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INSURANCE REPORT

by XPRIMM

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Full Year
2017

• CEE • SEE • CIS
Country Profiles

Interviews

- **Hannah GRANT**, Head of Secretariat, Access to Insurance Initiative
- **Cornel COCA CONSTANTINESCU**, Vice-President, ASF Romania
- **Matteo CARBONE**, Founder and Director, IoT Insurance Observatory
- **Andrei UNTON**, General Director of BELARUS Re

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The insurance world is spinning at a speed it never thought of, with technology innovations shifting market dynamics and reshaping new customer behavior and expectations, whilst consumer protection challenges keep appearing suddenly, growing and encircling, just like a tornado. In this environment, while carefully balancing, like an acrobat on a wire, insurance companies must find their way, but, unlike acrobats, they can't afford to take baby-steps, they must run. Otherwise, they're facing the gap. Will they ever make it? All in an interview with...

Hannah GRANT

Head of Secretariat

Access to Insurance Initiative

XPRIMM: First and foremost, as many readers from the CEE are certainly interested, what is the role that Access to Insurance Initiative plays in the global context? Could you, please, provide them with a background of your organization and its relation with the IAIS?

Hannah GRANT: The Access to Insurance Initiative (A2ii) is the implementation partner of the IAIS for financial inclusion: While the IAIS determines the necessary standards and structures for good supervision, it is our role to listen to and work closely with insurance supervisors and provide guidance on how to implement those standards. A2ii's close relationship with insurance supervisors and the IAIS enables us to better identify areas where support is needed and to feed what we learn on the ground back into the IAIS's standard setting process.

The A2ii was created in 2009, as a unique global partnership working with development agencies, insurance supervisors, international insurance bodies and local entities, with the mission to inspire and support insurance supervisors to promote inclusive and responsible insurance. We work closely with our partners, leveraging off their comparative strengths. For example, we have recently signed a partnership agreement with the IAIS and the International Actuarial Association, under which we will work on a joint actuarial capacity building programme for insurance supervisors. Partnering with the IAA will allow us to draw on the collective subject matter expertise from the global actuarial profession for this important initiative.

To provide you with an overview of what areas the A2ii works on: we generate and disseminate knowledge, build capacity, contribute to IAIS standard setting, promote learning & dialogues, support regional & country implementation and get involved in global advocacy processes. One key activity, for example, in terms of capacity building for insurance supervisors is the Inclusive Insurance Training Programme for Insurance Supervisors, that we organise together with the Toronto Center. One of these training events is planned to take place in CEE, at the end of 2018.

XPRIMM: The concepts of microinsurance and inclusive insurance are receiving more and more attention in the region. But there is a need of clarity in what these concepts are concerned. Could you, please, comment on that?

H.G.: Microinsurance, as defined in the 2007 IAIS Issues Paper on the Regulation and Supervision of Microinsurance, is insurance that is accessed by the low-income population, provided by a variety of different entities and run in accordance with generally accepted insurance practices. This means that the risk insured under a microinsurance policy is managed based on insurance principles and funded by premiums. Microinsurance covers a broad variety of products - for example, life insurance, funeral cover, health, invalidity, livestock, crop and asset insurance.

Inclusive insurance is a broader term denoting all insurance products aimed at the excluded or underserved market, rather than just those aimed at the poor or a narrow conception of the low-income market. This definition can be found in the IAIS Conduct of Business in Inclusive Insurance Issues Paper published in 2015.

XPRIMM: Why is it that regulators everywhere seem to need support in what capacity building for inclusive insurance is concerned?

H.G.: Inclusive insurance markets have grown tremendously over the last one or two decades. By definition, inclusive insurance is addressing people or risks that have been formerly excluded or insufficiently covered by traditional insurance markets. This means that all stakeholders in the inclusive insurance sphere are continuously confronted with new market participants, new products and new risks that require new or adapted supervisory solutions. Especially in the wake of InsurTech, inclusive insurance providers and supervisors alike find themselves in a rapidly changing environment, with a lot of innovation taking place. Supervisors need to carefully balance the promotion of market development by supporting innovation, while at the same

time considering new consumer protection challenges and also systemic risks that are associated with these innovations, especially when they reach scale. But even before the rise of technological innovation in insurance, distribution in inclusive insurance markets was always characterized by innovative approaches and new stakeholders in the insurance value chain. Take for example the so-called mass insurance products in Latin America using supermarket chains as agents or self-help groups in India that started providing, e.g., health insurance cover to their members.

One of the key instruments that A2ii uses to tackle the challenge of this high pace of change is peer exchange: Supervisors are keen to learn how others have dealt with the challenges they are facing as well and what their experiences have been. This is at the heart of what A2ii is doing. For example, we organise bimonthly supervisor only WebEx calls (“Consultation Calls”) to provide supervisors with an opportunity to learn about a specific topic from an expert, hear how other supervisors have dealt with the issue and discuss. In the last call on March 22, we had 82 supervisors from 30 countries exchanging experience on “Innovation hubs and accelerators”.

Supervisors need to carefully balance the promotion of market development by supporting innovation, while at the same time considering new consumer protection challenges.

XPRIMM: I had the honour of joining you as speakers at one of the first Inclusive Insurance-dedicated events in the CEE, taking place in Slovenia. One of the major discussion topics revolved around the regulatory challenges that building such schemes in the EU would face. How would such schemes survive Solvency II, the IDD, GDPR etc.?

H.G.: The key principle underlying the implementation of inclusion-friendly regulatory regimes is proportionality. The IAIS guidance is very clear in that the same rules apply to inclusive as to traditional insurance, but in a manner that is proportionate to the nature, scale and complexity of the risk involved. In that sense, there is no contradiction of implementing inclusive insurance schemes under Solvency II. On the contrary, a supervisory regime that focusses on risk actually provides a good basis for a supportive inclusive insurance environment.

That said, I think the real challenge presented by these schemes, to a more inclusive friendly approach, is the prioritisation of resources to ensure compliance with them. As a result, supervisors, as well as the industry, will likely have less resources available to dedicate to the development of a more inclusive regulatory and supervisory environment and serving the underserved.

Data protection is an equally important issue in inclusive insurance as it is for other insurances because of the rapid advances in InsurTech businesses. Therefore, improvements in



data protection regimes across the CEE are also important for ensuring inclusive insurance consumers are protected against some of the new risks emerging because of these technologies.

XPRIMM: What types of micro or inclusive insurance products would most likely be suitable for developing economies of the CEE region, in your opinion? How do you see the future in this regard?

H.G.: Insurance penetration rates are very low across the CEE. According to SWISS Re, the total insurance penetration rate (life and non-life) stands at 1.9% in 2016 in CEE, in comparison to 7.5% across the rest of Europe. This is similar to the penetration rates seen in many countries in Africa - 2.8% in 2016 -, therefore the growth of all types of insurance products would be, I think, of huge benefit to the CEE region.

Accident and (credit) life remain the most common microinsurance products available globally and I believe greater availability and uptake of these products would also benefit the CEE region. Credit life, whereby the life insurance product, is required as a form of guarantee for someone to get access to a loan, if well designed can provide valuable protection to low income individuals, whilst at the same time enables greater access to credit essential for entrepreneurial activity.


Of a particular interest for the CEE region are index based insurance products. There are products designed to trigger once a pre-determined threshold is hit, such as a certain rainfall level. The agricultural dependency of the CEE region, together with its catastrophe exposure, mean that these types of products could potentially provide small holder farmers with much needed protection against extreme weather-related events, enabling them to quickly pick themselves up without needing to sell productive assets. Although index based insurance products have been available on the market for a while now, technological innovations are helping to improve the accuracy of the indexes reducing basis risk (risk of someone suffering a loss, but index not been triggered or index being triggered although loss has not been experienced), as well as substantially reduce the distribution

and servicing costs of getting the products to the consumers. This is helping to bring down the cost and improve the quality of the products and, thus, increase their attractiveness and appropriateness for low income consumers. That said, more time is still required before it is really known whether basis rate related concerns can really be adequately addressed to make index based products an appropriate solution for low income individuals.


XPRIMM: Why is it so important to promote the concept of "bridging the protection gap" from a societal point of view?

H.G.: There are different aspects to this question: first of all, insurance is an important building block of inclusive financial services that aim at contributing to poverty reduction. When loss strikes, it does not discriminate between the rich and the poor. Past development efforts might be reversed in the event of a shock and the near-poor may fall (back) into poverty.

On a macroeconomic level, a robust and developing insurance industry is widely understood to be an essential ingredient for economic growth and stability in developing economies. By mitigating the adverse effects of potential losses for individuals and businesses, insurance promotes trade, commerce, access to finance, effective risk management and entrepreneurial activities that might otherwise be perceived as too risky. Effective insurance regulation and supervisory systems with policyholder protection mechanisms in place and appropriate incentives for industry involvement are fundamental to the establishment, growth and maintenance of a robust insurance industry.



In OECD countries, it is estimated that a 1% increase in life insurance premiums raises real GDP by 0.06% per year.



XPRIMM: A2ii has been doing work in the area of InsurTech and its connection to inclusive insurance. What is the role that technology plays and how do you see the future from this point of view?

H.G.: InsurTech heralds the advent of the Fourth Industrial Revolution. The speed of change has no historical precedent. When compared to previous industrial revolutions, change is occurring at an exponential, rather than linear pace. When it comes to greater access to insurance, these are exciting and unprecedented times. Market dynamics are shifting, but most importantly, new customer behaviour and expectations are emerging. InsurTech holds a vast potential for improvements in insurance product design, the development of better-tailored products and reducing administrative costs. These efficiency gains can lead to lower premiums, better client servicing and faster payouts.

However, with change comes the challenge of leveraging technology to serve the customer and create new customer engagement models. The potential value of meeting the customers' needs also brings new risks. One such risk comes with the issue of data protection and the questions of data and public

intelligence ownership. Another one comes with the usage of big data and subsequently pricing out low-income consumers due to segmentation. To mitigate them, supervisors must monitor and understand the market, and, above all, be open to innovation. More clarity in this regard is paramount.

The A2ii is working hard to support supervisors in responding to these challenges they face. A series of three events in 2018 in Africa, Asia and Latin America, for example, focuses on questions around InsurTech and inclusive insurance. These "Consultative Forums", organized by the A2ii, together with the IAIS and the Microinsurance Network, provide a platform for promoting dialogue between supervisors and the insurance industry on a specific question. Also, our last WebEx Consultation Call on Innovation hubs and accelerators took a closer look at inter-institutional cooperation as a tool for responding to new market trends and for creating a safe space for the launch of new initiatives.

XPRIMM: Inclusive insurance products are often seen as useful tools in economic development. Can you, please, offer us some successful examples in this respect?

H.G.: In OECD countries, it is estimated that a 1% increase in life insurance premiums raises real GDP by 0.06% per year (as, for example, referenced by the ILO's impact insurance facility). Other studies, such as by the Microinsurance Centre's Microinsurance Learning and Knowledge (MILK), reveal the critical importance of insurance for low-income people as a tool for regenerating income in the face of calamity. For instance, in Colombia, 66% of claim payouts were used to repay debt, hence preserving access to credit for future business development. In Indonesia, a credit life insurance product - Payung Keluarga -, is greatly benefiting vulnerable communities by easing the economic burden caused by death, by reducing household debt through loan forgiveness and cash-payouts. Access to innovative insurance products is also opening up loaning opportunities and encouraging investment. In particular, credit-linked insurance is gaining traction among farmers in developing economies. In Kenya, for instance, a crop insurance product - Kilimo Salama -, is sold directly to farmers on credit basis to insure their crops against extreme weather events. Academic research has shown that farmers who purchased weather index-insurance increased their expenditure and invested more in agricultural inputs.

XPRIMM: What future lies ahead for classical insurance when the basic model is being challenged by both inclusive insurance, peer2peer schemes and technological disruptors?

H.G.: We would not describe inclusive insurance as a challenge to classical insurance per se. The ambition to include new people in the market or to cover new risks is often a driver for innovation, especially in terms of distribution and the use of new technologies. We see insurance markets are becoming more responsive and innovative. However, it should always be guaranteed that innovation and change is to the benefit of the policyholders. It is, therefore, important that supervisors are able to understand the fast developments that are taking place and make them work for (inclusive) insurance. A2ii contributes to that by supporting supervisory capacity building and serves as a knowledge hub in key areas of inclusive insurance regulation.

Interview conducted by Alexandru CIUNCAN



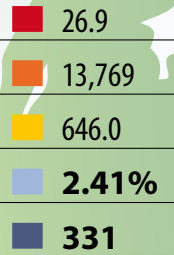
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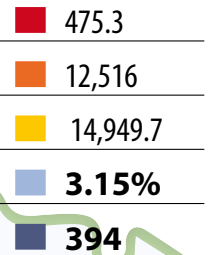
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CEE & SEE main indicators FY2017

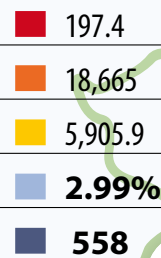
Latvia



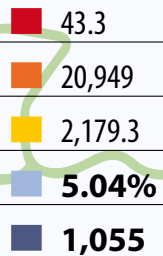
Poland



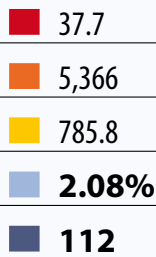
Czech Republic



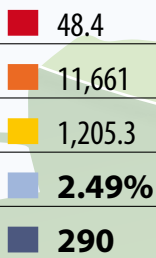
Slovenia



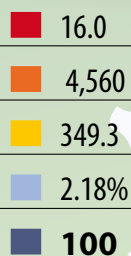
Serbia



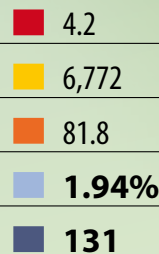
Croatia



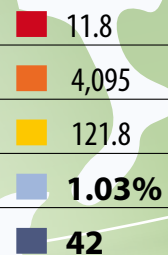
Bosnia



Montenegro



Albania



■ GDP, current prices (EUR billion)

■ GDP per capita, current prices (EUR)

■ Gross written premiums (EUR million)

■ Insurance penetration degree (% in GDP)

■ Insurance density (EUR/capita)

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

Estonia

23.0

17,571

427.2

1.86%

326

Lithuania

41.9

14,817

792.6

1.89%

281

Slovak Republic

85.0

15,644

2,135.1

2.51%

393

Hungary

123.1

12,556

3,057.1

2.48%

312

Romania

187.5

9,543

2,124.9

1.13%

108

Bulgaria

50.4

7,142

1,125.5

2.23%

159

Kosovo

6.4

3,436

87.4

1.36%

47

Turkey

685.1

8,478

10,291.3

1.50%

127

Macedonia

10.1

4,885

146.2

1.45%

70

Greece

177.7

16,506

3,785.3

2.13%

352

Cyprus

18.9

22,119

813.6

4.31%

954

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 MARKETS IN 2017

Following an ascendant path



Daniela GHEȚU
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Editor in Chief

The Central and Eastern Europe (CEE) economies saw in 2017 their best year since the 2009-2010 crisis, analysts agree. Even if after a buoyant start, the growth paces have calmed down a little by the end of the year, the annual result exceeded expectations. In fact, several financial institutions have raised their annual GDP forecast for the region as with the passage of quarters the results were confirming the persistence of the economic effervescence in the region.

Depending of the groups of countries considered under the CEE generic name, regional GDP's annual growth in 2017 is estimated to different values between 3.8% and 4.7%. The leading performers in GDP growth terms were *Turkey (6.5% y-o-y) and Romania (6% y-o-y)*, while the three biggest CEE economies (*Poland, Hungary, Czech Republic*) reported GDP growth figures around 4% y-o-y, ABN AMRO economist Nora Neuteboom said. Strong demand

from the Eurozone, the region's major trading partner; booming investments; warming labor markets; accommodative monetary policy and fiscal stimulus in the region were the main drivers of the region's economies flourishing. Further eastward, Russia and Ukraine grew at moderate pace, of about 1.5% – 2%, but considering that no longer ago than a year the two countries were still fighting recession, the last year's positive outcome is very good news. Yet, the bright picture has still some shady points, as in some of the countries the political volatility is increasing while in other increasing wages feed into higher inflation, a trend which according different analysts will persist also in 2018.

However, for the time being, unemployment hit a multi-year low almost everywhere in the CEE region. On the other hand, Russia and Turkey are still facing challenging unemployment

levels. Better employment situation led to rising real wages and household incomes, which in turn have been a stimulus for private consumption. It should be said, though, as Neuteboom emphasizes, that *apart from higher economic growth, demographic factors such as a shrinking labor force, an ageing society and constant outward migration are key factors behind the falling jobless rates*, which in the long run might become real threats for the region's economies. At the macro scale, investments and exports also saw a recovery in 2017, supported by the uptick in the eurozone, the massive inflows of EU funds as well as by the low interest rates. *Despite some political uncertainty in the region, the CEE economy is expected to continue enjoying a robust growth spell as the majority of last year's tailwinds remain in place. The Eurozone's economy is expected to grow at a healthy rate this year, supporting the CEE region's exports. Tight labor markets*

and solid absorption of EU funds should support household consumption and investment. That said, growth is expected to decelerate from last year's over one-decade high as inflation creeps up and the impact from some fiscal stimulus measures fades. FocusEconomics expects regional growth to come in at 3.9% this year, up a notch from last month's estimate. Next year, growth is projected to slow to 3.3%, Angela Bouzanis, Senior Economist at FocusEconomics wrote in April, 2018. Romania is expected to remain the fastest-growing economy also in 2018, followed by Poland and Slovenia. At the other end of the spectrum, FocusEconomics' forecast sees Croatia as "the region's laggard" in the current year.

CEE insurance in 2017

Insurance business across the region has benefitted from the economic momentum and closed 2017 with an average GWP growth of 11.5%, to EUR 36.2 billion. Most if the total EUR 3.7 billion premiums written in excess of the 2016's premium production came, as expected, from the Polish market, which remains the region's unchallenged leader, accounting for 41.4% of the total GWP. If Poland has provided for about 61% of the GWP volume increase, the second largest contribution belonged to Czechia (12% of the GWP growth), which also ranks second in the CEE in market share terms. Hungary came third (5.6% of the GWP growth), according to its place in the regional GWP ranking (third, with a market share of 8.5%). Finally, the last three markets with contributions of over hundred million to the regional GWP growth were the Slovak Republic, Slovenia and Latvia.

Looking at the business lines' "merits", there is no wonder that the strongest push to the regional growth came from the non-

life insurance segment, which generated extra premiums worth EUR 2.85 billion, almost half of it due to the MTPL insurance line. Life insurance contribution amounted to EUR 888 million.

It is worth noting that 11.5% was also the growth rate of the paid claims. In absolute terms, life and non-life insurance segments contributed almost equally to the claims expenses growth. Although after a such eventful year in weather extreme events, as it was 2017, one would expect to see a significant increase in the property insurance claims, the largest contribution to the extra claims expenses of the CEE insurers came from the motor lines, namely the MTPL insurance one. Given the low penetration of the housing insurance in most CEE countries, the stormy 2017 didn't result in a significant increase of the claims on the fire insurance line.

The overall markets' results show a positive evolution in all countries in GWP terms. Four markets – Poland and the three Baltic states -, have reported double digit growth rates which for Poland and Latvia took values around 20%.

Due to the high dynamic recorded last year, Poland managed to increase its regional market share by about 2 pp, to 41.4%, returning thus close to the peak point of its weight in the regional market. The other Top 5 markets maintained an almost unchanged share of the regional market, while Romania, ranking 6th, has lost about 0.5 pp.

The champions

Even if apparently the CEE market finds itself under the strong dominance of the "big Westerns", with brands as Allianz, Generali, Uniqa, VIG etc. being present all over the region, it should be said the a few

local players also have a strong say in the region's business dynamic.

PZU

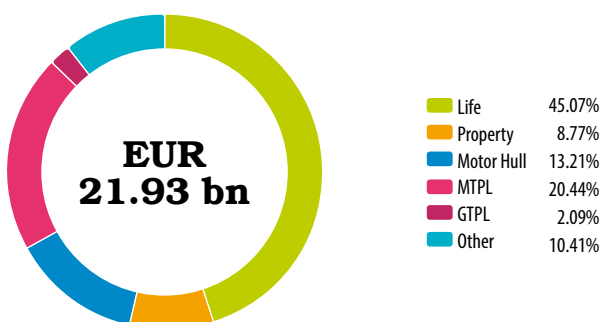
Doubtless, the Polish PZU Group is the biggest player not only in Poland, but also in the CEE. Its member companies – PZU (non-life insurance) and PZY Życie (life insurance) are topping regional market rankings with GWP figures that almost match the premiums production on the respective market segments of the second largest market in the region, Czechia.

The PZU Group is one of the largest financial institutions in Poland and in Central and Eastern Europe, led by PZU SA, a publicly traded insurance company, component of the WIG20 and one of the largest and oldest insurers in Poland and the CEE. The Group includes tens of companies acting on the insurance, private pensions, asset management and banking markets, as well as in medical services, real estate etc. In the recent years, PZU has also built an international network of subsidiaries, its insurance footprint covering for the time being the Baltic states and Ukraine.

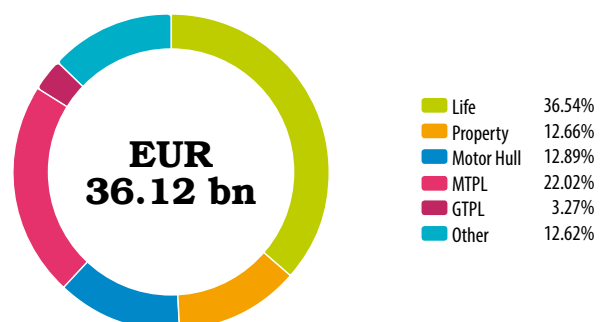
PZU Group ended 2017 with record high results, reaching a GWP volume, of EUR 5.46 billion, 13.0% up y-o-y while the Group's consolidated net profit also increased by 78.3% y-o-y, to about EUR 1 billion, despite the occurrence of large weather losses. PZU's market share in its home market reached 35.8% for the property insurance direct activity, while on the life insurance side it reached 45.8%.

Increasing tariffs, as well as a bigger number of policies sold for MTPL insurance and increasing sales in individual life insurance, in particular unit-linked products in the banking channel, were the

CEE claims portfolio (%)



CEE GWP portfolio (%)



CEE, SEE & CIS MACRO INDICATORS 2013-2017

	GDP, current prices (EUR billion)					GDP per capita, current prices (EUR)					Population (million)				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
CEE - CENTRAL AND EASTERN EUROPE															
Albania	10	10	10	11	12	3,326	3,446	3,610	3,787	4,095	2.90	2.89	2.88	2.88	2.88
Bosnia	14	14	15	15	16	3,793	3,915	4,133	4,347	4,560	3.61	3.57	3.54	3.52	3.51
Bulgaria	42	43	45	48	50	5,798	5,937	6,330	6,777	7,142	7.25	7.20	7.15	7.10	7.06
Croatia	43	43	44	46	48	10,194	10,202	10,561	11,086	11,661	4.26	4.24	4.20	4.17	4.15
Czech Rep.	149	156	170	177	197	14,210	14,801	16,137	16,739	18,665	10.52	10.51	10.54	10.55	10.58
Estonia	19	20	20	21	23	14,341	15,022	15,494	16,084	17,571	1.32	1.32	1.31	1.31	1.31
Hungary	102	104	110	114	123	10,281	10,479	11,122	11,585	12,556	9.91	9.88	9.86	9.83	9.81
Kosovo	5	6	6	6	6	2,935	3,023	3,160	3,301	3,436	1.82	1.84	1.84	1.84	1.87
Latvia	23	24	24	25	27	11,259	11,800	12,245	12,660	13,769	2.02	2.00	1.99	1.97	1.95
Lithuania	35	37	37	39	42	11,820	12,471	12,884	13,482	14,817	2.96	2.93	2.91	2.87	2.83
Macedonia	8	9	9	10	10	3,950	4,148	4,381	4,697	4,855	2.07	2.07	2.07	2.07	2.08
Montenegro	3	3	4	4	4	5,413	5,561	5,874	6,351	6,772	0.62	0.62	0.62	0.62	0.62
Poland	400	403	422	420	475	10,496	10,613	11,110	11,065	12,516	38.06	38.02	38.01	37.97	37.97
Romania	144	150	160	170	187	7,205	7,534	8,067	8,591	9,543	20.02	19.95	19.88	19.76	19.64
Serbia	34	32	33	35	38	4,718	4,531	4,685	4,890	5,366	7.17	7.13	7.10	7.06	7.03
Slovak Rep.	74	76	79	81	85	13,708	14,049	14,553	14,956	15,644	5.41	5.42	5.42	5.43	5.43
Slovenia	36	38	39	40	43	17,602	18,250	18,826	19,581	20,949	2.06	2.06	2.06	2.06	2.07
CEE Region	1,142	1,166	1,229	1,262	1,388	9,361	9,588	10,123	10,425	11,495	121.95	121.65	121.37	121.01	120.77
SEE - SOUTHEAST EUROPE															
Cyprus	18	18	18	18	19	20,951	20,520	20,947	21,363	22,119	0.87	0.86	0.85	0.85	0.85
Greece	181	179	176	174	178	16,418	16,350	16,238	16,154	16,506	11.00	10.93	10.86	10.78	10.77
Turkey	616	722	733	702	685	8,030	9,291	9,312	8,794	8,478	76.67	77.70	78.74	79.82	80.81
SEE Region	814	918	927	894	882	9,198	10,260	10,252	9,778	9,539	88.54	89.48	90.45	91.45	92.43
CIS - COMMONWEALTH OF INDEPENDENT STATES															
Armenia	8	8	10	10	10	2,732	2,801	3,190	3,316	3,213	2.98	2.99	2.99	2.99	2.99
Azerbaijan	54	62	32	32	34	5,768	6,540	3,326	3,338	3,466	9.36	9.48	9.59	9.71	9.82
Belarus	51	56	44	46	45	5,418	5,918	4,672	4,888	4,726	9.46	9.47	9.48	9.50	9.45
Georgia	11	13	12	12	12	2,971	3,450	3,262	3,280	3,313	3.78	3.73	3.72	3.70	3.69
Kazakhstan	170	179	110	130	132	9,934	10,262	6,231	7,239	7,237	17.16	17.42	17.67	17.93	18.19
Kyrgyzstan	5	6	5	6	6	908	948	862	1,024	954	5.78	5.90	6.02	6.14	6.26
Moldova	6	6	6	6	7	1,572	1,659	1,606	1,819	2,066	3.56	3.56	3.55	3.55	3.55
Russia	1,626	1,159	1,046	1,346	1,337	11,325	8,061	7,272	9,353	9,286	143.60	143.76	143.89	143.97	143.99
Tajikistan	6	7	6	7	6	758	851	747	758	666	8.13	8.30	8.48	8.66	8.84
Turkmenistan	29	36	33	34	32	5,316	6,545	5,880	6,075	5,545	5.37	5.47	5.57	5.64	5.71
Ukraine	133	83	76	84	87	2,933	1,930	1,780	1,977	2,051	45.25	42.76	42.59	42.42	42.33
Uzbekistan	40	49	56	58	26	1,318	1,587	1,786	1,826	806	30.24	30.76	31.30	31.85	32.12
CIS Region	2,139	1,663	1,436	1,773	1,733	7,516	5,863	5,041	6,197	6,039	284.66	283.58	284.85	286.04	286.94
CEE+SEE+CIS	4,095	3,747	3,592	3,928	4,003	8,271	7,574	7,232	7,880	8,003	495.15	494.70	496.66	498.50	500.15

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

main drivers of the Group's GWP growth. On the other hand, the high profitability of the motor insurance portfolio and the increase in non-life segment property insurance, which is mainly related to lower loss ratio in agricultural insurance (in 2016, PZU paid substantial claims for damages caused by natural forces - negative effects of wintering) were among the ingredients feeding the record high profitability.

