sup>1</sup>	17,515.24	17,445.47	18,112.98	18,697.22	19,266.22
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	8.89	10.14	9.73	9.00	7.91
<b>Population</b>	Millions <sup>1</sup>	2.06	2.06	2.06	2.06	2.06
<b>Gross written premiums</b>	EUR million <sup>2</sup>	2,054.03	1,977.54	1,937.56	2,003.62	2,033.34
<b>Paid claims</b>	EUR million <sup>2</sup>	1,388.21	1,360.86	1,326.05	1,364.87	1,357.01
<b>Insurance penetration degree</b>	% in GDP <sup>3</sup>	5.71%	5.51%	5.19%	5.19%	5.11%
<b>Insurance density</b>	EUR/capita <sup>3</sup>	999.53	960.44	940.10	971.22	985.15

Although of a relatively small size in total GWP volume terms, the Slovenian insurance market remains one of the most developed in the CEE region, a reality demonstrated by its "intensity" indicators, the best in the region: 5.11% insurance penetration degree and a density of EUR 985/capita. Slovenia is also the home country of some of the most representative insurers in the region – the TRIGLAV and SAVA Re groups –, and a hub of technological progress in the insurance field.

At the end of December 2016, the Slovenian insurers, members of the local association, reported aggregate GWP of EUR 2.03 billion, up by 1.5% y-o-y, the latest data published by SIA show. While life insurance saw a negative trend, mostly due to the decreasing popularity of the Unit-Linked insurance products, the non-life segment saw a 3.4% increase in GWP, rather uniformly dissipated among most business lines.

Among the non-life insurance classes, the motor insurance sector hold the largest

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	2,033.34	2,003.62	1.48	1,357.01	1,364.87	-0.58	100.00	100.00
<b>TOTAL LIFE</b>	575.97	594.19	-3.07	406.88	425.23	-4.32	28.33	29.66
Life assurance	252.83	257.54	-1.83	198.14	211.02	-6.10	12.43	12.85
Unit-linked	299.51	315.07	-4.94	199.66	203.63	-1.95	14.73	15.72
Other life insurance	23.63	21.58	9.48	9.08	10.58	-14.23	1.16	1.08
<b>TOTAL NON-LIFE</b>	1,457.38	1,409.44	3.40	950.14	939.64	1.12	71.67	70.34
Accident insurance	95.90	94.70	1.26	33.96	33.49	1.39	4.72	4.73
Health insurance	489.64	483.04	1.37	430.22	421.35	2.10	24.08	24.11
Overall property insurance	244.54	234.71	4.19	108.01	111.79	-3.38	12.03	11.71
Fire and allied perils	118.04	115.83	1.91	44.79	52.36	-14.46	5.81	5.78
Damages to property	126.50	118.88	6.41	63.22	59.43	6.39	6.22	5.93
Overall motor insurance	460.12	441.95	4.11	313.36	300.20	4.39	22.63	22.06
Motor Hull	234.49	221.44	5.89	172.28	163.49	5.37	11.53	11.05
MTPL	225.63	220.51	2.32	141.09	136.71	3.20	11.10	11.01
Railway, aircraft and ships ins.	5.28	5.13	2.97	3.37	3.86	-12.68	0.26	0.26
Goods in transit	7.95	7.68	3.54	2.32	1.63	42.90	0.39	0.38
GTPL	67.60	61.56	9.81	20.26	22.65	-10.52	3.32	3.07
Carriers' liability (aircraft and ships)	2.35	2.50	-6.20	0.30	1.05	-71.83	0.12	0.12
Credit insurance	45.39	43.74	3.78	18.85	25.18	-25.15	2.23	2.18
Suretyship insurance	1.74	1.95	-10.79	0.57	0.38	49.26	0.09	0.10
Financial loss	6.52	5.55	17.43	2.93	3.82	-23.34	0.32	0.28
Legal expenses	3.76	3.78	-0.40	0.56	0.54	4.60	0.18	0.19
Travel insurance	26.61	23.16	14.86	15.41	13.69	12.52	1.31	1.16

Slovenian currency: EURO



GWP share (over 22%). Last year, while the Motor Hull insurance line recorded an almost 6% increase in GWP, the MTPL insurance class only saw a 2.3% growth, remaining highly competitive. Claims paid for motor insurance grew at a similar pace with the premiums.

The property insurance classes, accounting together for about 12% of the total market's GWP, saw an uneven evolution, with the "damages to property" class being the growth driver. On the other hand, the same subclass also generated an increasing volume of claims, mostly as a result of several rounds of mass loss events, the largest being the summer storms with hail and the April frost and local flooding in Slovenia.

### The players

It is worth mentioning that the Top 3 insurance companies in GWP terms are all domestic. Thus, Zavarovalnica TRIGLAV was the largest insurer in the country (GWP of EUR 592 million), followed by Zavarovalnica SAVA (EUR 345 million) and ADRIATIC SLOVENICA (EUR 302.5 million).

TRIGLAV Group is the Slovene insurance entity with the highest credit ratings in the country. Both S&P's and A.M. Best granted TRIGLAV "A" ratings, with a stable medium-term outlook. The Group generated a profit before tax of EUR 95 million, exceeding its financial targets for 2016, *primarily the result of a very successful performance in the insurance business, whereas the unfavourable situation in financial markets had a negative impact*, as the company said. The Group has also consolidated its presence in the Adriatic region, holding the top leading position.

The SAVA Re Group closed the year 2016 with a profit before tax of EUR 40.7 million, an 1.4% y-o-y improvement, mainly due to the underwriting result of international reinsurance business. SAVA Re's rating was affirmed by both S&P's and A.M. Best to "A-", with a stable outlook. In 2016 SAVA Re has successfully completed the merger of its four EU-based insurers (Zavarovalnica Maribor, Zavarovalnica Tilia, Velebit osiguranje and Velebit životno osiguranje) and will continue its integration process, expecting to fully realise the effects of the merger within three years, also exploring new opportunities for growth through acquisitions – primarily in the Western Balkans.

(D.G.)

# Slovenia

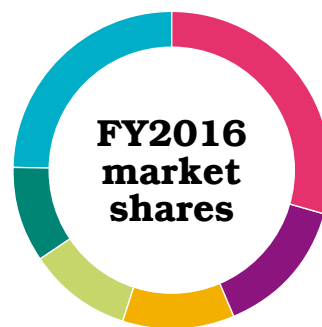
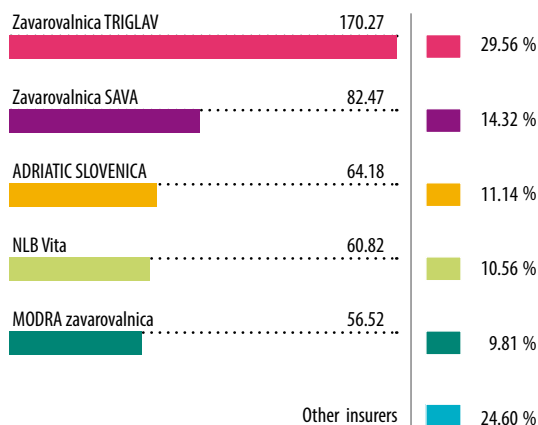
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Full market rankings per company & per class

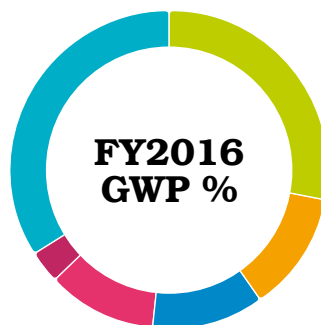
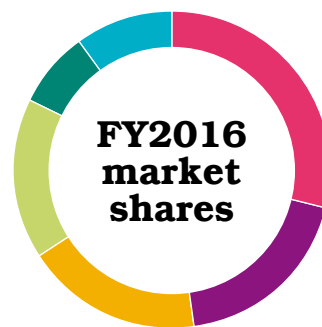
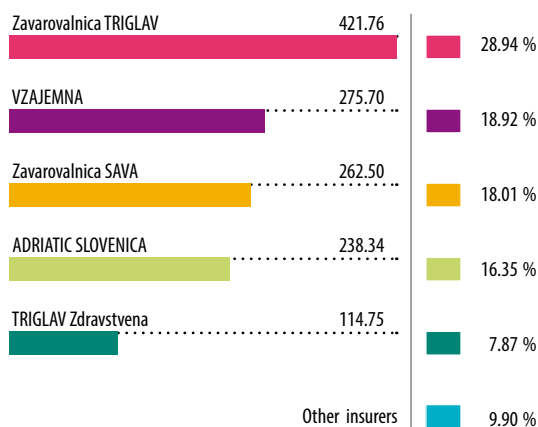


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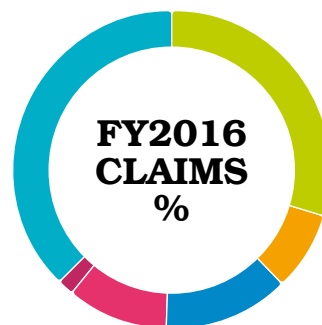
## TOP 5 Life insurance (GWP, EUR million)



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



Life	28.33
Property	12.03
Motor Hull	11.53
MTPL	11.10
GTPL	3.32
Other	33.69



Life	29.98
Property	7.96
Motor Hull	12.70
MTPL	10.40
GTPL	1.49
Other	37.47

## Sale of Bosnian SARAJEVO Insurance Company raises heated discussions

FBiH Government's green light for the sale of its 45.5% stake in SARAJEVO Insurance has caused an avalanche of criticism, mostly related to the target price set for the transaction.

Both the opposition and a part of the ruling coalition disagreed with the government's decision, arguing that the price does not correspond to the real market value of the company. Yet, the low price seems justified considering the failure of previous privatization attempts.

Antagonists of the governmental initiative argue that, beside the too low price, choosing to sell in a direct settlement instead of selling blocks of shares on the stock market gives space to non-transparent decisions, with no mechanisms in place for review and correction, which may harm the public interest. In addition, it promotes the idea that the Governments wants to sell the company by all means, for any price.

## PZU appoints Pawel SUROWKA as President of the Management Board

The Supervisory Board of PZU SA decided to entrust Pawel SUROWKA with the function of the President of the Management Board of PZU SA, thus ending the current interim mandate of Marcin CHLUDZINSKI.

The appointment decided on April 13 is for a joint term of office that began on July 1, 2015, and which covers three consecutive full financial years. The first full financial year of the mandate was 2016.

## AXA's exit from the Romanian insurance market finalized

French insurer AXA exited the Romanian market after the sale of its Life & Savings insurance operations to Austrian-based VIENNA Insurance Group. The transaction was closed on 28 April 2017.

The buyers are the two Romanian VIG Group companies, BCR Life and OMNIASIG which acquired 100% of the AXA subsidiary.

## Serbian Government expects EUR 100 million from the future DUNAV sale, in case it will decide the company's privatization

The Serbian Government has set the approximate privatization price for DUNAV Osiguranje to EUR 110 million, an article published by the Croatian insurance portal osiguranje.hr reads. Yet, the privatization decision is still pending, as the Government is currently analyzing the results of company's diagnostic review, to determine DUNAV's financial and competitive position before effectively launching the privatization process.

The sum exceeds the expected level, of about EUR 60 million, the discrepancy coming mostly from the different standards of valuation applied. The generally accepted European code of valuation requires considering also other valuation criteria besides the GWP volume, such as the number of employees or other qualitative parameters. In DUNAV Osiguranje's case, the company value may decrease because of its too large number of employees, almost double than the optimal one.

## ETHNIKI Insurance sale: four investors are bidding for the majority stake

Four investors submitted binding bids to acquire a majority stake in Greek lender National Bank's (NBG) insurance unit, ETHNIKI Insurance, reports Reuters quoting a banking source close to the deal.

ETHNIKI's sale is part of a larger restructuring plan agreed by Greece's second largest lender by assets with regulators, to exit from non-banking operations. *Four binding offers were submitted, the banker said without providing further details. The aim is to sell at least a 75% stake in the unit.*

The bidders were: the Chinese conglomerate FOSUN, Shanghai-based GONGBAO and WINTIME and John Calamos' insurance start-up EXIN Partners, the banker said. Goldman Sachs and Morgan Stanley are advising NBG on the sale.

## HUNGARY: CIG Pannonia to merge MKB insurers into its units

Hungarian insurer CIG Pannonia announced it will merge into its units (CIG Pannonia Life Insurance and CIG Pannonia First Hungarian General Insurance) the two MKB insurers recently acquired: MKB Life Insurance and MKB General Insurance. CIG Pannonia acquired MKB Insurance from Versicherungskammer Bayern late last year.

According to the agreement, CIG Pannonia First Hungarian General Insurance acquired 98.98% ownership in MKB General Insurance, while CIG Pannonia Life Insurance acquired 98.97% ownership in MKB Life Insurance. After the completion merger, MKB Bank will not wish to retain its minority stake. MKB Bank will be entitled to receive the countervalue of its stake in cash.

## RNRC received AAA (RU) rating from ACRA, outlook Stable

The Russian Analytical Credit Rating Agency assigned the AAA (RU) rating with the stable outlook to the Russian National Reinsurance Company (RNRC). Thus, *the credit rating assigned to the reinsurer is based on its very strong business and financial profiles coupled with high-quality management, ACRA stressed in its press release.*

*RNRC is the first Russian insurer being rated by Russian rating agency ACRA. ACRA assigns rating of AAA (RU) to RNRC which is clearly connected right now with the support from the shareholder (The Russian Central Bank), however it is the task to the entire team of the Company to demonstrate business efficiency, high standards of risk and asset management, corporate governance to update and to keep the rating at the same level. We also apply for the rating of FITCH Ratings which we expect to be granted soon, has declared Nikolay GALUSHIN, President of RNRC for [www.xprimm.com](http://www.xprimm.com).*

## Wolfgang WEILER to take over the GDV presidency

The Bureau of the German Insurance Association (GDV) has unanimously elected Dr. Wolfgang WEILER as President of GDV with effect from 27 September 2017. WEILER is then to succeed Dr. Alexander ERDLAND (66), who will give up his mandate at the same time, after five years of service. ERDLAND led the Stuttgart financial group Wustenrot & Württembergische AG until January 2017, as Chairman of the Board.

WEILER (65) is currently the spokesman of the Board of Management of the HUK-COBURG insurance group and has been active for many years in the Presidium of the association and in the bodies and institutions of the industry.

# BUSINESS NEWS

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**VIG**  
VIENNA INSURANCE GROUP

Understanding the fundamentals of the insurance market and forthcoming business opportunities is of mutual importance to us and our business partners. As such, Trust Re commissioned a survey in the 2016 with title “The Outlook for Insurance and Reinsurance in Central and Eastern Europe” aiming to study: **(1) Market characteristics; (2) Impact of Solvency II on the strength of the insurance market; (3) Growth and profitability prospects by Line of Business.** Senior officials from various insurance stakeholders participated such as: Insurers, Reinsurers, Brokers, Regulators and Insurance Associations.

## Market Survey

# The Outlook for Insurance and Reinsurance in Central and Eastern Europe



The report “The Outlook for Insurance and Reinsurance in Central and Eastern Europe” can be accessed on [www.trustre.com](http://www.trustre.com). The findings are presented at a regional level (CEE<sup>1</sup>, SEE<sup>2</sup>, CIS<sup>3</sup>, and Russia) including SWOT analysis, growth prospects, profitability, pricing of risk, competition and regulatory aspects.

For more information about the market survey you may also contact [survey@trustre.com](mailto:survey@trustre.com)

**1 - CEE (Central and Eastern Europe)**

**2 - SEE (Southeastern Europe)**

**3 - CIS (Commonwealth of Independent States)**

The survey was conducted in two ways: a) Qualitative research with 29 in-depth telephone interviews and b) Quantitative research with 206 completed on-line questionnaires.

The findings of the survey suggest that the market has good prospects to develop further and that maturity of the insurance market somewhat hampers growth potential. In particular, survey findings suggest that improving 1) quality of claims

data and 2) public awareness of the role of insurance will contribute significantly to the development of the market.

Constantinos Hadjigeorgiou, Group Corporate Services Officer of Trust Re commented: *Insurance markets in Central and Eastern Europe demonstrated resilience over difficult times. Going forward, the insurance industry will be pushed out of its comfort zone. The industry is moving from product-driven to customer-driven model. Inevitably, customer centricity will be a driving force for innovation and agility which will result in higher insurance penetration and higher market share for the innovators.*

Regarding regulation, the majority of survey participants rate the regulatory framework in their country as strong or somewhat strong. Around 2/3 of respondents share the view that the introduction of Solvency II will strengthen the market whilst they recognize that the administrative burden will be increased. Moreover, Solvency II is expected to augment the demand for capital relief solutions hence, Reinsurance.

Marios Argyrou, Head of Actuarial and Risk Management remarked: *2017 will be the first year all three Pillars of Solvency II will be officially in place. How well such risk-based principles will be embedded into business as usual is to remain a difficult task. But I expect the greatest challenge to be the journey from Solvency II compliance to real value creation.*

From the underwriting perspective, survey findings present interesting insights about growth prospects per class of business, profitability, competition and pricing of

risk at a regional level as well as at country level for some countries.

Sinisa Lovrinevic, General Manager of Trust Re Cyprus Branch, highlighted three positive aspects of the survey findings as below:

- ▶ Expected growth in property & engineering, financial lines, professional indemnity, D&O, life & health lines of business
- ▶ Governments are investing outside the oil sector as part of their diversification strategy which is expected to increase the demand for insurance as well as public awareness of the role of insurance (in the CIS mainly)
- ▶ Rate increases in the motor line of business in order to remain profitable

Introduction of Solvency II will strengthen the market, but the administrative burden will be increased

## Insurance Market characteristics

### Chart 1

Overall, survey participants believed that support from reinsurers was the factor which strengthened the market



the most. The regulatory framework and underwriting capability were also considered points of strength. On the other hand, a deep weakness was the perceived lack of public awareness of the role of insurance.

The lack of availability of claims data, a very important aspect of the insurance value chain, was also seen as a weakness.

Solvency II is expected to contribute positively to improve some of the market characteristics but other initiatives will be required to address the two fundamental weaknesses of the markets as highlighted in the survey. A participant specified *Awareness of the people about the Insurance benefits would lead to the increase in Premium level in all lines of Business.*

## Impact of Solvency II

### Chart 2

Bearing in mind that some 72% of survey participants rate the regulatory framework in their country as strong, or somewhat strong, around 2/3 of respondents felt Solvency II would strengthen the sector in their country. Net positive impact (the net difference between those who think Solvency II will strengthen the insurance sector, and those who think it will weaken it) was particularly strongly felt in SEE, followed by CEE, then Russia and CIS.

Even though most thought that the introduction of Solvency II would add administrative burden and cost, they did not see this as a detractor from the

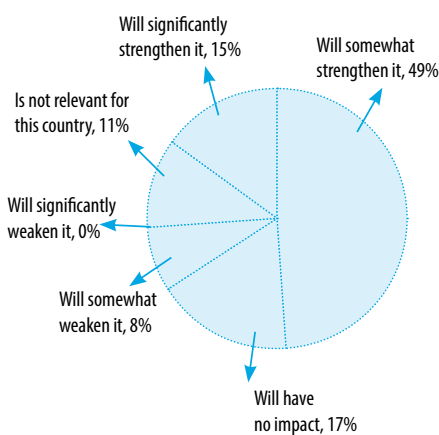


Chart 2: Solvency II is perceived positively and no respondents believe that it will significantly weaken the market

strengthening that Solvency II would bring to the sector.

Furthermore, 2/3 of respondents felt that Solvency II would increase the demand for reinsurance.

## Expectations of the future – Growth and pricing

### Chart 3 & 4

The survey triggered expectations of the future, particularly growth in premiums, expected participation in evolving lines, and future pricing developments. Emerging risks, with cyber security to be on the top, will cause changes to the insurance product mix.

Participants also expected consumer awareness to be changed, whether as a result of enforced regulations, self-awareness or improved economic conditions. It is expected that interest will be shown in wider property covers, other than motor insurance. Asymmetry of information between insurance buyers and suppliers will be reduced and essentially rational decision-making will prevail when transacting insurance. One participant stated *The number of Insurance providers will be reduced significantly... Insurance sales will be diverted from the traditional agent/broker to Direct/online sales.* Personal lines are expected to be affected the most. Furthermore, survey findings suggest that with improved economic conditions we should expect above average growth in health, life and agriculture.

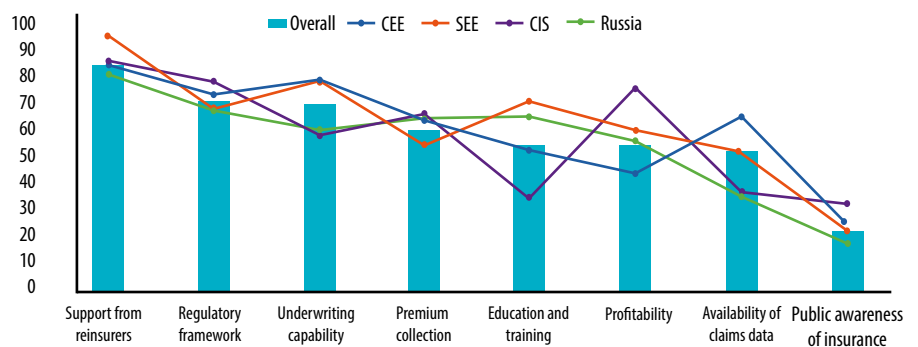


Chart 1: Trust Re developed a framework specifically for the insurance market having 8 components. All regions present a similar profile with some notable variations which are discussed in more detail in the full report. CIS perceives most profitability whereas the level of education & training is the lowest.

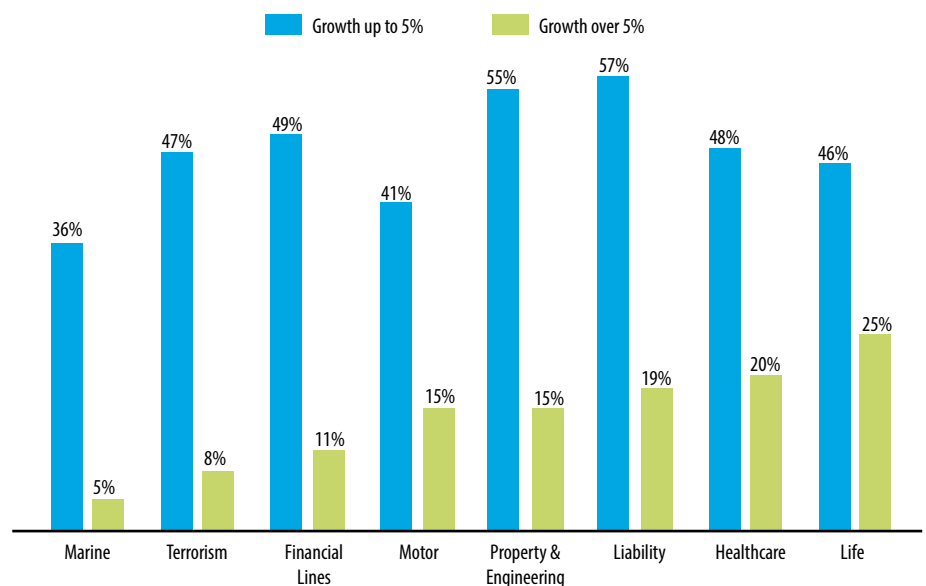


Chart 3: Life will lead insurance growth over the next 2 years. Emerging risks will add to the growth from 2018 onwards.

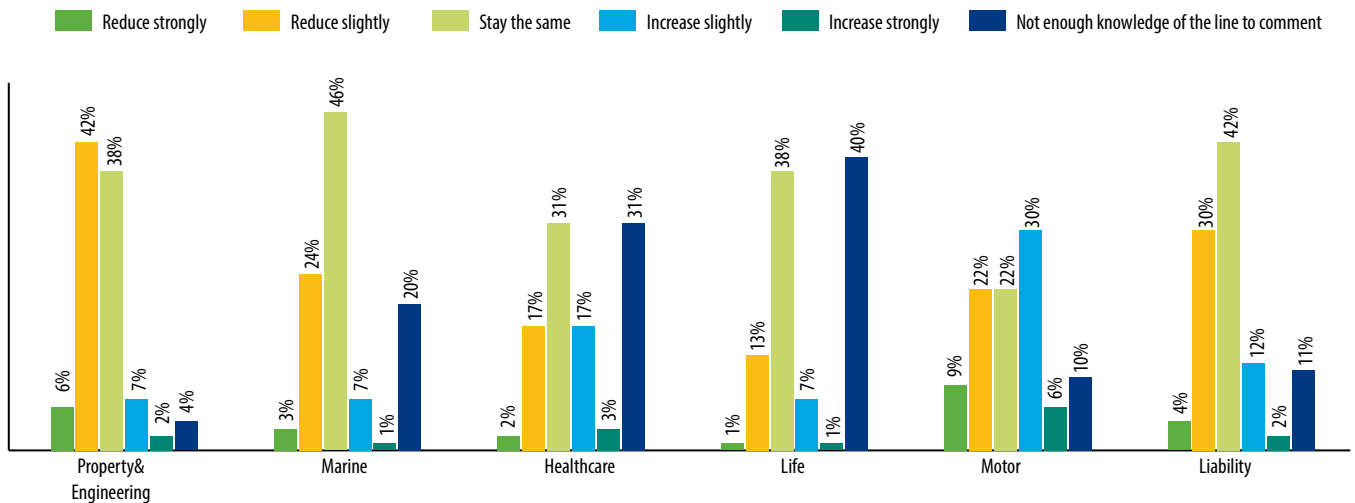


Chart 4: Competitive environment and excess capacity will keep the rates mostly at the same level with some expectations for rate increases i.e. motor.

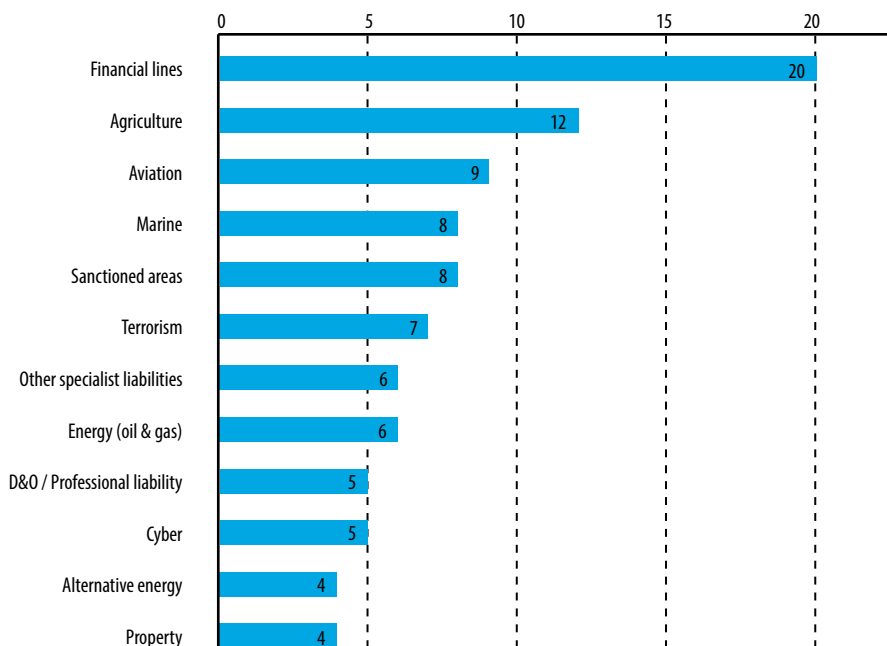


Chart 5: Overall reinsurance capacity is considered adequate with demand for specific lines of business varying per region.

Growth does not necessarily equate to profitability, especially given the competition level. This could also be seen positively, as it could enhance market discipline with improved pricing models. The majority of participants believe pricing will either stay the same or reduce slightly. Motor is a slight exception to this with slightly more participants believing pricing will increase rather than decrease but this could also be interpreted as merely an aspiration to maintain marginal profitability of this line of business.

## Additional required reinsurance capacity

### Chart 5

Focusing on additional required capacity from reinsurance, there appear to be some possible regional themes in the answers. Those in Russia were more likely to mention Agriculture and Aviation risks, as well as some 'sanctioned' areas, perhaps unsurprisingly. There is some evidence that participants in the CEE region are more likely to feel there are gaps in capacity for Financial Lines and Cyber risks.

However, sometimes the issue is not as simple as there being "enough capacity" or "not enough capacity". While capacity may be available in principle, it is not available at an acceptable price, or it may be that limits of reinsurers are constrained. It was also mentioned that reinsurance capacity was lacking for risks that could not be modelled. The full report discusses this topic in more detail.

## Final remarks

Finally, what changes would participants like to see?

Participants felt that the insurance market is overcrowded and M&A activity is anticipated. Higher pricing rates, general growth and an increase in penetration were all mentioned regularly. Some of the elements which several participants also hoped would change might support such an outcome. These included more awareness of insurance, an improvement of knowledge and technical skills, improved legislation, increases in requirements for healthcare or life cover, more new products, better adherence to best practice and the successful implementation of Solvency II. It is a healthy sign to see a positive attitude to change towards improved market discipline and maturity.

This article has been prepared by:  
Sally Meikle and Duaa Mohammed





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# Cyprus



S&P Rating  
**BB+ STABLE**

Moody's rating  
**B1 POSITIVE**

Fitch Rating  
**BB- POSITIVE**



Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

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

<sup>3</sup> XPRIMM calculations

EUR 22.7 million – the underwriting result in non-life

EUR 24.1 million – the net profit of life insurers

The average premium on motor was EUR 280 (claims frequency of 11.4%)

The operating costs of the non-life sector totaled EUR 43.8 million

The highest values of the combined ratio were reported in case of A&H (104.0%) and motor (104.7%)

## Market's main indicators-timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	EUR billion <sup>1</sup>	19.47	18.12	17.57	17.64	17.90
<b>GDP per capita, current prices</b>	EUR <sup>1</sup>	22,583.01	20,925.00	20,475.06	20,822.71	21,102.20
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	11.89	15.92	16.18	14.89	12.91
<b>Population</b>	Millions <sup>1</sup>	0.86	0.87	0.86	0.85	0.85
<b>Gross written premiums</b>	EUR million <sup>2</sup>	830.00	772.00	727.06	744.67	764.07
<b>Paid claims</b>	EUR million <sup>2</sup>	629.00	620.00	458.89	456.26	472.53
<b>Insurance penetration degree</b>	% in GDP <sup>3</sup>	4.26%	4.26%	4.14%	4.22%	4.27%
<b>Insurance density</b>	EUR/capita <sup>3</sup>	962.88	891.45	847.38	879.19	901.03

Cyprus's recent financial crisis severely impacted insurance companies, aggregate premiums severely dropping in line with the economy during 2012-2014. Last year, local insurers posted aggregate GWP of EUR 764 million, up by 2.6% y-o-y, according to the statistics published by the Insurance Association of Cyprus – IAC (which represents 30 insurers), revealing the recovery of the market. Per segments, the value of life GWP was up by 0.7% y-o-y to EUR 322 million, while the non-life insurers generated a volume of EUR 442 million, or 4% more y-o-y.

In an interview published last autumn by cyprus-mail.com, Cyprus Minister of Finance Harris GEORGIADES pointed out that country's economy is projected to expand as one of the fastest paces in Europe. *Unemployment drops, confidence in the banking sector has been to a large extent been restored, important investment projects like ports, marina's and the casino are in the process of being implemented, (and) public*

*finances are under control with room for considerable tax reliefs.*

At the same time, he mentioned that the insurers have worked hard with the supervisory authority for the implementation of the Solvency II and pointed out that the implementation of IDD, introduces more transparency and professional standards, and will also help inform consumers more effectively about products and cost: *Despite the challenges that these changes entail, I believe that the implementation of the new European directive will upgrade insurance products and the training of professionals, bolstering public confidence and helping towards the sector's development.*

## Other market indicators

At the end of 2016, the life insurance market reported a gross underwriting profit of EUR 28.1 million (vs. EUR 64.3 million in 2015), while the net underwriting profit

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	764.07	744.67	2.61	472.53	456.26	3.56	100.00	100.00
<b>TOTAL LIFE**</b>	322.03	319.76	0.71	217.48	237.82	-8.55	42.15	42.94
<b>TOTAL NON-LIFE</b>	442.05	424.91	4.03	255.05	218.45	16.75	57.85	57.06
Accident & health*	120.75	105.86	14.07	93.67	80.55	16.28	15.80	14.22
Motor	165.31	160.62	2.92	107.36	104.38	2.86	21.64	21.57
MAT	3.55	3.36	5.91	0.90	0.67	34.50	0.47	0.45
Fire	105.02	105.04	-0.02	39.80	19.84	100.63	13.74	14.11
Liability	40.31	40.28	0.05	13.28	10.45	27.10	5.28	5.41
Credit	0.20	0.22	-7.96	0.09	0.37	-76.59	0.03	0.03
Miscellaneous	6.91	9.54	-27.62	-0.06	2.18	-102.67	0.90	1.28

\* Including A&H premiums by Life Companies

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

Cyprus currency: EURO



was EUR 24.1 million. Except ETHNIKI, all life reported profits, from this point of view the top 3 being as follows: EUROLIFE (net profit of EUR 7.7 million), CYPRIALIFE (EUR 7.1 million) and HELLENIC ALICO (EUR 2.8 million).

The underwriting result in non-life insurance was EUR 22.7 million, or EUR 6.3 million less compared a year before. The largest contribution had the following segments: fire (EUR 20.5 million) and liability (EUR 7.5 million), while the A&H sub-segment experienced a loss of –EUR 5.4 million.

The average gross claims ratio was 58.4% (vs. 51.4% in 2015), while the gross combined ratio totaled 90.8% (vs. 82.2%). On insurance classes, the highest values of the gross combined ratio were reported in case of A&H (104.0%) and motor (104.7%).

Overall, the operating costs of the non-life sector totaled EUR 43.8 million (vs. EUR 37.6 million) while the commission & acquisition costs increased by 4.4% to EUR 97.2 million.

The average premium on motor insurance was EUR 280 (claims frequency of 11.4%) while for the fire policies the same indicator was EUR 428.4 (3.3%).

### IAC warn of GESY risks

Currently, one of the hottest topics in the Cypriot market is the proposed insurance system for the National Health Scheme (GESY) by the health ministry. IAC members said that GESY would cost customers more and some would have to pay double contributions.

The local news website cyprus-mail.com wrote at the beginning of May, that IAC would send a letter to 150,000 customers to inform them about the latest developments regarding GESY and warn them of the risks: *In the letter, the group, that supports a multi-payer health care system involving private insurers, warns of the risks of a single-payer health care system overseen by the Health Insurance Organization.*

(V.B.)

# Cyprus

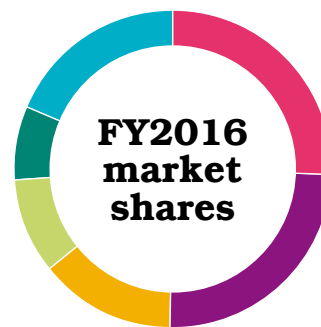
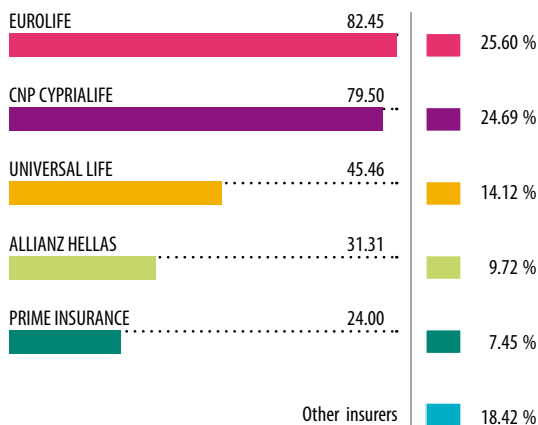
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**Full market rankings per company & per class**

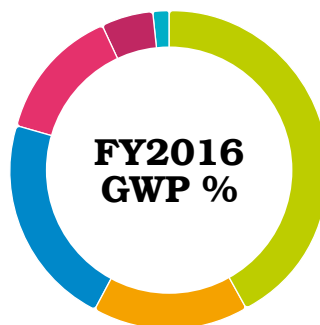
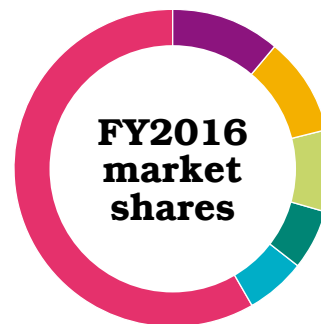
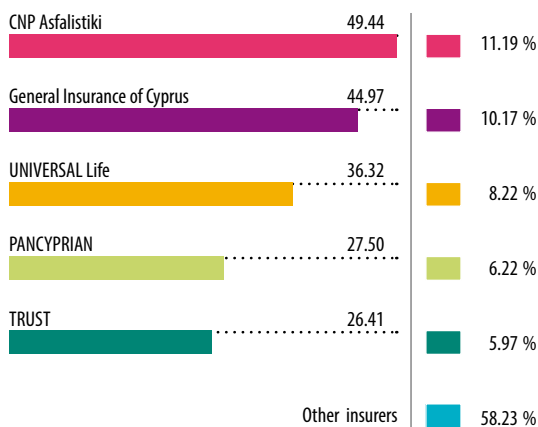
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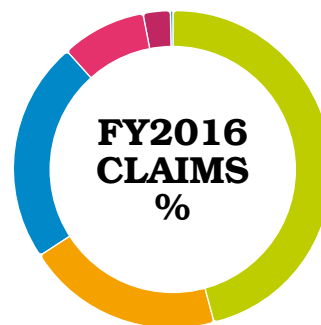
### TOP 5 Life insurance (GWP, EUR million)



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



Life	42.15
A&H	15.80
Motor	21.64
Fire	13.74
Liability	5.28
Other	1.39



Life	46.02
A&H	19.82
Motor	22.72
Fire	8.42
Liability	2.81
Other	0.20

# Greece



S&P Rating  
**B- STABLE**

Moody's rating  
**CAA3 STABLE**

Fitch Rating  
**CCC N/A**



Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> Hellenic Association of Insurance Companies

<sup>3</sup> XPRIMM calculations

☀ Greece's oldest insurer, ETHNIKI Insurance is for sale. The valuation of the company is estimated at between EUR 800 million and EUR 1 billion

☀ Exin Partners acquired AIG's interest in AIG Greece

## Market's main indicators-timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	EUR billion <sup>1</sup>	191.20	180.65	177.94	175.70	175.54
<b>GDP per capita, current prices</b>	EUR <sup>1</sup>	17,246.71	16,417.70	16,284.81	16,181.31	16,176.21
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	24.43	27.48	26.50	24.90	23.76
<b>Population</b>	Millions <sup>1</sup>	11.09	11.00	10.93	10.86	10.85
<b>Gross written premiums</b>	EUR million <sup>2</sup>	4410	4012.4	3965.7	3,617.13	3,783.52
<b>Insurance penetration degree</b>	% in GDP <sup>3</sup>	2.31%	2.22%	2.23%	2.06%	2.16%
<b>Insurance density</b>	EUR/capita <sup>3</sup>	397.80	364.63	362.93	333.13	348.68

According to the market data published by the Hellenic Association of Insurance Companies (HAIC), the Greek insurance market saw a 4.6% y-o-y increase in the overall premium income in 2016, to EUR 3.78 billion. The result takes into consideration the 56 insurance undertakings HAIC members, representing approximately 97.1% of total premium income.

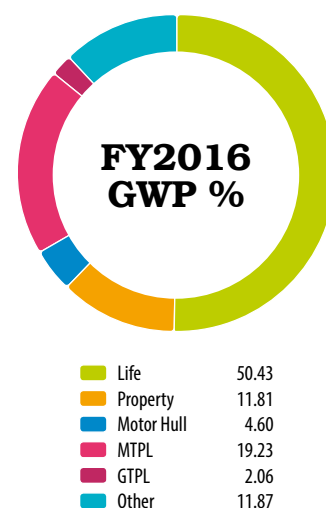
Specifically, a comparison of premium income statements of these companies for 2016 with those of 2015 shows that:

- ▶▶ Life insurance premiums amounted to EUR 1.91 billion, up 6.1% y-o-y
- ▶▶ Non-life insurance amounted to EUR 1.87 billion, increasing by 3.1% y-o-y.

*The production of the Greek insurance market in 2016 also creates both satisfaction for the past year and optimism for 2017. At the same time, uncertainty and instability in the political and economic environment, directly and indirectly continued to affect disposable income and businesses, while low interest rates environment and the increasing requirements of supervisory framework do not allow complacency, but vigilance and*

*constant adaptation to the new conditions and challenges. Despite the unfavorable economic environment in recent years, the insurance market has been able to adapt to a great extent and this trend will continue in 2017, developing and creating value for all parties, policyholders, insurers, employees, shareholders and Greek society, said Dimitris MAZARAKIS, Chairman of the Board of Directors of HAIC.*

(V.B.)



## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			Weight in all GWP	
	2016 EUR m	2015 EUR m	Change %	2016 %	2015 %
<b>TOTAL MARKET</b>	3,783.52	3,617.13	4.60	100.00	100.00
<b>TOTAL LIFE</b>	1,907.99	1,798.29	6.10	50.43	49.72
Annuities and supplementary ins.	1,425.69	1,196.05	19.20	37.68	33.07
Unit-linked	271.46	326.27	-16.80	7.17	9.02
Management of group pension funds	210.82	155.36	35.70	5.57	4.30
Other life insurance	0.02	120.62	-99.98	0.00	3.33
<b>TOTAL NON-LIFE</b>	1,875.53	1,819.14	3.10	49.57	50.29
Accident	39.76	33.07	20.20	1.05	0.91
Sickness	175.05	25.70	581.20	4.63	0.71
Overall property insurance	446.99	458.90	-2.60	11.81	12.69
Fire and allied perils	344.66	354.59	-2.80	9.11	9.80
Damages to property	102.33	104.32	-1.90	2.70	2.88
Overall motor insurance	901.72	992.58	-9.15	23.83	27.44
Motor Hull	174.17	186.87	-6.80	4.60	5.17
MTPL	727.55	805.70	-9.70	19.23	22.27
GTPL	77.79	78.50	-0.90	2.06	2.17
Assistance	97.52	88.41	10.30	2.58	2.44
Other	136.70	141.97	-3.71	3.61	3.92

Greek currency: EURO

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**GWP portfolio per class**

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INSPIRED BY THE ELEMENTS



# Turkey



S&P Rating

**BB NEGATIVE**

Moody's rating

**BA1 NEGATIVE**

Fitch Rating

**BB+ STABLE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> Central Bank of the Republic of Turkey

<sup>3</sup> Insurance Association of Turkey

<sup>4</sup> XPRIMM calculations

Turkey's insurance sector grew by 20.2% in real terms last year when the annual inflation rate was 8.5%

The MTPL insurance line posted by far the most substantial increase in GWP, up by 73% in nominal terms (48% in Euro)

At the end of 2016, MTPL insurers have posted a positive technical result of TRY 18.9 million (EUR 5.1 million)

Out of the about 17.5 million residences, 7.6 million housing units had a mandatory earthquake insurance policy, the total premiums written by TCIP amounting to about TRY 874.6 million

## Market's main indicators-timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	TRY billion <sup>1</sup>	1,569.67	1,809.71	2,044.47	2,337.53	2,590.52
	EUR billion <sup>4</sup>	666.10	615.61	721.84	732.86	697.01
<b>GDP per capita, current prices</b>	TRY <sup>1</sup>	20,755.45	23,604.54	26,313.66	29,686.31	32,456.52
	EUR <sup>4</sup>	8,807.74	8,029.58	9,290.56	9,307.22	8,732.85
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	8.43	9.04	9.92	10.28	10.79
<b>Population</b>	Millions <sup>1</sup>	75.63	76.67	77.70	78.74	79.82
<b>TRY/EUR exchange rate</b>	End of period <sup>2</sup>	2.36	2.94	2.83	3.19	3.72
<b>Gross written premiums</b>	TRY million <sup>3</sup>	19,826.76	24,229.62	25,989.55	31,025.90	40,486.80
	EUR million <sup>4</sup>	8,413.65	8,242.21	9,176.13	9,727.21	10,893.50
<b>Paid claims</b>	TRY million <sup>3</sup>	11,204.75	11,808.00	13,410.92	15,692.53	18,124.58
	EUR million <sup>4</sup>	4,754.83	4,016.74	4,734.99	4,919.91	4,876.66
<b>Insurance penetration degree</b>	% in GDP <sup>4</sup>	1.26%	1.34%	1.27%	1.33%	1.56%
<b>Insurance density</b>	EUR/capita <sup>4</sup>	111.25	107.51	118.10	123.53	136.48

Total GWP in the Turkish insurance market exceeded TRY 40 billion (about EUR 11 billion) last year, an increase of more than 30% compared to the previous year, according to data from the Insurance Association of Turkey - TSB. The TSB figures also show that Turkey's insurance sector grew by 20.2% in real terms last year when the annual inflation rate was 8.5%. Yet, given the almost 20% devaluation of the Turkish currency, the market results denominated in Euro show an only 12% y-o-y increase.

Of the aggregate figure, the non-life sector contributed with TRY 35.4 billion or 87.6%, while the life segment generated TRY 5.0

billion (12.4% of total). In terms of growth rates, the non-life sector grew by 30% while the life segment was up by 34%.

The MTPL insurance line posted by far the most substantial increase in GWP, up by 73% in nominal terms (48% in Euro), while the number of insurance policies went up by only 1.6%, to 16.5 million. In this context, it seems obvious that the main growth driver was the substantial increase in tariffs.

As part of the government's agenda to make financial institutions more profitable, on April 26, 2016, amendments to the Highway Traffic Law were enacted to help reduce insurer losses from MTPL insurance products through standardized

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	10,893.50	9,727.21	11.99	4,876.66	4,919.91	-0.88	100.00	100.00
<b>TOTAL LIFE</b>	1,355.76	1,179.27	14.97	616.69	646.39	-4.60	12.45	12.12
<b>TOTAL NON-LIFE</b>	9,537.75	8,547.93	11.58	4,259.97	4,273.52	-0.32	87.55	87.88
Accident	385.19	375.15	2.68	47.78	46.86	1.97	3.54	3.86
Health	1,137.08	1,077.42	5.54	797.92	752.43	6.05	10.44	11.08
Goods in transit	147.84	167.44	-11.71	47.77	49.69	-3.87	1.36	1.72
Overall property insurance	2,240.37	2,310.43	-3.03	636.35	771.23	-17.49	20.57	23.75
Fire and allied perils	1,298.94	1,376.73	-5.65	344.08	459.76	-25.16	11.92	14.15
Damages to property	941.43	933.70	0.83	292.27	311.47	-6.17	8.64	9.60
Overall motor insurance	5,139.62	4,087.60	25.74	2,523.46	2,468.50	2.23	47.18	42.02
Motor Hull	1,660.31	1,740.47	-4.61	1,069.96	1,129.45	-5.27	15.24	17.89
MTPL	3,479.31	2,347.13	48.24	1,453.50	1,339.05	8.55	31.94	24.13
GTPL	219.57	237.65	-7.61	65.64	78.15	-16.01	2.02	2.44
Other non-life insurance	268.08	292.24	-8.27	141.05	106.66	32.24	2.46	3.00

1 EUR = 3.1896 Turkish lira - TRY (December 31st, 2015)

1 EUR = 3.7166 Turkish lira - TRY (December 31st, 2016)



compensation calculations, permitting insurer costs to be more accurately projected. Additionally, injured parties must now apply to their insurer before initiating litigation or insurance arbitration; this is expected to decrease insurer litigation costs. MTPL Insurance generates significant losses for non-life insurers operating in Turkey, amounting to TRY 2.3 billion (~USD 0.8 billion) as of year-end 2015 and a total of TRY 7 billion (~USD 2.4 billion) in the last decade. Although it is probably too early to jump to any conclusions, it is worth noting that at the end of 2016, MTPL insurers have posted a positive technical result of TRY 18.9 million (EUR 5.1 million).