Raising its ROE to over 22%, increasing its market share in the home market and reducing administrative expenses to 6.5% are some of the main targets of the PZU Group's Updated Strategy and Implementation Plan for 2017-2020.

TRIGLAV

The TRIGLAV Group is the leading insurance-financial group in Slovenia (36% market share) and in the Adria region (20%) and one of the leading groups in South-East Europe, with market shares of 20% and 36% respectively. Zavarovalnica TRIGLAV, the controlling company of the Group operates together with its subsidiaries and associated companies on seven markets and in six countries. In 2017, the Group improved its position on the Croatian and Serbian markets, while on other markets it largely maintained its status from the year before.

The TRIGLAV Group generated profit before tax of EUR 84.4 million in 2017. The financial performance was achieved despite the costly year in NatCat terms, by high premium growth and a good cost control.

For the third consecutive year, the TRIGLAV Group recorded premium growth; in 2017 it was as much as 7%. In the reporting period, the TRIGLAV Group recorded a total of EUR 1 billion in consolidated gross insurance, co-insurance and reinsurance premiums. Premium growth was recorded in all three insurance segments.

According to a Group's press release, the average market growth in Slovenia was

Gross written premiums (EUR million)					Insurance penetration degree (% in GDP)					Insurance density (EUR/capita)					
2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	
61	83	103	114	122	0.63%	0.83%	0.99%	1.04%	1.03%	21	29	36	40	42	Albania
269	287	305	324	349	1.97%	2.06%	2.08%	2.12%	2.18%	75	81	86	92	100	Bosnia & Herzegovina
884	907	1,004	1,047	1,126	2.10%	2.12%	2.22%	2.18%	2.23%	122	126	140	147	159	Bulgaria
1,188	1,117	1,143	1,159	1,205	2.74%	2.58%	2.57%	2.51%	2.49%	279	264	272	278	290	Croatia
5,709	5,696	5,676	5,448	5,906	3.82%	3.66%	3.34%	3.08%	2.99%	543	542	539	516	558	Czech Republic
317	341	361	388	427	1.68%	1.73%	1.78%	1.84%	1.86%	240	259	275	296	326	Estonia
2,700	2,649	2,668	2,848	3,057	2.65%	2.56%	2.43%	2.50%	2.48%	272	268	271	290	312	Hungary
79	82	80	84	87	1.48%	1.47%	1.38%	1.38%	1.36%	44	45	44	46	47	Kosovo
471	517	531	532	646	2.07%	2.19%	2.18%	2.14%	2.41%	233	259	267	270	331	Latvia
563	601	645	710	793	1.61%	1.64%	1.72%	1.84%	1.89%	190	205	222	247	281	Lithuania
117	124	134	142	146	1.43%	1.45%	1.48%	1.46%	1.45%	57	60	65	68	70	Macedonia
73	72	77	80	82	2.16%	2.09%	2.10%	2.03%	1.94%	117	116	124	129	131	Montenegro
13,952	12,886	12,860	12,667	14,950	3.49%	3.19%	3.05%	3.02%	3.15%	367	339	338	334	394	Poland
1,806	1,760	1,920	2,089	2,125	1.25%	1.17%	1.20%	1.23%	1.13%	90	88	97	106	108	Romania
559	574	665	722	786	1.65%	1.78%	2.00%	2.09%	2.08%	78	80	94	102	112	Serbia
2,082	2,106	2,020	1,967	2,135	2.81%	2.77%	2.56%	2.42%	2.51%	385	389	373	362	393	Slovak Republic
1,978	1,938	2,004	2,066	2,179	5.46%	5.15%	5.16%	5.11%	5.04%	960	940	971	1,001	1,055	Slovenia
32,809	31,741	32,196	32,387	36,121	2.87%	2.72%	2.62%	2.57%	2.60%	269	261	265	268	299	CEE Region
772	751	763	765	814	4.26%	4.27%	4.30%	4.22%	4.31%	891	875	901	903	954	Cyprus
4,012	3,966	3,725	3,784	3,785	2.22%	2.22%	2.11%	2.17%	2.13%	365	363	343	351	352	Greece
8,242	9,176	9,727	10,894	10,291	1.34%	1.27%	1.33%	1.55%	1.50%	108	118	124	136	127	Turkey
13,027	13,893	14,215	15,442	14,890	1.60%	1.51%	1.53%	1.73%	1.69%	147	155	157	169	161	SEE Region
62	52	59	64	60	0.76%	0.62%	0.62%	0.65%	0.63%	21	17	20	21	20	Armenia
376	451	260	261	274	0.70%	0.73%	0.81%	0.80%	0.81%	40	48	27	27	28	Azerbaijan
508	505	405	483	446	0.99%	0.90%	0.92%	1.04%	1.00%	54	53	43	51	47	Belarus
197	134	137	141	142	1.75%	1.04%	1.13%	1.16%	1.16%	52	36	37	38	38	Georgia
1,322	1,199	776	1,013	930	0.78%	0.67%	0.71%	0.78%	0.71%	77	69	44	56	51	Kazakhstan
14	14	12	na	13	0.27%	0.25%	0.23%	-	0.22%	2	2	2	-	2	Kyrgyzstan
67	63	57	66	71	1.19%	1.07%	1.00%	1.02%	0.96%	19	18	16	19	20	Moldova
20,122	14,453	12,846	18,502	18,570	1.24%	1.25%	1.23%	1.37%	1.39%	140	101	89	129	129	Russia
na	na	na	na	22.30	-	-	-	-	0.38%	-	-	-	-	3	Tajikistan
na	na	na	na	na	-	-	-	-	-	-	-	-	-	-	Turkmenistan
2,596	1,392	1,134	1,237	1,297	1.96%	1.69%	1.50%	1.48%	1.49%	57	33	27	29	31	Ukraine
112	147	179	203	96	0.28%	0.30%	0.32%	0.35%	0.37%	4	5	6	6	3	Uzbekistan
25,376	18,410	15,867	21,969	21,921	1.19%	1.11%	1.11%	1.24%	1.27%	89	65	56	77	76	CIS Region
71,211	64,044	62,278	69,799	72,932	1.74%	1.71%	1.73%	1.78%	1.82%	144	129	125	140	146	CEE+SEE+CIS

6% and on other markets of the Adria region it stood at 10%. In accordance with its strategic guidelines of growth and development, the TRIGLAV Group increased the share of premium written in the markets outside of Slovenia by 0.4 percentage point to 17.7%. The deterioration of the claims ratio was mitigated with the improved expense ratio, resulting in the favorable combined ratio of 93.9%.

The TRIGLAV Group also includes a reinsurance company, TRIGLAV Re. Established at the end of 1998, the company has provided for 5.5% of Group's written premium.

Both renowned credit rating agencies, S&P Global Ratings and A.M. Best, which assess the TRIGLAV Group, again assigned the Group the high "A" credit ratings with a stable medium-term outlook in 2017.

SAVA Re Group

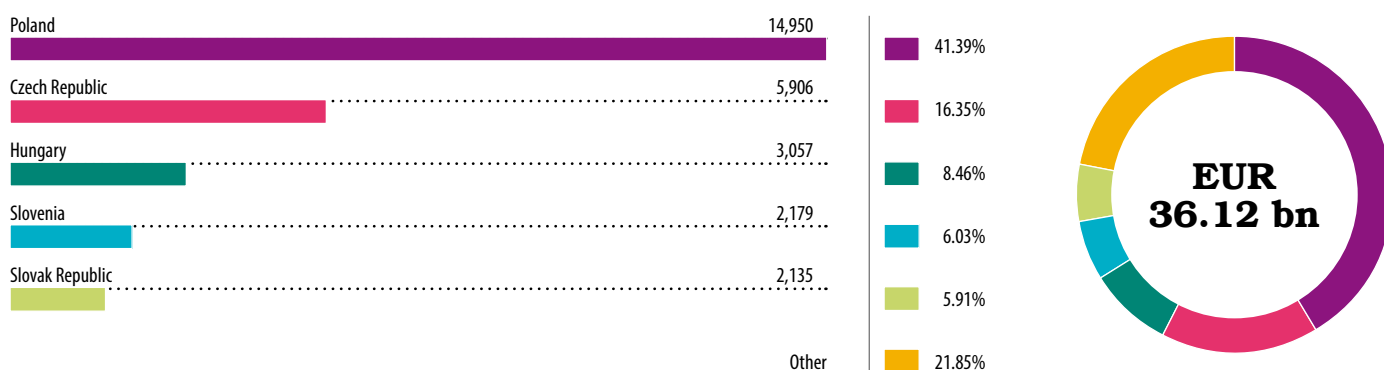
SAVA Re is the largest of reinsurance companies domiciled in the CEE, founded in 1975. The insurance part of the SAVA Re Group comprises – in addition to the controlling company SAVA Re – seven insurers based in Slovenia and other countries of the Adria region, and one pension company based in Slovenia.

In 2017 SAVA Re Group has recorded consolidated GWP of EUR 517.23 million, 5.5% more y-o-y. The Group generated a net profit of EUR 31.1 million, corresponding to a 10.1% return on equity. While the profit of the Group's parent company, Zavarovalnica SAVA was impacted by storm losses, the performance of the reinsurance portfolio (excluding exchange differences) fell short of the 2016 result owing to several large loss events in the international market (such as the storms in the USA and the flooding of a mine in Russia). Gross premiums written in the reinsurance segment in 2017 were up 3.8% y-o-y, to EUR 98.22 million. Premium

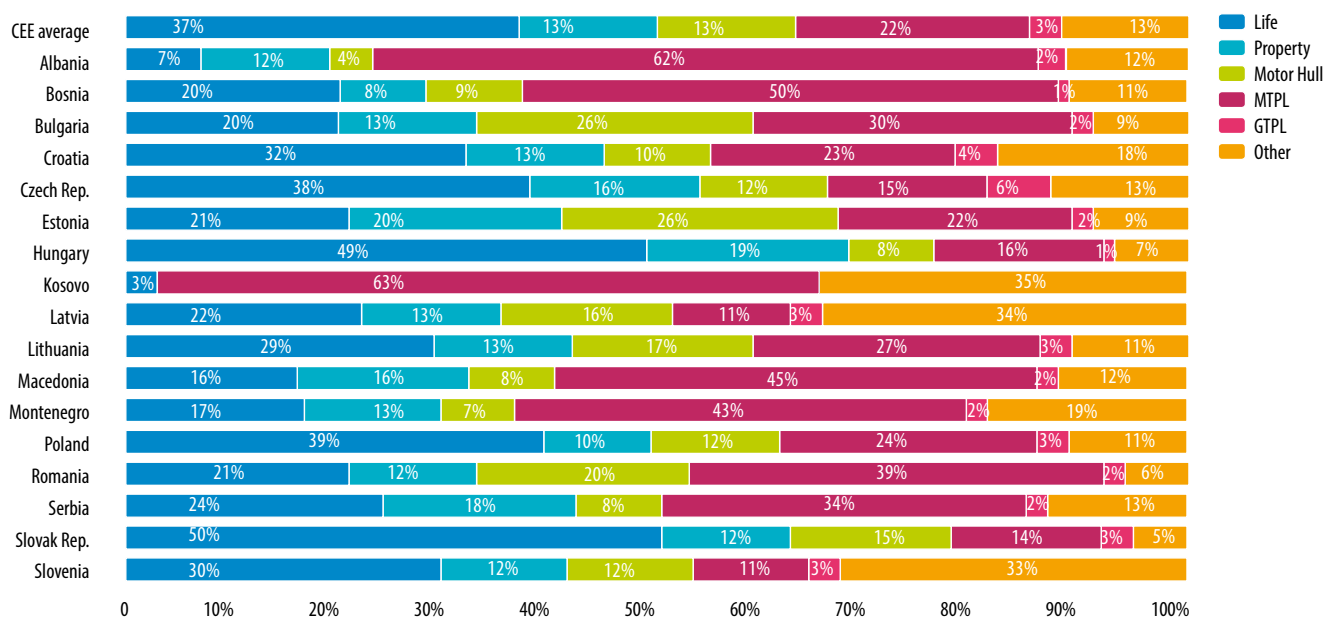
CEE - OVERALL MARKET DATA

Country	GWP		Change	Claims		Change	Regional market share	
	2017	2016		2017	2016		2017	2016
	EUR m.	EUR m.	%	EUR m.	EUR m.	%	%	%
Albania	121.80	113.64	7.18	36.02	31.39	14.75	0.34	0.35
Bosnia & Herzegovina	349.33	324.13	7.77	135.83	125.62	8.13	0.97	1.00
Bulgaria	1,125.50	1,046.99	7.50	531.52	506.93	4.85	3.12	3.23
Croatia	1,205.26	1,159.09	3.98	680.55	629.54	8.10	3.34	3.58
Czech Republic	5,905.94	5,448.43	8.40	3,790.87	3,542.47	7.01	16.35	16.82
Estonia	427.23	388.00	10.11	239.60	231.84	3.35	1.18	1.20
Hungary	3,057.15	2,848.35	7.33	1,898.50	1,723.85	10.13	8.46	8.79
Kosovo	87.42	83.84	4.27	46.00	38.60	19.17	0.24	0.26
Latvia	646.03	532.36	21.35	361.61	313.54	15.33	1.79	1.64
Lithuania	792.60	709.81	11.66	455.33	372.67	22.18	2.19	2.19
Macedonia	146.24	141.86	3.09	58.18	58.65	-0.80	0.40	0.44
Montenegro	81.77	80.16	2.00	35.70	34.18	4.46	0.23	0.25
Poland	14,949.69	12,667.08	18.02	9,551.91	8,290.54	15.21	41.39	39.11
Romania	2,124.95	2,088.92	1.72	1,106.51	960.15	15.24	5.88	6.45
Serbia	785.78	721.93	8.85	311.13	270.37	15.08	2.18	2.23
Slovak Republic	2,135.07	1,966.67	8.56	1,197.21	1,166.36	2.64	5.91	6.07
Slovenia	2,179.29	2,066.05	5.48	1,496.97	1,373.65	8.98	6.03	6.38
Total CEE	36,121.04	32,387.31	11.53	21,933.45	19,670.34	11.51	100.00	100.00

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



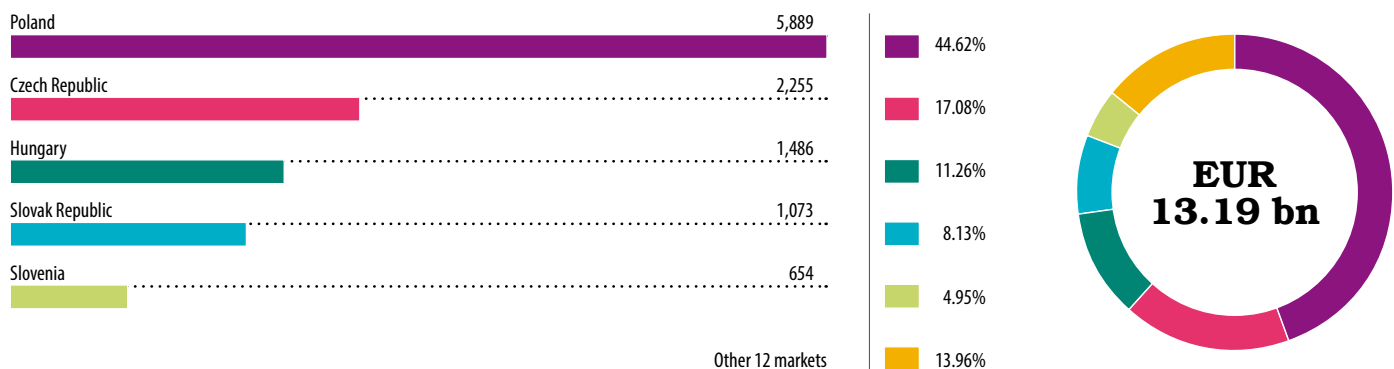
CEE GWP portfolio per countries



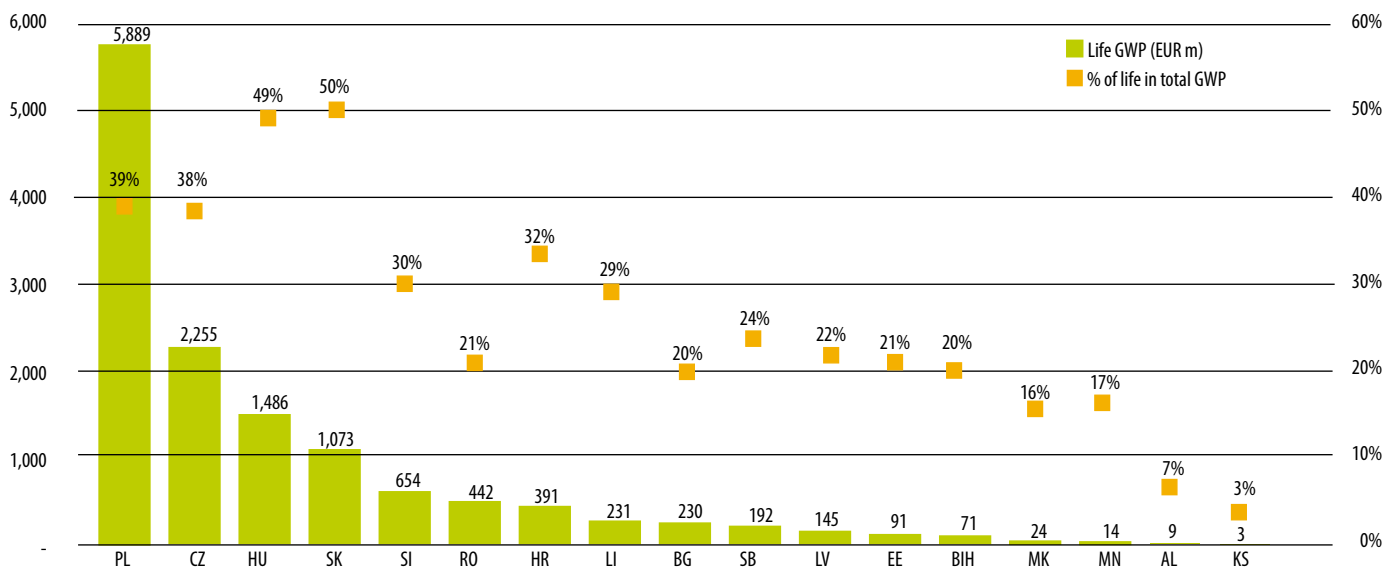
CEE - LIFE INSURANCE

Country	GWP		Change	Claims		Change	Weight in all GWP		Regional market share	
	2017	2016		2017	2016		2017	2016	2017	2016
	EUR m.	EUR m.	%	EUR m.	EUR m.	%	%	%	%	%
Albania	9.06	7.23	25.27	1.98	1.35	47.10	7.44	6.36	0.07	0.06
Bosnia & Herzegovina	71.20	66.09	7.72	28.62	24.14	18.58	20.38	20.39	0.54	0.54
Bulgaria	229.68	218.88	4.93	94.32	87.65	7.62	20.41	20.91	1.74	1.78
Croatia	391.31	386.09	1.35	273.12	241.79	12.96	32.47	33.31	2.96	3.14
Czech Republic	2,254.54	2,205.45	2.23	1,669.27	1,668.67	0.04	38.17	40.48	17.08	17.92
Estonia	91.26	85.65	6.55	58.17	54.89	5.97	21.36	22.07	0.69	0.70
Hungary	1,485.78	1,411.10	5.29	1,175.40	1,094.81	7.36	48.60	49.54	11.26	11.46
Kosovo	2.50	2.60	-3.85	na	na	-	2.86	3.10	0.02	0.02
Latvia	145.06	123.71	17.26	90.68	73.16	23.95	22.45	23.24	1.10	1.00
Lithuania	231.35	246.72	-6.23	151.38	113.83	32.99	29.19	34.76	1.75	2.00
Macedonia	23.52	21.01	11.93	4.11	3.37	21.84	16.08	14.81	0.18	0.17
Montenegro	14.16	13.70	3.41	6.17	3.96	55.78	17.32	17.09	0.11	0.11
Poland	5,888.66	5,392.56	9.20	4,880.17	4,132.97	18.08	39.39	42.57	44.62	43.80
Romania	441.77	371.75	18.84	218.50	158.16	38.15	20.79	17.80	3.35	3.02
Serbia	192.09	187.31	2.55	76.87	52.07	47.63	24.45	25.95	1.46	1.52
Slovak Republic	1,073.21	964.12	11.32	680.16	660.01	3.05	50.27	49.02	8.13	7.83
Slovenia	653.53	606.55	7.75	477.02	423.39	12.67	29.99	29.36	4.95	4.93
Total CEE	13,198.68	12,310.52	7.21	9,885.95	8,794.22	12.41	36.54	38.01	100.00	100.00

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



Weight of life GWP in total business



CEE – LIFE UNIT-LINKED INSURANCE

Country	GWP		Change	Weight in all GWP		Share in life GWP		Regional market share	
	2017	2016		2017	2016	2017	2016	2017	2016
	EUR m.	EUR m.	%	%	%	%	%	%	
Albania	na	na	-	-	-	-	-	-	-
Bosnia & Herzegovina	na	na	-	-	-	-	-	-	-
Bulgaria	35.70	29.81	19.74	3.17	2.85	15.54	13.62	0.65	0.60
Croatia	73.41	64.17	14.39	6.09	5.54	18.76	16.62	1.33	1.29
Czech Republic	1,013.67	968.78	4.63	17.16	17.78	44.96	43.93	18.36	19.44
Estonia	33.58	29.06	15.57	7.86	7.49	36.80	33.93	0.61	0.58
Hungary	773.69	746.35	3.66	25.31	26.20	52.07	52.89	14.02	14.98
Kosovo	na	na	-	-	-	-	-	-	-
Latvia	57.30	44.86	27.73	8.87	8.43	39.50	36.26	1.04	0.90
Lithuania	136.94	156.64	-12.57	17.28	22.07	59.19	63.49	2.48	3.14
Macedonia	na	na	-	-	-	-	-	-	-
Montenegro	na	na	-	-	-	-	-	-	-
Poland	2,705.11	2,333.89	15.91	18.09	18.42	45.94	43.28	49.01	46.84
Romania	121.32	105.54	14.95	5.71	5.05	27.46	28.39	2.20	2.12
Serbia	na	na	-	-	-	-	-	-	-
Slovak Republic	239.58	203.33	17.83	11.22	10.34	22.32	21.09	4.34	4.08
Slovenia	329.52	300.42	9.69	15.12	14.54	50.42	49.53	5.97	6.03
Total CEE	5,519.82	4,982.85	10.78	15.28	15.39	41.82	40.48	100.00	100.00

growth is driven by the growth in XL business with the highest absolute growth achieved in marine reinsurance business.

Gross non-life insurance premiums grew by 6.4% in 2017, all insurance companies in the Group recording a positive dynamic. In Slovenia GWP rose by 5.7%, mainly due to higher premium volumes in the motor, assistance and property business. Outside Slovenia non-life GWP increased by 9.9% in all non-Slovenian non-life insurance companies, with the Croatian branch of Zavarovalnica SAVA recording the highest growth.

At the end of 2017 SAVA Re has celebrated 40 years of operation. For the future years the Group set itself ambitious goals, progressing on its course towards digitization, technological modernization and sustainable development. Sava Re is aiming at higher organic growth outside Slovenia and, by the end of 2019, expects to see the share of premium income written by its non-Slovenian subsidiaries increase compared to the business generated in Slovenia. In addition to organic growth, the Group is planning growth through acquisitions. The Group will seek opportunities for growing its regional presence, and for expanding to business segments, such as pension and health business and ancillary insurance services.

In November 2017 both Standard & Poor's and A.M.Best have affirmed their rating for

SAVA Re. S&P's rated Zavarovalnica SAVA 'A-' with a Positive Outlook. A.M. Best has affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of "a-" of SAVA Re, Slovenia, the operating holding company of the SAVA Re Group. The outlook of these Credit Ratings (ratings) remains stable.

Life insurance

Life insurance GWP rose y-o-y, in average, by 7.2% in 2017, to EUR 13.2 billion. Almost 45% of this total was provided by the Polish market. The second largest specialty market in the region remains Czechia (17% market share), followed by Hungary (11.26%). The Slovak Republic and Slovenia are completing the regional Top 5 on life insurance. Overall, the Top 5 markets account for about 86% of the regional premium production.

In many countries of the region life insurance growth was fueled by an increasing banking lending activity and implicitly by the bancassurance distribution. Yet, Unit-Linked products continued becoming more popular, thus a consistent source of growth for the life insurance markets of many countries in the region, with Poland being one of the first examples in this respect. An increasing awareness of the necessity of saving and the opportunities brought by the life insurance products in this respect was

one of the growth drivers reported by representatives of several markets, raising positive expectations also for the future. If, added to this behavioral change, tax incentives would encourage savings, then the perspectives may improve significantly. As a demonstration, the over 17% increase in life premiums recorded in Latvia, where the legislative changes introduced with the new tax reform contributed substantially to the increasing interest in this field, as stated by the insurers' association representative.

However, for most CEE markets 2017 was a "quiet" year in what the life insurance segment is concerned, with no spectacular developments. The highest growth rates were recorded in markets where life insurance still accounts for a small part of the portfolio and totals a small GWP volume also in absolute terms. Thus, the over 25% growth rate recorded in Albania or 12% increase in life GWP seen in Macedonia, although gratifying, didn't change in fact much in market structure terms for the respective markets. Romania is probably the only example of a market where the high growth rate recorded in life insurance, above market average, provided for a visible increase of the segment's share in the market portfolio.

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NON-LIFE INSURANCE in the CEE

MTPL driven

Non-life insurance lines accounted together for about 63.5% of the CEE insurance portfolio, gaining approx. 1.5pp in weight in 2017, almost entirely due to the increasing MTPL business. Overall, non-life insurance GWP reached EUR 22.92 billion, 14.17% more y-o-y, which in absolute terms means a plus of about EUR 2.85 billion as compared with the 2016 full year volume.