Property insurance saw a 13% increase in GWP (nominal, in TRY), the fire insurance class reporting an almost 10% growth rate. At the end of 2016, out of the about 17.5 million residences, 7.6 million housing units had a mandatory earthquake insurance policy, the total premiums written by the Turkish Cat Insurance Pool (TCIP) amounting to about TRY 874.6 million.

Beside the nat cat risks, fire remains one of the most important threats for the Turkish properties. The total number of fire incidents only in 2016 in Istanbul adds up to 28,586. In the last 5 years, the number of fires in residences increased by 10% and in manufacturing plants by 17%, show the Fire Department statistics. Yet, only one out of three residences is insured for this risk, while in the commercial sector, about half of the properties are covered by an insurance policy.

The consolidated technical result of the Turkish market stood at TRY 888.5 million (~ EUR 240 million) for the life insurance segment and TRY 1.83 billion (~ EUR 493 million) for the non-life business.

In 2016, of the 60 active members of local association, the company which generated the largest premium volume was ALLIANZ Sigorta with TRY 5.8 billion (market share of 14.3%), followed by ANADOLU Sigorta with TRY 4.5 billion (11.1%) and AXA Sigorta with TRY 3.6 billion (8.8%).

(D.G.)

# Turkey

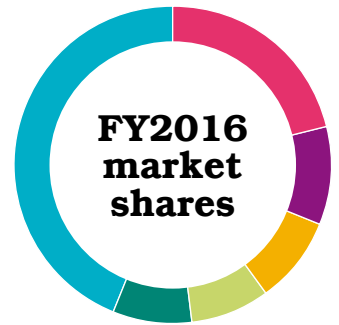
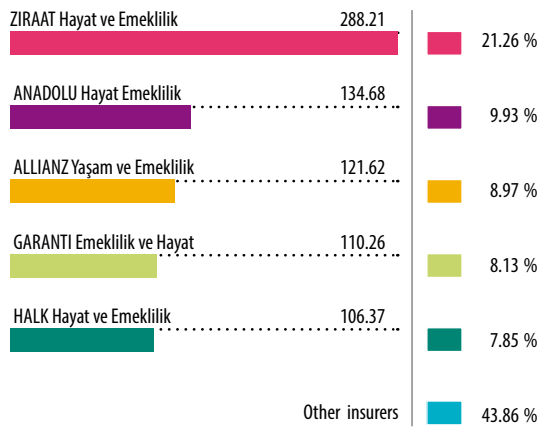
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Full market rankings per company & per class

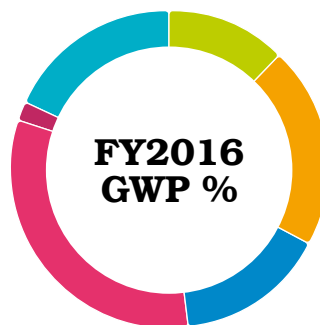
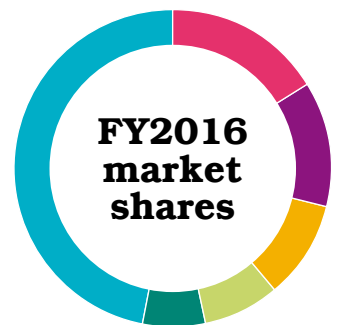
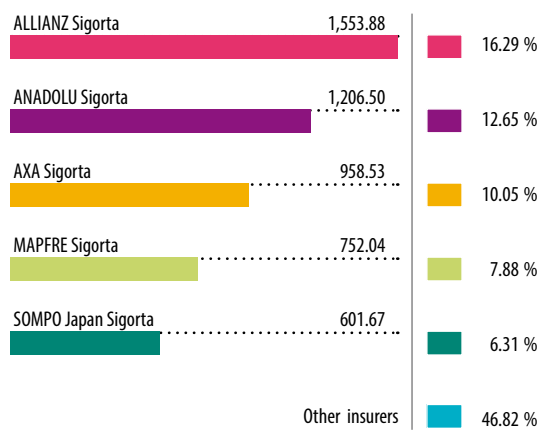
MSEcel format \* in EUR and local currency



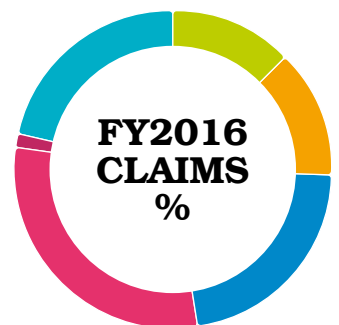
## TOP 5 Life insurance (GWP, EUR million)



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



Life	12.45
Property	20.57
Motor Hull	15.24
MTPL	31.94
GTPL	2.02
Other	17.79



Life	12.65
Property	13.05
Motor Hull	21.94
MTPL	29.81
GTPL	1.35
Other	21.21

# Summing-up a successful year

After analyzing the 2016 results, SBERBANK Insurance Broker ranked 3<sup>rd</sup> in revenue terms among members of the Association of Professional Insurance Brokers, thus entering the leading Russian insurance brokers echelon. The first two positions are held by WILLIS LLC and MARSH. The company's net profit increased 3.4 times in 2016 as compared to the previous year, to RUB 364.9 million. At the same time, the revenue grew by 2.6 times to RUB 747.5 million. In 2016, with the participation of the SBERBANK Insurance Broker more than 58.000 transactions were concluded, and about 50.000 corporate clients were insured through the broker. The total volume of insurance premium mediated by SBERBANK Insurance Broker in 2016 exceeded RUB 3.1 billion. It should be also pointed out that in the broker's portfolio, the share of market sales reached 47% during the last year or RUB 353 million, the company expecting this figure to increase up to 70% next year.

## Alexander GAZIZOV

CEO, Member of the Board of Directors  
SBERBANK Insurance Broker



**XPRIMM: How do you assess the results of the past year and what are the challenges for the near future?**

**Alexander GAZIZOV:** The previous year was a successful one for us: revenues amounted to more than RUB 750 million, which is 2.6 times higher than in 2015. If you take on the balance sheet currency - it amounted to RUB 630 million, this exceeds 4 times the same indicator in comparison to 2015.

Speaking about the cost/income ratio indicator, we have it defined as a target, at 30% - this is a high bar that we have set for ourselves. Thus, as our focus is on hyper-efficiency - the goals are also ambitious.

It should be noted that the dynamics of the current year is also positive - we closed the first quarter with revenues of more than RUB 200 million, which is more than double compared to the previous year. This gives us confidence that the forthcoming year will be closed with better results than the last one.

According to our analysis, the main drivers of business' growth were cross-selling and the development of the new activities, including the launch and sales of the new products. We try to estimate and accommodate the needs of our clients and to understand that personal lines of insurance are now in demand and companies need to audit their insurance budget.

At the moment, our client base consists of more than 50 thousand companies, and we will work with them actively; we also plan to extend it respectively. I should also stress out that we are focusing on intensive business development: deepening our

RUB thousand	2015	2016	Increase in absolut values (+)	Nominal increase (%)	Change 2016 to 2015
Net profit	107.687	364.974	257.287	239	3,39 times
Revenue	287.141	747.485	460.344	160	2,6 times
Balance sheet currency	181.117	632.647	451.53	249	3,49 times
Total assests	99.013	330.772	231.759	234	3,34 times

RUB thousand	2015	2016	Increase in absolut values	Nominal increase (%)	Change 2016 to 2015
Net profit per employee	1,295	2,804	+1,509	+117%	2.17 times
Cost/income ratio indicator (CIR)	44.9%	40.2%			

industry competencies, developing long-term relationships with customers with a more comprehensive immersion in their business.

We intend to offer not just insurance services for individual risks, but rather complex solutions for risk management for our customers' businesses in general. This includes asset evaluation, surveys, consulting and, in fact - full insurance coverage designed for the needs the specific company/client.

We are also considering entering the markets where SBERBANK Group is already present outside Russia. Thus, we have already opened a representative office in Kazakhstan and this is just the beginning.

**XPRIMM: In your opinion – what are the main opportunities on the market and new directions of business which you indent to develop?**

**Alexander GAZIZOV:** Most recently, we have announced the launch of a program dedicated to cyber risks' insurance.

This insurance line has become a growth driver in the USA and

Great Britain – they posted important results on this segment for the last two years, while in Russia it is still at a developing stage. The Bank of Russia is already interested in this subject and now we have official statistics published on corporate clients, as well as assessments of some incurred losses.

In partnership with AIG and ALLIANZ, we offer programs that guarantee the payment of expenses for recovery of lost or partially stolen databases; cover the costs of PR activities, related to the restoration of the image; the cover for risks referring to programming errors, when the wrong code leads to failure. In addition to these programs, an audit of IT systems is proposed.

Another area in which we are actively developing is the one of the corporate life insurance programs with some additional options, such as the treatment of oncologic diseases, the possibility of obtaining a "second independent medical opinion" when making a diagnosis etc.

In general, we set ambitious goals for business development and are ready to offer our customers new products and services that are in high demand.

**xprimm.com**



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**Insurance Statistics Quarterly Updated!**

# A.M. Best highlights key rating drivers for insurers operating in the Commonwealth of Independent States



Author: **Dr Mathilde Jakobsen**  
Director, Analytics, A.M. Best

A.M. Best's Credit Ratings provide an opinion of an insurer's ability to meet its senior financial obligations, which for an operating insurance company are its ongoing insurance policy and contract obligations. The assignment of a Best's Credit Rating is derived from an in-depth evaluation of a company's balance sheet strength, operating performance, business profile and enterprise risk management, as compared with A.M. Best's quantitative and qualitative standards.

In addition, A.M. Best evaluates the risk that country-specific factors could adversely affect an insurer's ability to meet its financial obligations. Based on an assessment of a country's economic risk, political risk and financial system risk, a country is placed into one of five tiers, ranging from Country Risk Tier 1 (CRT-1), denoting a stable environment with the least amount of risk, to Country Risk Tier 5 (CRT-5) for countries that pose the most risk and, therefore, the greatest challenge to an insurer's financial stability, strength and performance.

On average, most companies in CRT-1 or CRT-2 countries would not be impacted adversely by country risk. In CRT-3, CRT-4 and CRT-5 countries, there is an increasing probability that country-specific factors will affect a company's ability to fulfil policyholder obligations.

## Relationship Between Ratings and Country Risk Tiers

	Average Rating															
CRT-1	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-
CRT-2	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-
CRT-3	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-
CRT-4	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-
CRT-5	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-

According to A.M. Best's Credit Rating Methodology (BCRM), A.M. Best's country risk evaluation does not lead to a ceiling being imposed on ratings in a given domicile, but is instead one of the rating factors considered. A.M. Best believes that key elements of country risk can be managed or mitigated, effectively reducing their impact on an insurer's rating. As a result, it is possible for an insurer in any country to achieve A.M. Best's highest Financial Strength Rating (FSR). More information on A.M. Best's country risk analysis can be found in "Evaluating Country Risk" (May, 2012).

## Key Rating Characteristics of Insurance Markets in The Commonwealth of Independent States (CIS)

In the countries of The Commonwealth of Independent States (CIS), A.M. Best rates insurers in Russia, Kazakhstan and Azerbaijan – all of which are classified as CRT-4.

The CIS region is currently characterised by difficult macroeconomic conditions, including low commodity prices, deteriorating fiscal and external balances, recent currency depreciations and the resulting inflationary pressure, and lower foreign exchange reserves. Additionally, while 2016 economic growth increased from 2015 levels, A.M. Best notes that the gross domestic product (GDP) was still below historical averages for the region.

With these country risk characteristics in mind, some of the key considerations for ratings in these markets are investment risk, pace of growth and Enterprise Risk Management (ERM).

## Investment Risk

Insurers in the CIS markets typically hold high-risk investments when compared to international insurers, and high investment risk is a key negative rating driver for companies in these markets. A.M. Best believes that the high investment risk is primarily due to limited investment opportunities rather than any desire among companies to take significant investment risk on their balance sheets. Investment opportunities are limited as insurers are largely investing in local markets, either due to regulatory restrictions or due to a need to find local currency investments to (at least partly) match their claims liabilities.

High investment risk is a source of potential volatility for operating performance. Investment income from high-risk investment portfolios will support high operating earnings in most years, but are volatile and can lead to large losses and the erosion of capital.



# A.M. Best-Rated Companies – The Commonwealth of Independent States

## Ratings as of May 2, 2017.

AMB #	Company Name	Domicile	Best's Financial Strength Rating (FSR)	Best's Long-Term Issuer Credit Rating (ICR)	Best's FSR & ICR Outlook / Implication	Best's FSR Action	Rating Effective Date
93787	AzRe Reinsurance, OJSC	Azerbaijan	B+	bbb-	Stable	Affirmed	21-Oct-16
95015	PASHA Insurance OJSC	Azerbaijan	B+	bbb-	Stable	Assigned	17-Jan-17
78331	Eurasia Insurance Company JSC	Kazakhstan	B++	bbb+	Stable <sup>1</sup>	Affirmed	24-Mar-16
91215	Halyk-Kazakhinstrakh, Insurance Subsidiary Company of Halyk Bank of Kazakhstan, JSC	Kazakhstan	B++	bbb	Negative	Affirmed	27-Apr-17
91331	Halyk-Life, Life Insurance Subsidiary Company of the Halyk Bank of Kazakhstan, JSC	Kazakhstan	B+	bbb-	Negative	Affirmed	29-Apr-16
90887	Insurance Company London-Almaty JSC	Kazakhstan	C++	b+	Stable	Affirmed <sup>2</sup>	3-Mar-17
90886	JSC IC Kazkommerts - Policy	Kazakhstan	C++	b+	Stable	Assigned	1-Dec-16
90884	JSC Insurance Company Centras Insurance	Kazakhstan	C++	b	Stable	Affirmed	19-Feb-16
92573	JSC Salem Insurance Company	Kazakhstan	C++	b	Stable	Assigned	29-Jul-16
92322	Kommesk-Omir Insurance Company JSC	Kazakhstan	C++	b+	Stable	Affirmed	19-Feb-16
92524	Nomad Insurance Company JSC	Kazakhstan	B-	bb-	Negative	Affirmed	10-Feb-17
93079	Standard Insurance Company JSC	Kazakhstan	C++	b+	Stable	Downgraded	20-May-16
92467	Victoria Insurance Company JSC	Kazakhstan	B+	bbb-	Negative	Affirmed	6-May-16
78919	INSURANCE COMPANY OF GAZ INDUSTRY SOGAZ	Russia	B++	bbb	Negative	Affirmed	19-Aug-16

Source: Best's Statement File - Global, A.M. Best data & research  
 Notes: 1: FSR = Stable ICR = Negative; 2: ICR = Upgrade

## Growth Patterns

The CIS markets tend to be fragmented, with many insurers competing for the available business. The leading market participants typically have good access to business, while smaller players can struggle to both win and retain contracts, which in turn can lead to erratic growth patterns.

Frequently, insurers win new contracts and books of business only to lose them again a few years later. Therefore, an improvement in ranking, as measured by gross written premium within a local market in one year, does not necessarily translate into a sustainable improvement in business profile. Sudden material growth is a source of volatility for a rated insurer's future operating performance if this growth has been achieved on the basis of lower prices or more lenient terms and conditions. The increased underwriting risk associated with significant growth is captured in A.M. Best's evaluation of risk-adjusted capitalisation through additional charges applied to underwriting risk in its proprietary capital adequacy model (BCAR).

## Enterprise Risk Management

The ERM assessment for rated companies in the CIS markets is typically a negative rating factor in A.M. Best's analysis. Companies often lack clearly articulated risk appetite and tolerance statements and rely on minimum regulatory requirements rather than detailed internal guidelines and policies. However, exceptions do occur among leading market participants within some of these markets, where risk

management capabilities are sometimes considered appropriate for the risk profiles and therefore have a neutral ratings impact on the ratings.

The risk profiles of insurers in the CIS markets are elevated due to the country risk characteristics described above. In addition, there is a high risk of regulatory and legislative changes that can lead to volatile underwriting results.

## Conclusion

A.M. Best notes that the risk-adjusted capitalisation of insurers operating in the CIS markets tends to be highly volatile due in particular to high investment risk and erratic growth patterns. This volatility means that a buffer in risk-adjusted capitalisation is usually required to support a particular rating level. If this buffer is eroded, rating downgrades usually follow, unless A.M. Best believes that the particular company can rebuild the buffer over a short time frame.

Likewise, the investment and underwriting results of insurers in the region are subject to volatility, although many insurers will report good results in most years.

These factors generally mean that ratings assigned in the region are lower than for insurers operating in markets with lower levels of country risk. The highest ratings tend to be held by the market leaders in the largest markets (or those with a presence across several markets). Stronger business profiles usually improve access to stable good business, insulating these companies against competition in the local markets and supporting strong sustainable operating performance and lower volatility in risk-adjusted capitalisation.

# Armenia



Moody's rating  
**B1 STABLE**

Fitch Rating  
**B+, STABLE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> Central Bank of Armenia

<sup>3</sup> ArmInfo News Agency

<sup>4</sup> XPRIMM calculations

🌸 The number of road accidents settled through amicable report has significantly increased – up to 45%

🌸 The increasing car imports (15 thousand units), the implementation of several large economic projects, the introduction of compulsory insurance of customs liability for customs brokers and cargo carriers, the noticeable growth of losses and the number of registered insurance events on MTPL insurance (due to the introduction of the amicable report system) - affected the overall annual market result

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	AMD billion <sup>1</sup>	4,266.46	4,555.64	4,828.63	5,032.09	5,067.87
	EUR billion <sup>4</sup>	8.02	8.14	8.36	9.52	9.89
<b>GDP per capita, current prices</b>	AMD <sup>1</sup>	1,436,518.69	1,528,737.65	1,617,513.75	1,682,725.78	1,694,554.74
	EUR <sup>4</sup>	2,699.01	2,732.13	2,801.04	3,182.82	3,308.38
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	17.30	16.20	17.60	18.50	18.79
<b>Population</b>	Millions <sup>1</sup>	2.97	2.98	2.99	2.99	2.99
<b>AMD/EUR exchange rate</b>	End of period <sup>2</sup>	532.24	559.54	577.47	528.69	512.20
<b>Gross written premiums</b>	AMD million <sup>3</sup>	35,522.14	34,513.86	30,059.45	31,351.40	32,912.58
	EUR million <sup>4</sup>	66.74	61.68	52.05	59.30	64.26
<b>Paid claims</b>	AMD million <sup>3</sup>	14,486.73	17,922.51	22,019.50	13,564.46	14,222.49
	EUR million <sup>4</sup>	27.22	32.03	38.13	25.66	27.77
<b>Insurance penetration degree</b>	% in GDP <sup>4</sup>	0.83%	0.76%	0.62%	0.62%	0.65%
<b>Insurance density</b>	EUR/capita <sup>4</sup>	22.47	20.70	17.44	19.83	21.48

The 5% GWP growth recorded by the Armenian insurers in 2016 was mainly due to the national cars fleet's expansion and to the implementation of several large economic projects as the North-South road and the construction of a number of reservoirs.

The GWP growth was also influenced by the decision of the Eurasian Economic Commission to introduce the compulsory professional liability insurance for customs brokers and cargo carriers. (note: in relation of the drafting the documents).

Yet, motor insurance remains the main business line, accounting for than 60% of the overall market portfolio. Importation

into the country of about 15 thousand cars, mostly second-hand contributed to the MTPL's portfolio share increase.

On the other hand, since September, a noticeable growth of losses was recorded, the number of registered insurance events on MTPL insurance increasing overall mostly because of the introduction of the amicable report system.

In addition, the difficult winter conditions have contributed to the increase in the MTPL loss ratio by 10-15%. At first, the average loss ratio on MTPL reached 75%; previously it was 55-60%.

The main tendencies marking the motor insurance line were:

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	64.26	59.30	8.36	27.77	25.66	8.23	100.00	100.00
Accidents	1.15	0.97	18.88	0.13	0.18	-29.57	1.80	1.64
Health	10.81	9.67	11.79	6.67	6.15	8.41	16.82	16.31
Overall property insurance	7.34	6.35	15.55	0.28	0.37	-25.68	11.42	10.71
Fire and allied perils	6.44	5.70	13.03	0.23	0.12	92.35	10.02	9.61
Other damages to property	0.90	0.65	37.60	0.05	0.26	-79.77	1.40	1.10
Overall motor insurance	39.33	37.35	5.30	19.41	18.12	7.10	61.21	62.98
Motor Hull	3.78	4.07	-7.26	2.23	2.02	10.33	5.88	6.87
MTPL	35.55	33.28	6.84	17.18	16.10	6.70	55.33	56.12
CARGO	1.45	1.29	12.93	0.15	0.05	175.15	2.26	2.17
GTPL	1.50	1.25	20.50	0.02	0.03	-42.99	2.34	2.10
Travel	1.04	1.01	3.55	0.16	0.18	-12.55	1.63	1.70
Other	1.63	1.42	14.61	0.95	0.56	71.37	2.53	2.39

1 EUR = 528.69 Dram - AMD (December 31st, 2015)

1 EUR = 512.20 Dram - AMD (December 31st, 2016)

Emmanuil MKRTCHYAN,  
General Director,  
ArmInfo News  
Agency



# Armenia

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## Full market ranking

MSEcel format \* in EUR and local currency



- ▶▶ The introduction of the amicable report. The number of road accidents settled through amicable reports has significantly increased, up to 45%.
- The limits of indemnities paid per accident in the case of using the amicable report increased from AMD 50,000 to AMD 100,000.
- ▶▶ Since September 2016 it has been passed to the full-fledged component of bonus-malus system - "bonus" - the insurers talk about some insignificant increase in the MTPL loss ratio.

▶▶ Changes of the process of concluding MTPL contracts. While signing MTPL, insurance contract owners of vehicles were no longer required to declare the names for multiple drivers and the responsibility for road accidents will be totally incumbent on the vehicles' owners.

▶▶ The simplification of the process of concluding MTPL agreements in the on-line mode and the creation of an automated database.

Other legislative changes are expected:

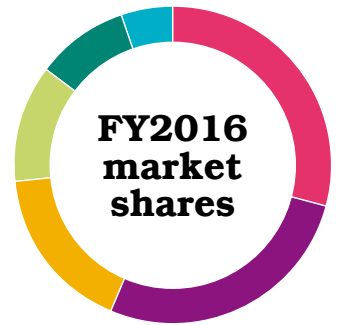
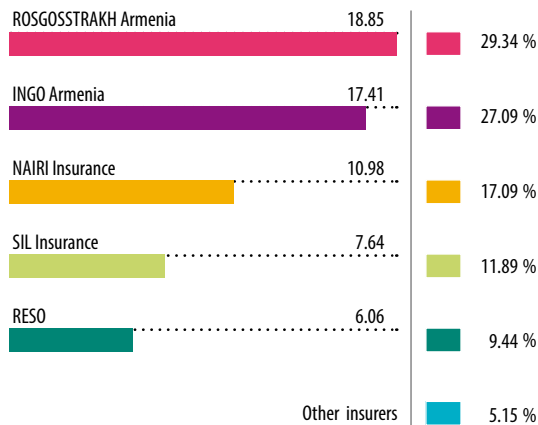
▶▶ The implementation of compulsory health insurance. First of all, the compulsory health insurance system will be implemented for the state employees and a part of the costs will be incurred by the state. In the future, this insurance will be extended in the case of the low-income citizens.

▶▶ The introduction of a direct compensation mechanism since April of the current year.

▶▶ Joining to the Green Card system; the introduction of programs for the standard assessment of damages; the improvement, if necessary, of the bonus-malus system.