The Polish market leads the non-life segment as well, with an almost 40% weight in the regional portfolio, a position supported in many respects by the higher level of market development, but which is also the natural result of country's bigger size. With a 16% share of the regional non-life GWP, Czechia ranks second in the region, followed by Romania (7.34%). Hungary and Slovenia are completing the regional Top 5, with a very small difference between their sizes.

Motor insurance

No need to say, motor insurance lines accounted for the "lion's share" in the regional non-life portfolio, providing for about 55% of the GWP, a quota which has increased y-o-y by 1pp entirely thanks to the MTPL line. They have also provided for the largest part of the extra premium written last year (almost EUR 1.8 billion).

Increasing cars sales, mostly on the passenger cars segment, and raising tariffs – especially on the **MTPL** insurance line –, were the main growth drivers of the motor lines across the region. Thus, countries as Bulgaria, Croatia, Estonia, Hungary, Lithuania, Poland, Romania and Slovenia saw increases in passenger cars sales of over 10%, meaning a total of over 115,000 new insurable cars in the region. In addition, some of the national fleets have also seen second hand cars registrations in big numbers, also adding several hundred thousand cars to the insurable portfolio.

Poland and the three Baltic markets have seen the highest growth rates for the MTPL insurance class (Poland – 34.7%; Lithuania – 38.25%, Latvia – 35%, Estonia – 17.8%), but double-digit growth rates were also seen in Czechia, Hungary and

Serbia. Romania makes the only notable exception from the general positive trend, recording a 9.2% decrease in MTPL GWP despite the increasing number of cars (new cars, as well as a very large number of used cars – of which very many were previously registered in Bulgaria –, were registered in Romania in 2017 after the change in legislation eliminating the registration taxes for used cars known as the "environmental stamp"). The main reason leading to the premiums' volume decrease was the cap imposed on the MTPL tariffs between November 2016 and May 2017, period after which prices have started to increase again, but never reached the previous levels.

Claims paid for the MTPL line went up, in average by 11.8% y-o-y. Except for Bosnia, Croatia, Czechia, Estonia, Latvia, Macedonia, Montenegro and Slovenia, double-digit increases in paid claims were common in the CEE markets. As reported by market representatives, claims paid for non-material damages had a substantial contribution to establishing this trend. Yet, it is worth noting that in many of the top markets of the region, the efficiency ratios for the MTPL class improved thanks to a better management of costs by insurers.

The **Motor Hull** segment accounted for 20% of the CEE non-life business, recording a 15.6% y-o-y increase in GWP, to EUR 4.65 billion. Growing at a higher pace than the other markets, Poland provided more than half of the extra volume of premiums. The increasing cars sales had a determinant role to play in the Motor Hull business growth as the purchase of new cars is largely financed through leasing contracts or banking loans, in both cases a Motor Hull policy being required.

Claims paid for Motor Hull policies in the CEE have increased by 10% y-o-y, to about EUR 2.9 billion. Beyond other reasons, it should be noted that especially in the Central and Northern part of the region, many Motor Hull losses have occurred because of the extreme weather events – storms, floods and hail.

Property insurance

The CEE property insurance segment saw, in average, a 10.7% y-o-y increase in GWP and 11.3% growth of the claims paid, a not surprising result considering the "tormented" character of 2017 in extreme weather terms.

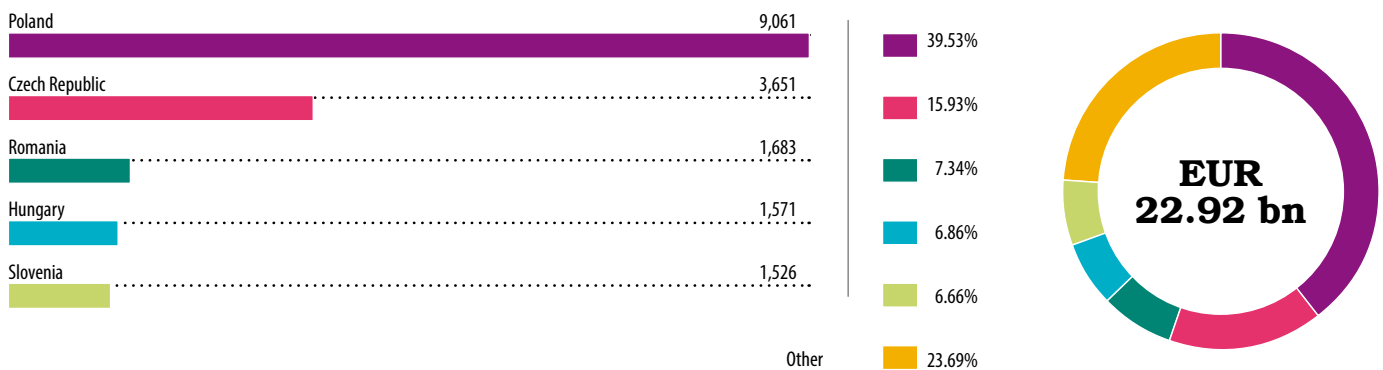
The CEE region has witnessed in 2017 several episodes of extreme weather: wind storms, hailstorms with frost, during the first months of the year, followed by an extreme heat wave and strong winds, wildfires and thunderstorms ... almost no country in the region escaped the damages caused by at least one of the severe weather waves. Material damages and lost lives have been counted almost everywhere across the region. Yet, the insurance industry didn't feel a substantial impact especially that the most affected areas in the region belong to countries with a very low property insurance coverage, both in what the housing and agricultural properties are concerned. The possible exception to this rule was the Cyclone Herwart, a windstorm that affected Poland, Hungary and the Czech Republic in October 2017. According to the Czech Insurers' Association, total insured losses from the Herwart storm amounted, to EUR 56.38 million. In the end, although the precise figures related directly to the storm are not known, fact is that Hungary saw a 29.5% increase in property claims, while in Czechia the annual bill of the property insurers went up by 25.3%.

Yet, it should be said that at regional level, extreme weather events have affected the insurance industry in a very small degree, as except for Poland, Hungary and Czechia, only a small percentage of the regional housing stock is covered by insurance and even a lesser percentage of houses have NatCat coverage. As such, the property insurance gap remains a challenging issue for the region. Lately, solutions as micro insurance or index insurance products have been brought into attention, as possible answers to the need of a more inclusive policy of mitigating the catastrophe risks' financial consequences.

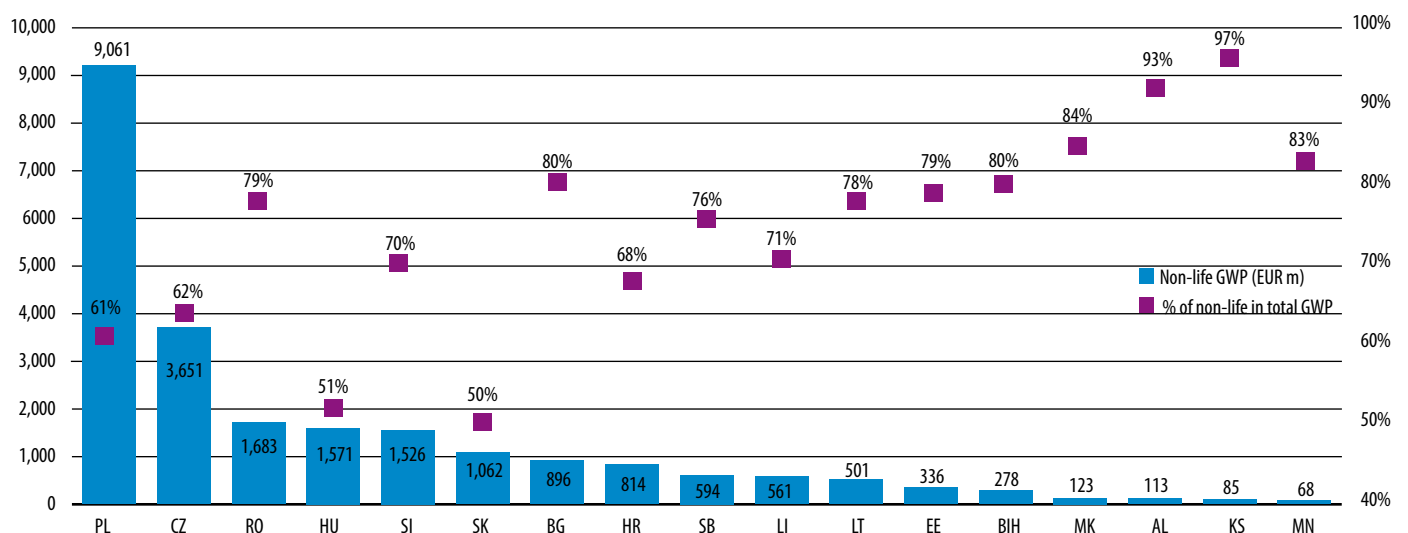
CEE - NON-LIFE INSURANCE

Country	GWP		Change	Claims		Change	Weight in all GWP		Regional market share	
	2017	2016		2017	2016		2017	2016	2017	2016
	EUR m.	EUR m.	%	EUR m.	EUR m.	%	%	%	%	%
Albania	112.74	106.41	5.95	34.04	30.04	13.29	92.56	93.64	0.49	0.53
Bosnia & Herzegovina	278.13	258.04	7.79	107.20	101.48	5.64	79.62	79.61	1.21	1.29
Bulgaria	895.83	828.12	8.18	437.20	419.28	4.27	79.59	79.09	3.91	4.12
Croatia	813.94	773.00	5.30	407.43	387.75	5.07	67.53	66.69	3.55	3.85
Czech Republic	3,651.40	3,242.98	12.59	2,121.60	1,873.80	13.22	61.83	59.52	15.93	16.15
Estonia	335.97	302.35	11.12	181.43	176.95	2.53	78.64	77.93	1.47	1.51
Hungary	1,571.36	1,437.25	9.33	723.10	629.04	14.95	51.40	50.46	6.86	7.16
Kosovo	84.92	81.24	4.53	42.15	36.87	14.32	97.14	96.90	0.37	0.40
Latvia	500.98	408.65	22.59	270.93	240.38	12.71	77.55	76.76	2.19	2.04
Lithuania	561.25	463.09	21.20	303.95	258.83	17.43	70.81	65.24	2.45	2.31
Macedonia	122.72	120.85	1.55	54.07	55.28	-2.18	83.92	85.19	0.54	0.60
Montenegro	67.61	66.47	1.71	29.53	30.22	-2.27	82.68	82.91	0.29	0.33
Poland	9,061.03	7,274.52	24.56	4,671.74	4,157.56	12.37	60.61	57.43	39.53	36.23
Romania	1,683.17	1,717.17	-1.98	888.01	801.99	10.73	79.21	82.20	7.34	8.55
Serbia	593.69	534.62	11.05	234.26	218.30	7.31	75.55	74.05	2.59	2.66
Slovak Republic	1,061.86	1,002.55	5.92	517.04	506.35	2.11	49.73	50.98	4.63	4.99
Slovenia	1,525.75	1,459.50	4.54	1,019.95	950.26	7.33	70.01	70.64	6.66	7.27
Total CEE	22,922.36	20,076.80	14.17	12,043.64	10,874.40	10.75	63.46	61.99	100.00	100.00

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



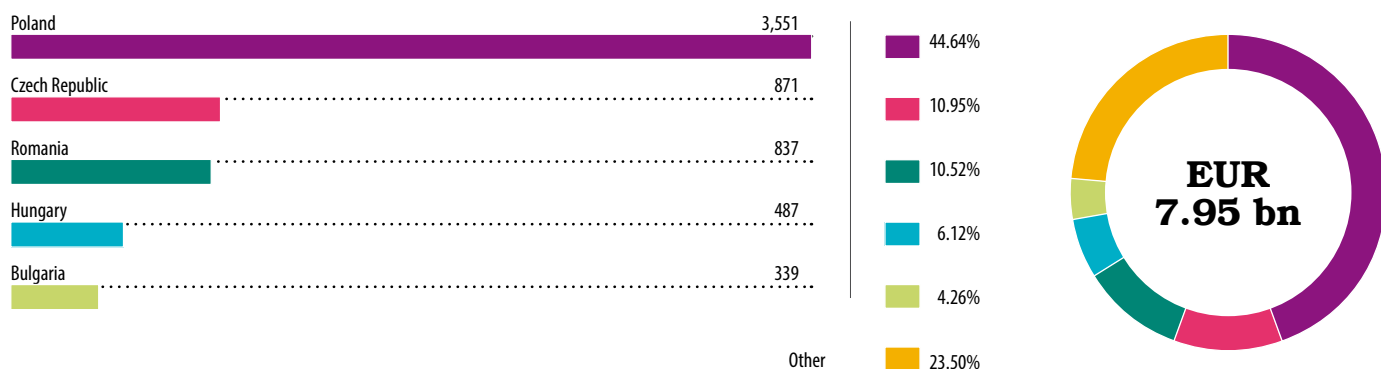
Weight of non-life GWP in total business



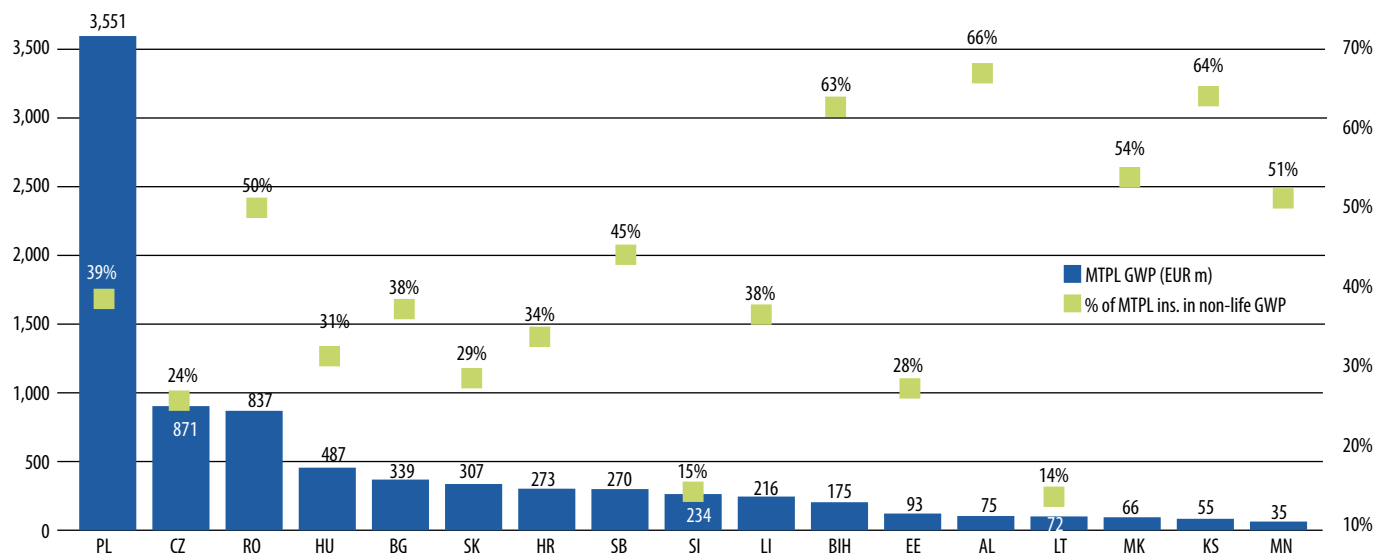
CEE - MTPL INSURANCE

Country	GWP		Change	Weight in all GWP		Share in non-life GWP		Regional market share	
	2017	2016		2017	2016	2017	2016	2017	2016
	EUR m.	EUR m.	%	%	%	%	%	%	
Albania	74.93	70.29	6.60	61.52	61.85	66.46	66.06	0.94	1.04
Bosnia & Herzegovina	174.93	163.12	7.24	50.07	50.33	62.89	63.22	2.20	2.40
Bulgaria	338.62	317.56	6.63	30.09	30.33	37.80	38.35	4.26	4.68
Croatia	272.75	270.28	0.91	22.63	23.32	33.51	34.96	3.43	3.98
Czech Republic	870.88	791.26	10.06	14.75	14.52	23.85	24.40	10.95	11.66
Estonia	93.06	79.00	17.79	21.78	20.36	27.70	26.13	1.17	1.16
Hungary	487.08	423.12	15.12	15.93	14.85	31.00	29.44	6.12	6.24
Kosovo	54.69	52.40	4.36	62.56	62.50	64.40	64.50	0.69	0.77
Latvia	71.81	53.19	34.99	11.12	9.99	14.33	13.02	0.90	0.78
Lithuania	215.65	155.96	38.27	27.21	21.97	38.42	33.68	2.71	2.30
Macedonia	66.16	62.73	5.46	45.24	44.22	53.91	51.91	0.83	0.92
Montenegro	34.77	35.23	-1.31	42.53	43.95	51.44	53.01	0.44	0.52
Poland	3,550.81	2,635.82	34.71	23.75	20.81	39.19	36.23	44.64	38.85
Romania	836.85	921.88	-9.22	39.38	44.13	49.72	53.69	10.52	13.59
Serbia	269.94	245.14	10.11	34.35	33.96	45.47	45.85	3.39	3.61
Slovak Republic	306.79	281.12	9.13	14.37	14.29	28.89	28.04	3.86	4.14
Slovenia	233.94	225.63	3.69	10.73	10.92	15.33	15.46	2.94	3.33
Total CEE	7,953.66	6,783.75	17.25	22.02	20.95	34.70	33.79	100.00	100.00

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



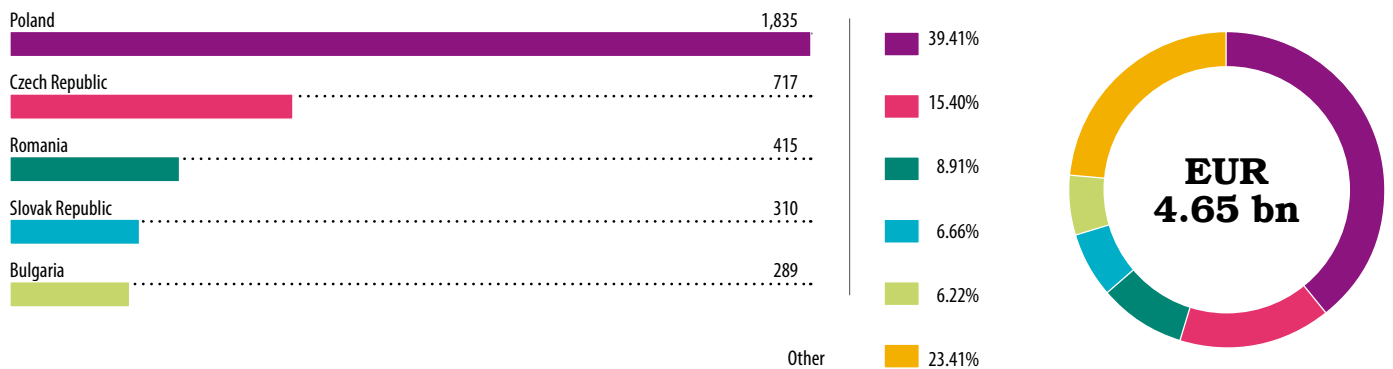
Weight of MTPL GWP in non-life business



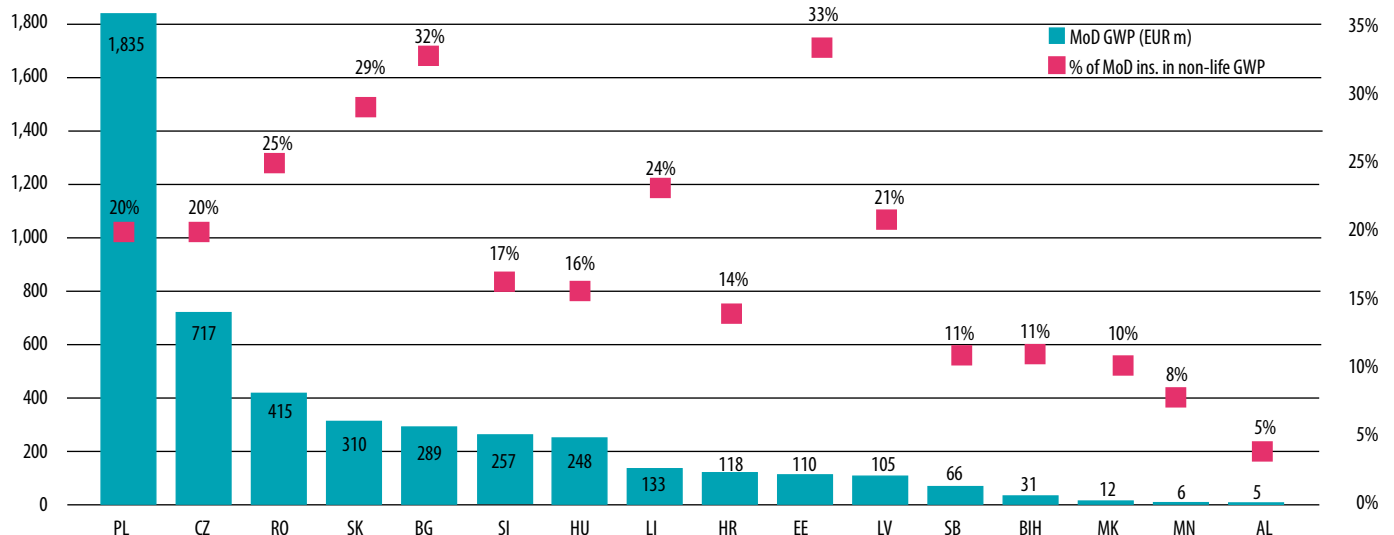
CEE - MOTOR HULL INSURANCE

Country	GWP		Change	Weight in all GWP		Share in non-life GWP		Regional market share	
	2017	2016		2017	2016	2017	2016	2017	2016
	EUR m.	EUR m.	%	%	%	%	%	%	
Albania	5.47	5.35	2.08	4.49	4.71	4.85	5.03	0.12	0.13
Bosnia & Herzegovina	30.90	29.43	5.00	8.85	9.08	11.11	11.41	0.66	0.73
Bulgaria	289.47	261.74	10.59	25.72	25.00	32.31	31.61	6.22	6.50
Croatia	117.65	106.36	10.62	9.76	9.18	14.45	13.76	2.53	2.64
Czech Republic	716.80	622.98	15.06	12.14	11.43	19.63	19.21	15.40	15.47
Estonia	109.77	101.95	7.67	25.69	26.28	32.67	33.72	2.36	2.53
Hungary	247.52	231.30	7.01	8.10	8.12	15.75	16.09	5.32	5.75
Kosovo	na	na	-	-	-	-	-	-	-
Latvia	104.63	87.30	19.85	16.20	16.40	20.89	21.36	2.25	2.17
Lithuania	133.00	112.58	18.14	16.78	15.86	23.70	24.31	2.86	2.80
Macedonia	12.30	12.34	-0.30	8.41	8.70	10.02	10.21	0.26	0.31
Montenegro	5.58	5.08	9.96	6.83	6.34	8.26	7.64	0.12	0.13
Poland	1,834.80	1,486.40	23.44	12.27	11.73	20.25	20.43	39.41	36.92
Romania	414.88	390.90	6.13	19.52	18.71	24.65	22.76	8.91	9.71
Serbia	65.77	56.02	17.41	8.37	7.76	11.08	10.48	1.41	1.39
Slovak Republic	310.07	281.64	10.10	14.52	14.32	29.20	28.09	6.66	7.00
Slovenia	257.36	234.49	9.75	11.81	11.35	16.87	16.07	5.53	5.82
Total CEE	4,655.98	4,025.86	15.65	12.89	12.43	20.31	20.05	100.00	100.00

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



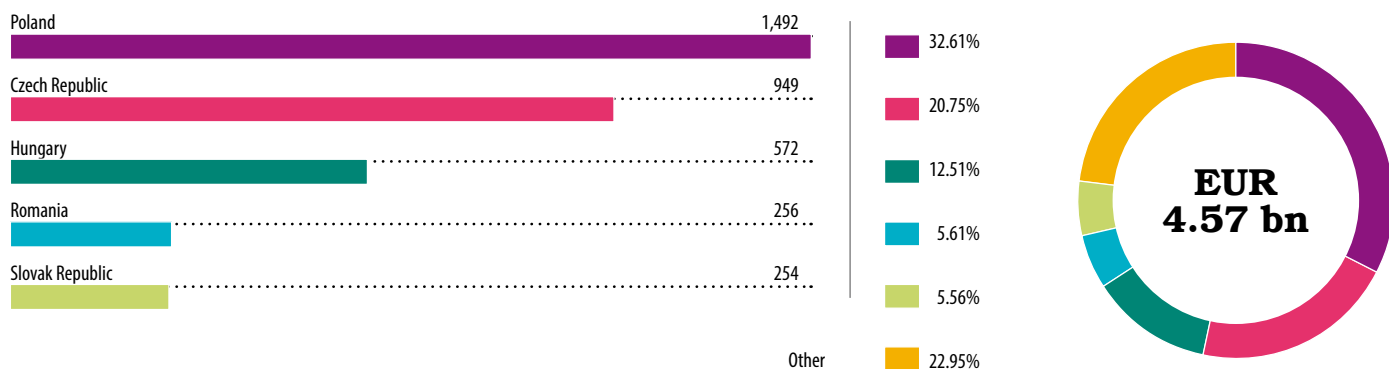
Weight of MoD GWP in non-life business



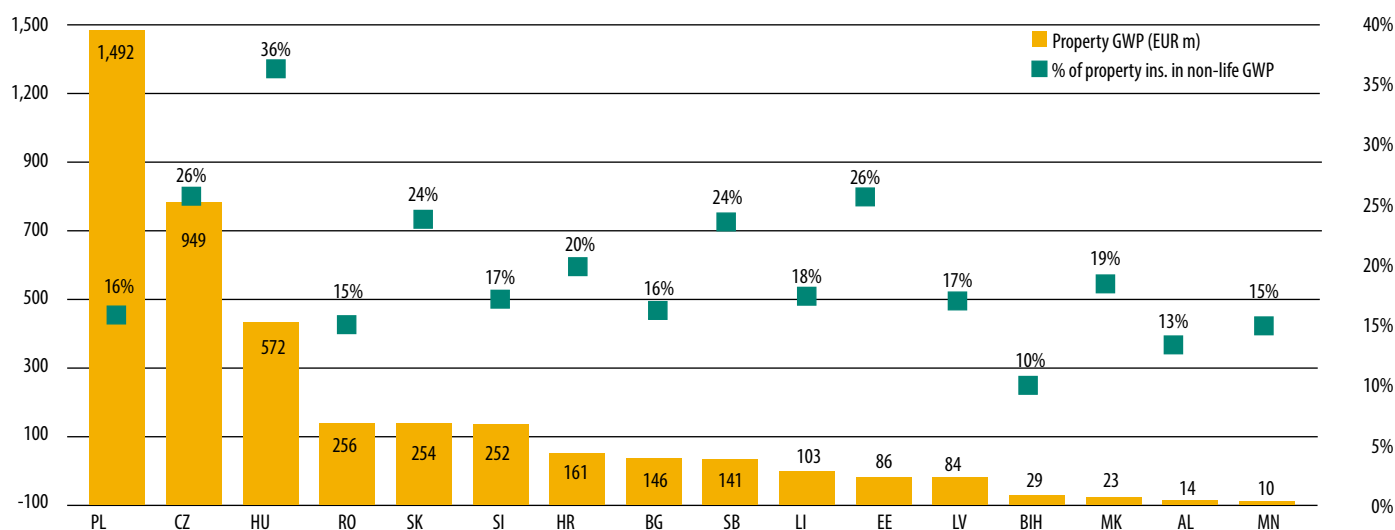
CEE - PROPERTY INSURANCE (Fire, allied perils and other damages to property, summed)

Country	GWP		Change	Weight in all GWP		Share in non-life GWP		Regional market share	
	2017 EUR m.	2016 EUR m.		%	2017 %	2016 %	2017 %	2016 %	2017 %
Albania	14.46	13.91	3.89	11.87	12.24	12.82	13.08	0.32	0.34
Bosnia & Herzegovina	28.72	27.17	5.72	8.22	8.38	10.33	10.53	0.63	0.66
Bulgaria	146.25	139.60	4.77	12.99	13.33	16.33	16.86	3.20	3.38
Croatia	160.79	153.75	4.58	13.34	13.26	19.75	19.89	3.52	3.72
Czech Republic	949.13	852.58	11.32	16.07	15.65	25.99	26.29	20.75	20.63
Estonia	85.78	79.64	7.72	20.08	20.52	25.53	26.34	1.88	1.93
Hungary	572.20	542.53	5.47	18.72	19.05	36.41	37.75	12.51	13.13
Kosovo	na	na	-	-	-	-	-	-	-
Latvia	84.24	75.61	11.41	13.04	14.20	16.81	18.50	1.84	1.83
Lithuania	103.25	97.64	5.75	13.03	13.76	18.40	21.08	2.26	2.36
Macedonia	23.36	25.29	-7.66	15.97	17.83	19.03	20.93	0.51	0.61
Montenegro	10.23	9.92	3.12	12.51	12.37	15.13	14.92	0.22	0.24
Poland	1,491.61	1,250.55	19.28	9.98	9.87	16.46	17.19	32.61	30.26
Romania	256.47	246.18	4.18	12.07	11.78	15.24	14.34	5.61	5.96
Serbia	140.65	126.33	11.34	17.90	17.50	23.69	23.63	3.08	3.06
Slovak Republic	254.38	247.42	2.81	11.91	12.58	23.96	24.68	5.56	5.99
Slovenia	251.89	244.54	3.01	11.56	11.84	16.51	16.75	5.51	5.92
Total CEE	4,573.39	4,132.64	10.67	12.66	12.76	19.95	20.58	100.00	100.00

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



Weight of property GWP in non-life business



CEE - Top 50 regional market rankings*

Life insurance

No	Company	Country	Home market ranking	GROSS WRITTEN PREMIUMS		
				2017	2016	Change
				EUR m	EUR m	%
1	PZU ŻYCIE	Poland	1	2,053.05	1,816.10	13.05
2	OPEN LIFE	Poland	2	564.42	334.04	68.97
3	AVIVA	Poland	3	450.58	437.20	3.06
4	NATIONALE-NEDERLANDEN	Poland	4	404.48	306.59	31.93
5	ČESKÁ pojišťovna	Czech Rep.	1	306.76	303.53	1.06
6	TU na ŽYCIE EUROPA	Poland	5	289.00	266.40	8.48
7	KOOPERATIVA pojišťovna	Czech Rep.	2	265.89	251.32	5.80
8	Pojišťovna České spořitelny	Czech Rep.	3	260.13	231.16	12.53
9	AXA ŽYCIE	Poland	6	252.59	247.28	2.15
10	GENERALI ŽYCIE	Poland	7	233.74	222.55	5.03
11	METLIFE	Poland	8	203.89	311.00	-34.44
12	WARTA	Poland	9	193.20	168.01	15.00
13	UNIQA TU na ŽYCIE	Poland	10	178.59	74.44	139.91
14	Zavarovalnica TRIGLAV	Slovenia	1	173.48	170.27	1.88
15	NN Asigurări de Viață	Romania	1	161.34	147.35	9.49
16	VIENNA LIFE TU na ŽYCIE VIG	Poland	11	158.74	170.74	-7.02
17	NN Životní pojišťovna	Czech Rep.	4	153.37	151.13	1.48
18	TU ALLIANZ ŽYCIE POLSKA	Poland	12	143.02	133.70	6.97
19	ČSOB Pojišťovna	Czech Rep.	5	133.35	118.57	12.47
20	COMPENSA TU na ŽYCIE VIG	Poland	13	127.88	110.20	16.05
21	PKO ŽYCIE	Poland	14	112.92	203.57	-44.53
22	GENERALI Pojišťovna	Czech Rep.	6	110.78	113.92	-2.76
23	ALLIANZ pojišťovna	Czech Rep.	7	109.58	104.54	4.82
24	AEGON TU na ŽYCIE	Poland	15	107.46	102.63	4.71
25	STUnž ERGO HESTIA	Poland	16	100.46	204.45	-50.86
26	MetLife Europe	Czech Rep.	8	88.98	80.19	10.96
27	MODRA zavarovalnica	Slovenia	2	85.78	56.52	51.77
28	Zavarovalnica SAVA	Slovenia	3	84.60	82.47	2.59
29	POLISA-ŽYCIE VIG	Poland	17	79.44	65.36	21.54
30	BCR Asigurări de Viață VIG	Romania	2	77.27	55.45	39.34
31	CPP	Czech Rep.	9	74.96	61.50	21.88
32	CARDIF POLSKA	Poland	18	71.98	59.73	20.51
33	CROATIA Osiguranje	Croatia	1	71.01	70.58	0.61
34	ALLIANZ Zagreb	Croatia	2	70.71	71.41	-0.98
35	NLB Vita	Slovenia	4	67.57	60.82	11.10
36	ADRIATIC SLOVENICA	Slovenia	5	65.22	64.18	1.61
37	PRAMERICA ŽYCIE	Poland	19	62.70	56.28	11.42
38	KOMERČNÍ pojišťovna	Czech Rep.	10	55.05	53.35	3.18
39	GENERALI Osiguranje	Serbia	1	54.37	56.47	-3.71
40	ALLIANZ Bulgaria Life	Bulgaria	1	51.43	57.52	-10.59
41	SWEDBANK Life Insurance	Lithuania	1	49.67	51.17	-2.92
42	AEGON Pojišťovna	Czech Rep.	11	48.90	48.04	1.81
43	AVIVA Lietuva	Lithuania	2	48.49	49.99	-3.00
44	BZ WBK-AVIVA	Poland	20	47.78	52.15	-8.38
45	BULSTRAD Life VIG	Bulgaria	2	44.73	38.42	16.43
46	UNIQA pojišťovna	Czech Rep.	12	43.58	41.60	4.76
47	AXA životní pojišťovna	Czech Rep.	13	42.87	41.84	2.45
48	SEB gyvybės draudimas	Lithuania	3	41.67	53.27	-21.78
49	SEB Dzīvības apdrošināšana	Latvia	1	40.91	na	-
50	ERGO Life Ins. SE	Latvia	2	40.63	na	-

Non-life insurance

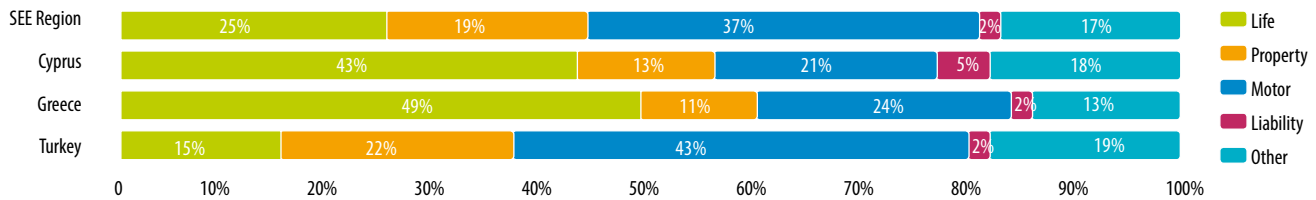
No	Company	Country	Home market ranking	GROSS WRITTEN PREMIUMS		
				2017	2016	Change
				EUR m	EUR m	%
1	PZU	Poland	1	2,984.58	2,440.59	22.29
2	STU ERGO HESTIA	Poland	2	1,303.06	968.68	34.52
3	WARTA	Poland	3	1,227.65	931.13	31.85
4	ČESKÁ pojišťovna	Czech Rep.	1	756.45	685.63	10.33
5	KOOPERATIVA pojišťovna	Czech Rep.	2	703.92	635.60	10.75
6	AXA UBEZPIECZENIA	Poland	4	447.03	204.28	118.83
7	TUIR ALLIANZ POLSKA	Poland	5	439.97	397.90	10.57
8	Zavarovalnica TRIGLAV	Slovenia	1	431.19	421.76	2.24
9	ALLIANZ pojišťovna	Czech Rep.	3	379.63	357.02	6.33
10	COMPENSA VIG	Poland	6	338.28	269.85	25.36
11	GENERALI	Poland	7	328.39	320.70	2.40
12	VZZ	Slovenia	2	284.55	275.70	3.21
13	Zavarovalnica SAVA	Slovenia	3	279.17	262.50	6.35
14	CITY Insurance	Romania	1	274.84	175.83	56.31
15	UNIQA	Poland	8	268.69	251.52	6.83
16	CROATIA Osiguranje	Croatia	1	253.35	229.60	10.35
17	Česká podnikatelská	Czech Rep.	4	244.59	219.66	11.35
18	LINK4	Poland	9	243.75	164.84	47.87
19	ADRIATIC SLOVENICA	Slovenia	4	241.65	238.34	1.39
20	ALLIANZ-ȚIRIAC	Romania	2	239.35	249.26	-3.98
21	EUROINS România	Romania	3	238.00	193.83	22.79
22	OMNIASIG VIG	Romania	4	231.77	241.21	-3.91
23	ČSOB Pojišťovna	Czech Rep.	5	227.76	192.29	18.45
24	GENERALI Pojišťovna	Czech Rep.	6	223.54	199.39	12.11
25	INTERRISK VIG	Poland	10	221.67	196.75	12.67
26	UNIQA pojišťovna	Czech Rep.	7	210.21	183.23	14.73
27	DUNAV	Serbia	1	197.24	174.43	13.08
28	GROUPAMA Asigurări	Romania	5	194.74	200.61	-2.92
29	ASIRROM VIG	Romania	6	183.80	212.78	-13.62
30	LIETUVOS draudimas	Lithuania	1	174.02	136.64	27.36
31	TUW TUW	Poland	11	167.43	150.70	11.10
32	BTA Baltic Insurance	Latvia	1	162.98	na	-
33	GOTHAER	Poland	12	149.34	139.93	6.73
34	TRIGLAV Zdravstvena	Slovenia	5	129.87	114.75	13.18
35	EUROHERC Osiguranje	Croatia	2	121.80	111.48	9.26
36	GENERALI România	Romania	7	119.67	127.75	-6.32
37	GENERALI Osiguranje	Serbia	2	112.56	104.14	8.09
38	PKO	Poland	13	108.06	82.66	30.73
39	AVIVA TU OGÓLNYCH	Poland	14	106.27	111.85	-4.99
40	BULSTRAD VIG	Bulgaria	1	105.33	97.55	7.97
41	LEV Ins	Bulgaria	2	104.65	99.95	4.71
42	ARMEEC	Bulgaria	3	99.64	93.24	6.86
43	BALCIA Insurance SE	Latvia	2	97.95	na	-
44	CONCORDIA POLSKA TUW	Poland	15	96.60	82.35	17.29
45	DZI - General insurance	Bulgaria	4	96.45	86.53	11.47
46	PZUW	Poland	16	92.08	31.14	195.71
47	EUROPA	Poland	17	91.91	67.02	37.14
48	BALTA	Latvia	3	88.21	na	-
49	ALLIANZ Bulgaria	Bulgaria	5	87.92	83.41	5.41
50	BTA Ins. Company	Lithuania	2	87.09	67.68	28.69

*Insurers from Bosnia-Herzegovina, Kosovo, Hungary and Slovak Republic were not included in presented rankings

SEE - OVERALL MARKET DATA

Country	GWP			Change	Claims			Change	Regional market share	
	2017	2016			2017	2016			2017	2016
	EUR m.	EUR m.	%		EUR m.	EUR m.	%		%	%
Cyprus	813.64	765.34	6.31	486.25	472.53	2.90	5.46	4.96		
Greece	3,785.28	3,783.52	0.05	NA	NA	-	25.42	24.50		
Turkey	10,291.29	10,893.50	-5.53	4,799.19	4,876.66	-1.59	69.11	70.54		
Total SEE	14,890.21	15,442.37	-3.58	NA	NA	-	100.00	100.00		

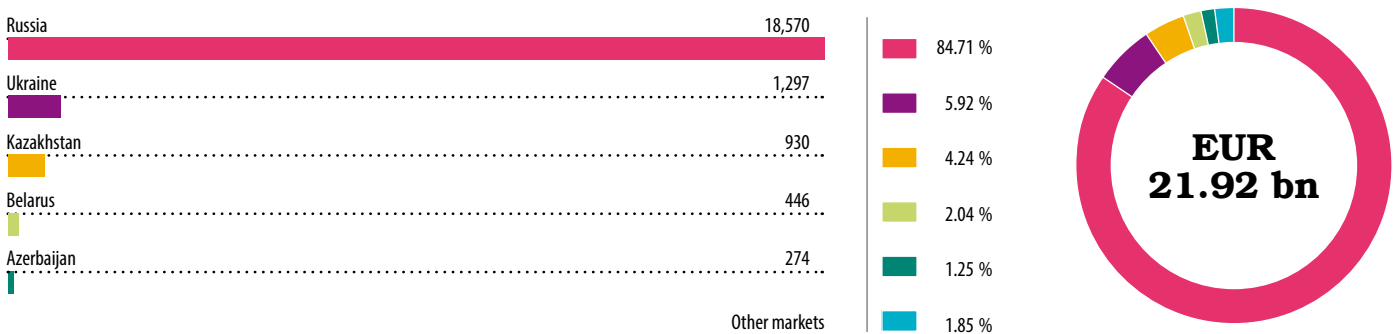
SEE GWP portfolio per countries (%)



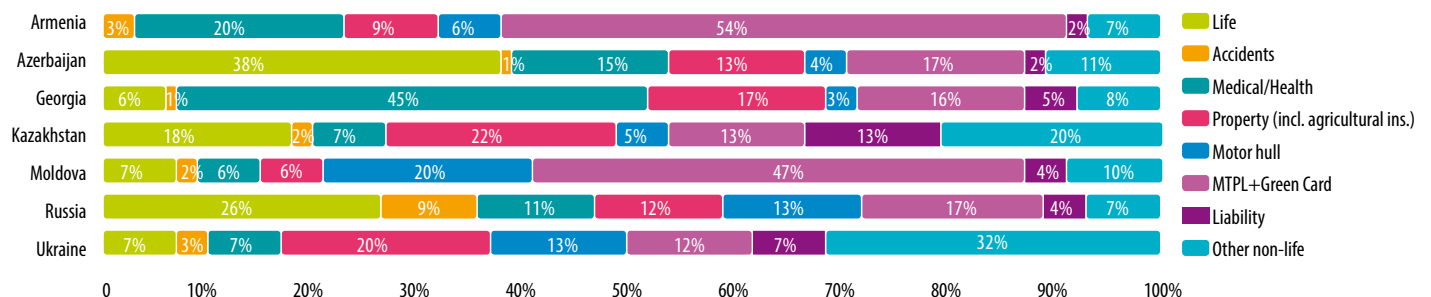
CIS - OVERALL MARKET DATA

Country	GWP			Change	Claims			Change	Regional market share	
	2017	2016			2017	2016			2017	2016
	EUR m.	EUR m.	%		EUR m.	EUR m.	%		%	%
Armenia	60.25	64.26	-6.24	30.62	27.77	10.27	0.27	0.29		
Azerbaijan	274.22	260.71	5.18	126.61	127.25	-0.50	1.25	1.19		
Belarus	446.14	483.06	-7.64	226.01	264.43	-14.53	2.04	2.20		
Georgia	142.19	140.67	1.08	80.13	82.99	-3.44	0.65	0.64		
Kazakhstan	929.55	1,012.72	-8.21	222.82	275.47	-19.11	4.24	4.61		
Kyrgyzstan	12.88	na	-	1.71	na	-	0.06	-		
Moldova	70.65	66.07	6.93	24.89	24.85	0.15	0.32	0.30		
Russia	18,569.78	18,501.98	0.37	7,401.57	7,926.37	-6.62	84.71	84.22		
Tajikistan	22.30	na	-	1.09	na	-	0.10	-		
Turkmenistan	na	na	-	na	na	-	-	-		
Ukraine	1,296.65	1,237.41	4.79	314.57	311.00	1.15	5.92	5.63		
Uzbekistan	96.36	202.56	-52.43	28.05	38.15	-26.48	0.44	0.92		
Total CIS	21,920.97	21,969.44	-0.22	8,458.08	9,078.27	-6.83	100.00	100.00		

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



CIS GWP portfolio on selected countries (%)





***YOUR LIGHTHOUSE
IN TURBULENT
OCEAN OF BUSINESS***

Albania



S&P Rating

B+ STABLE

Moody's rating

B1 STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² Bank of Albania

³ Albanian Financial Supervisory Authority (AFSA)

⁴ XPRIMM calculations

The shares of voluntary and compulsory insurance in total GWP were respectively 38.48% and 61.52%

Less than 1% of the Albanian homes are insured

The "financial and insurance activities" sectors reported the largest growth with 11.24%, INSTAT - the local statistical institute said

UNIQA units have the largest market share on all major business lines

90% of the life insurer INSIG shares were sold, for about EUR 3.5 million, to two businessmen

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	ALL billion ¹	1,350.05	1,395.31	1,427.80	1,472.79	1,565.96
	EUR billion ⁴	9.63	9.96	10.40	10.89	11.78
GDP per capita, current prices	ALL ¹	466,324.61	482,954.10	495,642.57	512,078.94	544,476.04
	EUR ⁴	3,326.14	3,446.23	3,610.45	3,786.73	4,095.34
Unemployment rate	% of total labor force ¹	16.00	17.50	17.10	15.20	13.90
Population	Millions ¹	2.90	2.89	2.88	2.88	2.88
ALL/EUR exchange rate	End of period ²	140.20	140.14	137.28	135.23	132.95
Gross written premiums	ALL million ³	8,535.48	11,624.60	14,087.70	15,367.64	16,193.68
	EUR million ⁴	60.88	82.95	102.62	113.64	121.80
Paid claims	ALL million ³	2,695.77	2,838.96	3,638.09	4,245.00	4,788.81
	EUR million ⁴	19.23	20.26	26.50	31.39	36.02
Insurance penetration degree	% in GDP ⁴	0.63%	0.83%	0.99%	1.04%	1.03%
Insurance density	EUR/capita ⁴	21.03	28.71	35.62	39.51	42.35

The Albanian GDP grew by 6.3% during 2017, according to the IMF figures, while the insurance industry growth rate was about 5.4%, Albanian FSA data shows. At the same time, INSTAT - the local statistical institute said that most of the sectors in 2017 contributed positively to the economy, except agriculture and the sector of information and communication. Moreover, the "financial and insurance activities" sectors reported the largest growth with 11.24% reflecting the good performance of these segments in the country.

In terms of GWP, the Albanian insurance industry amounted over ALL 16.19 billion (~EUR 122 million) while, the number of issued insurance contracts reached 1,261,238 showing an increase of 11.99%, of which 1,087,274 non-life contracts (7.38% more y-o-y) and 173,917 life policies (+53.08%).

It is worth mentioning the low penetration degree of the property insurance contracts (less than 1% of the Albanian homes being insured). Thus, the number of issued contracts in insurance against Fire and Natural Forces portfolio during 2017 was of

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET**	121.80	113.64	7.18	36.02	31.39	14.75	100.00	100.00
TOTAL LIFE	9.06	7.23	25.27	1.98	1.35	47.10	7.44	6.36
TOTAL NON-LIFE	112.13	105.79	5.99	34.04	30.04	13.29	92.06	93.09
Accidents insurance	4.05	3.17	27.48	1.15	0.44	160.59	3.32	2.79
Health insurance	4.90	5.30	-7.58	4.71	3.02	56.32	4.02	4.67
Overall property insurance	14.46	13.91	3.89	4.74	6.44	-26.46	11.87	12.24
Fire and allied perils	10.65	10.11	5.36	1.43	2.10	-32.01	8.75	8.90
Damages to property	3.80	3.80	-0.01	3.31	4.35	-23.78	3.12	3.35
Overall motor insurance	80.40	75.65	6.28	22.96	19.29	19.04	66.01	66.57
Motor Hull	5.47	5.35	2.08	4.00	2.96	35.14	4.49	4.71
MTPL	74.93	70.29	6.60	18.96	16.33	16.12	61.52	61.85
- DMTP	58.73	54.51	7.73	13.75	12.44	10.59	48.22	47.97
- Green Card	11.86	11.17	6.18	4.94	3.45	43.04	9.73	9.83
- Border	4.35	4.61	-5.68	0.27	0.44	-38.32	3.57	4.06
Goods in transit	0.28	0.31	-7.62	0.03	0.04	-11.44	0.23	0.27
GTPL	2.94	3.23	-9.07	0.16	0.61	-74	2.41	2.85
Suretyship	1.88	1.77	6.61	0.26	0.21	20.91	1.55	1.55
Other non-life insurance	3.22	2.44	31.72	0.03	-	-	2.64	2.15
REINSURANCE ACCEPTED	0.61	0.62	-1.01	-	-	-	0.50	0.55
PAID CLAIMS FOR COMPENSATION FUND	-	-	-	5.46	3.82	42.78	-	-

** EXCEPT the Paid Claims for Compensation Fund

1 EUR = 132.95 Lek - ALL (December 31st, 2017)

1 EUR = 135.23 Lek - ALL (December 31st, 2016)

only 39,801 (vs. 43,240 in 2016). According to INSTAT, the number of Albanian households totaled 722,262, following the 2011 census. In fact, following the massive floods that hit Albania's territory last autumn, the country's Prime Minister Edi RAMA announced the Government will undertake a legal initiative to insure households and businesses against this risk. The initiative aims to provide cover for flood-related damages to businesses and households and serve as a mechanism that would reduce the country's significant fiscal exposure to disasters, RAMA said.

The local insurance market continued to be dominated by non-life segment, with a 92.06% share of the total premium volume, while shares of voluntary and compulsory insurance in total GWP were respectively 38.48% and 61.52%.

The total of paid claims during year 2017 was about ALL 5.51 billion (~EUR 41.50 million) or 15.80% more y-o-y. Excluding the value of paid claims for Compensation Fund, local insurers paid life and non-life claims and indemnities worth ALL 4.78 billion (EUR 36 million). Most of the gross paid claims were related to motor insurance classes, about 55.36% of total (including the value of paid claims for Compensation Fund).

Per business lines, the largest insurers in the country were the two local subsidiaries of Austrian UNIQA. Thus, in terms of GWP, SIGAL LIFE UNIQA was the top life insurer (61.4% market share), while SIGAL UNIQA ranked first in the non-life insurance ranking - 26.3% market share. It is worth to mention that the local unit of UNIQA is the largest property insurer (39.4% market share), the largest motor insurer (21.9%), or the largest A&H (accidents and health) insurer (33.5%).

Referring to the market insurers' status over the past few months, one should take note of the sale of 90% of the life insurer INSIG shares – a wholly owned subsidiary of local insurer EUROSIG – for about EUR 3.5 million, to two Albanian entrepreneurs (45% each of them): Samir MANE (president and owner of one of Albania's largest private investment groups, BALFIN) and Shefqet KASTRATI (owner and president of the KASTRATI Group, a company active in trading, storage and retail of petroleum).

(V.B.)

Albania

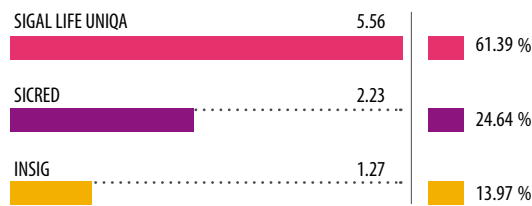
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Full market rankings per company & per class

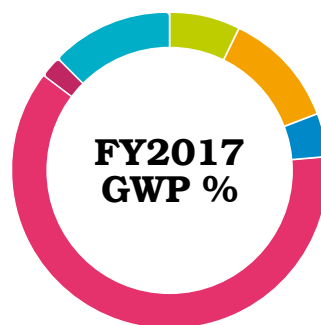
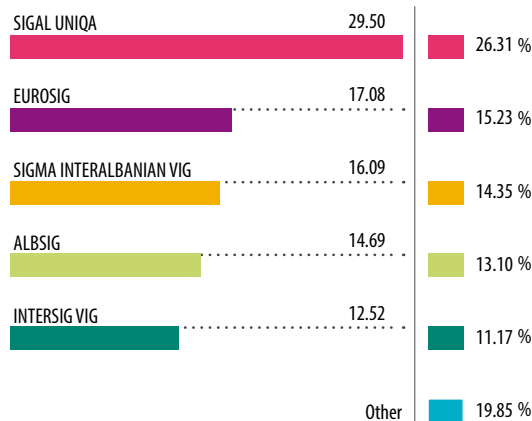
MSEcel format * in EUR and local currency



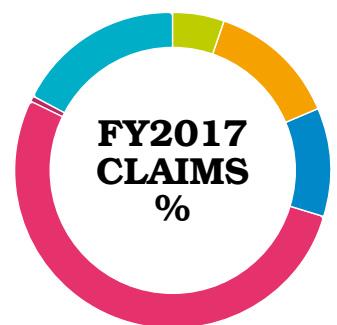
Life insurance ranking (GWP, EUR m)



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



Life	7.44
Property	11.87
Motor Hull	4.49
MTPL	61.52
GTPL	2.41
Other	12.27



Life	5.51
Property	13.16
Motor Hull	11.11
MTPL	52.64
GTPL	0.44
Other	17.15

Bosnia and Herzegovina



S&P Rating
B STABLE

Moody's rating
B3 STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² Central Bank of Bosnia and Herzegovina

³ AZOBIH - Insurance Agency of Bosnia and Herzegovina

⁴ XPRIMM calculations

🌸 The share of RS insurance market exceeds 30% of total BiH market

🌸 There were active 27 insurers, of which 13 – FbiH-based insurers

🌸 Gradual liberalization of the MTPL market in FbiH approved by the House of Representatives

🌸 The last six months were very active in terms of acquisitions

🌸 FbiH based UNIQA osiguranje was the largest insurer in the country, while the largest RS insurer was WIENER Osiguranje (ranked 8th)

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	BAM billion ¹	26.74	27.30	28.59	29.90	31.28
	EUR billion ⁴	13.67	13.96	14.62	15.29	15.99
GDP per capita, current prices	BAM ¹	7,418.33	7,656.86	8,084.31	8,501.74	8,918.69
	EUR ⁴	3,792.93	3,914.89	4,133.44	4,346.87	4,560.05
Unemployment rate	% of total labor force ¹	27.50	27.50	27.70	25.40	20.50
Population	Millions ¹	3.61	3.57	3.54	3.52	3.51
BAM/EUR exchange rate	fixed ²	1.96	1.96	1.96	1.96	1.96
Gross written premiums	BAM million ³	527.03	562.12	595.80	633.94	683.23
	EUR million ⁴	269.47	287.41	304.63	324.13	349.33
Paid claims	BAM million ³	201.03	249.61	252.92	245.69	265.66
	EUR million ⁴	102.79	127.62	129.32	125.62	135.83
Insurance penetration degree	% in GDP ⁴	1.97%	2.06%	2.08%	2.12%	2.18%
Insurance density	EUR/capita ⁴	74.75	80.60	86.15	92.16	99.61

Last year, the aggregate GWP of the 27 Bosnian insurers increased by 7.77% y-o-y, to BAM 683.23 million (EUR 349.33 million), as data from the local insurance agency - AZOBIH show.