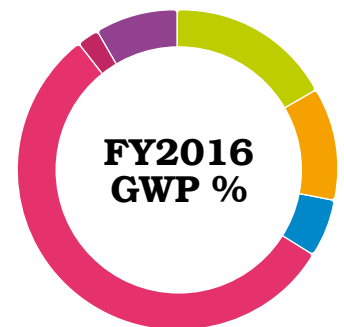
Reinsurance: About 12% of insurance premiums or USD 8 million per year (note: it's not an attractive volume for important reinsurers) was ceded in reinsurance. Earlier this figure was much higher, but then there were no compulsory types of insurance.

## TOP 5 Total market (GWP, EUR million)

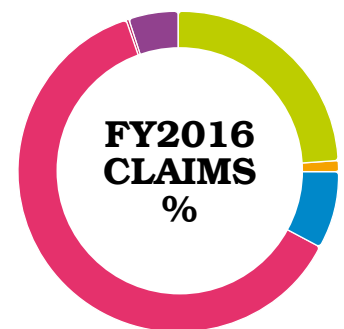


Today in Armenia there are such re/insurers as INGOSSTRAXH, ROSGOSSTRAXH, German Allianz SE, English Lloyd, French SCOR, as well as Korean, Swiss and Bavarian companies and two other insurance companies operating in Armenia. The legislative requirements which prevent the activity with foreign reinsurance companies in Armenia are: the high rating scale - not lower than "A-" and the reservation of a certain value from the slip concluded with the Armenian insurers. However, the Central Bank reserves the right to evaluate the reinsurer's level of solvency. The main explanation is the requirement for ratings created serious problems for the subsidiary of large Russian insurers and hindered their work in the case of the insurance of major risks.

(O.A.)



Line of Business	GWP %
Health	16.82
Property	11.42
Motor Hull	5.88
MTPL	55.33
GTPL	2.34
Other	8.21



Line of Business	CLAIMS %
Health	24.02
Property	1.00
Motor Hull	8.03
MTPL	61.88
GTPL	0.07
Other	5.01

# Azerbaijan



S&P Rating

**BB+ NEGATIVE**

Moody's rating

**BA1 NEGATIVE**

Fitch Rating

**BB+ NEGATIVE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> Central Bank of Azerbaijan Republic

<sup>3</sup> Financial Markets Supervision Authority of the Republic of Azerbaijan (FIMSA)

<sup>4</sup> XPRIMM calculations

The electronic insurance agreements on MTPL were started on November 1st, 2016

At the beginning of 2017, the compulsory health insurance was launched in the city of Mingachevir and the Yevlakh region, as a pilot area

The Azerbaijani insurance market is preparing for the implementation of unemployment insurance

In 2016, the number of insurance companies continued to decline from 25 to 21

In the reporting period, two PASHA units, ATESHGAH subsidiaries and the State insurer AZERSIGORTA, dominated the market

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	AZN billion <sup>1</sup>	53.97	57.71	58.98	54.35	59.99
	EUR billion <sup>4</sup>	52.01	53.53	61.94	31.89	32.18
<b>GDP per capita, current prices</b>	AZN <sup>1</sup>	5,869.57	6,226.52	6,312.99	5,771.68	6,319.58
	EUR <sup>4</sup>	5,656.33	5,776.00	6,629.90	3,385.95	3,389.60
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	6.05	6.05	6.05	6.05	6.05
<b>Population</b>	Millions <sup>1</sup>	9.20	9.27	9.34	9.42	9.49
<b>AZN/EUR exchange rate</b>	End of period <sup>2</sup>	1.04	1.08	0.95	1.70	1.86
<b>Gross written premiums</b>	AZN million <sup>3</sup>	342.52	405.67	429.18	442.91	486.07
	EUR million <sup>4</sup>	330.08	376.32	450.73	259.83	260.71
<b>Paid claims</b>	AZN million <sup>3</sup>	93.86	122.80	157.13	180.24	237.25
	EUR million <sup>4</sup>	90.45	113.92	165.02	105.74	127.25
<b>Insurance penetration degree</b>	% in GDP <sup>4</sup>	0.63%	0.70%	0.73%	0.81%	0.81%
<b>Insurance density</b>	EUR/capita <sup>4</sup>	35.90	40.60	48.25	27.59	27.47

The year 2016 for the Azeri insurance market has begun with important institutional reforms resulting in the establishing of a new supervisor authority – the Financial Markets Supervisory Authority, which took over the functions of 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 Supervisory Authority. The institutional reforms were accompanied by the introduction of new insurance products and the improvement of existing ones. Moreover, Azerbaijan

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	260.71	259.83	0.34	127.25	105.74	20.35	100.00	100.00
<b>TOTAL LIFE INSURANCE</b>	78.77	68.33	15.27	50.94	30.64	66.25	30.21	26.30
Voluntary life insurance	62.01	50.35	23.14	48.79	29.39	66.01	23.78	19.38
Compulsory life insurance*	16.76	17.98	-6.77	2.15	1.25	71.78	6.43	6.92
<b>TOTAL NON-LIFE INSURANCE</b>	181.95	191.50	-4.99	76.31	75.10	1.62	69.79	73.70
Accident and diseases (V)	2.07	4.75	-56.52	0.52	0.65	-19.98	0.79	1.83
Medical insurance (V)	45.41	42.75	6.23	33.02	30.08	9.80	17.42	16.45
Travel insurance (V)	1.40	1.23	13.75	0.31	0.20	52.81	0.54	0.47
Fire and other perils (V)	23.21	20.47	13.39	2.92	4.23	-30.94	8.90	7.88
Aircraft insurance (V)	6.42	6.41	0.21	1.40	0.30	374.31	2.46	2.47
Ships insurance (V)	3.35	1.68	98.96	0.01	-	-	1.28	0.65
Cargo insurance (V)	2.19	7.16	-69.36	0.21	0.11	87.02	0.84	2.75
Agricultural plants (V)	0.32	0.14	129.47	0.00	0.03	-93.14	0.12	0.05
Agricultural animals (V)	0.66	0.69	-5.47	0.41	0.22	82.67	0.25	0.27
Aircraft liability (V)	2.29	2.00	14.50	0.00	0.00	40.86	0.88	0.77
Ships liability (V)	0.21	1.20	-82.26	-	0.16	-	0.08	0.46
Professional liability (V)	0.94	0.41	128.91	-	0.01	-	0.36	0.16
Employer's liability (V)	0.70	0.81	-12.92	0.01	0.01	-0.43	0.27	0.31
GTPL (V)	6.94	6.35	9.31	0.22	0.19	17.26	2.66	2.44
Credit insurance (V)	0.01	0.37	-96.87	0.03	0.08	-64.19	0.00	0.14
Overall motor insurance	55.69	61.99	-10.17	30.29	33.57	-9.79	21.36	23.86
Motor Hull (V)	11.40	16.58	-31.20	8.33	13.90	-40.10	4.37	6.38
Motor Vehicle liability (V)	0.80	0.70	14.52	0.05	0.10	-48.43	0.31	0.27
Liability for owners of motor vehicles (M)	43.49	44.72	-2.76	21.91	19.57	11.95	16.68	17.21
Immovable property (M)	13.51	14.85	-9.00	1.08	0.79	36.96	5.18	5.72
Military servants (M)	9.14	10.44	-12.44	5.16	3.73	38.12	3.51	4.02
Servants of judicial and law-enforcement bodies (M)	6.61	6.67	-0.87	0.69	0.72	-4.31	2.53	2.57
Other non-life insurance (V)+(M)	0.87	1.13	-23.32	0.04	0.01	170.40	0.33	0.44
<b>TOTAL VOLUNTARY INSURANCE</b>	170.94	164.83	3.70	96.24	79.67	20.80	65.56	63.44
<b>TOTAL MANDATORY INSURANCE</b>	89.78	95.00	-5.50	31.01	26.06	18.97	34.44	36.56

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

(V) - Voluntary insurance

(M) - Mandatory insurance

1 EUR = 1.7046 Manat - AZN (December 31st, 2015)

1 EUR = 1.8644 Manat - AZN (December 31st, 2016)



Rufat ASLANLI,  
Chairman of the  
Financial Markets  
Supervision  
Authority



# Azerbaijan

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## Full market ranking

MSExcel format \* in EUR and local currency



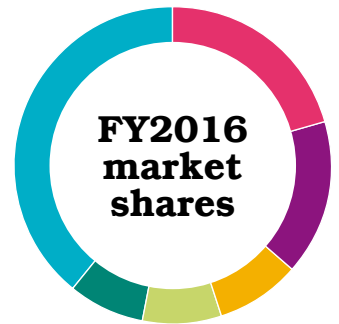
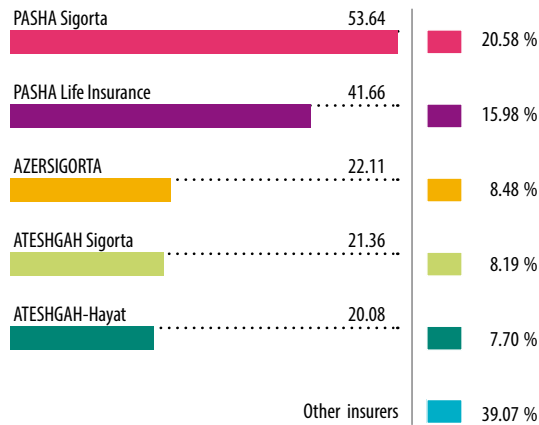
Zaur ALIYEV,  
Director of  
Azerbaijan's  
State Agency  
for Compulsory  
Medical Insurance  
under the Cabinet  
of Ministers



Fuad KULIYEV,  
Chairman of the  
Management  
Board, AzRe  
Reinsurance

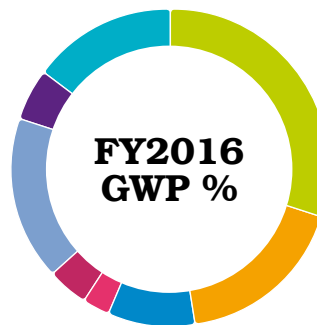


## TOP 5 Total market (GWP, EUR million)

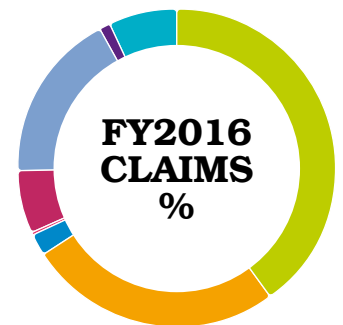


started issuing insurance policies under the international Green Card insurance system. The system became operational in Azerbaijan on January 1st, 2016. In Azerbaijan, the Compulsory Insurance Bureau serves as the Green Card System's national insurance bureau. On the other hand, the electronic insurance agreements on compulsory insurance of motor vehicle owner's liability (MTPL) in Azerbaijan have been effective since November 1st, 2016. Another important innovation during the first half of 2016 was the legal framework for the implementation of the pilot projection for compulsory health insurance. Compulsory health insurance was launched at the beginning of 2017 in the city of Mingachevir and the Yevlakh region, as a pilot area, by the State Agency for compulsory health insurance under the Azerbaijan's Cabinet of Ministers. In 2016 about AZN 30 million and AZN 20 million was allocated for the healthcare reform in 2017.

*The collected funds will be used to pay medical expenses of insured citizens. Currently, the healthcare system is financed from the state budget. The main obstacle for applying compulsory health insurance across the country is related to electronic*



Life	30.21
Medical (V)	17.42
Fire & other perils (V)	8.90
GTPL (V)	2.66
Motor Hull (V)	4.37
MTPL (M)	16.68
Immovable property (M)	5.18
Other	14.57



Life	40.03
Medical (V)	25.95
Fire & other perils (V)	2.29
GTPL (V)	0.18
Motor Hull (V)	6.54
MTPL (M)	17.22
Immovable property (M)	0.85
Other	6.94

*data interchange*, explained Zaur ALIYEV, Director of Azerbaijan's State Agency for Compulsory Medical Insurance under the Cabinet of Ministers for [apa.az](http://apa.az).

Azerbaijan has chosen to use a model similar to the social health insurance model. It is planned to apply benefits for the poor, elderly and pensioners under the compulsory health insurance (note: this category will include about 50% of the population). The mandatory insurance program will enable citizens to receive free, high-quality medical

care and eliminate unofficial payments. Experts believe that the application of the compulsory health insurance will reduce by up to 50% citizens' expenses for health services.

On the other hand, the Azerbaijani insurance market is preparing for another innovation which is unemployment insurance. The draft of laws has already been prepared and it is expected to come into force in the current year. According to S&P's estimates, in 2017 the unemployment rate will rise up to

6%, versus 5.5% in 2016. In 2018 the rate will fall back to 5.5% and will go up to 5% in 2019 and 2020. As a result of the devaluation of AZN, the difficulties in the general economic condition and the decline in the solvency of businesses and the population for the past 1.5 year, licenses of 11 banks have been revoked. The deterioration of the situation in the banking sector has led to unemployment of more than 4,000 bank employees.

Unemployment insurance will differ from the unemployment benefit and will allow people who have been unemployed to receive insurance payments for a certain period of time, which are paid out of contributions (about 1%) during their official work.

In 2016, the number of insurance companies continued to decline from 25 to 21: QARANT Sigorta, ERA-TRANSSigorta, and CHARTIS Azerbaijan, ALFA Insurance licenses were revoked. BUTA Sigorta, as a

part of the M&A operation, transferred its insurance portfolio to GUNAY Sigorta. In October, due to the low financial results, the shareholders of the International Insurance Company have taken a decision on the liquidation of the insurer. In November, a single shareholder of the insurance company AzerQarant took a similar decision (note: the insurer has a critical situation regarding the capital, the most part of which was placed in the liquidated Atrabank).

The critical financial situation of liquidated insurers was the direct dependence on the banking sector, given the affiliation of several insurance companies to the banking system.

In the reporting period, the two PASHA units, the ATESHGAH subsidiaries and the State insurer AZERSIGORTA dominated the market, in GWP terms generating about 61% of the total business: PASHA Sigorta (about 20.5% of the market share), PASHA

Life Insurance (16%), AzerSigorta (8.5%), and the other two ATESHGAH subsidiaries: ATESHGAH Sigorta (8.2%) and ATESHGAH Hayat (7.7%).

On the other hand, on the Azerbaijan insurance market operates the only one reinsurer - Az Re Reinsurance. Az Re Reinsurance is not only leading reinsurer of the local market, but also operated very successfully in foreign market: *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*, added Fuad KULIYEV, Chairman of the Management Board, AzRe Reinsurance.

(O.A.)

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## PROPERTY Insurance Report



## MOTOR Insurance Report



## INSURANCE PROFILE



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[www.belarus-re.com](http://www.belarus-re.com)



# Andrei UNTON

## General Director of BELARUS Re

*about the reinsurer's financial result, which has confirmed its solvency and reliability reinsurance position; retrocession protection provided for cedents; the further expanding of cooperation with all large insurance, reinsurance and brokerage companies of Russia&CIS countries, as well as with foreign reinsurance markets, and last but not least the unconditional fulfillment of the accepted liability*

Despite the objective difficulties in the economy in 2016, as well as the decline in the country's gross domestic product, the insurance market showed a growth rate by 118.1% in GWP for the past year.

The Republican Unitary Enterprise "Belarusian National Reinsurance Organization" (hereinafter - Belarus Re) continued its dynamic development and confirmed its solvency, reliability and competitiveness on the international reinsurance market.

The owner's capital, authorized fund and insurance reserves overall showed a positive trend in the last financial year (Figure).

At the same time, the demand for the reinsurance capacity offered by the state-owned company for the Belarusian and foreign partners was confirmed by a steady increase in the amount of accepted liability and the reinsurance premiums registered by Belarus Re. Thus, the volume of accepted liability for the last three years grew from BYN 36.4 billion (in FY2014) to BYN 84.6 billion (FY2016), a growth rate of 232.4%. In the analysis period the total written premiums went up from BYN 33.7 million to BYN 63.0 million (a growth rate of 186.9%). The claims paid and the combined ratio of the company is at a low level. So, in FY2014 the claims paid totaled BYN 3.4 million, in FY2015 – BYN 7.4 million

and in FY2016 – BYN 17.9 million. The combined ratio amounted to 26.7%, 30.2% and to 39.2% respectively, which represented one of the best indicators on the international reinsurance market.

Last but not least, the confirmed demand for a state company's services by the cedents represents the unconditional fulfillment of assumed liability. For example, in FY2016 two payments were made for losses caused by aircraft damages of Belavia Airlines OJSC. In April, the reinsurance compensation amounted to USD 1.3 million and in June - USD 2.4 million.

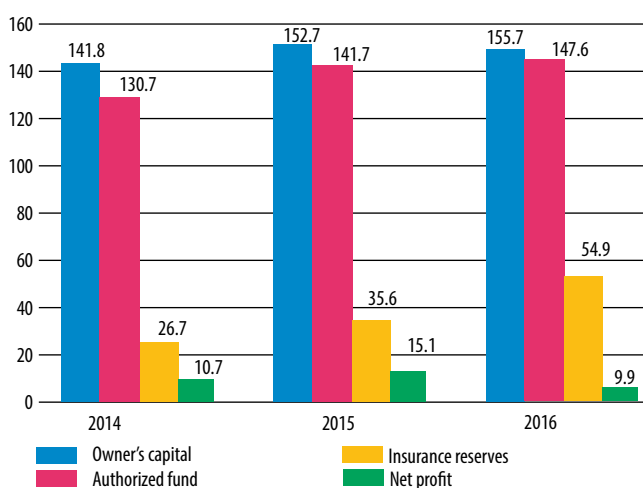
In FY2016 there was a continued implementation of such important programs as: reinsurance of risks under the Green Card System; civil liability of the carrier to customs authorities under the Convention on International Transport of Goods under the Coverage of TIR Carnets of 1975; aviation risks of "Belavia" and "Transaviaexport" airline companies; cargo and other risks of "Belarusian Potash Company" OJSC and "Belaruskali" OJSC.

In addition, Belarus Re provided reinsurance coverage in relation to important projects such as "Gazprom Transgaz Belarus"; "Belarusian Metallurgical Company"; "Mozyr Oil Refinery"; and "Naftan".

In 2016, among the new reinsurance risks accepted it is important to mention investment projects, including the involvement of foreign investors, such as:

- ▶ Construction of solar power stations in the Myadel district, the Minsk region and Braghin locality, and the Gomel region (insurants: Renvia UAB, Vilnius and Solar Invest)
- ▶ Construction of "EnergoCenter" within the framework of the project regarding the construction of a multifunctional complex (insurant: "Gazprom Transgaz Belarus")
- ▶ Reconstruction of sections of the M-6 highway Minsk-Grodno-Border in the Republic of Poland, Bruzgi (insurants: OJSC Company "Road construction trust", Belarus)
- ▶ Reconstruction of the treatment facilities in Brest (insurant: JSC "Metrostava.s.", the Czech Republic)
- ▶ Finalization of the construction of a multifunctional shopping and entertainment center GalleriaMinsk (insurant: JLLC "Gallery Concept").

### Financial results, BYN million





It is worth mentioning the reinsurance by Belarus Re of complex risks, as: the exploitation of the communication satellite "BELINTERSAT-1", as well as the landmark project for the Republic of Belarus in the construction of a mining and processing complex in the Minsk region for the extraction of potassium salts (insurant: Slavkaliy) with an investment volume of over USD 1.5 billion.

The state organization pays great attention to the international activities, acting as a reinsurance capacity for foreign counterparties, thereby contributing to the increase in exports of financial services. At the end of 2016, reinsurance premiums written for non-residents amounted to BYN 10.1 million, going up by 11.2% compared to FY2015. Thus, the share of premiums written for non-residents in the company's portfolio totaled 16.0%.

At present, the state organization has concluded cooperation agreements and established partnership relations with all large insurance, reinsurance and brokerage companies in the Russian Federation, as well as a number of insurance organizations from the other CIS countries. Companies from the CIS countries provide a significant share of incoming international business for Belarus Re, as well as a capacity for the retrocession of large Belarusian projects.

In November 2016 in Minsk, upon the celebration of the 10th Anniversary of Belarus Re, a cooperation agreement was signed with the Russian National Reinsurance Company (RNRC). The state organization counts on the development of a mutually beneficial cooperation with RNRC.

It should also be mentioned, based on the results of the activity in FY2016, the state organization made profit before tax in the amount of BYN 13.7 million. Moreover, the taxes and fees paid to the local budget and off-budget funds totaled BYN 7.7 million. The profitability of financial and economic activity, according to the results of FY2016, amounted to 12.8%.

It is important to note that Belarus Re actively participates in charitable works. Among the representative examples in this regard there are: the sponsorship of the National Olympic Committee of the Republic of Belarus, the Belarusian Athletics Federation of the Republic of Belarus, the Ice Hockey Federation of the Republic of Belarus, as well as orphanages and schools in the country.

Summarizing the reinsurer's activity as a whole, I would like to mention that the development strategy for the state-owned organization, as in previous years, will be aimed at the unconditional fulfillment of the tasks stipulated in the business development plan of the reinsurer.

In order to achieve these milestones, the work is carried out to expand the activities of Belarus Re on the national market through participation in the implementation of a large investment project.

Moreover, one of the key points of the activity will be the development of a mutually beneficial cooperation with foreign partners, as well as the extension on new reinsurance markets.

Belarus Re will continue to contribute to improving the



Andrei T. UNTON  
General Director, Belarus Re

national legislation in the field of reinsurance, further improving its underwriting policy, and last but not least it will increase the professional level of employees.

In terms of business, the state organization will continue to follow the principle of openness by providing full financial information about its activities, including the format of IFRS, as well as providing data on the financial strength rating.



# Belarus



S&P Rating  
**B- STABLE**

Moody's rating  
**CAA1 STABLE**

Fitch Rating  
**B- STABLE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> National Bank of the Republic of Belarus

<sup>3</sup> Ministry of Finance of the Republic of Belarus

<sup>4</sup> XPRIMM calculations

🌸 The life segment saw a significant growth especially due to the health and pension types of insurance

🌸 About 250 thousand people are insured under the pension insurance agreements

🌸 The development of competition in the life insurance segment is hampered by existing legislation

🌸 The legislation doesn't allow private insurance companies to carry out mandatory types of insurance

🌸 Premiums paid by companies for employee insurance may be considered costs only in case of an insurance agreement concluded with the state-owned insurer - STRAVITA

## Market's main indicators-timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	BYN billion <sup>1</sup>	54.76	67.07	80.58	89.91	97.23
	EUR billion <sup>4</sup>	48.29	51.28	56.04	44.29	47.54
<b>GDP per capita, current prices</b>	BYN <sup>1</sup>	5,785.70	7,086.73	8,510.70	9,483.16	10,236.42
	EUR <sup>4</sup>	5,102.03	5,417.99	5,918.43	4,671.51	5,005.58
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	0.61	0.51	0.49	0.91	1.02
<b>Population</b>	Millions <sup>1</sup>	9.47	9.46	9.47	9.48	9.50
<b>BYR/EUR exchange rate</b>	End of period <sup>2</sup>	1.13	1.31	1.44	2.03	2.05
<b>Gross written premiums</b>	BYN million <sup>3</sup>	433.76	664.51	726.73	822.71	971.93
	EUR million <sup>4</sup>	382.50	508.04	505.38	405.28	475.27
<b>Paid claims</b>	BYN million <sup>3</sup>	206.48	276.13	328.14	472.64	537.39
	EUR million <sup>4</sup>	182.08	211.11	228.19	232.83	262.78
<b>Insurance penetration degree</b>	% in GDP <sup>4</sup>	0.79%	0.99%	0.90%	0.92%	1.00%
<b>Insurance density</b>	EUR/capita <sup>4</sup>	40.41	53.68	53.38	42.75	50.04

According to data published by the Ministry of Finance of Belarus, the local insurance market reported in 2016 aggregated GWP of BYN 971 million, 18% more y-o-y. The main points of growth were health, pension insurance, life insurance with an investment component, as well as civil liability of private households.

The life insurance segment saw a significant growth, of 48.89%, especially due to the health and pension types of insurance which started being very popular. According to the Belarusian Association of Insurers, today about 250 thousand people are insured under the pension insurance agreements. Increasing financial literacy, as well as citizens becoming aware of the advantage of saving for retirement in times of instability were the main drivers of the increasing demand.