The GWP portfolio consisted of about 20.38% - life insurance, the equivalent

of EUR 71.20 million, of which EUR 59.33 million - generated by FbiH life insurers and about EUR 11.86 million - by RS life insurers. From the non-life subclasses, 8.22% of GWP corresponded to the property lines and 58.92% to motor insurance (Motor Hull and MTPL, summed)

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	349.33	324.13	7.77	135.83	125.62	8.13	100.00	100.00
TOTAL LIFE	71.20	66.09	7.72	28.62	24.14	18.58	20.38	20.39
TOTAL NON-LIFE	278.13	258.04	7.79	107.20	101.48	5.64	79.62	79.61
Accidents	24.67	21.70	13.71	10.51	11.16	-5.87	7.06	6.69
Health	5.02	4.09	22.72	1.75	1.54	13.75	1.44	1.26
Goods in transit	2.06	1.91	7.77	0.58	0.09	545.75	0.59	0.59
Overall property insurance	28.72	27.17	5.72	13.53	12.05	12.28	8.22	8.38
Fire and allied perils	15.67	13.30	17.81	8.91	4.17	113.74	4.49	4.10
Damages to property	13.05	13.86	-5.88	4.62	7.88	-41.37	3.73	4.28
Overall motor insurance	205.83	192.56	6.89	79.44	75.48	5.25	58.92	59.41
Motor Hull	30.90	29.43	5.00	22.87	21.61	5.81	8.85	9.08
MTPL	174.93	163.12	7.24	56.57	53.86	5.02	50.07	50.33
GTPL	3.98	3.74	6.17	0.71	0.77	-8.23	1.14	1.16
Credit Insurance	5.96	5.31	12.26	0.49	0.23	116.68	1.70	1.64
Suretyship	0.12	0.11	6.61	0.09	0.02	464.52	0.03	0.04
Financial loss	1.23	1.24	-0.71	0.06	0.14	-53.23	0.35	0.38
Travel	0.49	0.15	231.37	0.04	0.00	984.53	0.14	0.05
Other non-life insurance	0.04	0.05	-21.11	0.00	0.01	-98.44	0.01	0.02
FbiH insurers								
TOTAL FbiH insurers	243.04	228.32	6.45	103.31	94.26	9.60	69.57	70.44
Life	59.33	55.42	7.05	24.65	20.24	21.81	16.99	17.10
Non-Life	183.70	172.89	6.25	78.66	74.02	6.26	52.59	53.34
RS insurers								
TOTAL RS insurers	106.29	95.81	10.94	32.51	31.36	3.69	30.43	29.56
Life	11.86	10.67	11.20	3.97	3.90	1.81	3.40	3.29
Non-Life	94.43	85.14	10.91	28.55	27.46	3.95	27.03	26.27

1 EUR = 1.95583 Convertible marks - BAM (fixed)

- the equivalent of EUR 205.83 million.

Overall, the value of GWP of the 13 companies operating in the Federation of Bosnia and Herzegovina (FBiH) increased by 6.45% to EUR 243.04 million. At the same time, in Republika Srpska (RS), the 14 insurance companies generated about EUR 106.29 million, up by 10.94% y-o-y.

In terms of legislative changes, at the beginning of April, the House of Representatives of the Parliament of FBiH has approved the new law on compulsory MTPL, taking thus a big step towards a free MTPL market.

The new law provides for a two-phase liberalization of the MTPL market: a six years period of transition during which prices will be free determined against an officially established market benchmark, followed by the total liberalization, reported osiguranje.hr.

A similar Law was already adopted in 2015 by Republika Srpska, meaning that the Parliament's decision will also provide for the harmonization of the rules within the single insurance market of Bosnia & Herzegovina.

The new Law should also put an end to some current market practices driven by the competitive environment, as the unauthorized discounts offered in different forms to potential customers (payment of technical inspection to insured persons, issuing fuel bills, cash withdrawals via cashier on various grounds etc.) in order to get extra market share. Such practices are increase the insurers' operating costs, weakening their financial position and ability to pay claims.

There is an awareness of need to align with EU legal regulation, especially in those insurance companies whose "mothers" are already in the EU (Austria, Slovenia, Croatia). On the other hand, there is also the awareness that the insurance market is at a very low level of development. It seems that insurers are dealing with issue of applying the new law on insurance (in Federation of B&H) and with greater capital requirements, and especially preparation for the process of liberalization of MTPL market - which takes 60% of the non-life premium on the B&H level and even a bigger percentage on the entity levels, said Ermin CENGIC, Secretary General, Association of Insurance Companies in the FBiH.

The period was very active in terms of acquisitions. The Austrian insurer GRAWE, which previously owned an 87.6% in

Bosnia and Herzegovina

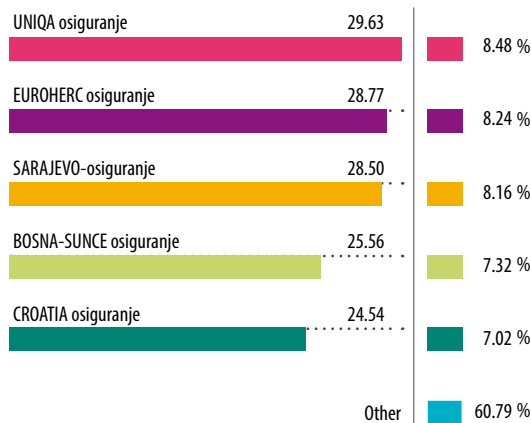
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Full market rankings

MSExcel format * in EUR and local currency



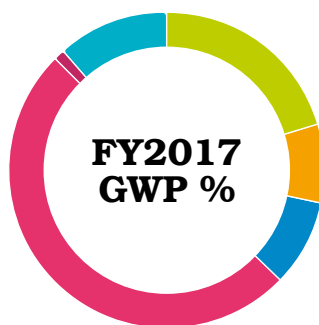
Top 5 Total market (GWP, EUR m)



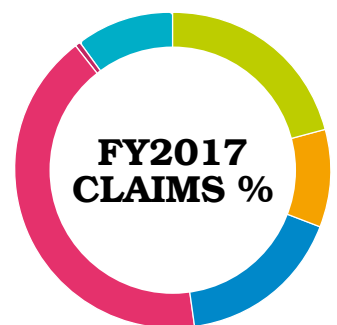
Federation-based VGT Osiguranje, acquired the remaining 12.4%. At the same time, at the beginning of this February, VIENNA Insurance Group closed the acquisition of the local unit of MERKUR International Holding AG, while Bosnia's Competition Council approved the acquisition of a majority shareholding interest in local insurer ZOVKO Osiguranje by its peer BOSNA SUNCE Osiguranje.

According to the presented figures, the local units of Austrian groups lead the markets of the two entities, thus the FBiH based UNIQA osiguranje was the largest insurer in the country (in the FBiH region too), while the largest RS insurer was WIENER Osiguranje, a unit of Austrian VIG: GWP of EUR 17.99 million, market share of 5.15%, ranked 8th at the country level.

(V.B.)



Life	20.38
Property	8.22
Motor Hull	8.85
MTPL	50.07
GTPL	1.14
Other	11.34



Life	21.07
Property	9.96
Motor Hull	16.84
MTPL	41.65
GTPL	0.52
Other	9.96

Bulgaria



S&P Rating
BBB-, STABLE

Moody's rating
BAA2, STABLE

Fitch Rating
BBB, STABLE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² Bulgarian National Bank

³ The Financial Supervision Commission of Bulgaria (FSC)

⁴ XPRIMM calculations

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	BGN billion ¹	82.17	83.63	88.57	94.13	98.63
	EUR billion ⁴	42.01	42.76	45.29	48.13	50.43
GDP per capita, current prices	BGN ¹	11,340.02	11,612.33	12,381.05	13,254.26	13,967.69
	EUR ⁴	5,798.06	5,937.29	6,330.33	6,776.80	7,141.57
Unemployment rate	% of total labor force ¹	13.04	11.52	9.23	7.67	6.23
Population	Millions ¹	7.25	7.20	7.15	7.10	7.06
BGN/EUR exchange rate	fixed ²	1.96	1.96	1.96	1.96	1.96
Gross written premiums	BGN million ³	1,729.41	1,774.74	1,964.32	2,047.74	2,201.29
	EUR million ⁴	884.24	907.41	1,004.34	1,046.99	1,125.50
Paid claims	BGN million ³	847.69	965.29	1,027.34	991.47	1,039.57
	EUR million ⁴	433.42	493.54	525.27	506.93	531.52
Insurance penetration degree	% in GDP ⁴	2.10%	2.12%	2.22%	2.18%	2.23%
Insurance density	EUR/capita ⁴	122.03	125.99	140.39	147.42	159.40

Bulgarian insurers ended 2017 with a 7.50% y-o-y growth-rate in GWP, to BGN 2.20 billion (EUR 1.12 billion), while the aggregate value of net profit decreased by 4.80% y-o-y to BGN 102.83 million (~ EUR 52.58 million), according to the Bulgarian FSA preliminary figures.

Non-life insurers ended the year with an aggregate net profit of BGN 74.17 million (EUR 37.92 million) vs. BGN 77.57 million (EUR 39.66 million) in 2016 (consolidated data). Of the total 26 non-life insurers, the largest profits were reported by ENERGIA (EUR 7.76 million), DZI General Insurance

(EUR 6.38 million) and ALLIANZ Bulgaria (EUR 5.66 million), while the largest loss was reported by UNIQA Insurance (EUR-1.21 million).

On the life insurance side, the Bulgarian insurance market closed the year with an aggregated profit after tax amounting to BGN 28.66 million (EUR 14.65 million) vs. BGN 30.45 million (EUR 15.57 million) a year before. Of 13 active life insurers, only one company ended the year "in red" (EUROINS Life Insurance, net loss of EUR 0.19 million), while the top 3 most profitable life insurers were DZI Life

🌸 Insurers' profits decreased by 4.8% y-o-y, to EUR 52.6 million

🌸 The assets managed by local insurers increased to BGN 7.30 billion

🌸 Belgian KBC has fully acquired UBB-MetLife Life Insurance Company

🌸 ENERGIA (EUR 7.76 million) was the most profitable non-life insurer, while DZI Life Insurance (EUR 4.39 million) has reported the largest profit of all life insurers

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	1,125.50	1,046.99	7.50	531.52	506.93	4.85	100.00	100.00
TOTAL LIFE	229.68	218.88	4.93	94.32	87.65	7.62	20.41	20.91
Life ins. and annuities	145.48	146.32	-0.57	71.56	64.94	10.20	12.93	13.98
Unit-linked	35.70	29.81	19.74	8.44	11.05	-23.56	3.17	2.85
Marriage and birth	4.79	5.21	-8.17	2.08	1.86	12.09	0.43	0.50
Supplementary insurance	10.71	9.36	14.44	2.40	2.08	14.89	0.95	0.89
Other life insurance	33.01	28.18	17.13	9.84	7.72	27.47	2.93	2.69
TOTAL NON-LIFE	895.83	828.12	8.18	437.20	419.28	4.27	79.59	79.09
Accidents insurance	19.50	16.23	20.16	5.72	5.11	11.94	1.73	1.55
Health	26.45	22.76	16.18	15.46	15.44	0.13	2.35	2.17
Railway, aircraft and ships	8.70	9.15	-4.91	2.47	2.77	-10.91	0.77	0.87
Goods in transit	10.83	9.31	16.42	2.21	1.60	38.22	0.96	0.89
Overall property insurance	146.25	139.60	4.77	38.77	40.17	-3.49	12.99	13.33
Fire and allied perils	135.37	123.98	9.19	36.68	36.66	0.06	12.03	11.84
Damages to property	10.89	15.62	-30.30	2.09	3.51	-40.55	0.97	1.49
Overall motor insurance	628.09	579.30	8.42	362.39	344.57	5.17	55.80	55.33
Motor Hull	289.47	261.74	10.59	154.36	156.16	-1.16	25.72	25.00
MTP/L	338.62	317.56	6.63	208.04	188.40	10.42	30.09	30.33
Carriers' liability (air and sea)	3.59	3.43	4.69	0.54	0.01	5,893.84	0.32	0.33
GTPL	21.36	20.57	3.88	4.77	3.10	53.53	1.90	1.96
Credit insurance	8.14	9.96	-18.25	0.15	0.03	373.61	0.72	0.95
Financial loss	9.04	4.87	85.54	0.54	0.94	-42.23	0.80	0.47
Travel	10.78	9.76	10.39	3.18	3.15	0.94	0.96	0.93
Other non-life insurance	3.09	3.18	-2.70	1.00	2.39	-58.32	0.27	0.30

1 EUR = 1.95583 Leva, BGN (fixed)

Insurance (EUR 4.39 million), ALLIANZ Bulgaria Life (EUR 3.69 million) and UBB-MetLife (EUR 2.09 million).

At the same time, the assets managed by local insurers increased to BGN 7.30 billion (about EUR 3.7 billion) at the end of 2017, up by 10.3% y-o-y, the country's Central Bank announced. The assets of non-life insurers grew by 9.9% y-o-y to BGN 5.26 billion (72.1% of the total), while the assets managed by life companies increased by 11.1% y-o-y to BGN 2.03 billion (the remaining 27.9%). Securities other than shares formed 51.5% of the insurers' assets, shares accounted for 12.9% while claims from insurance operations constituted 10.3%. Assets invested in other EU member states grew by 12.1% y-o-y, reaching BGN 3.31 billion representing 45.4% of total assets vs. 44.6% at end-2016.

In terms of GWP, life insurance market totaled BGN 449.21 million (EUR 229.68 million) or 4.93% more y-o-y due the increase of unit-linked segment by more than 19.74%. ALLIANZ Bulgaria Life, BULSTRAD Life VIG and UNIQA Life were the Top 3 life insurance market leaders, with an aggregate market share of 58.96% of the total life GWP.

The non-life insurance sector generated 79.59% of the total insurance market, the equivalent of BGN 1.75 billion (EUR 895.83 million), up by 8.18% y-o-y. BULSTRAD VIG, LEV INS and ARMEEC were the Top 3 non-life insurers in the country, accounting together 34.56% of this segment.

Last months of 2017 have been marked by a series of acquisitions, mergers, or suspended licenses. Thus, at the end of March, Belgian financial group KBC said it has completed the acquisition, through its local subsidiary DZI Insurance, of MetLife's 40% stake in UBB-MetLife Life Insurance Company, a life insurance joint venture between United Bulgarian Bank (UBB) and MetLife (UBB-MetLife). Earlier in 2017, as part of KBC's acquisition of UBB and Interlease, KBC through UBB acquired 60% of UBB-MetLife.

During the period, Bulgaria's FSC has granted approval to Sofia-based "Life Insurance Institute" to absorb local peer "Health Insurance Institute", while at year-end it revoked the license of the life insurer SyVZK. At the same time, in November 2017, FSC approved the merger through absorption between SAGLASIE and Sofia-based TOKUDA Health Insurance.

(V.B.)

Bulgaria

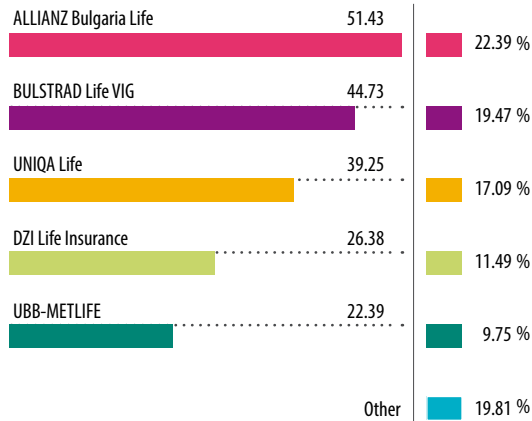
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Full market rankings per company & per class

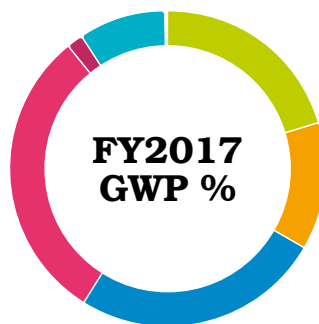
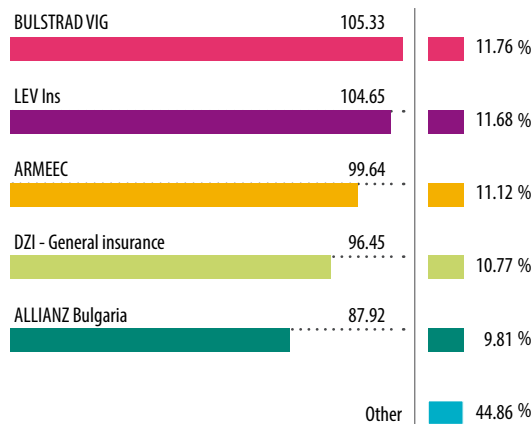
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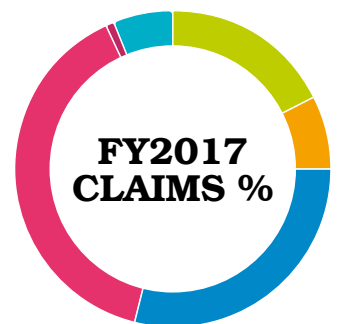
TOP 5 Life insurance (GWP, EUR million)



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



Life	20.41
Property	12.99
Motor Hull	25.72
MTPL	30.09
GTPL	1.90
Other	8.90



Life	17.75
Property	7.29
Motor Hull	29.04
MTPL	39.14
GTPL	0.90
Other	5.88

Croatia



S&P Rating
BB+ , STABLE

Moody's rating
BA2 STABLE

Fitch Rating
BB+, STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² Croatian National Bank

³ Croatian Insurance Bureau

⁴ XPRIMM calculations



Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	HRK billion ¹	331.37	331.27	338.97	349.41	363.55
	EUR billion ⁴	43.39	43.24	44.40	46.23	48.38
GDP per capita, current prices	HRK ¹	77,860.43	78,165.41	80,630.83	83,786.13	87,613.94
	EUR ⁴	10,194.30	10,202.40	10,560.62	11,086.07	11,660.64
Unemployment rate	% of total labor force ¹	19.81	19.28	17.07	14.81	12.19
Population	Millions ¹	4.26	4.24	4.20	4.17	4.15
HRK/EUR exchange rate	End of period ²	7.64	7.66	7.64	7.56	7.51
Gross written premiums	HRK million ³	9,075.65	8,559.95	8,723.51	8,760.18	9,055.86
	EUR million ⁴	1,188.28	1,117.27	1,142.56	1,159.09	1,205.26
Paid claims	HRK million ³	4,672.41	4,408.94	4,589.38	4,757.94	5,113.38
	EUR million ⁴	611.76	575.47	601.09	629.54	680.55
Insurance penetration degree	% in GDP ⁴	2.74%	2.58%	2.57%	2.51%	2.49%
Insurance density	EUR/capita ⁴	279.20	263.63	271.78	277.96	290.49

The aggregate GWP of Croatian insurers increased to HRK 9.05 billion (EUR 1.20 billion) in 2017, up by 3.38% y-o-y, as official data show. In addition to this volume, two branches of Slovene insurers operating on FoS (ADRIATIC Slovenica and SAVA Osiguranje) have written gross premiums worth HRK 132.28 million. (EUR 17.5 million).

The year-end results published by the Croatian Insurance Bureau reveal that GWP from non-life insurance rose by 4.68% y-o-y to HRK 6.11 billion, while the life insurance segment totaled HRK 2.94 billion, up by 0.76% y-o-y.

In the non-life sector, the two motor subsegments (MTPL and Motor Hull) and property products (fire, allied perils and other damages to property, summed) - generate together about 68% of non-life GWP or more than 45% of total market.

The motor insurance lines recorded mixed trends: while on the MTPL side there was almost no change as compared with 2016 - neither in GWP or number of policies terms -, the Motor Hull line saw a 10.6% y-o-y growth in GWP despite the decreasing number of contracts (about 58.3 thousand policies less, or almost 9%). Most probable, the increasing number

Motor Hull line saw a 10.6% y-o-y growth in GWP despite the decreasing number of contracts

The "fire and allied insurance" line saw a 7.7% y-o-y increase in GWP, while the total number of contract went up by some 61.4 thousand units or 11%

That the density of property insurance in the country is of EUR 40/ capita

CROATIA Osiguranje (CO) was the most active player on the M&A field

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	1,205.26	1,159.09	3.98	680.55	629.54	8.10	100.00	100.00
TOTAL LIFE	391.31	386.09	1.35	273.12	241.79	12.96	32.47	33.31
Life insurance	295.41	296.78	-0.46	246.78	219.43	12.46	24.51	25.60
Supplementary insurance	18.00	18.72	-3.85	2.67	2.87	-6.90	1.49	1.62
Unit-linked	73.41	64.17	14.39	20.03	16.11	24.34	6.09	5.54
Other life insurance	4.49	6.42	-30.09	3.64	3.38	7.67	0.37	0.55
TOTAL NON-LIFE	813.94	773.00	5.30	407.43	387.75	5.07	67.53	66.69
Accident insurance	60.67	62.88	-3.52	13.61	15.13	-10.01	5.03	5.42
Health insurance	64.93	54.13	19.96	33.32	33.59	-0.81	5.39	4.67
Goods in transit	4.32	4.55	-4.97	4.31	1.64	162.15	0.36	0.39
Overall property insurance	160.79	153.75	4.58	81.03	81.26	-0.28	13.34	13.26
Fire and allied perils	82.03	76.13	7.74	27.73	26.08	6.30	6.81	6.57
Damages to property	78.76	77.61	1.47	53.30	55.17	-3.39	6.53	6.70
Overall motor insurance	390.39	376.63	3.65	228.36	215.38	6.03	32.39	32.49
Motor Hull	117.65	106.36	10.62	79.95	75.48	5.92	9.76	9.18
MTPL	272.75	270.28	0.91	148.41	139.89	6.09	22.63	23.32
GTPL	49.53	45.80	8.14	18.67	17.14	8.91	4.11	3.95
Marine insurance (hull)	19.79	18.72	5.74	16.82	10.48	60.49	1.64	1.61
Marine liability	5.11	5.76	-11.20	1.68	2.28	-26.17	0.42	0.50
Credit insurance	25.87	20.16	28.32	-2.08	-0.22	851.24	2.15	1.74
Financial loss insurance	15.15	16.17	-6.35	5.84	4.76	22.58	1.26	1.40
Travel insurance	12.70	10.22	24.29	4.28	3.67	16.53	1.05	0.88
Other non-life insurance	4.70	4.25	10.64	1.59	2.64	-39.93	0.39	0.37

¹ EUR = 7.513648 Kuna - HRK (December 31st, 2017)

¹ EUR = 7.557787 Kuna - HRK (December 31st, 2016)

of cars registration contributed to the increasing GWP (passenger cars: 50.4 thousand; +17.2 y-o-y; commercial vehicles: 9,956; +2.6%) by increasing the number of new and more expensive cars in the national fleet.

On the property insurance segment, the "fire and allied insurance" line saw a 7.7% y-o-y increase in GWP, while the total number of contracts went up by some 61.4 thousand units or 11%. Yet, Croatia is still suffering from underinsurance of the NatCat risks. According to data provided by Munich Re's NatCat Service to the EEA, the annual average impact of the NatCat losses on the Croatian GDP was of about 0.2%, double as compared with the European average.

The Croatian Insurance Bureau said that the density of property insurance in the country is of EUR 40/capita, while the EU average expense for property insurance is of EUR 150.

It is worth noting yet that throughout the year a number of changes were announced, although not all of them resulted in finalized operations up to this moment. CROATIA Osiguranje (CO) was the most active player in this respect. In April, the company announced the completion of its takeover of local reinsurance entity Croatia Lloyd, an acquisition enabling the Croatian market leader to expand into the reinsurance segment. In May, CO announced it has concluded a purchase agreement for the acquisition of CARDIF Osiguranje insurance company from BNP PARIBAS (0.4% market share in Croatia). In June, HANFA - the Croatian Financial Services Supervisory Agency has approved the merger through absorption between CO and its private health insurance unit - CROATIA zdravstveno osiguranje (3.5% market share). Yet, CO's intention to increase its ownership into the Slovenian SAVA Re, seem to be still "on hold", as the legal actions taken to overcome the Slovenian market watchdog opposition to this action did not end.

One should also note that in the beginning of 2018 this trend continued: SAVA Re took over the two Croatian units of ERGO, while broker RENOMIA strengthened its position on the Croatian market by acquiring a stake in DPS International. Finally, the merger the VIG units, WIENER and ERSTE got the official approval.

(D.G.)

Croatia

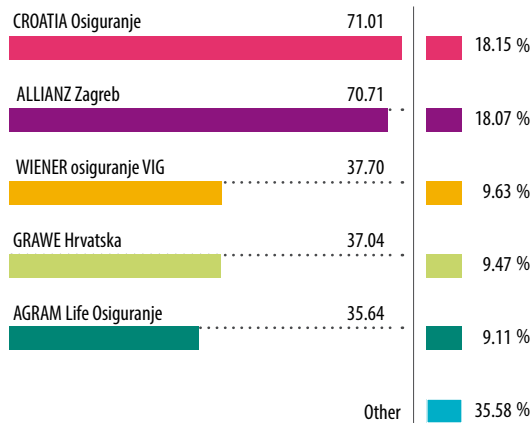
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Full market rankings per company & per class

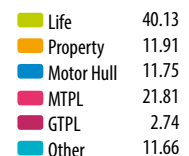
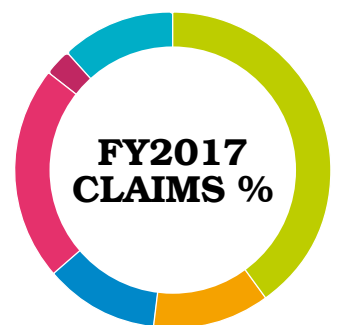
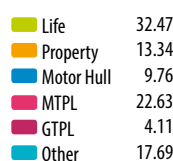
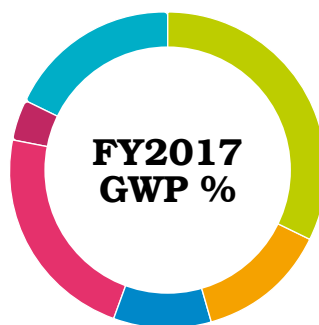
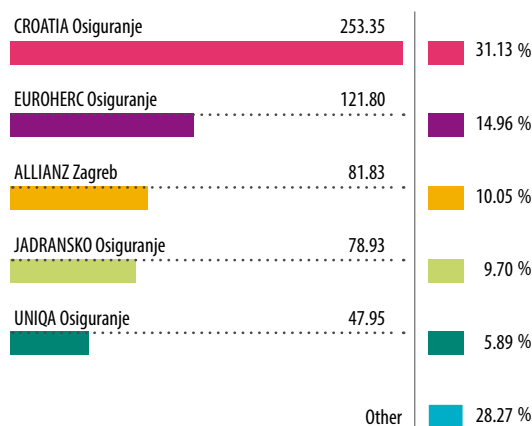
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TOP 5 Life insurance (GWP, EUR million)



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



Czech Republic



S&P Rating
AA-, STABLE

Moody's rating
A1 STABLE

Fitch Rating
A+, POSITIVE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² Czech Insurance Association (CAP) & Czech National Bank (CNB)

³ XPRIMM calculations

Non-life life claims saw a 7% increase, mostly because of the losses produced by the extreme weather events that hit Czechia in the second half of 2017 (18.4% increase in the claims paid for property insurance)

Czech insurers paid claims worth about CZK 1.45 billion after Herwart storm, the event becoming thus the second largest in Czechia in insured losses terms, after Kirill (2007)

The aggregated profit before taxation of the Czech market amounted to CZK 10.6 million

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	CZK billion ¹	4,098.13	4,313.79	4,595.78	4,773.24	5,042.87
	EUR billion ³	149.43	155.59	170.06	176.66	197.45
GDP per capita, current prices	CZK ¹	389,699.44	410,351.70	436,103.92	452,275.06	476,695.13
	EUR ³	14,209.64	14,800.78	16,137.06	16,738.53	18,664.65
Unemployment rate	% of total labor force ¹	6.94	6.10	5.04	3.95	2.89
Population	Millions ¹	10.52	10.51	10.54	10.55	10.58
CZK/EUR exchange rate	End of period ²	27.43	27.73	27.03	27.02	25.54
Gross written premiums (CAP members)	CZK million ²	113,993.60	115,004.12	116,064.28	118,460.17	122,941.31
	EUR million ³	4,156.56	4,148.03	4,294.70	4,384.17	4,813.68
Gross written premiums (CNB)	CZK million ²	156,579.31	157,922.22	153,395.09	147,216.56	150,837.63
	EUR million ³	5,709.36	5,696.02	5,676.04	5,448.43	5,905.94
Paid claims	CZK million ²	100,619.77	105,033.27	99,664.88	95,717.65	96,818.72
	EUR million ³	3,668.91	3,788.40	3,687.88	3,542.47	3,790.87
Insurance penetration degree (based on CNB GWP)	% in GDP ³	3.82%	3.66%	3.34%	3.08%	2.99%
Insurance density (based on CNB GWP)	EUR/capita ³	542.92	541.86	538.63	516.24	558.27

According to statistical data published by the Czech National Bank (CNB), the local insurance market totaled CZK 150.83 billion (EUR 5.9 billion) in GWP terms, 2.5% up y-o-y (nominal, in local currency). Out of the previously mentioned total, Czech insurers members of CAP - the local insurers' association -, accounted for a total of CZK 122.94 billion (EUR 4.98 billion).

Note: In comparing the Czech market's results with other countries, one should

consider that data provided by the CNB includes information on all Czech insurers, branches of insurers from other EU or EEA member states and branches of insurers from other countries in the Czech Republic as of the given date. Also included are data on the branches of these insurers operating abroad.

Back to the official CNB data, some slight changes in the market portfolio are noticeable:

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS*			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	5,905.94	5,448.43	8.40	3,790.87	3,542.47	7.01	100.00	100.00
TOTAL LIFE**	2,254.54	2,205.45	2.23	1,669.27	1,668.67	0.04	38.17	40.48
Insurance with profit participation	769.13	800.53	-3.92	831.48	844.34	-1.52	13.02	14.69
Index-linked and unit-linked	1,013.67	968.78	4.63	685.70	649.45	5.58	17.16	17.78
Health insurance	125.09	109.71	14.02	32.04	30.70	4.37	2.12	2.01
Other	346.65	326.43	6.20	120.05	144.18	-16.74	5.87	5.99
TOTAL NON-LIFE***	3,651.40	3,242.98	12.59	2,121.60	1,873.80	13.22	61.83	59.52
Medical expense insurance	96.86	78.13	23.97	28.49	25.23	12.91	1.64	1.43
Income protection insurance	116.78	111.99	4.28	44.96	35.48	26.72	1.98	2.06
Overall property insurance	949.13	852.58	11.32	433.84	346.30	25.28	16.07	15.65
Overall motor insurance	1,587.68	1,414.24	12.26	979.51	869.75	12.62	26.88	25.96
Motor Hull	716.80	622.98	15.06	496.01	422.46	17.41	12.14	11.43
MTPL	870.88	791.26	10.06	483.50	447.29	8.10	14.75	14.52
GTPL	329.46	291.41	13.06	145.50	156.85	-7.24	5.58	5.35
Marine, aviation and transport insurance	35.08	30.51	14.98	11.62	6.04	92.37	0.59	0.56
Credit and suretyship insurance	103.84	75.46	37.60	256.97	216.27	18.82	1.76	1.39
Miscellaneous financial loss insurance	91.81	87.10	5.40	23.78	37.01	-35.75	1.55	1.60
Other	340.75	301.54	13.00	196.94	180.88	8.88	5.77	5.53

The CNB figures includes information on all Czech insurers, branches of insurers from other EU or EEA member states and branches of insurers from other countries in the Czech Republic as of the given date. Also included are data on the branches of these insurers operating abroad.

*Gross claims paid incl. change in balance of technical provisions

**Life and health insurance, incl. reinsurance, total

***Total non-life insurance (incl. reinsurance accepted)

1 EUR = 25.540 Kron - CZK (December 31st, 2017)

1 EUR = 27.020 Kron - CZK (December 31st, 2016)

» Life insurance has recorded a negative growth rate, with GWP decreasing by 3.3%, to CZK 57.58 billion (Life and health insurance, incl. reinsurance, total); its share in the market portfolio decreased y almost 2pp, to 38.17%;

» Most non-life insurance lines saw a positive evolution, recording on average a 6.4% increase in GWP terms; thus, the non-life portfolio recorded only marginal changes.

Paid claims totaled CZK 96.8 billion, 1.15% up y-o-y. Yet, while on the life segment indemnities paid decreased y-o-y by about 5.4%, the non-life life side saw a 7% increase, mostly because of the losses produced by the extreme weather events that hit Czechia in the second half of 2017 (18.4% increase in the claims paid for property insurance). Total insured losses from the Herwart storm that hit the country at the end of October amounted, according to CAP estimations, to CZK 1.45 billion. In fact, Herwart ranks second, after the 2007 storm Kirill, in insured losses terms. In 2007, Czech insurers have paid CZK 2.2 billion to nearly 77.000 injured. *It is in the event of large-scale disasters that insurance companies demonstrate how important a stabilizing role they have in society. The impact of such large-scale disasters on citizens is considerably milder due to insurance, said Jan MATOUSEK, CAP Executive Director. According to CAP's provisional statistics on the Herwart's consequences, some 39,000 claims have been filed, of which about 33,000 were related to real estate damages, while the remaining 6,000 were covered by vehicles or household insurance or other types of products. It is also worth noting that, the average claim value following Herwart, of about CZK 35,000, by about 16% more than in Kirill's case.*

Technical results of the non-life segment went down y-o-y by two thirds, to CZK 1.08 million, but remained on positive territory. On the life side, technical result also slightly decreased, to CZK 8.41 million. The aggregated profit before taxation of the Czech market amounted to CZK 10.6 million.

Czech market's leadership didn't change in 2017, the top three positions being held by the same companies: ČESKÁ pojišťovna, KOOPERATIVA pojišťovna and ALLIANZ pojišťovna, with almost unchanged market shares and accounting together for half of the market GWP. (D.G.)

Czech Republic

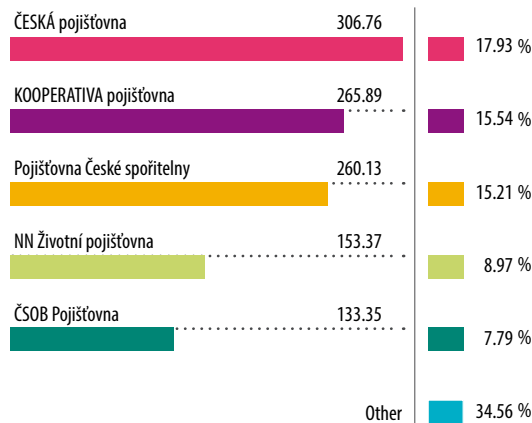
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Full market rankings per company & per class

MSEcel format * in EUR and local currency



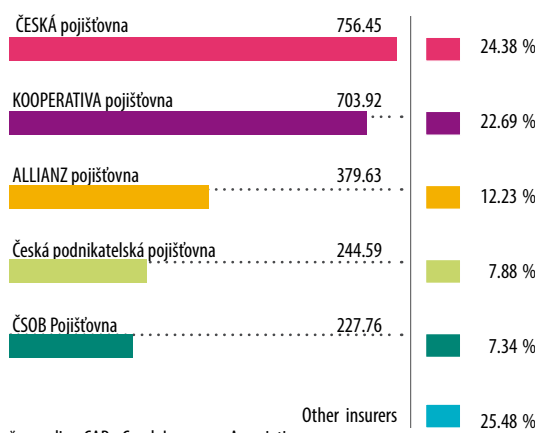
Top 5 Life insurance (GWP, EUR m)



*according CAP - Czech Insurance Association



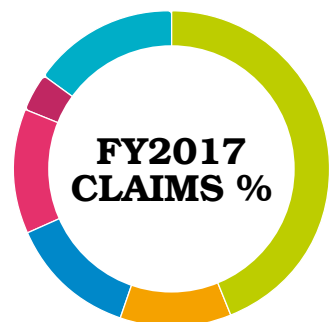
Top 5 Non-life insurance (GWP, EUR m)



*according CAP - Czech Insurance Association



Life	38.17
Property	16.07
Motor Hull	12.14
MTPL	14.75
GTPL	5.58
Other	13.29



Life	44.03
Property	11.44
Motor Hull	13.08
MTPL	12.75
GTPL	3.84
Other	14.85

Estonia



S&P Rating
AA-, STABLE

Moody's rating
A1 STABLE

Fitch Rating
A+, POSITIVE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² The Estonian National Statistics Board

³ XPRIMM calculations

Non-life business pushed the market growth-rate in the "double digit area"

The previous year's loss on MTPL insurance was EUR 1.4 million

There were 769 traffic accidents where were involved uninsured vehicles

The annual MTPL premium increased by EUR 18, compared with 2016, to EUR 130

The average claim on MTPL increased by 2%, from EUR 1,740 to EUR 1,775

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	EUR billion ¹	18.93	19.77	20.35	21.10	23.00
GDP per capita, current prices	EUR ¹	14,340.74	15,022.05	15,493.91	16,083.97	17,570.84
Unemployment rate	% of total labor force ¹	8.63	7.35	6.19	6.77	5.76
Population	Millions ¹	1.32	1.32	1.31	1.31	1.31
Gross written premiums	EUR million ²	317.13	340.97	361.24	388.00	427.23
Paid claims	EUR million ²	183.14	189.50	206.94	231.84	239.60
Insurance penetration degree	% in GDP ³	1.68%	1.73%	1.78%	1.84%	1.86%
Insurance density	EUR/capita ³	240.25	259.09	275.13	295.74	326.38

Estonian insurers reported aggregate FY2017 GWP of EUR 427.3 million, up by 10.1% y-o-y, according to the market figures revealed on the website of the Estonian National Statistics Board. *By comparison, in 1992, the insurance market totaled nearly EUR 4 million (63 million kroons),* said Mart JESSE, CEO of LKF (Estonian Traffic Insurance Fund) and EKSL (Estonian Insurance Association) on the 25th insurance market anniversary.

Life GWP increased by 6.5% y-o-y, to EUR 91.3 million (21.4% of the total market), while Estonian general insurers posted aggregate GWP of EUR 336 million, 11.1% more y-o-y.

According to Mart JESSE, the insurance market evolved impressive over the last

25 years, insurance services becoming an integral part of Estonian society. "For many years, the insurance market has been developing faster than other economic sectors (...). The rapid growth of the insurance market is due to the growing awareness of society about the need for personal and company hedging, but it is also fueled by a high level of consumer confidence in service providers", said JESSE.

Consumer confidence is clearly characterized by the fact that, of more than 150,000 insured events per year, about an average of ~ 300 events, or 0.2% of all incidents, are brought to the conciliation institution, added JESSE.

On the life segment, the largest share was held by unit-linked products (GWP

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	427.23	388.00	10.11	239.60	231.84	3.35	100.00	100.00
TOTAL LIFE	91.26	85.65	6.55	58.17	54.89	5.97	21.36	22.07
Term and whole life assurance	16.52	14.42	14.54	0.96	1.14	-16.32	3.87	3.72
Endowment insurance	13.11	14.28	-8.16	17.88	15.51	15.29	3.07	3.68
Pension insurance	22.09	22.68	-2.62	10.43	8.09	28.83	5.17	5.85
Unit linked life insurance	33.58	29.06	15.57	27.29	29.08	-6.14	7.86	7.49
Supplementary insurance	5.95	5.21	14.27	1.57	0.99	58.57	1.39	1.34
Other life insurance	0.00	0.00	-30.85	0.05	0.08	-39.65	0.00	0.00
TOTAL NON-LIFE	335.97	302.35	11.12	181.43	176.95	2.53	78.64	77.93
Accident and sickness	5.72	5.37	6.46	1.43	1.56	-8.26	1.34	1.39
Overall property insurance	85.78	79.64	7.72	40.46	40.07	0.97	20.08	20.52
Overall motor insurance	202.83	180.95	12.09	123.35	121.39	1.62	47.48	46.64
Motor Hull	109.77	101.95	7.67	69.37	69.49	-0.18	25.69	26.28
MTPL	93.06	79.00	17.79	53.99	51.89	4.03	21.78	20.36
GTPL	10.04	9.23	8.72	3.70	2.71	36.23	2.35	2.38
Other vehicles insurance	1.30	1.21	7.63	0.32	0.54	-40.46	0.30	0.31
Goods in transit insurance	1.53	1.55	-1.39	0.54	0.26	105.89	0.36	0.40
Vehicles liability insurance	2.74	2.71	1.08	1.10	1.29	-14.26	0.64	0.70
Travel insurance	14.80	12.25	20.83	7.63	6.60	15.50	3.47	3.16
Insurance for pecuniary loss	11.23	9.43	19.01	2.91	2.54	14.84	2.63	2.43

Estonian currency: EURO



Mart JESSE
CEO of LKF and EKsL

Estonia

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Full market rankings per company & per class



MSEXcel format

of EUR 33.6 million), followed by pension insurance (EUR 22.1 million). In case of non-life subclasses, the largest portfolio shares were accounted by MoD sub-class (GWP of EUR 109.8 million), Motor TPL (EUR 93.1 million) and property insurance (EUR 85.8 million).

According to the Estonian Traffic Insurance Fund (LKF), the previous year's loss on MTPL insurance was of EUR 1.4 million, compared with EUR 9.7 million in 2016. LKF said that last year there were 35,620 motor insurance accidents, with an average loss of EUR 1,775.

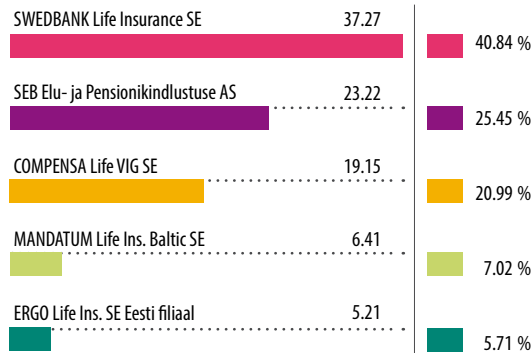
Compared to 2016, the decrease in losses was primarily driven by a decrease in personal injuries and fatal accidents, said Mart JESSE. He said that that the total number of traffic accidents compared to last year remained practically the same, despite the number of registered vehicles increased.

At the end of 2017, there were 701,385 insured vehicles, while the annual MTPL premium increased by EUR 18, compared with 2016, from EUR 112 to EUR 130. At the same time, the average claim on MTPL increased by 2%, from EUR 1,740 to EUR 1,775.

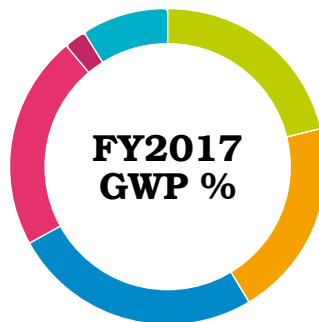
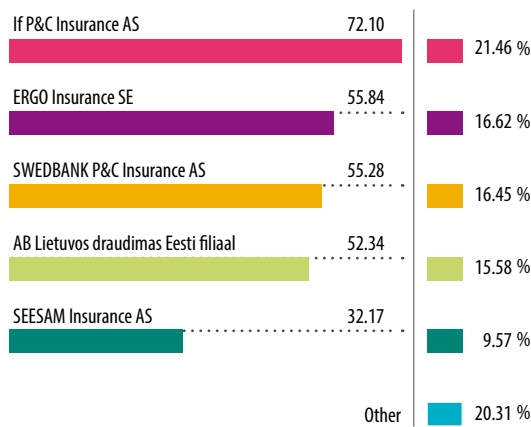
It is worth mentioning that, according to LKF, last year there were about 769 traffic accidents where were involved uninsured vehicles: They caused a loss of about EUR 2.2 million. Half of the losses are caused by the vehicles with MTPL contracts expired by one month. The largest claim was nearly EUR 100 thousand. Practically, every 50th vehicle in traffic is uninsured, said Hillar LÕHMUSSAARE, Member, LKF.

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 (excluding the cross-border business).
(V.B.)

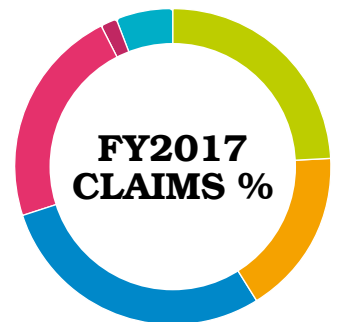
Life insurance ranking (GWP, EUR million)



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



Life	21.36
Property	20.08
Motor Hull	25.69
MTPL	21.78
GTPL	2.35
Other	8.74



Life	24.28
Property	16.88
Motor Hull	28.95
MTPL	22.53
GTPL	1.54
Other	5.81

Hungary



S&P Rating

BBB- POSITIVE

Moody's rating

BAA3 STABLE

Fitch Rating

BBB- POSITIVE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² National Bank of Hungary

³ XPRIMM calculations

The FY2017/16 dynamic of the insurance industry was similar with the GDP growth-rate

The market net profit was up by 24.5% to HUF 64.5 billion (EUR 208 million). Only one insurer reported losses

The technical result was HUF 50.8 billion (EUR 164 million), an increase of 11.2% y-o-y

There were active 25 insurers vs. 27 a year before, due the merger of the three VIG Group companies into one

17 insurers reported solvency margin ratio above 200%

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	HUF billion ¹	30,247.08	32,591.71	34,324.11	35,420.32	38,183.29
	EUR billion ³	101.87	103.50	109.62	113.88	123.12
GDP per capita, current prices	HUF ¹	3,052,485.32	3,299,758.33	3,482,559.86	3,603,110.12	3,894,252.89
	EUR ³	10,280.84	10,479.08	11,122.13	11,584.82	12,556.44
Unemployment rate	% of total labor force ¹	10.24	7.77	6.85	5.10	4.04
Population	Millions ¹	9.91	9.88	9.86	9.83	9.81
HUF/EUR exchange rate	End of period ²	296.91	314.89	313.12	311.02	310.14
Gross written premiums	HUF million ²	801,575.67	834,022.33	835,428.40	885,893.45	948,143.23
	EUR million ³	2,699.73	2,648.61	2,668.08	2,848.35	3,057.15
Paid claims	HUF million ²	563,368.97	512,996.38	512,551.40	536,151.34	588,800.13
	EUR million ³	1,897.44	1,629.13	1,636.92	1,723.85	1,898.50
Insurance penetration degree	% in GDP ³	2.65%	2.56%	2.43%	2.50%	2.48%
Insurance density	EUR/capita ³	272.45	268.16	270.71	289.76	311.79

Hungarian 25 insurers' FY2017 aggregate GWP was up by 7% y-o-y to HUF 948.1 billion (EUR 3 billion), according to the market data published by the National Bank of Hungary (MNB). Life insurance GWP increased by 5% to HUF 460 billion, while non-life GWP increased by 9% to HUF 488 billion, as the year-end figures reveal.

The FY2017/16 dynamic of the insurance industry was similar with the GDP growth-rate (+7.8%), thus the calculated insurance density evolved to EUR 312 per capita,

while the penetration degree remained at about the FY2016 level (2.48%).

The property insurance segment generated GWP of about HUF 177.4 billion, of which - household insurance HUF 114.3 billion. Both motor insurance lines saw a positive y-o-y change in GWP, to over HUF 151 billion for MTPL (+14.8% y-o-y), while the growth rate recorded in Motor Hull was rather moderate (+6.7% y-o-y), to nearly HUF 77 billion.

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	3,057.15	2,848.35	7.33	1,898.50	1,723.85	10.13	100.00	100.00
TOTAL LIFE	1,485.78	1,411.10	5.29	1,175.40	1,094.81	7.36	48.60	49.54
Assurance on death	129.70	146.91	-11.71	80.00	88.74	-9.85	4.24	5.16
Assurance on survival	13.93	13.64	2.19	12.20	12.77	-4.43	0.46	0.48
Endowment	273.28	261.43	4.53	271.28	264.34	2.62	8.94	9.18
Unit-linked or index-linked	773.69	746.35	3.66	711.71	633.40	12.36	25.31	26.20
Other life insurance	295.18	242.78	21.59	100.21	95.56	4.87	9.66	8.52
TOTAL NON-LIFE	1,571.36	1,437.25	9.33	723.10	629.04	14.95	51.40	50.46
Accidents insurance	27.44	26.45	3.74	7.44	10.37	-28.20	0.90	0.93
Health insurance	10.31	7.91	30.26	4.81	3.72	29.11	0.34	0.28
Overall property insurance	572.20	542.53	5.47	226.65	175.02	29.50	18.72	19.05
Overall motor insurance	734.60	654.42	12.25	449.58	397.19	13.19	24.03	22.98
Motor Hull	247.52	231.30	7.01	141.31	133.52	5.84	8.10	8.12
MTPL	487.08	423.12	15.12	308.27	263.67	16.92	15.93	14.85
GTPL	41.17	38.25	7.65	5.49	5.49	-0.13	1.35	1.34
Goods in transit	19.77	18.43	7.23	3.31	4.45	-25.48	0.65	0.65
Professional liability	35.84	30.14	18.91	-1.66	11.11	-	1.17	1.06
Suretyship and warranty	16.21	17.46	-7.16	4.45	2.69	65.52	0.53	0.61
Legal expenses	7.72	7.14	8.08	1.46	0.88	65.71	0.25	0.25
Miscellaneous financial loss	7.47	6.29	18.78	1.39	1.01	37.40	0.24	0.22
Traveller's insurance	34.93	31.87	9.58	8.46	5.65	49.87	1.14	1.12
Other non-life insurance	63.72	56.36	13.07	11.71	11.46	2.14	2.08	1.98

¹ EUR = 310.14 Forints - HUF (December 31st, 2017)

¹ EUR = 311.02 Forints - HUF (December 31st, 2016)

In terms of damages, the value of incurred claims amounted to HUF 364.53 billion for life insurance contracts (+7% y-o-y) and HUF 224.26 billion for non-life policies. Overall, during 2017, insurers paid out an aggregate HUF 588.88 billion of claims, up by 9.82% y-o-y.

At the end of December 2017, the number of insurance contracts in force rose by 3.9% (or by more than half million units) y-o-y to 13.44 million. There were 2.40 million life insurance contracts (about 10 thousand more), and 11.04 million non-life policies, a 494 thousand rise.

Per business lines, at the end of the analyzed period, there were 629.40 thousand active traditional life policies, 655.39 thousand - life unit-linked or index-linked contracts, 5.14 million active MTPL policies (vs. 4.89 million a year before), 879.10 thousand - MoD policies (vs. 842.60 thousand) and 3.16 million policies related to the fire and damage to property of individuals class, of which 675.47 thousand - with credit coverage.

According to the statistics published by MNB, the aggregate market gross profit increased by 20.5% y-o-y to HUF 68.5 billion (EUR 221 million), while the value of net profit was up by 24.5% to HUF 64.5 billion (EUR 208 million). 24 insurance companies ended 2017 Q1-Q4 with a total profit of HUF 64.6 billion and one insurance company with a loss of HUF 134.5 million, MNB pointed out in a statement.

At the same time, the technical result was HUF 50.8 billion (EUR 164 million), an increase of 11.2% y-o-y: This reflected a significant, more than HUF 4 billion increase in non-life insurance technical results relative to 2016, which was due primarily to a 12.5% increase in non-life earned premiums. Life insurance technical results showed an increase of more than 5%, which also reflected an increase in life insurance earned premiums, accompanied by increased provisioning.