The current economic conditions had also a say in the matter, as the country is confronted with recession, high inflation rate, strong devaluation of the local currency against the foreign ones by 45%, low competitiveness on the external markets, decreasing volume of the corporate

sector's business, high unemployment.

As a result, providing for comparable or even higher returns than the bank deposits, life insurance products with a savings component are considered gainful. For example, in 2016, the average rate for ruble deposits for individuals went down to 17.7% (25.1% in 2015), while the cumulative return under contracts concluded with STRAVITA (in a national currency) reached 22.24%. In addition, according to the current legislation, insurance products benefit from tax incentives.

Yet, the life insurance business' potential may be several times higher if the market had not been monopolized. At present, on the life insurance market there are only two companies operating: STRAVITA (the state-owned insurer owning 75% of the market share) and PRIOR LIFE (a private company with 25% of the market share), while the licenses of the other two insurers, PENSIONNIE GARANTIY and MEGA Polis, were revoked.

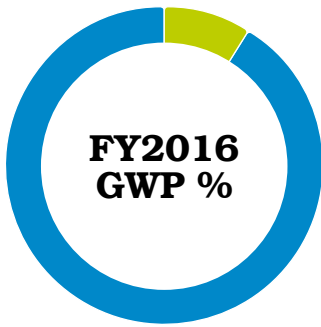
The development of competition in the life insurance segment is hampered by the existing legislation. Namely, there are unequal rights between private and state-

## Market portfolio at December 31<sup>st</sup>, 2016

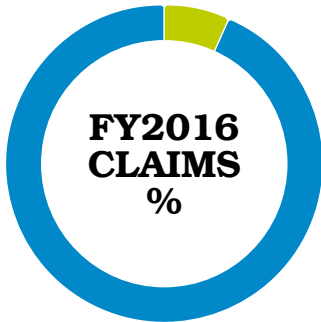
Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	475.27	405.28	17.27	262.78	232.83	12.86	100.00	100.00
<b>LIFE INSURANCE</b>	42.40	28.69	47.79	17.86	13.19	35.43	8.92	7.08
<b>NON-LIFE INSURANCE</b>	432.87	376.59	14.94	244.92	219.64	11.51	91.08	92.92

1 EUR = 2.0450 New Belarusian Ruble - BYN (December 31st, 2016)

1 EUR = 2.0300 New Belarusian Ruble - BYN (December 31st, 2015)



Life 8.92  
Non-life 91.08



Life 6.80  
Non-life 93.20

owned insurance companies. The insurance law doesn't allow private insurance companies to carry out mandatory types of insurance, while premiums paid for employee insurance may be considered as costs for the contracts concluded with the state-owned insurer - STRAVITA.

For the future, the National Bank's project titled "Strategy for developing the financial market in 2016-2020," provides for the liberalization of the local insurance market and equal rights for private insurance with government organizations. At the same time, according to the project's goals, the restrictions to the state-owned enterprises in collaboration with the private insurers will be cancelled.

(O.A.)

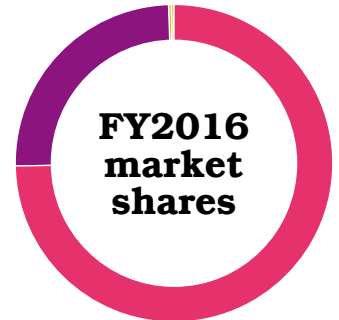
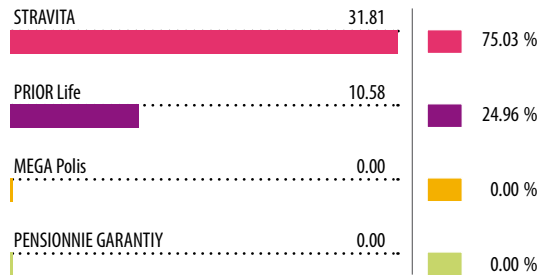
# Belarus

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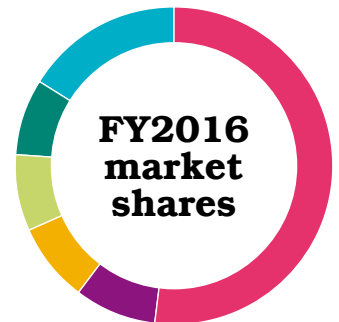
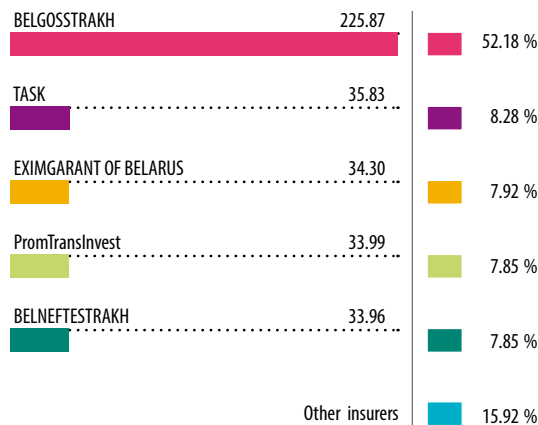
**Full market rankings per company & per class**

MSEcel format \* in EUR and local currency

### Life insurance ranking (GWP, EUR million)



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



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# Georgia



S&P Rating

**BB- STABLE**

Moody's rating

**BA3 STABLE**

Fitch Rating

**BB- STABLE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> The National Bank of Georgia

<sup>3</sup> State Insurance Supervision Service of Georgia

<sup>4</sup> XPRIMM calculations

☀ Currency depreciation have had a negative impact on the insurance services and the loss rate as a whole

☀ Since March 1st, 2017 new amendments to the state universal healthcare program entered into force. The private companies were excluded from the state health insurance program

☀ Citizens whose income is more than GEL 40,000/ per year will not receive medical services financed by Universal Health Care

☀ The new amendments will lead to a 10-15% hike in premiums for the private health insurance

## Market's main indicators-timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	GEL billion <sup>1</sup>	26.17	26.85	29.15	31.76	33.66
	EUR billion <sup>4</sup>	11.99	11.24	12.87	12.13	12.05
<b>GDP per capita, current prices</b>	GEL <sup>1</sup>	6,820.60	7,096.84	7,816.19	8,535.52	9,095.45
	EUR <sup>4</sup>	3,125.13	2,970.51	3,449.94	3,261.69	3,255.35
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	15.03	14.56	12.35	11.95	NA
<b>Population</b>	Millions <sup>1</sup>	3.84	3.78	3.73	3.72	3.70
<b>GEL/EUR exchange rate</b>	End of period <sup>2</sup>	2.18	2.39	2.27	2.62	2.794
<b>Gross written premiums</b>	GEL million <sup>3</sup>	515.47	471.07	302.64	359.80	393.04
	EUR million <sup>4</sup>	236.18	197.17	133.58	137.49	140.67
<b>Paid claims</b>	GEL million <sup>3</sup>	264.74	387.61	219.09	210.52	231.86
	EUR million <sup>4</sup>	121.30	162.24	96.70	80.45	82.99
<b>Insurance penetration degree</b>	% in GDP <sup>4</sup>	1.97%	1.75%	1.04%	1.13%	1.17%
<b>Insurance density</b>	EUR/capita <sup>4</sup>	61.55	52.12	35.81	36.96	38.01

The Georgian insurance market went up in 2016 at a lower rate as compared with the previous years, of 9.24% (19% in 2015). The trend was driven by the business slowdown reported for several insurance lines, together accounting for about half of the total market: motor insurance lines' growth decreased from 32% in 2015 to 6% for Motor Hull and from 39% to 12% for MTPL; the life insurance GWP remained unchanged, after recording a 50% growth in 2015, while property insurance went down by 5.7%.

On the same note, the currency depreciation processes in the last period have had a negative impact on the insurance services and the overall loss rate. The local currency's devaluation mainly affected health and motor insurance which

are correlated with the exchange rate.

Since March 1st, 2017 the amendments to the state universal healthcare program entered into force, providing for the private companies' exclusion from the state health insurance program. Devi KHECHINASHVILI, Chairman of the Association of Insurance Companies of Georgia, said these changes, *as well as the differentiation of medical services within the government program, depending on the income of citizens, will lead to a 10-15% hike in the insurance prices for private health insurance. The citizens whose income is more than GEL (Georgian Lari) 40,000/per year will not receive medical services financed by the Universal Health Care.*

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	140.67	137.49	2.31	82.99	80.45	3.15	100.00	100.00
<b>TOTAL LIFE</b>	9.08	9.56	-5.02	2.33	2.07	12.83	6.46	6.95
<b>TOTAL NON-LIFE</b>	131.59	127.93	2.86	80.65	78.38	2.90	93.54	93.05
Accidents	1.60	1.56	2.50	0.04	0.07	-35.77	1.14	1.13
Health	62.75	58.79	6.73	52.18	48.19	8.27	44.61	42.76
Overall motor insurance	24.76	24.74	0.06	14.03	14.07	-0.27	17.60	17.99
Motor Hull	21.37	21.52	-0.71	12.45	12.45	-0.00	15.19	15.65
MTPL	3.39	3.22	5.22	1.58	1.62	-2.35	2.41	2.34
Property	23.40	26.49	-11.68	7.43	8.67	-14.26	16.63	19.27
Railway, aircraft and ships	1.55	2.11	-26.43	0.04	0.31	-87.56	1.10	1.53
CARGO	1.79	1.75	2.13	0.13	0.37	-64.03	1.27	1.27
GTPL	9.02	6.14	46.74	1.66	0.59	179.14	6.41	4.47
Carriers' liability (air and sea)	1.69	1.28	32.31	0.45	0.70	-36.00	1.20	0.93
Financial Risks	0.72	0.60	19.48	2.50	2.65	-5.70	0.51	0.44
Credit	0.00	0.02	-76.78	-	-	-	0.00	0.01
Suretyship	2.16	2.44	-11.32	2.03	2.59	-21.39	1.54	1.77
Travel	2.16	2.01	7.59	0.16	0.17	-7.28	1.54	1.46

<sup>1</sup> EUR = 2.6169 Lari - GEL (December 31st, 2015)

<sup>1</sup> EUR = 2.7940 Lari - GEL (December 31st, 2016)



The implementation of the universal healthcare program took place in 2013, addressing the needs of citizens who didn't have adequate health insurance or private health policies, aiming to increase the population's accessibility to medical services and to cut citizens' costs on healthcare. Some of citizens who were the beneficiaries of the state program also bought a private insurance policy providing for additional services to the state program. It is important to note that the main advantage of the state universal insurance program is the provision of emergency in-patient care and out-patient services, practically being the only program covering the hospitalization component.

For the time being, confronted with a funding deficit, the Ministry of Health is reviewing the list of the state program, excluding those citizens who use double insurance, being at the same time beneficiaries of the state program and clients of private companies. *those who earn enough to cover their medical expenses should not use the services of the state program*, said the Ministry's officials.

According to the local insurers, with the implementation of the new amendments hundred of thousands of citizens will lose access to the universal insurance and inbuilt advantageous insurance products.

Devi KHECHINASHVILI stated that *there are beneficiaries, who did not have private insurance in 2013 and enjoyed inbuilt insurance packages. Later, they joined the state program and then bought additional products for private insurance, not financed by the universal health program. Citizens with such corporate insurance packages account for about 100,000. This category will have only inbuilt insurance services that do not enable to cover the hospitalization component, being thus excluded from the state program. Under the given conditions, insurers will be forced to revise the conditions of policies offered to these clients. There is a high probably that new packages will be more expensive and will not be so advantageous in terms of the covered risks. It is very likely that a part of beneficiaries will reject similar offers.*

On the other hand, 70% or about 30,000 of the beneficiaries, who hold individual insurance, will have to choose whether to join the universal state insurance system or to remain insured by the private companies.

(O.A.)

# Georgia

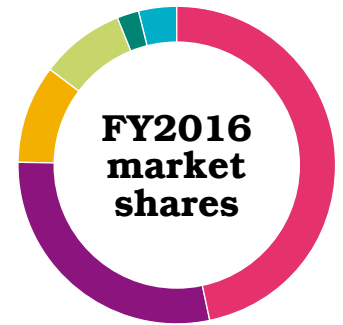
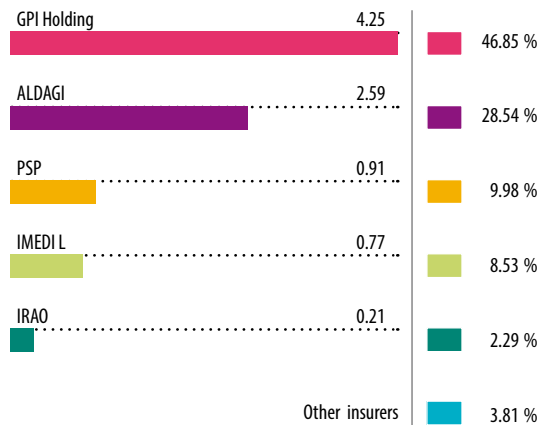
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Full market rankings per company & per class

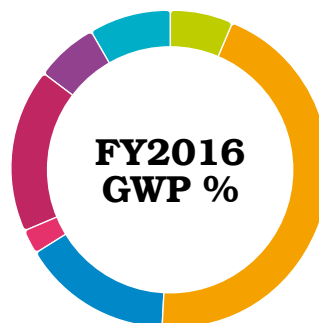
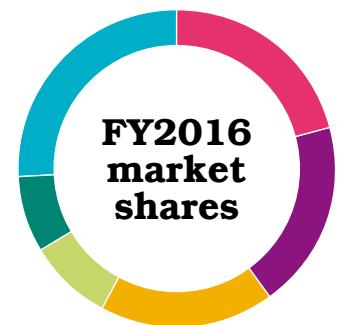
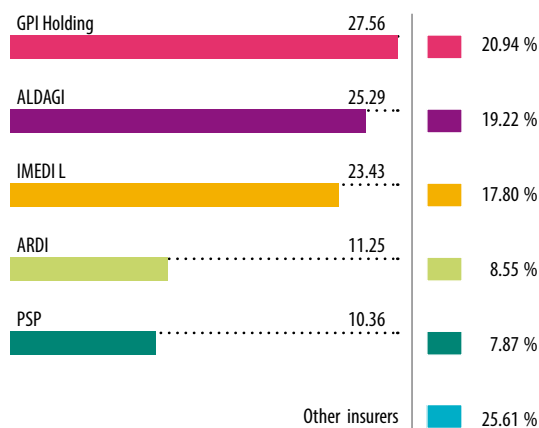
MSEcel format \* in EUR and local currency



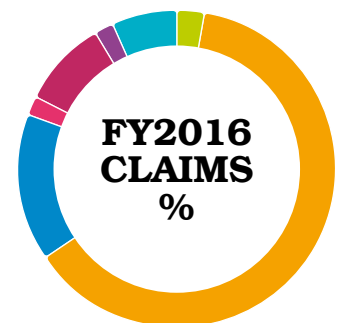
## TOP 5 Life insurance (GWP, EUR million)



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



Life	6.46
Health	44.61
Motor Hull	15.19
MTPL	2.41
Property	16.63
GTPL	6.41
Other	8.30



Life	2.81
Health	62.87
Motor Hull	15.00
MTPL	1.91
Property	8.95
GTPL	2.00
Other	6.45

# Kazakhstan



S&P Rating

**BBB- NEGATIVE**

Moody's rating

**BAA3 NEGATIVE**

Fitch Rating

**BBB STABLE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> The National Bank of Kazakhstan

<sup>3</sup> XPRIMM calculations

• The average level of companies' net retention decreased to 58% in 2016

• Risks ceded to foreign reinsurers grew by 66.5%, while business ceded to residents decreased by 19.7%

• A tendency of claims growth by 17% was maintained, especially due to the increase in compensations paid on the motor insurance segment

• Tariffs for cross-border insurance increased, being now matched with Russian tariffs

## Market's main indicators-timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	KZT billion <sup>1</sup>	31,015.19	35,999.03	39,675.83	40,884.13	45,732.11
	EUR billion <sup>3</sup>	155.68	170.47	178.74	110.11	129.77
<b>GDP per capita, current prices</b>	KZT <sup>1</sup>	1,833,926.80	2,097,234.20	2,277,355.55	2,312,108.34	2,548,139.58
	EUR <sup>3</sup>	9,205.54	9,931.50	10,259.74	6,226.89	7,230.41
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	5.29	5.23	5.04	5.04	5.04
<b>Population</b>	Millions <sup>1</sup>	16.91	17.17	17.42	17.68	17.95
<b>KZT/EUR exchange rate</b>	End of period <sup>2</sup>	199.22	211.17	221.97	371.31	352.42
<b>Gross written premiums</b>	KZT million <sup>2</sup>	237,301.43	279,235.45	266,120.94	288,272.59	356,903.89
	EUR million <sup>3</sup>	1,191.15	1,322.33	1,198.90	776.37	1,012.72
<b>Paid claims</b>	KZT million <sup>2</sup>	75,697.24	61,461.09	70,980.29	82,792.31	97,080.60
	EUR million <sup>3</sup>	379.97	291.05	319.77	222.97	275.47
<b>Insurance penetration degree</b>	% in GDP <sup>3</sup>	0.77%	0.78%	0.67%	0.71%	0.78%
<b>Insurance density</b>	EUR/capita <sup>3</sup>	70.43	77.04	68.82	43.90	56.43

After the 4.64% fall in GWP recorded in 2014 and the modest 8% growth achieved in 2015, 2016 saw a spectacular boost on the Kazakh market, with premiums increasing by 24%.

Several non-life insurance lines saw a positive dynamic. The significant GWP evolution recorded by the MTPL class was due to an annual increase in the monthly-calculated indicator (MCI) and to the change in tariffs for cross-border insurance, which were equalized with the Russian tariffs. Previously, the tariff of cross-border policy for Russian citizens entering in Kazakhstan was 7 times less.

With the premiums growth there is also an increase in the market concentration. In 2016, top 15 insurers accounted for about 82.37% of GWP compared to 75.71% in 2015. Some insurers accessed the top ranking positions because of reducing their net retention of risks below the average level on the market, which shows an improving financial capacity of insurers. The companies' net retention average level decreased to 58% in 2016, from 63% in 2015. This indicates an increase in the real volume of risks ceded in reinsurance or the existence of fronting agreements in the insurer's non-life portfolios. In fact,

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	1,012.72	776.37	30.44	275.47	222.97	23.54	100.00	100.00
<b>TOTAL LIFE</b>	158.16	148.24	6.69	36.55	33.12	10.35	15.62	19.09
Life insurance (v)	77.09	64.21	20.06	6.48	3.09	109.70	7.61	8.27
Annuity (v)	81.07	84.04	-3.52	30.07	30.03	0.12	8.01	10.82
<b>TOTAL NON-LIFE</b>	854.56	628.12	36.05	238.92	189.85	25.85	84.38	80.91
Accidents (v)	19.48	17.31	12.51	3.52	5.32	-33.84	1.92	2.23
Sickness (v)	67.68	57.90	16.90	50.06	48.78	2.62	6.68	7.46
Property insurance (v)	210.71	161.74	30.28	60.14	37.34	61.06	20.81	20.83
Overall motor insurance	183.58	148.55	23.58	83.57	64.24	30.09	18.13	19.13
Motor Hull (v)	48.74	44.84	8.70	19.15	15.28	25.38	4.81	5.78
MTPL (c)	134.84	103.71	30.01	64.42	48.96	31.56	13.31	13.36
CARGO (v)	24.65	15.60	58.03	0.70	1.45	-51.34	2.43	2.01
GTPL (v)	132.20	66.69	98.24	9.02	1.41	541.06	13.05	8.59
Financial losses (v)	51.52	30.91	66.65	1.13	1.58	-28.20	5.09	3.98
Worker against accidents (c)	109.68	82.26	33.34	16.97	21.59	-21.40	10.83	10.60
Others (c)+ (v)	55.06	47.16	16.75	13.80	8.15	69.37	5.44	6.07
<b>TOTAL COMPULSORY INSURANCE</b>	257.17	196.86	30.64	82.52	72.27	14.19	25.39	25.36
<b>TOTAL VOLUNTARY INSURANCE</b>	755.55	579.51	30.38	192.94	150.70	28.03	74.61	74.64
<b>DIRECT PREMIUMS/CLAIMS</b>	917.02	709.13	29.32	235.37	181.02	30.02	90.55	91.34
<b>REINSURANCE ACCEPTED</b>	95.70	67.23	42.35	40.10	41.95	-4.42	9.45	8.66

(v) - voluntary insurance / (c) - compulsory insurance

1 EUR = 371.31 Tenge - KZT (December 31st, 2015)

1 EUR = 352.42 Tenge - KZT (December 31st, 2016)

official data show the reinsurance business per market amounted to KZT 131 billion or 36.9% of the whole GWP in 2016, while in 2015 it was about KZT 90 billion or 31.2% of the entire market.

The main volume of the reinsurance business, of about 23%, was provided by the compulsory types of insurance: worker against accidents (about 50% of the total GWP is ceded in reinsurance) and third party liability carriers towards passengers (11%). Premiums ceded on the voluntary types of insurance also increased: property insurance - 86.7% (up by 62.4% compared to 2015); sickness and accidents - 12%; personal insurance (including life and annuity insurance) - 4.5% (+35%). At the same time, risks ceded in reinsurance to foreign reinsurers grew by 66.5% and totaled KZT 107.7 billion, while business ceded to residents decreased from KZT 3.2 billion (in 2015) to 2.5 billion (in 2016), down by 19.7%.

In the analyzed period, a tendency of claims growth by 17% was maintained, especially due to the increase in the compensations paid on the motor insurance segment. On the Motor Hull line of business GWP saw a growth of only 3%, while claims paid went up by (+19%). Thus, the loss ratio on this type of insurance increased from 34% to 39%. Increased costs with the spare parts, as a result of the currency depreciation and a significant growth in the number of insurance fraud cases are the main drivers of this trend. Also, as Oleg HANIN, Chairman of the Board, KOMMESK-OMIR pointed out, *beside of the economic situation, the Motor Hull line was also affected by the decline in demand correlated with the reduction in bank loans issued for new vehicles.*

On the other hand, following a Central Bank of Kazakhstan's decision, independent evaluators of road accidents were no longer allowed to settle road accident claims, this function being exclusively entrusted to insurance companies. Another legislative change adopted by the authority was the implementation of the unique methodology for assessing motor claims, aimed at eliminating the inconsistencies occurring between the assessments made by insurers, clients and independent evaluators and subsequent disputes.

In 2017, the introduction of e-MTPL is expected to contribute to the digital technology and IT-infrastructure of the motor insurance business development in Kazakhstan. In Oleg HANIN's opinion, *in such case the insurers' efforts will be redirected towards modernizing the existing systems and the automation of business processes, by developing websites which will offer online services, as well as mobile applications.*

(O.A.)