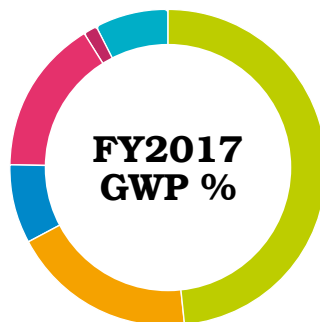
Hungary

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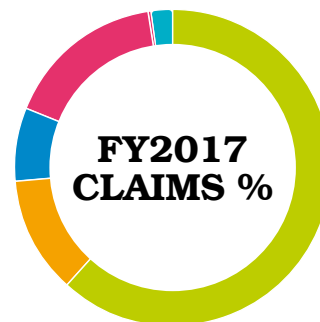
GWP & claims portfolio per class

MSExcel format * in EUR and local currency



Life	48.60
Property	18.72
Motor Hull	8.10
MTPL	15.93
GTPL	1.35
Other	7.31



Life	61.91
Property	11.94
Motor Hull	7.44
MTPL	16.24
GTPL	0.29
Other	2.18

MNB pointed out that the capital adequacy ratio calculated at the sector level according to the Solvency II regulatory framework, which entered into force on 1 January 2016, "continued to be stable, as seen in previous periods".

At the same time in 2017 Q4, the capital adequacy ratio at sector level was 225.8%, reflecting an increase of 2.4% to the previous quarter and a significant one of 8.9% relative to 2016 Q4. This far exceeds the requirements of 100% required by law and also the prudentially expected 150%, increased by a volatility capital puffer on the basis of the MNB's statutory provision recommendation.

The capital adequacy ratio, calculated on the basis of eligible own funds and the solvency capital requirement, stands above 200% at nearly 70% of insurers (17 entities

of the 25 supervised). A year earlier, 60% of insurers (16 entities of the 27 supervised) belonged to this group. In 2017 Q4, two insurers had a capital adequacy ratio of below 150%, as seen in 2016 Q4. The reason for the increase in solvency capital relative to the same period of the previous year was the rise in eligible own funds exceeding the that in the solvency capital requirement.

Due the merger of Hungarian VIG Group companies ERSTE Biztosito and VIENNA Life Biztosito into UNION Biztosito, at the end of December 2017 there were 25 active insurers on the market (vs. 27 a year before), including seven life insurance companies, nine non-life insurers and nine composite insurers.

(V.B.)

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Insurance Statistics Quarterly Updated!

Kosovo



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² Central Bank of the Republic Kosovo

³ XPRIMM calculations

✿ Kosovo's market posted net profit of EUR 6.9 million, compared with a net loss of EUR 23.9 million in 2016

✿ EUR 177.1 million is the value of total assets held by insurers, of which EUR 155.7 million accounted by the 12 non-life insurers

✿ The eight foreign owned insurers held about 61.5% of total assets

✿ EUROSIG (entirely owned by Albanian shareholders) is the largest insurer in the country (13.5% market share)

✿ ROA improved to 4.1% at end-December 2017 versus minus 15.2% a year earlier

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	EUR billion ¹	5.33	5.57	5.81	6.07	6.41
GDP per capita, current prices	EUR ⁴	2,935.00	3,022.53	3,159.66	3,300.77	3,436.43
Unemployment rate	% of total labor force ¹	na	na	na	na	na
Population	Millions ¹	1.82	1.84	1.84	1.84	1.87
Gross written premiums	EUR million ²	79.10	82.10	80.00	83.84	87.42
Paid claims	EUR million ²	38.90	32.30	37.20	38.60	46.00
Insurance penetration degree	% in GDP ³	1.48%	1.47%	1.38%	1.38%	1.36%
Insurance density	EUR/capita ³	43.58	44.57	43.53	45.59	46.82

Although Kosovo is one of the smallest countries in the region in terms of economy, geography and population, the local insurance industry evolved year after year reaching, in many aspect, a level comparable with other markets in the region with a longer history. Thus, the market indicators as the penetration degree (1.36%) or the insurance density (EUR 47 per capita) are not very different from those of other CEE emerging markets.

In terms of premiums the local insurance market totaled about EUR 87.4 million at the end of December 2017, 4.3% more y-o-y, data provided by the Central Bank (CBK) showed. Total gross claims paid increased by 19.1% y-o-y to EUR 46 million.

Non-life GWP totaled EUR 84.9 million, of which EUR 47.6 million related to Domestic MTPL, EUR 7.1 million - Border policies and EUR 30.2 million - other voluntary classes, according to "The Insurance Companies Activity" published by CBK. At the same time, life insurance premium decreased by about 3.8% y-o-y to EUR 2.5 million, according to the "Financial System -

Monthly Information" released on CBK website.

The aggregate figures of the 15 insurance companies operating in Kosovo revealed that the local insurers turned to a net profit of EUR 6.9 million at the end of December 2017, from a loss of EUR 23.9 million a year earlier.

At the same time, the assets held by Kosovar insurers increased to EUR 177.1 million (of which EUR 155.7 million accounted for by the non-life insurers), from EUR 162.1 million in December 2016.

Return on assets (ROA) improved to 4.1% at end-December 2017 versus minus 15.2% a year earlier, whereas return on equity (ROE) was up to +17.7% from a negative 58.1% in December 2016.

In the analyzed period, the total number of non-life policies sold by local insurers was 1.02 million (vs. 951.5 thousand in FY 2016), of which about 414 thousand were Mandatory TPL contracts, 384 thousand - border policies, and 225 thousand - other voluntary non-life insurances.

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017 EUR m	2016 EUR m	Change %	2017 EUR m	2016 EUR m	Change %	2017 %	2016 %
TOTAL MARKET	87.42	83.84	4.27	46.00	38.60	19.17	100.00	100.00
TOTAL LIFE*	2.50	2.60	-3.85	NA	NA	-	2.86	3.10
TOTAL NON-LIFE**	84.92	81.24	4.53	42.15	36.87	14.32	97.14	96.90
MTPL	54.69	52.40	4.36	27.26	22.75	19.85	62.56	62.50
Third Party Liability	47.57	45.50	4.56	25.78	21.32	20.95	54.42	54.27
Border policies	7.11	6.90	3.06	1.48	1.43	3.55	8.13	8.23
Other (non TPL)	30.23	28.83	4.85	14.89	14.12	5.41	34.58	34.39

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

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

Kosovo currency: EURO

15 insurance institutions were active on the local market, of which 12 – non-life insurers and 3 companies active only in life segment. According to CBK, currently eight insurers are foreign owned and are holding about 61.5% of total assets. Some of them are subsidiaries of well-known European insurance entities like GRAWE, UNIQA Group Austria, VIENNA Insurance Group or Slovenian SAVA Re Group.

In terms of GWP, the top 5 insurers in the country were - according to the SAVA Re Group FY 2017 Annual Report - , EUROSIG (entirely owned by Albanian shareholders, 13.5% market share), followed by the two Austrian subsidiaries of UNIQA (SIGAL and Vienna Insurance Group (SIGMA), LLYRIA (the local subsidiary of Slovenian insurer SAVA) and ELSIG – founded by local business man Agim ELSHANI in March 2008, part of GRAWE Group until 2013, and repurchased totally by ELSHANI.

The number of insurance offices decreased to 468 (vs. 561), while the number of employees in insurance industry was down from 2,141 to 2,061.

By comparison, on the Kosovo financial market were active 10 commercial banks (of which 8 foreign owned) with 238 offices / 3,320 employees, 18 microfinance institutions (13 foreign owned) – 123 offices / 979 employees and 2 pension funds (31 employees).

Note: "The Insurance Companies Activity" published by CBK include only the insurers' activity on non-life segment. The aggregate value of GWP resulted by adding the life insurance GWP according to the "Financial System - Monthly Information" and the value for non-life GWP from "the Insurance Companies Activity".

(V.B.)

Life	2.86
MTPL	62.56
Other	34.58

Life	na
MTPL	59.27
Other	40.73



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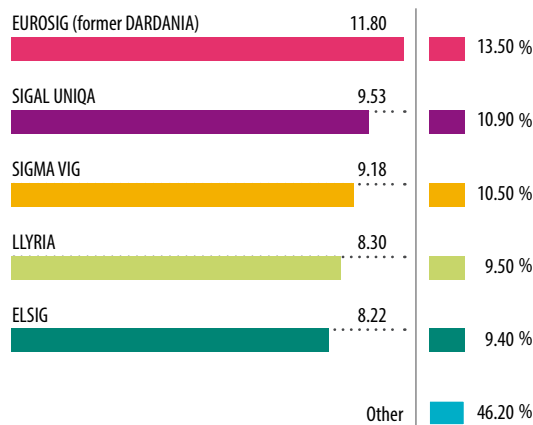
GWP & claims portfolio per class

MSExcel format

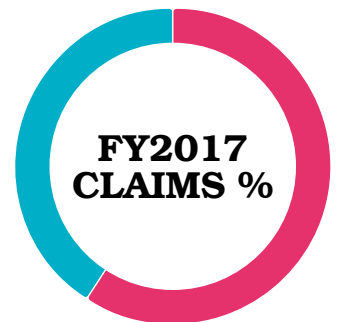
Kosovo



Top 5 Total market (GWP, EUR m)*



*The GWP values are XPRIMM calculations based on the market shares published by SAVA Re Group in its 2017 Annual Report



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Latvia



S&P Rating
A- POSITIVE

Moody's rating
A3 STABLE

Fitch rating
A- STABLE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

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

³ XPRIMM calculations

There were active 6 local insurers, as well as 11 branches of EU insurers

The share of EU branches' GWP increased to almost 35%

Road vehicles insurance tariffs went up by 64.1% y-o-y

Latvian insurers generated EUR 16 million in aggregate profit vs. EUR 105 million a year before

The mandatory MTPL insurance line will probably remain unprofitable in 2018

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	EUR billion ¹	22.79	23.62	24.32	24.93	26.85
GDP per capita, current prices	EUR ¹	11,259.17	11,800.42	12,245.29	12,659.84	13,768.96
Unemployment rate	% of total labor force ¹	11.87	10.84	9.88	9.64	8.71
Population	Millions ¹	2.02	2.00	1.99	1.97	1.95
Gross written premiums	EUR million ²	470.94	517.41	531.12	532.36	646.03
Paid claims	EUR million ²	261.66	282.76	310.61	313.54	361.61
Insurance penetration degree	% in GDP ³	2.07%	2.19%	2.18%	2.14%	2.41%
Insurance density	EUR/capita ³	232.68	258.58	267.43	270.37	331.30

According to the year-end market figures, the Latvian insurance market totaled EUR 646 million in 2017, up by 21.4% y-o-y. Life insurance GWP increased by 17.3% to EUR 145.1 million, health - by 14.8% to EUR 51.4 million, MTPL - by 35% to EUR 71.8 million, Motor Hull - by 19.9% to EUR 104.6 million, property - by 11.4% to EUR 84.2 million.

Last year, the industry experienced a significant growth. After several years of moderate dynamics, the volume of GWP grew faster than the one of paid claims, said Janis ABĀSINS, President of the Latvian Insurers Association. He mentioned that the main roles were played by the

MTPL and life insurance contracts. The tariffs of MTPL policies increased, while in case of the life segment, the legislative changes introduced with the new tax reform contributed substantially to the increasing interest in this field.

Despite the impressive rates, we are far behind the Western markets, where the share of life insurance is 50-70% of total. But we can see positive trends. People are becoming more aware and understand that savings can also be made, starting with low contributions. Thus, is expected that the volumes of this segment to continue to grow, gradually, says Janis ABĀSINS.

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	646.03	532.36	21.35	361.61	313.54	15.33	100.00	100.00
TOTAL LIFE	145.06	123.71	17.26	90.68	73.16	23.95	22.45	23.24
Life insurance with savings	34.55	37.67	-8.28	38.87	30.91	25.76	5.35	7.08
Unit-linked	57.30	44.86	27.73	26.12	20.51	27.36	8.87	8.43
Other life insurance	53.21	41.18	29.21	25.69	21.74	18.16	8.24	7.74
TOTAL NON-LIFE	500.98	408.65	22.59	270.93	240.38	12.71	77.55	76.76
Accidents insurance	12.04	10.67	12.82	3.95	4.18	-5.71	1.86	2.00
Health insurance	51.39	44.76	14.80	34.36	32.88	4.50	7.95	8.41
Overall property insurance	84.24	75.61	11.41	48.62	38.95	24.82	13.04	14.20
Overall motor insurance	176.44	140.50	25.59	109.29	101.84	7.31	27.31	26.39
Motor hull	104.63	87.30	19.85	67.96	59.85	13.54	16.20	16.40
MTPL	71.81	53.19	34.99	41.33	41.99	-1.57	11.12	9.99
Transport ownership liability ins.	124.60	88.31	41.09	58.39	45.61	28.03	19.29	16.59
GPL	18.99	19.03	-0.20	4.56	4.17	9.32	2.94	3.57
Suretyship insurance	9.93	8.59	15.67	4.08	3.76	8.69	1.54	1.61
Assistance insurance	14.62	12.66	15.51	4.63	3.57	29.79	2.26	2.38
Other non-life insurance	8.73	8.53	2.33	3.05	5.42	-43.67	1.35	1.60
Of total:								
By local insurers, of which:	419.46	364.13	15.20	236.28	214.14	10.34	64.93	68.40
Life	53.49	47.73	12.07	43.27	33.48	29.24	8.28	8.97
Non-life	365.97	316.40	15.67	193.01	180.65	6.84	56.65	59.43
By branches of EU insurers	226.57	168.23	34.68	125.33	99.41	26.08	35.07	31.60
Life	91.57	75.98	20.52	47.41	39.68	19.48	14.17	14.27
Non-life	135.00	92.25	46.34	77.92	59.73	30.46	20.90	17.33

Latvian currency: EURO

At the same time, the insurance companies paid EUR 361.6 million in claims (15.3% more y-o-y). The share of life insurance payments was 25% of total, health - 9.5%, MoD - 18.8%, MTPL - 11.4%, property - 13.4%. Janis ABĀSINS pointed out that the increasing value in non-life paid claims was influenced by the significant number of car thefts – 372 vehicles vs. 240 in 2016. Last year, the number of claims paid for vehicle theft was almost double compared to 2016, pointed out Janis ABĀSINS.

The FKTK figures show about 64.9% of the total GWP were written by the local insurers (EUR 419.5 million, or 15.2% more y-o-y), the rest being written by the branches of EU insurers (EUR 226.5 million, up by 34.7%). During the year, on the local market were active 4 non-life and 2 life insurers, as well as 11 branches of EU insurers (of which 4 active in life insurance market).

According to FKTK statistics, last year, Latvian insurers generated EUR 16 million in aggregate profit vs. EUR 105 million a year before. Per segments, profit of non-life insurers was EUR 15 million (vs. EUR 103.2 million in 2016), while life insurers made profits totaling EUR 1 million vs. EUR 1.8 million in 2016.

Local insurers incurred a loss of EUR 12.4 million from MTPL contracts, which is roughly 5% more than in 2016, writes LETA, according to the Motor Insurers' Bureau of Latvia (LTAB). Janis ABĀSINS declared that the insurers have been suffering losses because of rising inflation in various segments, additional costs related to an increase in indemnities paid for intangible losses, payments made to the Guarantee Fund, etc.

At the same time, he considers that the mandatory MTPL insurance line will probably remain unprofitable during 2018 despite the tariffs going up by a significant amount. In his opinion, the impact of the increase in MTPL tariffs recorded in 2017 will be visible this year. Nevertheless, although the 2018 results will be most probable better than those of the last year, the line will remain unprofitable. In fact, ABĀSINS has pointed out, *there is hardly a country in Europe where MTPL insurance is stable and profitable*. According to data provided by the country's Central Statistical Bureau for December 2017, road vehicles insurance tariffs went up by 64.1% y-o-y.

(V.B.)

Latvia

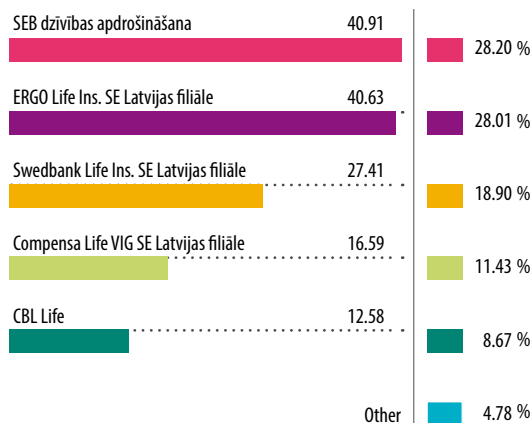
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Full market rankings per company & per class

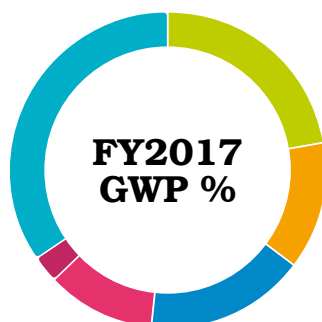
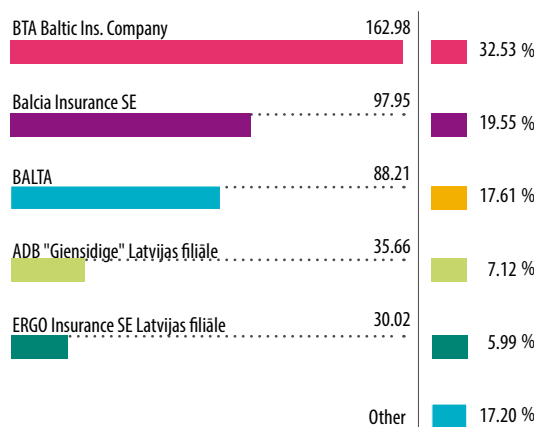
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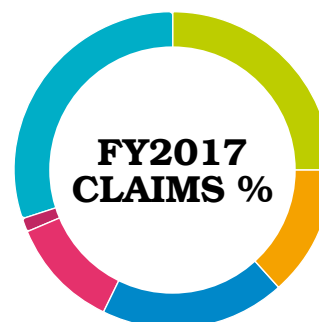
TOP 5 Life insurance (GWP, EUR million)



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



Life	22.45
Property	13.04
Motor Hull	16.20
MTPL	11.12
GTPL	2.94
Other	34.26



Life	25.08
Property	13.44
Motor Hull	18.79
MTPL	11.43
GTPL	1.26
Other	30.00

Lithuania



S&P Rating
A STABLE

Moody's rating
A3 STABLE

Fitch Rating
A- STABLE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² Bank of Lithuania (LB)

³ XPRIMM calculations

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	EUR billion ¹	34.96	36.57	37.43	38.67	41.86
GDP per capita, current prices	EUR ¹	11,819.94	12,470.54	12,883.95	13,481.59	14,816.64
Unemployment rate	% of total labor force ¹	11.77	10.70	9.12	7.86	7.07
Population	Millions ¹	2.96	2.93	2.91	2.87	2.83
Gross written premiums	EUR million ²	563.45	600.85	645.09	709.81	792.60
Paid claims	EUR million ²	311.81	316.37	331.88	372.67	455.33
Insurance penetration degree	% in GDP ³	1.61%	1.64%	1.72%	1.84%	1.89%
Insurance density	EUR/capita ³	190.48	204.93	222.06	247.49	280.57

Lithuania's insurance market totaled EUR 792.60 million at the end of 2017, 11.66% more y-o-y, being from this point of view - the largest Baltic insurance market, ahead of Latvia (EUR 646 million) and Estonia (EUR 427 million). On the other hand, even though Lithuania has the largest economy and population among the three Baltic States, the calculated indicators such as insurance density (EUR 281 per capita) or the penetration of the insurance market in GDP (1.89%) are lower than in Estonia or Latvia, and even below the average calculated for the entire CEE Region.

According to the Central Bank figures, MTPL insurance, Motor Hull policies and the property segment accounted for about

57% of the overall insurance market or 80.5% of non-life segment, while index-linked and unit-linked accounted for 59.2% of the life insurance GWP.

Of all the major insurance classes, it is worth mentioning the increase in the volume of GWP reported by the MTPL sub-segment - to EUR 215 million, both in percentage terms (+ 38% y-o-y) and in absolute value (+EUR 60 million), this being largely due to the increase in the tariffs charged by local insurers.

This reality has created "hot discussions", the CB announcing that it will amend actions where different insurers submitted bids varying several times or even ten times the rates for the same vehicle.

Over two-thirds of disputes between consumers and financial services providers were in the field of insurance

The Bank of Lithuania to take measures against MTPL insurers that are priceless

SWEDBANK Life Insurance (21.47% market share) was the largest life insurer as GWP, while LIETUVOS draudimas (31.01%) reported the largest non-life GWP volume

There were active 21 insurers on the market, of which 12 EU branches

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	792.60	709.81	11.66	455.33	372.67	22.18	100.00	100.00
TOTAL LIFE	231.35	246.72	-6.23	151.38	113.83	32.99	29.19	34.76
Index-linked and unit-linked	136.94	156.64	-12.57	93.40	74.85	24.77	17.28	22.07
Insurance with profit participation	51.09	50.48	1.21	46.79	29.21	60.18	6.45	7.11
Other life insurance	43.31	39.60	9.37	11.19	9.77	14.60	5.46	5.58
TOTAL NON-LIFE	561.25	463.09	21.20	303.95	258.83	17.43	70.81	65.24
Property insurance	103.25	97.64	5.75	61.39	44.18	38.96	13.03	13.76
Overall motor insurance	348.65	268.54	29.83	200.10	180.38	10.93	43.99	37.83
Motor Hull	133.00	112.58	18.14	86.63	80.96	7.00	16.78	15.86
MTPL	215.65	155.96	38.27	113.47	99.42	14.13	27.21	21.97
Goods in transit	2.67	2.47	7.87	1.33	0.50	167.86	0.34	0.35
GPL	21.42	20.01	7.08	4.88	3.99	22.32	2.70	2.82
Carrier TPL insurance	4.41	4.04	9.27	1.88	2.13	-11.77	0.56	0.57
Credit insurance	4.26	3.34	27.82	1.84	0.57	221.23	0.54	0.47
Suretyship insurance	10.15	10.05	0.99	1.31	0.37	258.38	1.28	1.42
Financial loss insurance	5.52	3.92	40.68	1.29	0.94	36.81	0.70	0.55
Assistance	2.83	2.20	28.77	0.44	0.46	-4.62	0.36	0.31
Other non-life insurance	58.07	50.87	14.15	29.49	25.31	16.51	7.33	7.17

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

Mindaugas ŠALČIUS, Director of the Financial Services and Market Supervision Department, said MTPL insurers cannot offer the potential policyholder well-reasoned hard-to-explain insurance premiums: *We are not talking about a difference of 20–30% or somewhat higher, which can be reasonable. There are cases in the market when the user of a passenger motor car is offered to pay an insurance premium of EUR 5,000 and the user of a truck – EUR 100,000. This can be done just to avoid the insurance obligation, although the law requires doing so. The Bank of Lithuania will not tolerate such cases and will take every possible action to eliminate such faulty practice.*

The CB reported that the local insurance industry was profitable last year. According to the figures, the market profit amounted to EUR 30.5 million, while the managed assets totaled EUR 1.5 billion. The profit of life insurers was EUR 21 million, while in case of non-life companies it totaled EUR 9.6 million.

However, the motor insurance market was still losing money, although the trends have improved, said Vytautas VALVONIS, Director of the Supervision Service. *Although the average MTPL premium was up by 29% over the year, this type of insurance remained unprofitable. Nevertheless, a positive trend has emerged, and this allows us to expect that there will not be a sharp increase in prices in the future.*

In terms of payments, the aggregate value of insurance claims was up by 22.18% y-o-y, fueled by the 33% growth rate reported by life indemnities. Thus, the share of life insurance payments was 33% of total claims, while in case of non-life subclasses, the largest shares were accounted by the two motor business lines – Motor Hull – 19% and MTPL – 25% of total. Last year CB said it settled more than 500 disputes between consumers and providers of financial services, most of them (over two-thirds) being in the field of insurance, while disputes with banks accounted for a fifth. Disagreements within the field of insurance would mostly arise over MTPL contracts: they accounted for 30% of total disputes within this field. In most cases, the dispute over this issue was the amount of compensation for damage.

(V.B.)

Lithuania

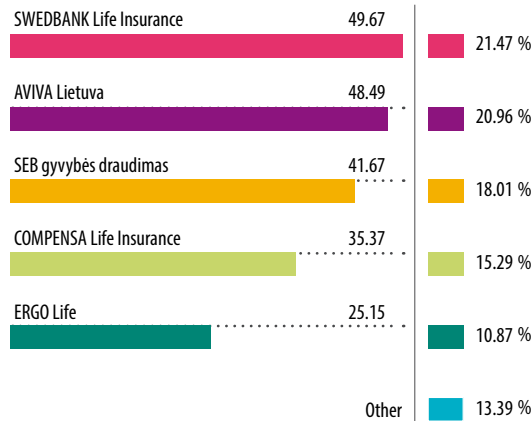
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Full market rankings per company & per class

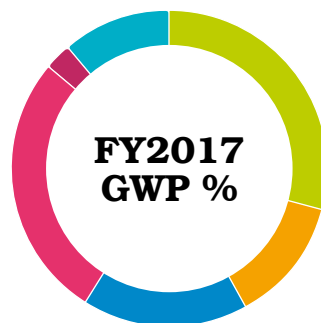
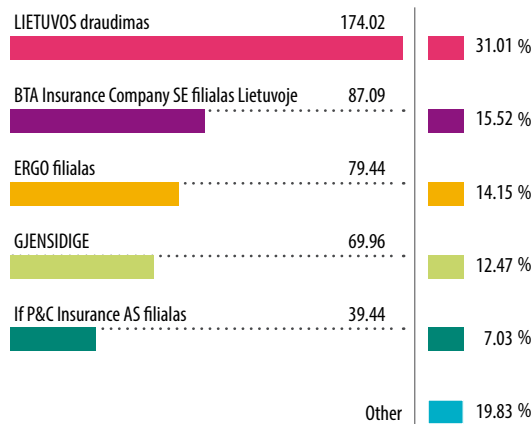
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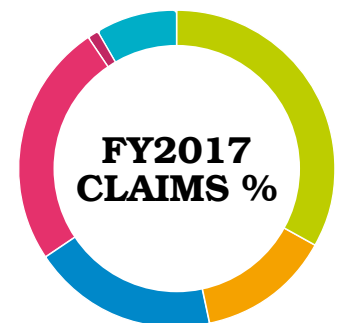
TOP5 Life insurance (GWP, EUR million)



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



Life	29.19
Property	13.03
Motor Hull	16.78
MTPL	27.21
GTPL	2.70
Other	11.09



Life	33.25
Property	13.48
Motor Hull	19.03
MTPL	24.92
GTPL	1.07
Other	8.25

Macedonia



S&P Rating

BB- STABLE

Fitch Rating

BB+ POSITIVE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² National Bank of the Republic of Macedonia

³ Insurance Supervision Agency

⁴ XPRIMM calculations

MTPL had the largest contribution to the market growth rate: + EUR 3.4 million in absolute value

Insurers' administrative expenses increased by 4% y-o-y during the year, while fees paid to intermediaries were up by more than 6%

Almost the entire paid in capital of the market belongs to Austrian, Slovene, Croatian, Bulgarian or Albanian investors

MTPL combined ratio was 90.2% vs. 117.6% - MoD combine ratio

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	MKD billion ¹	501.89	527.63	558.95	598.88	619.79
	EUR billion ⁴	8.16	8.58	9.07	9.74	10.08
GDP per capita, current prices	MKD ¹	242,956.01	254,996.20	269,859.48	288,798.49	298,530.61
	EUR ⁴	3,949.78	4,147.53	4,381.21	4,697.35	4,854.89
Unemployment rate	% of total labor force ¹	29.00	28.03	26.05	23.75	22.53
Population	Millions ¹	2.07	2.07	2.07	2.07	2.08
MKD/EUR exchange rate	End of period ²	61.51	61.48	61.59	61.48	61.49
Gross written premiums	MKD million ³	7,193.50	7,630.73	8,279.71	8,721.62	8,992.22
	EUR million ⁴	116.95	124.11	134.42	141.86	146.24
Paid claims	MKD million ³	2,959.20	3,053.95	3,183.88	3,605.91	3,577.64
	EUR million ⁴	48.11	49.67	51.69	58.65	58.18
Insurance penetration degree	% in GDP ⁴	1.43%	1.45%	1.48%	1.46%	1.45%
Insurance density	EUR/capita ⁴	56.61	59.99	64.91	68.40	70.44

The Macedonian insurance market totaled MKD 8.99 billion (EUR 146.24 million) at the end of 2017, up by 3.10% y-o-y, according to data published by the local Insurance Supervision Agency. The country's economy showed an increase in the same trend, thus the calculated indicators such as the penetration degree as share of GWP in GDP - remained at the same level, while the insurance density marked a yearly increase of only 2 euros, reaching about EUR 70 per capita.