# Kazakhstan

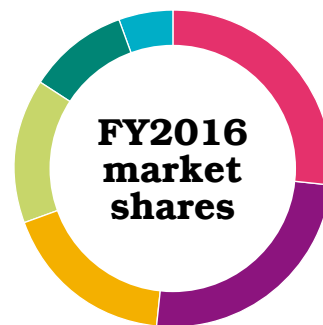
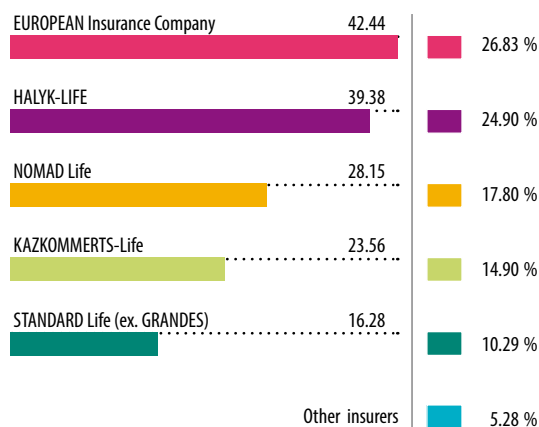
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Full market rankings per company & per class

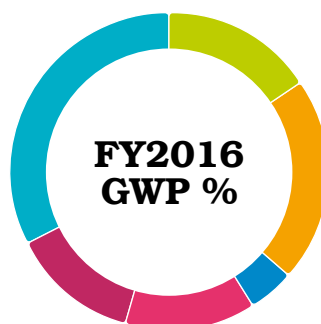
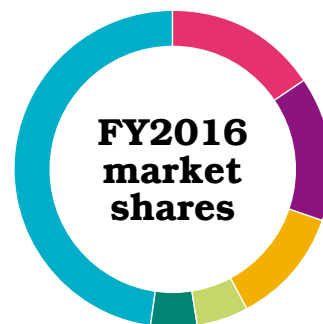
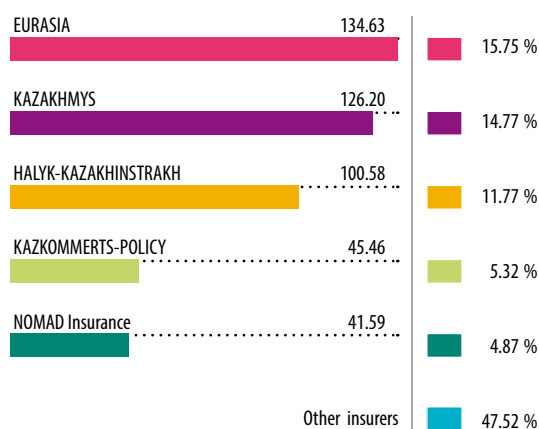
MSExcel format \* in EUR and local currency



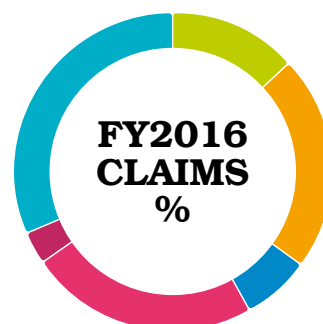
## TOP 5 Life insurance (GWP, EUR million)



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



Life	15.62
Property	20.81
Motor Hull	4.81
MTPL	13.31
GTPL	13.05
Other	32.40



Life	13.27
Property	21.83
Motor Hull	6.95
MTPL	23.38
GTPL	3.28
Other	31.29

# Moldova



Moody's rating  
**B3 STABLE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> The National Bank of Moldova

<sup>3</sup> The National Commission of Financial Market (NCFM)

<sup>4</sup> XPRIMM calculations

The growth was supported by the MTPL rates – “we can rather speak of GWP stagnation in this portfolio than of a positive evolution” (NCFM)

Property insurance represents the second category of business for local insurers

ASITO and ALLIANCE Insurance Group (AIG) have been placed under a special administration regime, rather due to deficiencies in administration than to financial difficulties

GENERAL Insurance is the new player established at the end of 2016

## Market's main indicators-timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	MDL billion <sup>1</sup>	88.23	100.51	112.05	122.56	134.48
	EUR billion <sup>4</sup>	5.52	5.59	5.90	5.71	6.44
<b>GDP per capita, current prices</b>	MDL <sup>1</sup>	24,786.58	28,252.06	31,517.46	34,495.02	37,870.92
	EUR <sup>4</sup>	1,549.48	1,572.21	1,659.11	1,606.07	1,812.92
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	5.60	5.10	3.90	4.90	4.20
<b>Population</b>	Millions <sup>1</sup>	3.56	3.56	3.56	3.55	3.55
<b>MDL/EUR exchange rate</b>	End of period <sup>2</sup>	16.00	17.97	19.00	21.48	20.89
<b>Gross written premiums</b>	MDL million <sup>3</sup>	1,089.27	1,198.92	1,203.55	1,228.22	1,347.04
	EUR million <sup>4</sup>	68.09	66.72	63.36	57.19	64.48
<b>Paid claims</b>	MDL million <sup>3</sup>	430.51	432.45	513.61	386.55	511.05
	EUR million <sup>4</sup>	26.91	24.07	27.04	18.00	24.46
<b>Insurance penetration degree</b>	% in GDP <sup>4</sup>	1.23%	1.19%	1.07%	1.00%	1.00%
<b>Insurance density</b>	EUR/capita <sup>4</sup>	19.13	18.75	17.82	16.09	18.16

The total GWP by Moldova's insurance companies increased by 9.67%, to MLD 1,347.04 million in 2016, according to the official data published by the supervisory authority - NCFM. As in previous years, the motor insurance segment generated the most significant volume of business for insurers, representing 67.53% of the total GWP. Property insurance represents the second category of business for local insurers.

The NCFM representatives stated that, the GWP evolution was supported by the

increase in rates for compulsory motor insurance – MTPL (since January 2016), on average 22%-42% (depending on the coefficients which allow insurers to modify insurance premiums according to the financial capacity, the marketing policy etc.). In this context, given that the MTPL accounted for about 25% of the market, we can rather speak of stagnation of GWP in this portfolio than of a positive evolution.

With the growth in GWP, insurance companies paid even more claims last year, up over 32% in the local currency,

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016 EUR m	2015 EUR m	Change %	2016 EUR m	2015 EUR m	Change %	2016 %	2015 %
<b>TOTAL MARKET</b>	64.48	57.19	12.76	24.46	18.00	35.93	100.00	100.00
<b>TOTAL LIFE</b>	4.27	4.06	5.08	0.87	0.42	107.63	6.62	7.10
<b>TOTAL NON-LIFE</b>	60.22	53.12	13.35	23.60	17.58	34.23	93.38	92.90
Accidents insurance	1.02	1.05	-2.32	0.18	0.22	-17.90	1.59	1.83
Overall health insurance	3.37	3.10	8.62	1.26	1.19	6.45	5.23	5.43
Health - valid in Moldova	0.84	0.68	23.72	0.62	0.39	61.54	1.30	1.19
Health - valid outside Moldova	2.53	2.43	4.39	0.64	0.80	-20.13	3.93	4.24
Overall property insurance	4.52	5.83	-22.50	0.86	1.09	-21.25	7.01	10.19
Fire and allied perils	4.20	4.46	-5.86	0.44	0.80	-45.32	6.52	7.81
Damages to property	0.32	1.37	-76.90	0.42	0.29	45.30	0.49	2.39
Overall motor insurance	43.54	36.64	18.83	20.92	15.06	38.91	67.53	64.08
Motor Hull	12.30	11.25	9.31	7.41	6.26	18.45	19.07	19.67
MTPL	15.48	11.68	32.61	7.86	5.42	44.89	24.01	20.42
Green Card	14.83	12.68	17.03	5.55	3.25	70.62	23.00	22.16
Other motor insurance	0.93	1.04	-10.79	0.10	0.13	-19.78	1.44	1.82
Aircraft insurance	1.55	1.31	18.23	0.27	0.00	92,175.78	2.40	2.29
Aircraft liability	2.64	2.90	-8.85	-	0.00	-100.00	4.10	5.07
Goods in transit	0.40	0.39	4.39	0.03	0.01	330.39	0.63	0.68
GTPL	2.66	1.37	93.83	0.02	0.01	279.78	4.13	2.40
Financial loss insurance	0.45	0.34	31.88	0.03	0.00	1,330.56	0.70	0.60
Other non-life insurance	0.05	0.19	-72.47	0.02	0.00	409.21	0.08	0.33

1 EUR = 21.4779 Lei - MDL (December 31st, 2015)

1 EUR = 20.8895 Lei - MDL (December 31st, 2016)



which will result in a further increase in insurance rates.

Over the past two years, the local market has been marked by important changes in the insurers ranking (Top 10) while four major insurers have been placed under a special administration regime. This was the case with ASITO, ranked second and ALLIANCE Insurance Group (AIG), ranked fourth, both being placed under a special administration regime by the Financial Market National Committee.

The establishment and maintenance of a special administration in ASITO was caused rather by deficiencies related to the administration and management of the company than its financial status, NCFM explained for XPRIMM. Thus, according to the latest reports presented by ASITO, the company remains creditworthy and has sufficient liquidity to meet its obligations, so that there is no reason to require the obligor's bankruptcy for ASITO, reads an official statement of the supervisory authority.

ALLIANCE Insurance Group (AIG), former VICTORIA Insurance, was in a similar situation.

In the reporting period, 16 insurance companies including GENERALI Insurance (note: the new player established at the end of 2016) operated on the local market.

At least two changes are in course on the market structure, in 2017:

▶▶ INTACT General Insurance, the new insurance company registered in 2017, was founded on the basis of the old insurance company – VitoriaAsig, which in early 2013 voluntarily gave up the license due to anticompetitive practices on the market, as stated by the company's officials. The licensing process is in course.

▶▶ Life insurer SIGUR-ASIGUR requested the withdrawal of its license to NCFM, in the beginning of 2017. The insurance company is bound to transfer the portfolio to other insurer or to cancel the agreements in force within 12 months. SIGUR-ASIGUR was ranked 14th among the companies in Moldova. In 2016, the company's GWP went down by over 10% compared with 2015.

(O.A.)

# Moldova

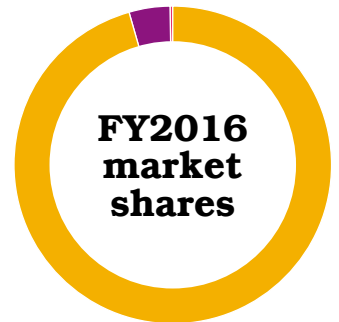
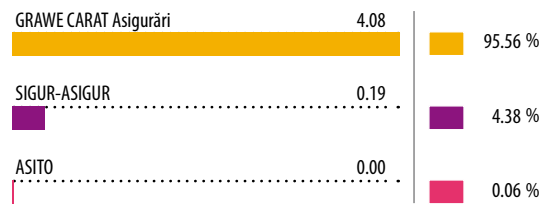
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Full market rankings per company & per class

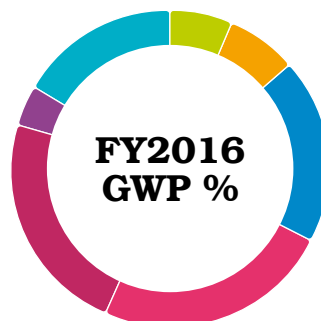
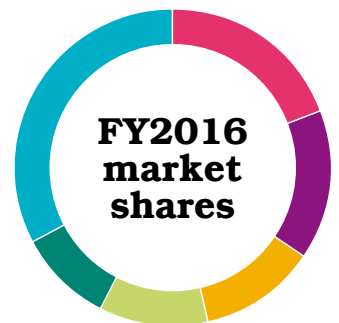
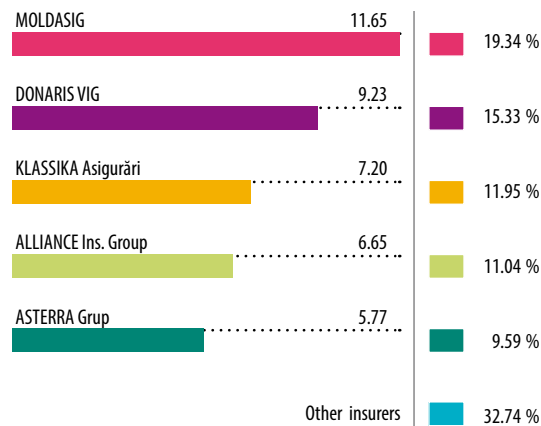
MSEcel format \* in EUR and local currency



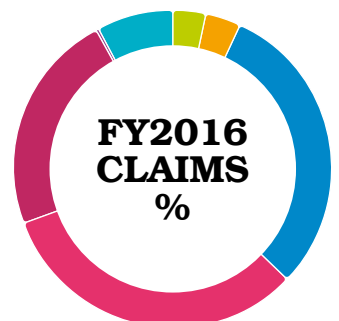
## Life insurance ranking (GWP, EUR million)



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



Life	6.62
Property	7.01
Motor Hull	19.07
MTPL	24.01
Green Card	23.00
GTPL	4.13
Other	16.16



Life	3.54
Property	3.51
Motor Hull	30.29
MTPL	32.11
Green Card	22.69
GTPL	0.10
Other	7.75

# Russia



S&P Rating

**BB+ POSITIVE**

Moody's rating

**BA1 STABLE**

Fitch Rating

**BBB- STABLE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> The Central Bank of the Russian Federation

<sup>3</sup> Financial Markets Service of the Bank of Russia

<sup>4</sup> XPRIMM calculations

🌸 Growth of the investment life insurance segment is spurred by the banks' active involvement in policy sales and the declining deposit interest rates (Ratings Group ACRA)

🌸 More than 85% of the life business has come from banks

🌸 The most interesting trends were the deterioration of the MTPL profitability and a recent rise in the M&A activity of large players (Fitch)

🌸 The market will increase by 8.8% in 2017. Life insurance will remain the most dynamic segment with a growth rate of about 25% (Ratings Group ACRA)

## Market's main indicators-timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	RUB billion 1	66,926.90	71,016.70	79,199.70	83,232.60	85,880.60
	EUR billion 4	1,663.66	1,579.21	1,158.86	1,044.36	1,345.86
<b>GDP per capita, current prices</b>	RUB 1	467,081.10	495,347.82	552,185.82	580,192.30	598,722.12
	EUR 4	11,610.67	11,015.10	8,079.66	7,279.96	9,382.73
<b>Unemployment rate</b>	% of total labor force 1	5.50	5.50	5.20	5.58	5.51
<b>Population</b>	Millions 1	143.29	143.37	143.43	143.46	143.44
<b>RUB/EUR exchange rate</b>	End of period 2	40.23	44.97	68.34	79.70	63.81
<b>Gross written premiums</b>	RUB million 3	809,059.77	904,863.56	987,772.59	1,023,819.32	1,180,631.59
	EUR million 4	20,111.56	20,121.54	14,453.23	12,846.36	18,501.98
<b>Paid claims</b>	RUB million 3	369,439.73	420,769.03	472,268.59	509,217.48	505,790.11
	EUR million 4	9,183.51	9,356.68	6,910.30	6,389.40	7,926.37
<b>Insurance penetration degree</b>	% in GDP 4	1.21%	1.27%	1.25%	1.23%	1.37%
<b>Insurance density</b>	EUR/capita 4	140.36	140.35	100.77	89.55	128.99

Russian insurance companies have continued to resist crisis effects, striving to maintain an optimal balance between the operating expenses and revenue in order to survive on the highly competitive market. In the meantime the Russian economy slowly moved from crisis to stagnation. Let's sum up the important industrial challenges' and risks facing the insurance companies:

➤ Insurance industry evolution: The financial crisis continues to put a strain

on insurers. The insurance industry will maintain its growth trend, but mainly depending on cost pressures, the inflation rate and the economic activity.

➤ Regulators' climate and liquidation of insurers: the focus will continue to be on tightening the financial requirements for insurers, which will lead to a concentration of businesses; an increase in competition in the process of portfolios and clients redistribution among the first 20 markets leaders.

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016 EUR m	2015 EUR m	Change %	2016 EUR m	2015 EUR m	Change %	2016 %	2015 %
<b>TOTAL MARKET</b>	18,501.98	12,846.36	44.03	7,926.37	6,389.40	24.05	100.00	100.00
<b>LIFE INSURANCE*</b>	3,380.92	1,627.59	107.72	469.87	297.22	58.09	18.27	12.67
<b>OVERALL NON-LIFE INSURANCE</b>	15,121.06	11,218.77	34.78	7,456.50	6,092.18	22.39	81.73	87.33
VOLUNTARY NON-LIFE INSURANCE	11,058.55	8,129.25	36.03	4,487.40	4,313.52	4.03	59.77	63.28
Personal insurance, of which:	3,852.11	2,633.05	46.30	1,802.84	1,436.02	25.54	20.82	20.50
Accidents and diseases	1,692.35	1,014.96	66.74	225.78	185.77	21.53	9.15	7.90
Health	2,159.76	1,618.09	33.48	1,577.07	1,250.25	26.14	11.67	12.60
Property insurance, of which:	5,873.88	4,701.90	24.93	2,291.58	2,555.68	-10.33	31.75	36.60
Motor Hull	2,674.65	2,349.36	13.85	1,527.52	1,806.57	-15.45	14.46	18.29
Railway, aircraft and ships insurance	243.91	194.37	25.49	122.20	157.51	-22.42	1.32	1.51
CARGO insurance	310.75	253.93	22.37	51.94	37.54	38.36	1.68	1.98
Real estate property insurance, of which:	2,490.64	1,805.70	37.93	526.96	519.94	1.35	13.46	14.06
Property of legal entities	1,684.45	1,254.67	34.25	396.57	427.24	-7.18	9.10	9.77
Property of individuals	806.20	551.03	46.31	130.40	92.70	40.66	4.36	4.29
Agricultural insurance	153.93	98.54	56.21	62.96	34.11	84.57	0.83	0.77
Civil liability insurance**	860.27	514.97	67.05	145.47	119.44	21.79	4.65	4.01
Business risks	139.53	98.11	42.22	218.57	180.56	21.05	0.75	0.76
Financial risks	332.76	181.21	83.63	28.94	21.82	32.63	1.80	1.41
MANDATORY INSURANCE		3,089.52	31.49	2,969.09	1,778.66	66.93	21.96	24.05
Personal insurance***	281.22	227.90	23.40	248.78	215.03	15.70	1.52	1.77
Compulsory MTPL	3,672.85	2,744.05	33.85	2,705.58	1,550.51	74.50	19.85	21.36
Dangerous installations' owners TPL insurance	50.05	74.66	-32.97	3.23	2.75	17.21	0.27	0.58
Other	58.38	42.91	36.05	11.51	10.38	10.96	0.32	0.33

\*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

1 EUR = 63.8111 RUB (December 31st, 2016)

1 EUR = 79.6972 RUB (December 31st, 2015)

Nikolay GALUSHIN, President of RNRC



# Russia

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Full market rankings per company & per class

MSEcel format \* in EUR and local currency



▶▶ Legislation requirements and maintaining of ratings: Companies have to improve the quality of assets, to adopt their actuarial reports and to move to the new accounting rules, as well as to align to the requirements for the minimum authorized capital. A lack of adaptation to market changes on behalf of the insurers has put on doubt their financial stability, which leads to lower/ withdrawn ratings and regulatory sanctions.

▶▶ High loss level: The loss ratio of insurance companies will resume in 2017. Taking control over the dynamics of the losses will allow adopting a realistic business plan and development strategy.

▶▶ MTPL crisis: MTPL is about to lose its status of main driver of the insurance business. Overcoming the “system crisis” and reducing the high loss ratio and the volume of business taken by motor lawyers will very much depend on the successful implementation of the MTPL E-policy and the Unique RAMI Agent system and to prioritize vehicle repairs in relation to cash payments.

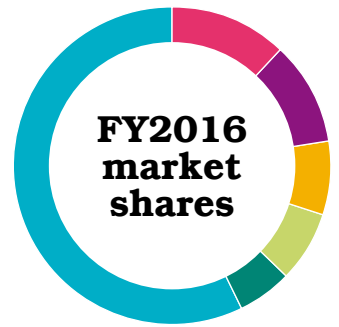
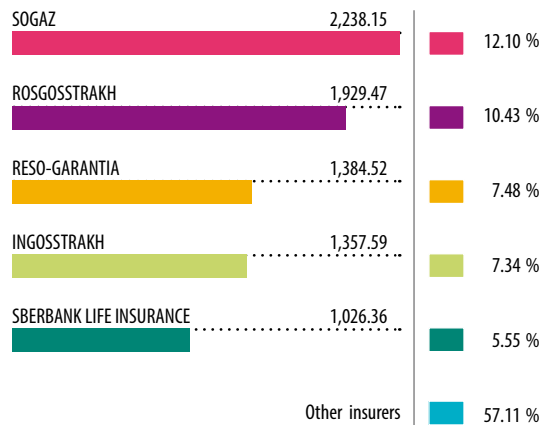
▶▶ Life insurance: The stable growth of life insurance was supported by products with an investment component. The Central Bank said that life insurance does not have a guarantee system, as the banks and the pension funds represent the main risk for the population.

▶▶ Agrolinsurance: There are talks regarding the reduction of funds allocated by the state in order to support agricultural insurance, which may affect the stable growth of this business.

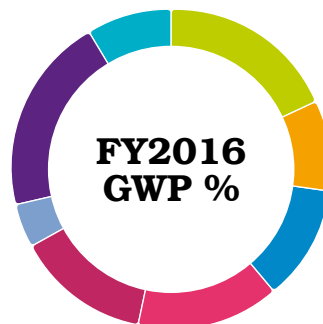
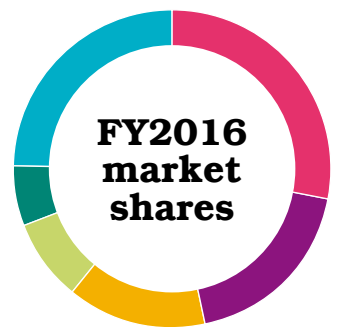
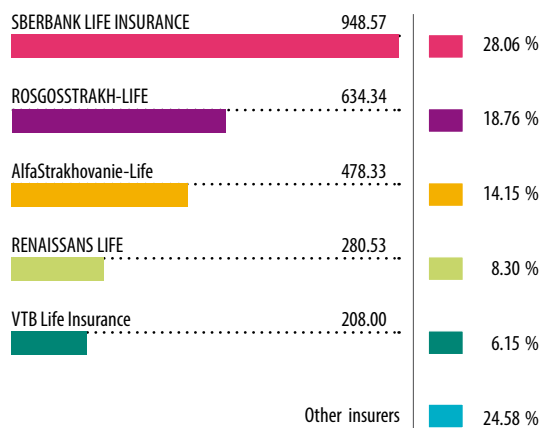
▶▶ Other realistic drivers: For the time being other stable “drivers” than life insurance are not to be expected. Nevertheless, there are ongoing discussions on the implementation of the mandatory property insurance.

▶▶ Regulation of the brokers’ activity: In 2017, the Central Bank will focus on the regulation of intermediaries’ activity. *The financial pressure on the licensed brokers in Russia is excessive; it has seriously increased*

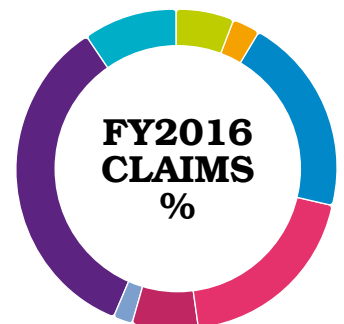
## TOP 5 Total market (GWP, EUR million)



## TOP 5 Life insurance (GWP, EUR million)



Life	18.27
Accidents & diseases	9.15
Health	11.67
Motor Hull	14.46
Real estate	13.46
Civil liability	4.65
CMTPL	19.85
Other	8.49



Life	5.93
Accidents & diseases	2.85
Health	19.90
Motor Hull	19.27
Real estate	6.65
Civil liability	1.84
CMTPL	34.13
Other	9.44

over the past 3 years, in the regulator's opinion. Thus, there is a concentration on the brokerage market, similarly to the insurers' situation. Overall, since 2015 the number of brokers was reduced from 150 to approx. 80.

## Reinsurance market is undergoing a continuous process of restructuring

In 2016, the main trends that defined the Russian reinsurance industry were the consolidation of the re/insurance business among the market leaders and the creation of the new reinsurance company (RNRC). Soft prices remained a sensitive issue in the last year.

The regulator intends to reduce the reinsurance scheme, which has output money abroad frequently. Since last year, the Central Bank has begun to collect reinsurance information from the foreign partners and regulators. Foreign partners confirmed the increasing competition and the reduction of capital outflow from Russia after the creation of the RNRC with an obligatory cession of 10%. In such conditions, foreign reinsurers are forced to diversify their portfolios and to come up with new business opportunities, or to review book in Russia and to stop writing several accounts.

*The company's goal is to enter the international market to which RNRC is already able to offer a supporting capacity of up to USD 40 million. By 2018 the company plans to grow to the position of the leading reinsurer in Russia and take to its own retention significant shares of major risks,* said Nikolay GALUSHIN, President of RNRC.

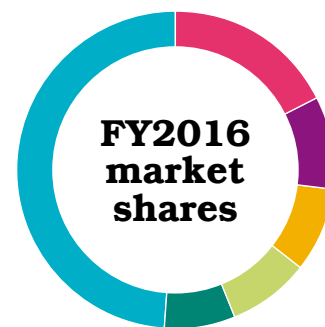
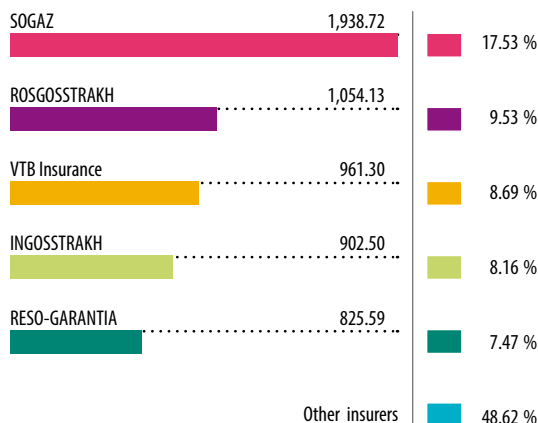
The market of specialized reinsurance companies in Russia, for various reasons, has not been developed. Thus, foreign business written by the specialized reinsurers, especially, from CIS countries was losing. Today, only 4 specialized reinsurers remained: RNRC, Russian Re, Kapital Re and SCOR.

The main countries partners of the Russian incoming reinsurance business are: Germany (the share about 19%), UK (15%), and Finland (9%). The share of CIS countries amounted to 11% of the total attracted incoming premiums and 8.6% of risks come from the BRICS partners.

(O.A.)

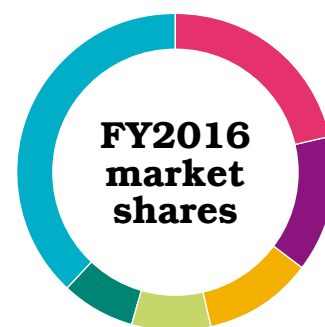
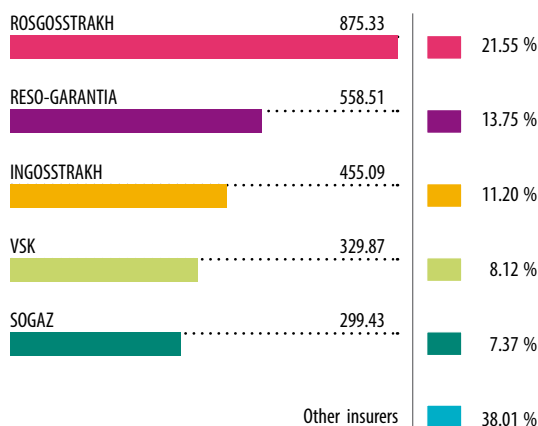
## TOP 5 Voluntary non-life insurance (GWP, EUR million)

(Full detailed ranking available on [xprimm.com](http://xprimm.com))



## TOP 5 Compulsory non-life insurance (GWP, EUR million)

(Full detailed ranking available on [xprimm.com](http://xprimm.com))



### INSURANCE Profile Russia FY2016

The biannual bilingual publication (Russian and English) includes the FY2016 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 April 2016 issue:

What is the current status of the Russian reinsurance market and what are its perspectives, especially after the new National Reinsurance Company establishment: statistical data and market opinions.

**Guest column:** ● The Russian insurance market in 2016 - the S&P's outlook  
**Other:** ● 2017 - revolutionary year for the Russian insurance market

- M&A status: The market consolidation process continues
- The top 10 challenges to be faced by the insurance industry in 2017
- Agroinsurance in the risk zone
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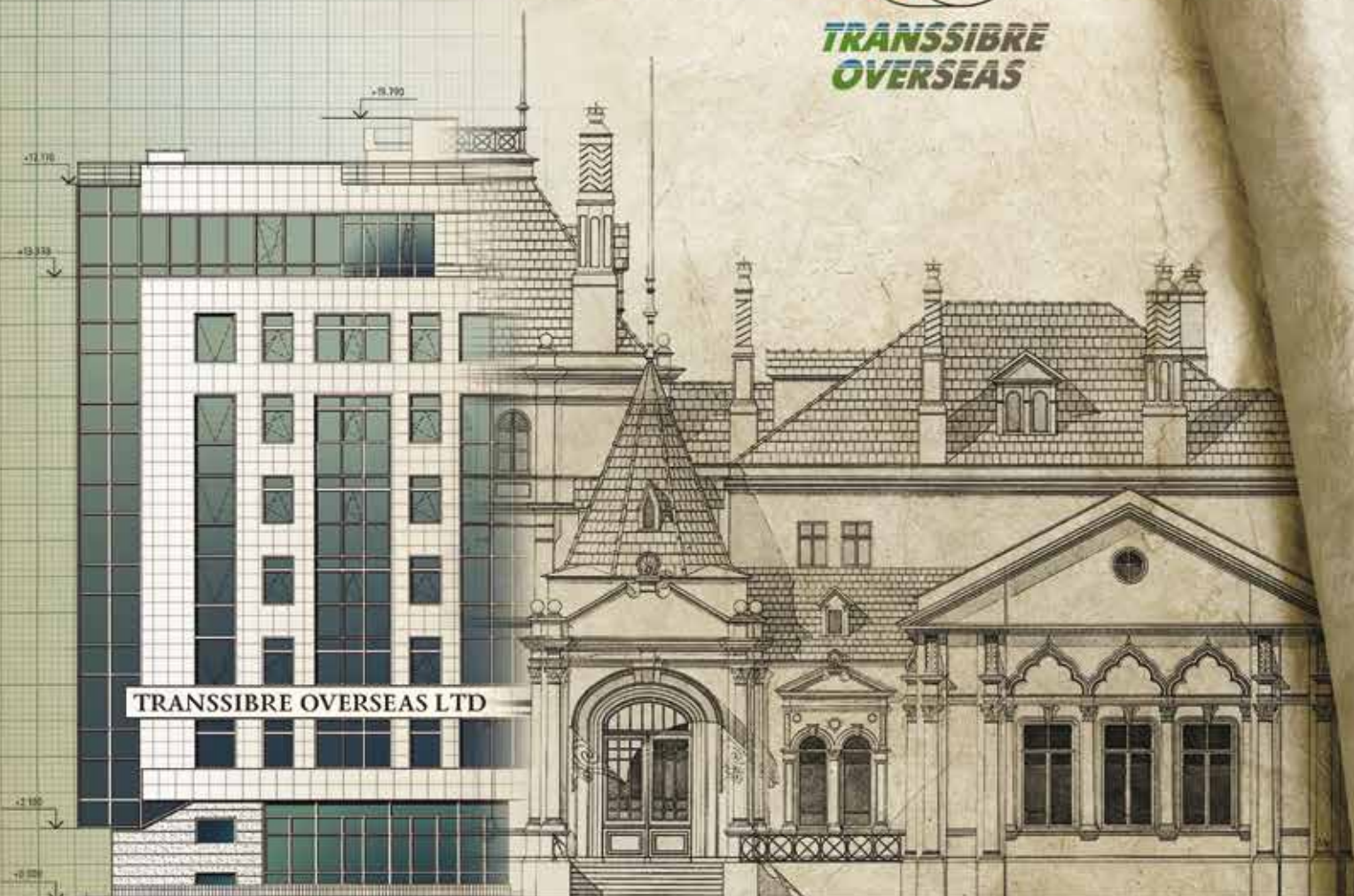
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# Ukraine



S&P Rating

**B- STABLE**

Moody's rating

**CAA3 STABLE**

Fitch Rating

**B- STABLE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> National Bank of Ukraine

<sup>3</sup> League of Insurance Organizations of Ukraine, Insurance Top Magazine

<sup>4</sup> XPRIMM calculations

🌸 The market gave timid sings of exit from the prologed crisis

🌸 The positive evolution recorded on some business lines may be associated at least in part with various tax optimization schemes

🌸 There is no control over the price adjustment within the bonus-malus system

🌸 Foreign insurance companies which were active on the Ukrainian insurance market have decided to give up their business and leave the country

## Market's main indicators-timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	UAH billion <sup>1</sup>	1,404.67	1,465.20	1,586.92	1,988.54	2,383.18
	EUR billion <sup>4</sup>	133.31	132.70	82.51	75.83	83.85
<b>GDP per capita, current prices</b>	UAH <sup>1</sup>	30,958.46	32,383.00	37,112.40	46,689.41	56,072.95
	EUR <sup>4</sup>	2,938.02	2,932.84	1,929.63	1,780.47	1,972.83
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	7.53	7.17	9.28	9.14	8.80
<b>Population</b>	Millions <sup>1</sup>	45.37	45.25	42.76	42.59	42.50
<b>UAH/EUR exchange rate</b>	End of period <sup>2</sup>	10.54	11.04	19.23	26.22	28.42
<b>Gross written premiums</b>	UAH million <sup>3</sup>	21,508.21	28,661.90	26,767.30	29,736.00	35,170.30
	EUR million <sup>4</sup>	2,041.17	2,595.83	1,391.74	1,133.96	1,237.41
<b>Paid claims</b>	UAH million <sup>3</sup>	5,151.04	4,651.85	5,065.40	8,100.50	8,839.50
	EUR million <sup>4</sup>	488.84	421.30	263.37	308.91	311.00
<b>Insurance penetration degree</b>	% in GDP <sup>4</sup>	1.53%	1.96%	1.69%	1.50%	1.48%
<b>Insurance density</b>	EUR/capita <sup>4</sup>	44.99	57.37	32.55	26.62	29.11

In 2016, GWP collected by local insurers' have grown up by 18.28% comparing to 2015 (note: in 2015/2014 the growth rate reached to 21.2% y-o-y).

*The market gave timid sings of exit from the prologed crisis. Despite the 18.3% nominal GWP growth in 2016, with the adjusting according official inflation rate (in 2015 and 2014), the growth rate was only 5% compared to 2015 and almost 22% less than the same adjusted figure in 2014, is the opinion of Vyacheslav CHERNYAKHOVSKY, Head of the Insurance Commission, the Ukrainian Society of Financial Analysts. He added that the level of insurance penetration in GDP remains at a rather low level of 1.5%.*

According to Vyacheslav CHERNYAKHOVSKY, the market growth was conditioned by several factors: growth in life insurance segment, in non-government compulsory insurance (MTPL, Green Card), in health insurance, in property and cargo insurance and in inward reinsurance. Yet, the positive evolution associated at least in part with various tax optimization financial schemes. The nominal growth was also facilitated by

the currency exchange rate, where there is a high correlation of the cost of the insurance object with the exchange rate.

Overall the insurance market follows the tendency of the national economy, challenged by sensible monetary policy, currency depreciation, income deterioration, lowering of private consumption etc. On the same note, for second consecutive year there is a tendency of concentration on the local market, as for 41 insurers have been revoked licenses in 2016 and concentration of business among the top ten leaders is increasing (e.g.: in life the market share is 89% and 45% in non-life).

In last years several foreign insurance companies which were active on the Ukrainian insurance market have decided to give up their business and leave the country. Also, some domestic companies ceased operations. Vyacheslav CHERNYAKHOVSKY explained that: *if in case of national companies the trend is mostly connected with obvious or provoked bankruptcy, for foreign investors turning off*

## Market porfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET</b>	1,237.41	1,133.96	9.12	311.00	308.91	0.68	100.00	100.00
<b>TOTAL LIFE</b>	96.97	83.38	16.29	14.72	18.75	-21.50	7.84	7.35
<b>TOTAL NON-LIFE</b>	1,140.44	1,050.58	8.55	296.29	290.16	2.11	92.16	92.65

1 EUR = 28.422604 Hryvnia - UAH (December 31st, 2016)

1 EUR = 26.223129 Hryvnia - UAH (December 31st, 2015)



Vyacheslav  
CHERNYAKHOVSKY,  
Head of the  
Insurance  
Commission, the  
Ukrainian Society of  
Financial Analysts



Ukrainian business was caused by the high level of sovereign risk, low rates of economic recovery, insignificant (or even negative) returns on capital, etc. The decreasing solvency of population, complete lack of lending – both for the commercial and private sector, the largest losses of businesses' and individuals' assets due to closed banks (note: during 3 year there were closed 90 banks) overall led to increase of competition in all segments of the insurance market.

During the last decade well-known international re/insurance players as GENERALI, VIENNA Insurance Group, AIG, AXA, HDI, ALLIANZ entered the domestic market. All of them have invested in Ukraine, hoping to increase the business volume. Unfortunately, a significant part of their investment not only didn't pay off, but also brought losses. (...) The Ukrainian market is no longer a priority and promising territory for investors, explained Vyacheslav CHERNYAKHOVSKY.

As far as the current business in concerned, motor insurance lines still play a dominant role in the market portfolio, but are also raising several issues. For example, although the bonus-malus system theoretically exists, there is no control over the adjustment of the price with bonus-malus on concluding insurance agreement. On the other hand, companies that provide their customers higher than 20% bonuses are required additional contributions to the guarantee fund. Given the legal provisions which allow insurers to choose whether to use or not the bonus-malus system, it is possible this year many companies will start to refuse to use this system, which is not in the consumers' best interest.

(O.A.)

# Ukraine

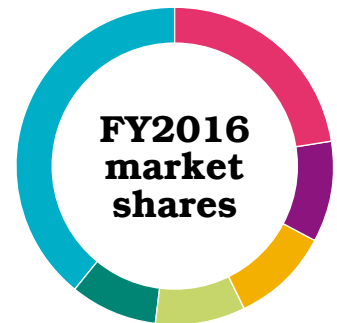
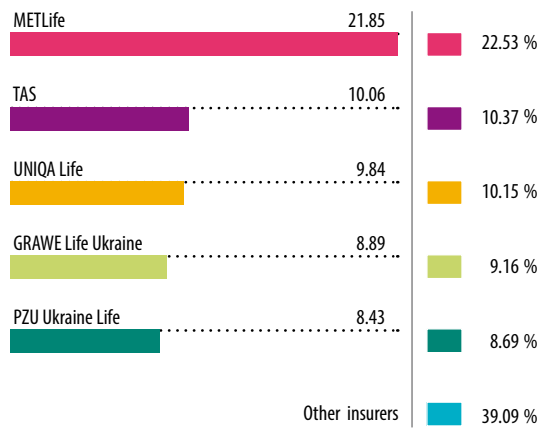
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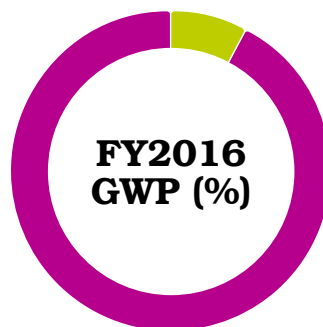
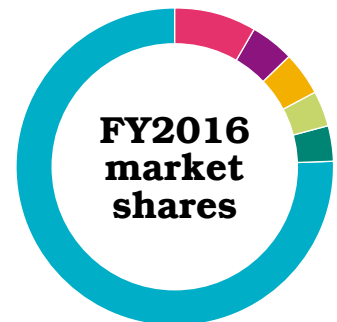
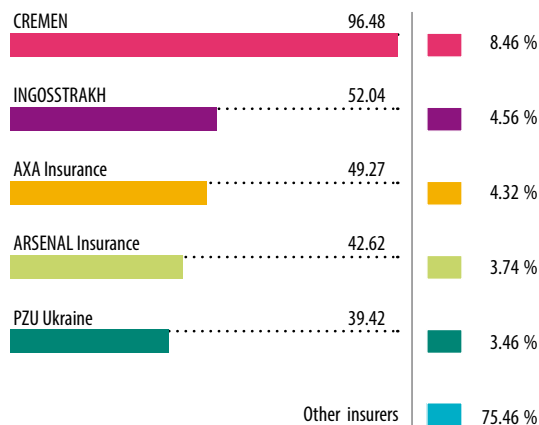
MSEcel format \* in EUR and local currency



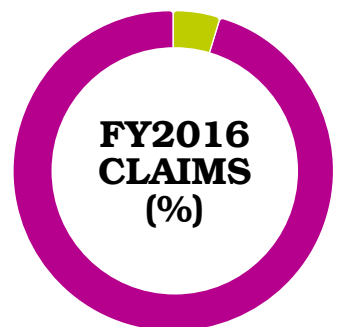
## TOP 5 Life insurance (GWP, EUR million)



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



Life 7.84  
Non-life 92.16



Life 4.73  
Non-life 95.27

# Uzbekistan



Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> The Central Bank of the Republic of Uzbekistan

<sup>3</sup> Ministry of Finance of the Republic of Uzbekistan, Information-Rating Agency SAIPRO (for FY 2016)

<sup>4</sup> XPRIMM calculations

Uzbekistan intends to implement compulsory medical insurance

Insurance market has shown a significant evolution, GWP going up by 25.58%. More than half of premiums were collected in Tashkent

The market average loss ratio decreased from 20.13% (in 2015) to 18.84% (in 2016)

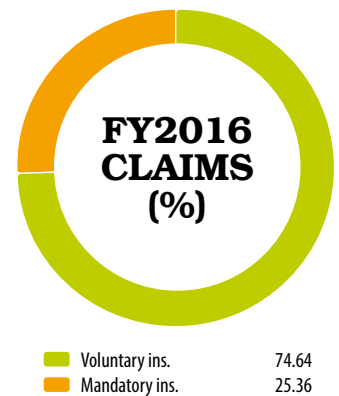
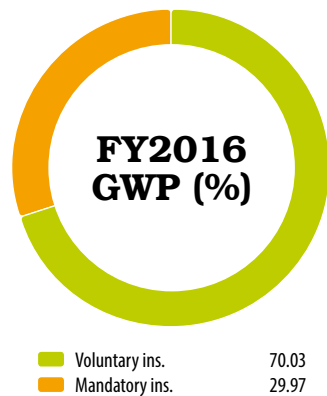
Total assets invested by insurers increased to UZS 867.547 billion, banking deposits and securities had holding a 86.3% share

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## Market's main indicators-timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	UZS billion <sup>1</sup>	96,723.40	119,750.40	145,998.50	171,107.20	198,302.69
	EUR billion <sup>4</sup>	36.91	39.50	48.87	55.66	58.00
<b>GDP per capita, current prices</b>	UZS <sup>1</sup>	3,251,649.38	3,959,862.51	4,770,578.15	5,524,721.54	6,326,888.84
	EUR <sup>4</sup>	1,240.94	1,306.07	1,596.72	1,797.13	1,850.38
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	NA	NA	NA	NA	NA
<b>Population</b>	Millions <sup>1</sup>	29.75	30.24	30.60	30.97	31.34
<b>UZS/EUR exchange rate</b>	End of period <sup>2</sup>	2,620.31	3,031.90	2,987.74	3,074.19	3,419.23
<b>Gross written premiums</b>	UZS million <sup>3</sup>	285,885.52	338,483.34	439,134.13	551,530.03	692,600.00
	EUR million <sup>4</sup>	109.10	111.64	146.98	179.41	202.56
<b>Paid claims</b>	UZS million <sup>3</sup>	46,006.06	66,919.81	74,632.59	111,001.85	130,500.00
	EUR million <sup>4</sup>	17.56	22.07	24.98	36.11	38.17
<b>Insurance penetration degree</b>	% in GDP <sup>4</sup>	0.30%	0.28%	0.30%	0.32%	0.35%
<b>Insurance density</b>	EUR/capita <sup>4</sup>	3.67	3.69	4.80	5.79	6.46



In 2016, the domestic insurance market has shown significant evolution, up by 25.58%, according to preliminary data published by the Information-Rating Agency SAIPRO.

By regions, more than half of premiums were collected in Tashkent.

By types of insurances, the share of voluntary policies increased to 70.03% (up by 32.94%), while the mandatory classes accounted for 29.97% (up by 11.19%), showing that *insurers 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*, as stressed out by SAIPRO.

In the reporting period total claims paid for all types of insurance amounted to UZS 130.50 billion (EUR 38.17 million), 17.57% more than in 2015. At the same time, it should be noted that in 2016 there was no significant change in the level of loss ratio. Thus, if in 2015 the average loss ratio

was of 20.13%, at the end of 2016 this indicator went down to 18.84%. By types of insurance, the loss ratio for voluntary insurance increased from 18.43% (in 2015) to 20.08% (in 2016). In compulsory insurance, this indicator, on the contrary has went down from 23.45% to 15.94% in 2016.

In Uzbekistan are active 26 insurance companies: 3 life insurers and 23 in non-life insurers.

In 2016, assets invested by insurers totaled UZS 867.547 billion, 19.3% more y-o-y. Bank deposits and securities represented 86.3% of the market portfolio. The amount of deposits increased by 15.7% to UZS 390.1 billion, investments in securities up by 21.1% to UZS 358.754 billion. The investments made in the statutory funds of enterprises increased by 27.9% to UZS 60.599 billion, while in real estate – up by 30.9 percent to UZS 49.465 billion.

(O.A.)

## Market portfolio at December 31<sup>st</sup>, 2016

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2016	2015	Change	2016	2015	Change	2016	2015
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
<b>TOTAL MARKET, of which:</b>	202.56	179.41	12.91	38.17	36.11	5.70	100.00	100.00
Voluntary ins.	141.84	118.67	19.53	28.49	21.87	30.26	70.03	66.15
Mandatory ins.	60.72	60.73	-0.03	9.68	14.24	-32.02	29.97	33.85

1 EUR = 3074.19 Som - UZS (December 31<sup>st</sup>, 2015)

1 EUR = 3419.23 Som - UZS (December 31<sup>st</sup>, 2016)





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# Kyrgyzstan



Moody's rating  
**B2 STABLE**

Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> National Bank of the Kyrgyz Republic

<sup>3</sup> FSA - Gosfinaadzora; XPRIMM estimates as 0.25% in GDP (2016)

<sup>4</sup> XPRIMM calculations

## Market's main indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	KGS billion <sup>1</sup>	310.47	355.30	400.69	430.49	458.03
	EUR billion <sup>4</sup>	4.96	5.25	5.59	5.19	6.29
<b>GDP per capita, current prices</b>	KGS <sup>1</sup>	54,823.24	61,506.19	67,971.13	71,516.05	75,000.12
	EUR <sup>4</sup>	874.97	908.45	948.07	861.56	1,029.60
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	8.43	8.33	8.05	7.55	7.46
<b>Population</b>	Millions <sup>1</sup>	5.66	5.78	5.90	6.02	6.11
<b>KGS/EUR exchange rate</b>	End of period <sup>2</sup>	62.66	67.70	71.69	83.01	72.84
<b>Gross written premiums</b>	KGS million <sup>3</sup>	839.90	967.79	1,017.99	1,006.50	1,150.00
	EUR million <sup>4</sup>	13.40	14.29	14.20	12.13	15.79
<b>Paid claims</b>	KGS million <sup>3</sup>	51.18	92.47	134.87	61.70	NA
	EUR million <sup>4</sup>	0.82	1.37	1.88	0.74	-
<b>Insurance penetration degree</b>	% in GDP <sup>4</sup>	0.27%	0.27%	0.25%	0.23%	0.25%
<b>Insurance density</b>	EUR/capita <sup>4</sup>	2.37	2.47	2.41	2.01	2.59

# Tajikistan



Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> The National Bank of Tajikistan

<sup>3</sup> XPRIMM calculations

## Macroeconomic indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	TJS billion <sup>1</sup>	36.16	40.53	45.61	48.40	54.47
	EUR billion <sup>4</sup>	5.74	6.16	7.07	6.34	6.56
<b>GDP per capita, current prices</b>	TJS <sup>1</sup>	4,540.39	4,983.61	5,493.06	5,709.98	6,293.83
	EUR <sup>4</sup>	720.59	757.71	850.98	747.49	757.65
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	NA	NA	NA	NA	NA
<b>Population</b>	Millions <sup>1</sup>	7.96	8.13	8.30	8.48	8.66
<b>TJS/EUR exchange rate</b>	End of period <sup>2</sup>	6.30	6.58	6.46	7.64	8.31

# Turkmenistan



Sources:

<sup>1</sup> International Monetary Fund, World Economic Outlook Database, April 2017

<sup>2</sup> Central Bank of Turkmenistan

<sup>3</sup> XPRIMM calculations

## Macroeconomic indicators - timeline

		2012	2013	2014	2015	2016
<b>GDP, current prices</b>	TMT billion <sup>1</sup>	100.22	111.71	124.04	126.16	126.63
	EUR billion <sup>4</sup>	26.62	28.53	35.78	32.95	34.28
<b>GDP per capita, current prices</b>	TMT <sup>1</sup>	19,373.54	21,318.98	23,345.36	23,416.33	23,178.42
	EUR <sup>4</sup>	5,146.24	5,443.79	6,733.59	6,116.00	6,274.10
<b>Unemployment rate</b>	% of total labor force <sup>1</sup>	NA	NA	NA	NA	NA
<b>Population</b>	Millions <sup>1</sup>	5.17	5.24	5.31	5.39	5.46
<b>TMT/EUR exchange rate</b>	End of period <sup>2</sup>	3.76	3.92	3.47	3.83	3.69



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## COMPANY PROFILE

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"AzRe Reinsurance" OJSC is the first and the only reinsurer on Azerbaijan market.

The company was founded in 2007, total equity of the company as of January 01, 2017 is AZN 75,4 mln and total assets exceeds AZN 103,6 mln.

AzRe Reinsurance is not only a leading reinsurer of the local market, but also operates very successfully in foreign markets.

Main business lines that we write are the followings: property, engineering, liability, motor, personal accident.

"AzRe Reinsurance" cooperates with the leading foreign insurance companies in Europe and CIS, Gulf Countries and Middle East, North Africa and other regions.

In October 17, 2014 A.M. Best has assigned a financial strength rating of B+ (Good) and an

issuer credit rating of "bbb-" to AzRe Reinsurance. The outlook assigned to both ratings is stable.

In October, 2016 A.M. Best has affirmed the financial strength rating of B+ (Good) and the long-term issuer credit rating of "bbb-" of AzRe Reinsurance.

In September 2016 «AzRe Reinsurance» OJSC increased the share capital by 25%, namely from 40 million to 50 million manat.

Net profit of "AzRe Reinsurance" OJSC for 2016 year was 15 mln 505 thousand manat.

Total income for 2016 year was 67,4 mln manat and total expences was 47,2 mln manat. Income tax was paid in the amount of 4,68 mln from the profit amount of 20 mln manat. Reinsurer's premium income – 53,7 mln manat.



# European Consumer Protection Conference, 16 February 2017, Vienna

## Consumer protection, European priority



Nathalie BERGER, European Commission



Gabriel BERNARDINO, EIOPA



Peter BRAUMÜLLER, FMA



Olav JONES, Insurance Europe



Mirenchu Del VALLE, UNESPA



Prof. Karel Van HULLE, IRSG of EIOPA

The consumer environment in the current European regulatory and economic landscape, upcoming legislative changes that will benefit consumers and users of insurance and private pension products, as well as digitalization and impact of technological advances in the field of financial services are just a few of the topics that were debated at the third edition of the European Consumer Protection Conference in Vienna, on February 16.

The event aimed to provide a forum for exchanging ideas and debate on key consumer issues and trends within Europe in light of recent improvement of the EU legislation concerning insurances and IORPs, as well as to present the latest European trends in consumer protection in financial services and the regulatory framework in place.

*Today is more important than ever to ensure that the EU respond to the concerns of its citizens. This is why consumer protection is in the DNA of EIOPA and will continue to be a key strategic priority. Our objective is to*

*ensure that ultimately market players treat consumers fairly, Gabriel BERNARDINO, Chairman EIOPA stated, during the event EIOPA considers that the consumers' lack of trust in the financial markets can only be overpassed through a strong partnership between EIOPA and the national supervisory authorities in order to ensure that the interest of consumers are protected.*

In this respect, one of the most important European Directives related to consumer protection is Solvency II.





*Solvency II is the most sophisticated regulatory framework in the world and also the piece of regulation which opens the market for EU insurers - the right balance between opportunities to insurers and good protection for consumers. Solvency II does not treat insurers as traders - there is a specific measure for insurers incentivizing investments in infrastructure - because Brussels sees the insurance industry as the most powerful investor in the EU. In 2018 will take place an important review of the Solvency II implementation - the EC is closely working together with EIOPA to understand and decide how can the standard formula be simplified, as well as how can the capital charges be recalibrated according to the conclusions after one year of implementation., according to Nathalie BERGER, Head of Unit Insurance and Pensions Directorate General for Financial Stability, Financial Services and Capital Markets Union (FISMA), European Commission.*

In order to find the optimal consumer protection level it is necessary to find the balance in regulating, which cannot be possible without the active involvement of all the relevant stakeholders. Only by consulting all the interested parties, the best regulation can be reached.

(M.C.)



Pauline de CHATILLON, ERNST & Young, Gabriel BERNARDINO, EIOPA, Mirenchu DEL VALLE, UNESPA, Prof. Karel Van HULLE, Ursula GEROLD, BaFin, Mișu NEGRÎȚOIU, ASF



Chris HALLIDAY, WILLIS Towers Watson, Calin RANGU, ASF, Prof. Karel Van HULLE, Peter BRAUMUELLER, FMA, Daniela GHEȚU, XPRIMM Publications



Alexandru CIUNCAN, IRSG & OPSG of EIOPA, Sergej SIMONITI, AZN - Slovenian Insurance Supervision Agency, Nathalie BERGER, European Commission, Prof. Karel Van HULLE, IRSG of EIOPA, Olav JONES, Insurance Europe, Matti LEPPALA, PensionsEurope





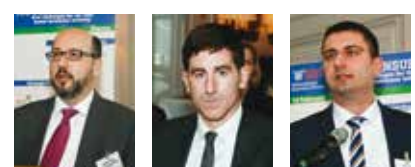
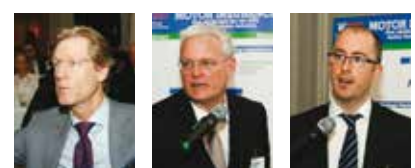
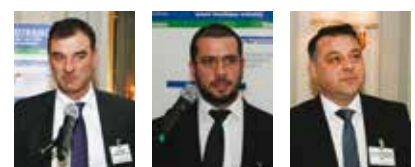
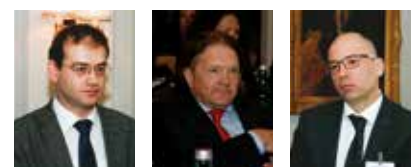
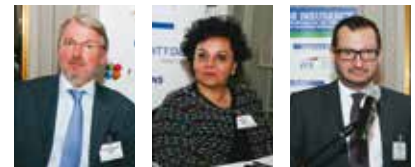
The dominating character of the auto insurance lines – especially MTPL, on the Central and Eastern European markets is a well-known achievement, as is the „traditional“ weak return of this business segment. However, if in the years of rapid growth the losses generated by MTPL were assumed as a price paid for the growth, sustained by other income sources, in the current context – less generous –, the yield of the auto insurance lines has become a key element in the financial stability of companies and markets in the region. The International Insurance Forum 2017 – „New Challenges for the Motor Insurance Markets in CEE“ raised in Vienna the main issues pertaining to the determination of the auto insurance yield in CEE as well as the opportunities and challenges brought about by the rapid computerizing upgrades.

# Motor Insurance a field “in movement”

15 February 2017, Vienna

## Speakers:

- **Richard NATHSCHLAEGER**, Managing Director, AUDATEX, Austria
- **Daniela GHEȚU**, Editorial Director, XPRIMM Publications
- **Sergej SIMONITI**, President, FSA Slovenia
- **Michael THEILMEIER**, Vicepresident, GEN Re, Germany
- **Nicola RAUTMANN**, Market Executive, Austria, CEE, Russia and the CIS and **Stefan SPEER**, Senior Market Underwriter, SWISS Re, Germany
- **Marc MULDER**, CCO, FRISS| fraud, risk & compliance, Netherlands
- **Hayk ZAYIMTSYAN**, Risk & Monitoring Manager, Council of Bureaux
- **Sergej RAZUVAN**, Executive Director, Green Card Bureau, Russia
- **Hrvoje PAUKOVIC**, Director, Croatian Insurance Bureau
- **Kiril BOSHOV**, CEO, EUROHOLD, Bulgaria
- **Clelio RUSCITTI**, Senior Sales Account, OCTO Telematics, Italy
- **Veselin IVANOV ATANASOV**, Chairman RECRES – BULROM Global Group
- **Cees WERFF**, President & CEO, CLAIMS Corporation Network, Netherlands
- **Dominik LORENZ**, Vice President Financial Services – Insurance, NTT DATA Germany
- **Chris HALLIDAY**, P&C Leader Turkey and Rapidly, Developing Economies EMEA, WILLIS Towers Watson, UK
- **Alberto MACIÁN**, Head of Global P&C Retail, Assicurazioni GENERALI, Italy
- **Tadej COROLI**, Member of the Managing Board, Zavarovalnica TRIGLAV, Slovenia
- **Madalin ROSU**, Responsible Motor Insurance Section, UNSAR, Romania



At the end of the first half of the year 2016, motor insurance represented 32.5% of the total volume of gross premiums written in the Central and Eastern Europe (CEE) region. Reducing the analysis range to the general insurance, the percentage of the motor insurance lines is going up to 51%

of the total volume of premiums written. At the same time, the damages paid for this insurance segment is almost 62% of the total general insurance. With inherent variations, this situation characterizes all the countries in the region. Thus, the dominance of the motor insurance in





the portfolio is obviously higher on the markets with a lower development, where the portfolio is formed mostly by non-life segments.

In fact, the absolute star of the motor insurance is the MTPL class – the markets on which this line does not represent the main non-life insurance type being isolated examples, rather exceptions to the rule. However, the prevalence of this line of business – easy to explain through its compulsory character in a context in which the low purchasing power is limiting the appetite of the region’s citizens severely for buying optional insurance -, is far from being a positive fact. On the one hand, it reflects an insufficient development of the other insurance lines. On the other hand, as MTPL is the only insurance class benefiting from a sure „placement“ and is constantly a cash-flow generator in all the countries, the MTPL markets in the region are intensely competitive, the main advantage possible to capitalize on a large scale being the price. Consequently, on almost all the region’s markets the MTPL prices are at a minimum economic acceptability limit, affecting seriously the insurance companies’ performance and that of the market overall.

A solution could be offered by the rapid development of the digital technologies allowing the collection and processing of an impressive volume of data regarding the drivers’ behavior in traffic. This would allow a personalized subscription, much better adapted to each client’s individual profile risk. Moreover, the new telematic technologies or IoT (Internet of Things) could provide insurers the chance to personalize their services, adding to the standard premium value-added services which would move the focus from the



price-based competition to a competition due to higher quality services and complexity.

However, this opportunity afforded by the technological progress comes with a series of large-scale implementation costs, which leads – at least on the less prosperous markets in CEE -, to the implementation of new technologies at a slower pace than the current technological developments would normally allow. Consequently, the potential of a technological revival exist, although its materializing will occur gradually, likely starting with the market segments which can afford the necessary investments.

## On the European roads

Free movement in the European countries is one of the most cherished rights by the CEE citizens that they gained after the political changes in the 90’s. For tourism or commercial purposes, there are many CEE-registered vehicles on the European roads. The big number of accidents produced by these vehicles insured in the CEE countries represents one of the most serious challenges facing the Green Card system in preserving its financial stability. Globally, the system records daily over 1,000 cross-border road accidents, of which 43% are produced by vehicles registered in CEE countries, even if the total size of

the motor fleet in this region represents a lower percentage, only 13-14% of the total number of vehicles registered in Europe. Moreover, the majority of these accidents are produced in countries in which the damages limits are very high, such as Germany, Italy, Great Britain, etc. Over 28% of the online warranty requests issued by the Green Card system (OGS - Online Guarantee Calls) - 34% -, are addressed to the offices in the CEE countries. The growth rate of these warranties, in terms of files as well as total value, is much higher than the average at the system level.

On the contrary, only 16% of the accidents administered through the system are produced on the CEE roads by vehicles registered in other European countries.

The significance of the above figures need to be judged in the context in which in the majority of the CEE countries the cross-border exposure is included in the MTPL premiums, and the MTPL market is a very competitive one, exerting a strong pressure on the prices and thus many times leading to underpriced insurance premiums in comparison to the real exposure. It is enough to take into consideration the example of the merchandise trucks operating globally. Given the lower registration and insurance costs in the CEE countries, diverse economic operators in the professional road transportation field chose to open local branches, registering fleets of hundreds of commercial vehicles in CEE countries such as Romania, Bulgaria or Croatia. Thus, the trucks traveling on their domestic territories maybe only when their obligatory technical check is due, charge „the bill“ for the damages paid through the Green Card system with important amounts, under the conditions in which insurance is paid at low levels. Similarly, but

with a diminished impact, there is also an important number of personal use vehicles registered, by means of different legal shams, in CEE countries at lower costs, but traveling constantly in countries with very high damage limits, where their owners have their real residence. The example of the hundreds of cars registered by Italian or Spanish owners in Romania or in Bulgaria is telling. The damages paid by these in their own countries fall onto the Green Card system – maybe not by chance, for example 30% of the damages produced abroad by cars registered in Romania occur in Italy -, and the insurers in the countries where the cars are registered cash the premiums based on the risk profile of a domestic car, at a price level specific to the market, but they are bound to pay „international“ damages produced in countries with significantly higher damages limits. The result of this situation, even if not at the necessary magnitude to affect a company's financial stability, certainly has a negative impact on the profitability.

Such situations represent an extra stress factor on the Green Card system, and the CEE markets have the potential to threaten the financial stability of the system under the conditions in which these operate in an interdependence network in which the default of one company can affect its partners in the whole system, through a „domino“ effect.

## Changing accents

The pricing of the motor insurance is done currently by using a wide range of parameters, not always valid from the actuarial point of view, which involves the collection and processing of a big volume of data. However, the future is far from bringing the immediate simplification of this state of affairs, the more so that this aspect of the insurers' activity will be subject to fundamental changes. For a better understanding of the dimensions of these changes it is enough to remember that, according to the current estimates, the manual control of the motor vehicles will be completely forbidden or restricted to only the travel on local roads until 2030, while until 2035 it is very likely that 25% of all the new motor vehicles sold globally will be autonomous cars.

From this point of view, the damages segment has good news to offer: according to current estimates, the new protection systems introduced by the

digital technologies will bring about a cost reduction with damages of about 75% on the MTPL segment and 65% on the optional car insurance (estimate by Boston Consulting Group). The most important effect of the new protection systems on the damages is expected in the field of damages paid for bodily injuries, a segment for which, according to the monitoring results by Swiss Re on 19 European markets, the costs went up significantly in Europe, especially over the last 5 years. For Poland, for example, it is estimated that in 2025 a growth of 3.659% will be recorded in comparison with the year 1990. Without reaching such extreme rates, a similar evolution is being recorded in other European countries such as France, Italy, Switzerland, or Great Britain.

However, the specialists caution on a complementary aspect of this expected cost reduction due to damages – the significant decrease in the insurance premiums price, an aspect that needs to be managed very carefully.

For the CEE markets in particular the good news is that the current technological delay recorded in comparison with the mature markets will offer the necessary time to learn from the latter's experience. On the other hand, the social and political acceptance level of a price scheme in which the values will vary between extremes very far apart for different categories of car drivers, could pose some problems, especially that the motor segment will continue to offer the most consistent part of the business figure on the insurance markets in the region.

For the time being, a bird's-eye view of the European markets shows that there are many more steps to take until the use of the new telematic technologies reaches the maturity phase in which they represent the standard for the motor insurance industry. Italy is the most advanced market in this respect, followed by Great Britain and the USA, while France and Germany are starting to take the first steps. For the moment, many of the pioneers advocating the use of these technologies in insurance are in a search phase, defining their own approach before proposing it to the insurance public on a large scale.

Regardless of the momentary objections or hesitations on behalf of the insurers regarding the benefits and the utility of the new technologies, going through the implementation cycle will still not last more

than a few years, especially that technology is evolving at a fast pace and thus the available solutions are more and more accessible and high-level.

## A peek into the future

Driverless cars make phone calls in our place to set up a meeting, draw our attention to not forget our luggage or to buy a bunch of flowers... these are episodes that seem to belong in a sci-fi. And still... many of the elements of this future described by the specialists in digital technologies are already here. And if it still hard to imagine the way and the moment when the car will become a sort of personal assistant, there are also benefits that are already felt in relation to the diminution of the frequency and severity of damages caused by road accidents, as well as that of the more efficient detection and prevention of fraud attempts. Moreover, as in the case of other computerized technologies, the costs of implementing the telematic technologies are continually dropping, making possible – at least from the financial perspective, the more rapid extension of their use.

On the CEE markets the rise of the telematic technologies is still in an incipient phase, these markets being less prepared for this technological jump in comparison with the sophisticated markets such as Italy, Great Britain, etc. The low level of the insurance price and the relative underdevelopment of the motor fleet in some cases are two of the factors leading to the technological delay. However, the Usage-Based insurance services have made the first steps in CEE lately, as the telematic technologies recording a series of first initiatives in Hungary, The Check Republic, Slovakia, or Slovenia. In the near future though a major progress is not expected, according to the regional specialists. Most likely the technological upgrading will remain at a relatively small scale even in a pilot phase in terms of premiums written.

On a longer term, which at the current advancement pace of the digital technologies, is not measured in decades anymore, the implementation of the new technologies will become an inevitable phase.

Note: the information used in this article are based on the presentations made during IIF 2017 - - "New challenges for the motor insurance markets in CEE," Vienna, February 15th, 2017.



# Russia: stability, improved quality and huge growth potential

The Russian re/insurance has reached a stable status in 2016, both in regulatory and structural terms, as well as in what the premium production is concerned. Many companies left the market due to the tighter legal requirements, the trend resulting in a market with fewer players, but more transparent, easier to understand, analyze and supervise. Overall, confidence in the market has increased. In terms of quality, 2016 was the year in which the Russian re/insurance market has skyrocketed, Roman TOCHILIN, representative of the Central Bank of the Russian Federation, the insurance market's watchdog said on the occasion of the XXIst edition of the Annual Reinsurance Conference, in Moscow.

He also pointed out that, despite the halved number of players, in comparison with 2010, the aggregated value of the market capital was maintained, while the capital quality has clearly improved.

Vera BALAKIREVA, Deputy Director of the Financial Policy Department in the Russian Finance Ministry, has emphasized the growth drivers in GWP terms: the market grew last year, supported by three major classes: life, accident and MTPL. In fact, all three segments have also increased their share in the aggregate market GWP. The trend was most visible on life segment, which after declining for three years in a row, has seen a strong recovery, benefitting also from the increasing financial investments' revenues.

The interesting thing is the fact that mediation fees have plummeted compared to 2015, when the acquisition cost practically accounted for one quarter of the price charged for an insurance policy. One of the explanations may lay in the online sales development, even if this channel is still far from being a prevalent one, TOCHILIN said.

In the medium term, the Russian re/insurance market's prospects are positive. For example, the growth rate recorded last year by the re/insurance industry exceeded the overall dynamic of the Russian economy, added Aleksey BREDIKHIN, Director, Rating Research Credit Agency.



He also explain that, given the very low insurance penetration, considered as share of the re/insurance premiums in GDP in comparison with the values taken by this indicator in the USA or the EU, the Russian market has a huge growth potential.

Maybe one of the most expected discussion topics was RNRC - the Russian National Reinsurance Company , a

company with a recent start of activity (October 2016). RNRC was established by The Central Bank of the Russian Federation and, according to the Russian laws, all the insurance companies on the market must assign to RNRC the equivalent of at least 10% of the total value of premiums ceded in reinsurance.

Although we've just started, we have the intention to not limit ourselves only to the Russian market. We're starting a competition with reinsurance companies from all around the world and we want to enlarge the capacity of risks taking. Thus, we've already closed an important number of agreements with international brokers, stated Nikolay GALUSHIN, RNRC President.

Regarding the Russian market, we want to become the market leader. Thus, we have a team consisting of professionals, which, in comparison with other companies, have the benefit of knowing the market in detail. Also, the product portfolio is a very diversified one, built on the specific needs of Russia's reinsurance market.

The XXIst edition of the Annual Reinsurance Conference took place in Moscow on April 5-6 and was organized by the Reinsurance Committee of the All-Russian Insurance Association and co-organized by DELOVOY Format Group. XPRIMM Publications supported this event as Media Partner.

(V.B.)

# Kazakhstan could submit the official request to join the Green Card System in 2017

The Council of Bureaux (CoB) has already received the official applications to join the Green Card system from Georgia, Armenia and Algeria. *If Kazakhstan will also submit this request, we'll be glad to assist and discuss all the details*, said Jean ZENNERS, President of the Council of Bureaux at the XIth edition of the International Conference "Insurance in Central Asia" that took place on April 14-15 in Almaty, Kazakhstan.

*There are legal and financial requirements in order to join the Green Card system, which covers 48 countries, 450 million vehicles, and 1.300 insurers so far; the scope is to facilitate the transportation, the economical exchanges and victims protection*, explained Jean ZENNERS. Commenting on Kazakhstan's declared intentions to join the Green Card system, he emphasized: *If Kazakhstan wants to join the system, it should fulfill all the legal and financial requirements; the most important aspect is that there is a strict financial discipline in the Green Card system.*

ZENNERS also made a recommendation: *In our view, if Kazakh motor insurers will decide to start the procedure to access the Green Card, they should limit the coverage of their future Green Card policies only for the neighboring countries, therefore it is more convenient financially speaking and also more logic.*

Thus, *Kazakhstan intends to develop the collaboration and to respect the conditions in order to apply for accession to the Green Card system*, stated Zhanat KURMANOV, Director, Insurance Supervision Department, National Bank of the Republic of Kazakhstan at the XIth International Conference Insurance in Central Asia.

He stresses out that the Kazakh market increased by 26% in 2016, while claims rose by 125%. *Also, there are 32 active insurers on the market, 7 of them with foreign shareholders, 25 companies forming the non-life market. Besides the insurers' own*



*sales force, insurance distribution services are provided by 15 brokers and 10.000 agents*, said KURMANOV. The property and liability insurance segments were the growth drivers in 2016, the market watchdog's representative said, also stressing out that the market is still underdeveloped, with an insurance density of only USD 60 and a penetration degree in GDP of less than 1%. At the end of 2016, Kazakh insurers' assets reached KZT (tenge) 1 billion.

## S&P: Russia and Kazakhstan will continue to depend a lot on the western reinsurance market

USD 3.6 billion is the reinsurance capacity of the Russian market, while Kazakhstan's capacity is USD 1 billion, said Ekaterina TOLSTOVA, Associate Director, S&P Global Ratings in Almaty.

Speaking at the conference, the S&P's representative shared the rating agency's view on the main re/insurance markets in the region, Russia and Kazakhstan.

- ▶ Up to this moment, the unique reinsurance market in the EEU has not been created
- ▶ Russia and Kazakhstan hold the majority stake of the premiums in the EEU
- ▶ Great Britain, Germany, France etc. are the main countries where the most of the premiums from EEU countries are ceded in

reinsurance. We should mention that China and India also became very active in this regard

- ▶ The first 10 companies in Russia hold 70% of all the premiums ceded in reinsurance, while in Kazakhstan this percentage is more than 80% for the first 10 players
  - ▶ Russia and Kazakhstan still depend a lot on the western reinsurance market and no changes are expected in the near future
- The S&P estimates for the near future are:**
- ▶ the international reinsurance market remains soft; reinsurance tariffs are decreasing, as well as prices;
  - ▶ the operational indicators of the reinsurers are worsening, with the combined ratio value expected to exceed 100%
  - ▶ the capitalization of the companies and the risk management will be the main subjects for the next years
- "Insurance in Central Asia" is the most important event in the Central Asia dedicated to insurance, already organized for the 13th year. XPRIMM traditionally supports the event as a Media Partner.

(O.D.)





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