Western Balkans are home of the least developed insurance markets in Europe, declared Klime POPOSKI, PhD, President of the Council of Experts, Insurance Supervisory Agency of Macedonia noting that in this region the qualitative indicators are substantially below the CEE average,

except for the two markets that are members of the European Union, Croatia and Slovenia.

Gross written premiums from non-life insurance increased by 1.57% y-o-y to MKD 7.54 billion (about 83.92% of total GWP), while the life insurance segment reported premiums of MKD 1.44 million, 11.95% more y-o-y, official figures show.

MTPL business line was the largest insurance segment in the market, reporting GWP of about EUR 66 million, or about 45% of total GWP. In fact, in absolute value, this LoB had the largest contribution to the market growth rate, increasing by more than EUR 3.4 million during the period. Local insurers have paid life and non-life indemnities worth of MKD 3.57

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	146.24	141.86	3.09	58.18	58.65	-0.80	100.00	100.00
TOTAL LIFE	23.52	21.01	11.93	4.11	3.37	21.84	16.08	14.81
TOTAL NON-LIFE, of which:	122.72	120.85	1.55	54.07	55.28	-2.18	83.92	85.19
Accident	10.88	10.82	0.57	5.95	6.34	-6.09	7.44	7.63
Health	0.94	0.74	28.47	0.17	0.05	272.94	0.65	0.52
Overall property insurance	23.36	25.29	-7.66	9.00	7.49	20.03	15.97	17.83
Fire and allied perils	7.80	7.91	-1.44	1.47	1.71	-13.55	5.33	5.58
Damages to property	15.56	17.38	-10.49	7.52	5.79	29.92	10.64	12.25
Overall motor insurance	78.46	75.07	4.51	36.77	33.10	11.10	53.65	52.92
Motor Hull	12.30	12.34	-0.30	8.48	6.66	27.32	8.41	8.70
MTPL	66.16	62.73	5.46	28.29	26.43	7.01	45.24	44.22
GTPL	3.31	3.26	1.36	1.24	0.38	226.65	2.26	2.30
Other non-life insurance	5.78	5.67	1.92	0.95	7.92	-88.06	3.95	3.99

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

¹ EUR = 61.4907 Denars, MKD (December, 31st 2017)



Klime POPOSKI
President
of the Council
of Expert ISA

billion (EUR 58.18 million), of which about a half (MKD 1.78 billion) - related to Motor TPL policies.

The MTPL most pronounced challenge is the trend of increase in the payment of intangible claims obtained in court proceedings. Otherwise, the overall motor insurance is characterized by high operating costs, including high costs for intermediation, said Klime POPOSKI.

The aggregate value of insurers' administrative expenses increased by 4% y-o-y during the year to MKD 1.58 billion (EUR 25.7 million), while commissions to intermediaries was up by more than 6% to MKD 947.27 million (about EUR 15.4 million), official statistics revealed.

Throughout the year, Macedonian insurers issued a total of 1,385,676 insurance contracts (vs. 1,292,749 in 2016), of which 749,558 - MTPL policies and 44,516- related to MoD sub-class. At the same time, the number of liquidated claims was 58,294 (vs. 55,194 a year before), of which MTPL - 27,123 and MoD - 8,643, respectively.

At the entire market level, the paid in capital was MKD 4.33 billion (about EUR 70 million), of which MKD 3.08 billion related to non-life insurers. The most capitalized insurer was one of the two non-life units of VIG – MAKEDONIJA (MKD 888.31 million, ~EUR 14.5 million) followed by the life VIG subsidiary – WINNER Life (MDK 356.93 million).

According to ISA's year-end figures, the foreign legal entities contribution to the market capital accounted for about 87% of total, followed by local entities (7%), foreign & local natural persons (~6%) and the Macedonian State (0.04%). In fact, only non-life insurers INSURANCE POLICY and ALBSIG are almost fully capitalized by locals, as follows: INSURANCE POLICY - 95.6% owned by domestic natural persons, while ALBSIG is 90% owned by local legal entities. The other market players are owned by Austrian insurers (UNIQA, VIG or GRAWE), Slovene groups (TRIGLAV or SAVA), Croatian, Bulgarian or Albanian investors. (V.B.)

Macedonia

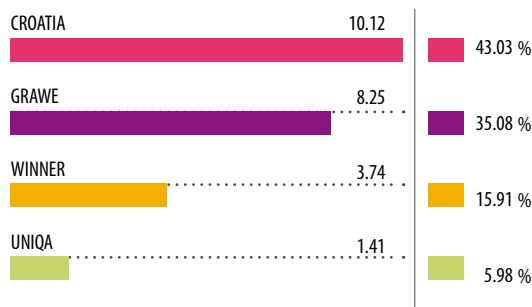
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Full market rankings per company & per class

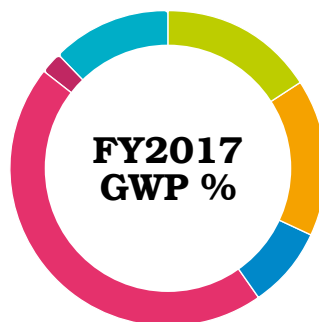
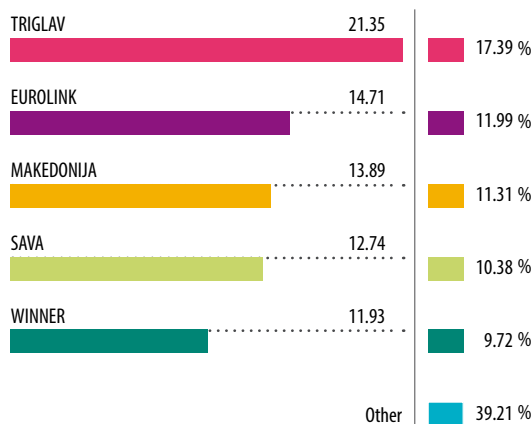
MSEcel format * in EUR and local currency



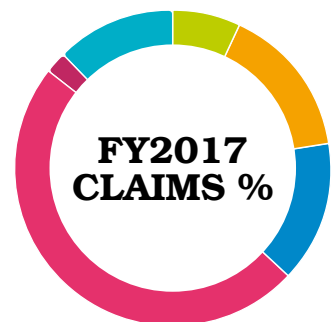
Life insurance ranking (GWP, EUR m)



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



Life	16.08
Property	15.97
Motor Hull	8.41
MTPL	45.24
GTPL	2.26
Other	12.04



Life	7.07
Property	15.46
Motor Hull	14.58
MTPL	48.62
GTPL	2.13
Other	12.14

Montenegro



S&P Rating

B+ STABLE

Moody's rating

B1 STABLE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² Insurance Supervision Agency of Montenegro

³ XPRIMM calculations

• The units of the three "Austrian insurers" lead the life insurance segment

• The two Slovene insurers - LOVCEN Osiguranje and the local unit of SAVA Re - lead the non-life ranking

• Local insurers issued 603,293 contracts, of which, more than a half were MTPL policies

• Of total settled claims, MTPL insurance accounted for about a quarter of them

• Two new players on the market for supplementary health insurance

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	EUR billion ¹	3.36	3.46	3.66	3.95	4.22
GDP per capita, current prices	EUR ¹	5,412.88	5,561.15	5,873.53	6,351.13	6,772.35
Unemployment rate	% of total labor force ¹	na	na	na	na	na
Population	Millions ¹	0.62	0.62	0.62	0.62	0.62
Gross written premiums	EUR million ²	72.77	72.42	76.93	80.16	81.77
Paid claims	EUR million ²	26.81	30.52	30.01	34.18	35.70
Insurance penetration degree	% in GDP ³	2.16%	2.09%	2.10%	2.03%	1.94%
Insurance density	EUR/capita ³	117.19	116.43	123.69	128.67	131.25

Being the smallest and the youngest CEE market, the insurance market of Montenegro totaled EUR 81.77 million at the end of 2017, representing an annual increase of 2.00%, according to the preliminary figures published on the ISA's web-site.

Despite of this status, of being the smallest insurance market in the region in terms of GWP, year after year, the local market has constantly advanced, becoming more and more robust and reporting indicators that can be compared to other markets that are considered to be more developed: thus, the calculated insurance penetration degree in GDP of about 1.94% is close to the same indicator calculated for the Serbian market, while the insurance density of about EUR 130 per capita is much higher than in Romania or Serbia.

With respect to local insurance market, we had, overall, multiple challenges, as our insurance market is quite young. We have a new insurance supervisor and a National Bureau, which is very important. We have also become members of the IAIS and have partly implemented the Motor Insurance Directive. Montenegro should enter the European Union in 2025, said Biljana PANTOVIĆ, Director, Insurance Supervision Agency of Montenegro, on an insurance conference held in Zagreb.

In terms of premiums, the non-life insurance segment had the largest contribution to the aggregate figure, reporting GWP of EUR 67.61 million (82.68% of total GWP), while the life sector accounted for the remaining 17.32%, or EUR 14.16 million.

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	81.77	80.16	2.00	35.70	34.18	4.46	100.00	100.00
TOTAL LIFE	14.16	13.70	3.41	6.17	3.96	55.78	17.32	17.09
TOTAL NON-LIFE	67.61	66.47	1.71	29.53	30.22	-2.27	82.68	82.91
Accident	9.81	9.61	2.14	7.43	7.13	4.31	12.00	11.98
Health	1.85	1.78	3.73	1.11	0.87	28.31	2.26	2.22
Overall property insurance	10.23	9.92	3.12	4.00	2.24	78.41	12.51	12.37
Fire and allied perils	3.41	3.99	-14.68	1.75	0.64	171.04	4.16	4.98
Damages to property	6.82	5.93	15.12	2.25	1.60	41.04	8.34	7.39
Overall motor insurance	40.36	40.31	0.11	16.14	16.06	0.50	49.36	50.29
Motor hull	5.58	5.08	9.96	3.44	3.55	-3.13	6.83	6.34
MTPL	34.77	35.23	-1.31	12.70	12.51	1.53	42.53	43.95
GTPL	1.46	1.27	15.42	0.16	0.12	28.36	1.79	1.58
Other non-life insurance	3.90	3.58	8.86	0.69	3.80	-81.94	4.76	4.46

Montenegro currency: EURO



Biljana PANTOVIĆ
Director, Insurance
Supervision Agency
of Montenegro

Montenegro

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Full market rankings per company & per class

MSExcel format



The total of paid claims throughout year 2017 was EUR 35.70 million or 4.46% more y-o-y. Most of the gross paid claims were related to motor insurance classes, about EUR 16.14 million or 45.21% of total gross paid claims, of which EUR 12.70 million - the value of paid claims for MTPL policies. During the year, the 11th local insurers (of which six were active only in life segment, and five in non-life) issued 603,293 contracts, of which, more than a half were MTPL policies (354,322). In terms of settled claims, of total 46,601, MTPL insurance segment accounted for about a quarter of them: 11,685.

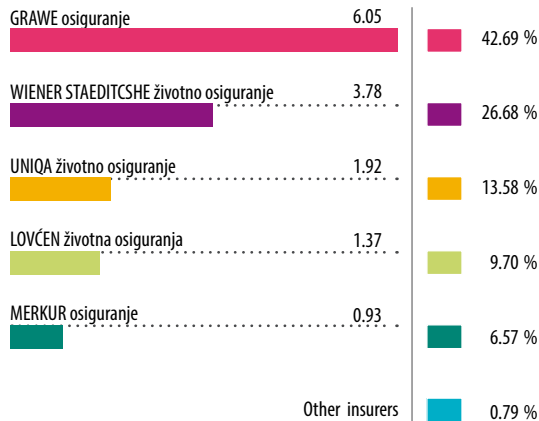
The three local units of Austrian insurance groups GRAWE, VIG and UNIQA (GRAWE osiguranje, WIENER STAEDITCSHE životno osiguranje and UNIQA životno osiguranje) were the Top 3 largest life insurers as GWP - and accounted an aggregate market share of 82.94%.

With an aggregated market share of 62.94%, the two Slovene insurers - LOVCEN Osiguranje (member of TRIGLAV Group) and the local unit of SAVA Re - SAVA Montenegro - lead the non-life ranking.

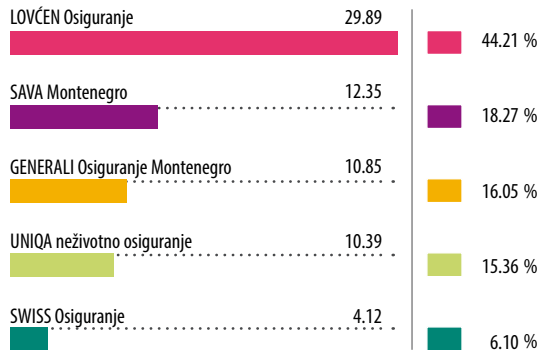
The low number of companies in the market leads to a low competition, but also to a very high degree of concentration. This situation was very stringent, until recently on supplementary health insurance segment, where only two players were active (UNIQA and GRAWE). Local media wrote that their number increased to four, after SAVA and LOVCEN entered this market. Health insurance is currently provided in Montenegro in individual policies or collective contracts, the group policies providing coverage to families or groups of employees. According to local sources, large employers are increasingly concluding group contracts for their employees. Health insurance services are provided against monthly payments for supplementary health insurance.

(V.B.)

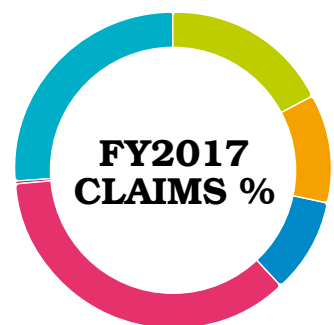
TOP 5 Life insurance (GWP, EUR million)



Non-Life insurance ranking (GWP, EUR million)



Life	17.32
Property	12.51
Motor Hull	6.83
MTPL	42.53
GTPL	1.79
Other	19.03



Life	17.28
Property	11.21
Motor Hull	9.63
MTPL	35.58
GTPL	0.44
Other	25.86

Poland



S&P Rating
BBB+ STABLE

Moody's rating
A2 STABLE

Fitch Rating
A- STABLE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² National Bank of Poland

³ The Polish Financial Supervision Authority (KNF)

⁴ XPRIMM calculations

60% of the apartments and houses in Poland are insured

60% of the Polish companies' assets, worth PLN 1.8 trillion, are insured

After the weather event of the second half of 2017, paid claims for the fire insurance class went up by 29%

MTPL insurance GWP went up by an impressive 34.7%, thanks mainly to the increase in tariffs, but also to increasing cars sales

Polish insurers ended 2017 with aggregated net profit of PLN 5.7 billion (EUR 1.37 billion)

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	PLN billion ¹	1,656.90	1,719.77	1,799.39	1,858.64	1,982.28
	EUR billion ⁴	399.52	403.48	422.24	420.13	475.26
GDP per capita, current prices	PLN ¹	43,530.88	45,235.83	47,345.43	48,953.74	52,202.36
	EUR ⁴	10,496.45	10,613.01	11,110.04	11,065.49	12,515.85
Unemployment rate	% of total labor force ¹	10.33	8.99	7.50	6.16	4.89
Population	Millions ¹	38.06	38.02	38.01	37.97	37.97
PLN/EUR exchange rate	End of period ²	4.15	4.26	4.26	4.42	4.17
Gross written premiums	PLN million ³	57,862.69	54,926.02	54,803.60	56,039.17	62,353.67
	EUR million ⁴	13,952.23	12,886.47	12,860.17	12,667.08	14,949.69
Paid claims	PLN million ³	36,798.22	34,169.50	34,845.83	36,677.34	39,840.07
	EUR million ⁴	8,873.03	8,016.68	8,176.89	8,290.54	9,551.91
Insurance penetration degree	% in GDP ⁴	3.49%	3.19%	3.05%	3.02%	3.15%
Insurance density	EUR/capita ⁴	366.56	338.96	338.37	333.63	393.69

The Polish insurance market is the largest in the CEE region, accounting for over 41% of the regional GWP in 2017. Thus, Polish GWP amounted to PLN 62.35 billion (EUR 14.95 billion) on 2017, 11.33% up y-o-y (nominal, local currency). Of the total amount, life insurance GWP accounted for almost 40%, the segment's share decreasing by about 22pp y-o-y, due to a lower than average growth rate (2.95%).

In 2017, Polish insurers paid out PLN 39.8 billion (EUR 9.55 billion) in claims and

benefits to injured parties and clients, which is 8.6% more than a year earlier. Non-life claims accounted for PLN 19.5 billion, motor insurance lines being responsible for 67% of this total figure. On the other side, paid claims for the "fire and allied perils" class went up by 29%, mostly because of the compensation payments for the victims of the extreme weather event from the second half of 2017. In fact, payments for damage caused by the elements amounted to PLN 1.7 billion,

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	1H2017	1H2016	Change	1H2017	1H2016	Change	1H2017	1H2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	14,949.69	12,667.08	18.02	9,551.91	8,290.54	15.21	100.00	100.00
TOTAL LIFE	5,888.66	5,392.56	9.20	4,880.17	4,132.97	18.08	39.39	42.57
Life insurance	1,797.36	1,764.21	1.88	1,391.69	1,408.33	-1.18	12.02	13.93
Unit-linked	2,705.11	2,333.89	15.91	2,863.47	2,169.94	31.96	18.09	18.42
Accident and sickness	1,321.50	1,227.14	7.69	575.83	506.51	13.69	8.84	9.69
Other life insurance (reinsurance accepted included)	64.69	67.32	-3.91	49.18	48.20	2.03	0.43	0.53
TOTAL NON-LIFE	9,061.03	7,274.52	24.56	4,671.74	4,157.56	12.37	60.61	57.43
Accident	357.88	315.62	13.39	76.13	66.16	15.07	2.39	2.49
Sickness	165.10	139.98	17.95	54.02	40.35	33.88	1.10	1.11
Overall property insurance	1,491.61	1,250.55	19.28	663.80	641.88	3.42	9.98	9.87
Fire and allied perils	762.45	673.07	13.28	404.61	295.61	36.88	5.10	5.31
Damages to property	729.16	577.48	26.27	259.19	346.27	-25.15	4.88	4.56
Overall motor insurance	5,385.62	4,122.22	30.65	3,131.42	2,753.11	13.74	36.02	32.54
Motor Hull	1,834.80	1,486.40	23.44	1,080.69	949.35	13.84	12.27	11.73
MTPL	3,550.81	2,635.82	34.71	2,050.72	1,803.75	13.69	23.75	20.81
GTPL	468.31	421.29	11.16	224.68	197.55	13.73	3.13	3.33
Credit	93.43	93.96	-0.57	57.46	42.47	35.30	0.62	0.74
Shuretyship	107.67	76.03	41.62	31.70	19.40	63.44	0.72	0.60
Financial loss	183.15	150.91	21.37	63.72	52.35	21.73	1.23	1.19
Travel	236.30	190.58	23.99	114.41	88.66	29.05	1.58	1.50
Other non-life insurance (reinsurance accepted included)	571.97	513.39	11.41	254.39	255.65	-0.49	3.83	4.05

1 EUR = 4.1709 Zlots - PLN (December 31st, 2017)

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

which is PLN 380 million more than a year earlier, mainly because of insured losses from the storms of the third quarter of 2017. According to PIU data, about 60% of the apartments and houses in Poland are insured. Thanks to the report "How insurance is changing Poland and Poles", we also know that in Poland property of companies are insured in the amount of PLN 1.8 trillion, which is about 60% of all their assets. A large part of the losses from weather events can therefore be repaired thanks to insurance protection, explained Andrzej MACIĄZEK, vice president of the board of PIU.

Motor insurance also recorded an interesting evolution last year. On the one hand, GWP for MTPL insurance went up by an impressive 34.7%, thanks mainly to the increase in tariffs, but also to increasing cars sales. On the other hand, Polish insurers' expenses with motor claims have increased by about 7.2% both on the MTPL and Motor Hull segment (to PLN 8.6 billion and PLN 4.5 billion respectively). The increase in claims payment has slowed down somewhat, although it is still clearly visible that more and more money goes to victims in road accidents and their families. Despite this, from the beginning of 2017, the MTPL market remained profitable, - said J. Grzegorz PRĄDZYŃSKI, president of the board of the Polish Chamber of Insurance. In fact, it is noteworthy that the balance of the technical account for the MTPL class moved from the PLN 1.08 billion loss of 2016, to a positive PLN 482 million. Although not at such a spectacular rate, the technical account's balance for Motor Hull improved also (from PLN 32.6 million to PLN 440.7 million)

Polish insurers ended 2017 with aggregated net profit of PLN 5.7 billion (EUR 1.37 billion), of which PLN 2.3 billion came from the life insurance segment and PLN 3.4 billion was the result of the non-life business. Yet, it is worth noting that of the total net profit recorded by the non-life insurers, more than 40% is a dividend from PZU Zycie SA to PZU SA, already included in last year's net profit of life insurers, as a press release of the Polish Insurance Association stated. Income tax due from Polish insurers for 2017 amounted to PLN 1.2 billion, while the total tax on assets was of approx. PLN 600 million.

(D.G.)

Poland

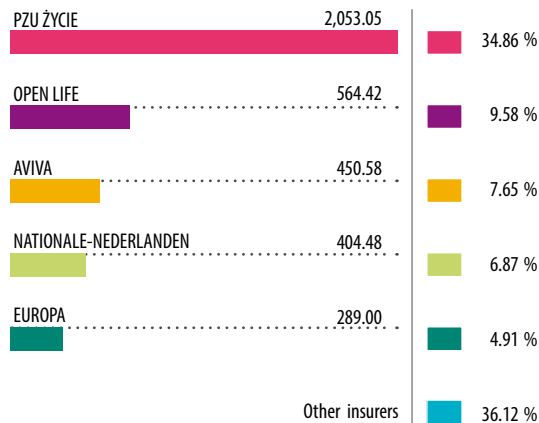
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Full market rankings per company & per class

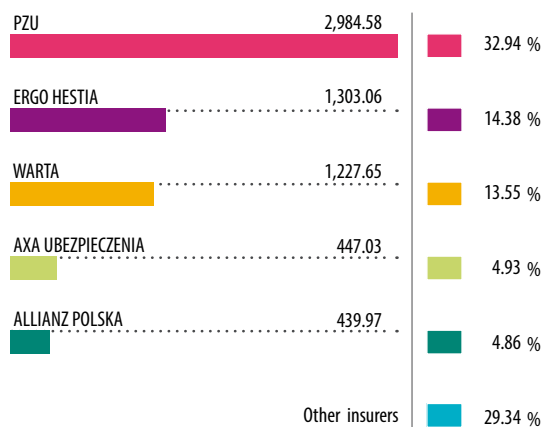
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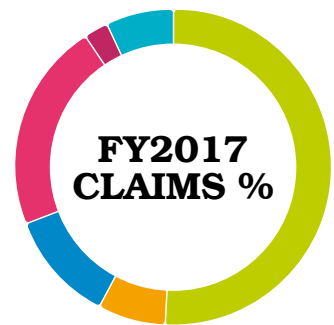
TOP 5 Life insurance (GWP, EUR million)



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



Life	39.39
Property	9.98
Motor Hull	12.27
MTPL	23.75
GTPL	3.13
Other	11.48



Life	51.09
Property	6.95
Motor Hull	11.31
MTPL	21.47
GTPL	2.35
Other	6.82

2017 was a year of revival for the Romanian insurance market. Both the supervisory authority and the market players have done their best to improve the market's reputation. Most efforts were required for the implementation of the new MTPL Act, providing for more solid foundation for the future evolution of the main market segment. Yet, other challenges are ahead on the regulatory side, as well as in business innovation terms. About where does the market stand at this moment and what the future might bring for the Romanian insurers we have discussed with ...

Cornel COCA CONSTANTINESCU

Vice-President

Insurance Sector, ASF Romania

XPRIMM: What do you think are the main challenges, this year, for the Romanian insurance market?

Cornel COCA CONSTANTINESCU: The main challenges of the insurance market are related to its structure, which still depends on the mandatory insurance lines - and I mean the fact that the MTPL insurance accounted for 50% of total GWP in the non-life insurance segment. At the same time, motor insurance, cumulated on Class 3 and Class 10, led with 59% of the total premiums written last year. The conclusion emerging from these data is the modest development of the life insurance segment, despite the 21% year-on-year growth in 2017. For these reasons, ASF's - The Financial Supervisory Authority projects on the financial education field aim towards increasing the understanding of different insurance products that provide financial protection to the insured and/or his/her family members in various unfavorable situations and also highlighting their benefits, including issues related to tax deductibility offered by the state. In this regard, the implementation of the new IDD Directive should bring added value to the bidding process, by providing more comprehensive and systematic customer information, with a positive effect on the market as a whole.

We are also concerned about the mandatory housing insurance low level of penetration. Romania has a very large number of homeowners, but, paradoxically, very few conclude the compulsory home insurance policy, although it would be advisable and useful to purchase an optional insurance too. We strive to identify solutions in order to increase the insurance coverage, by liberalizing distribution channels, diversifying



The high degree of market concentration can become, in time, a vulnerability on the general insurance segment.



PAID's shareholding and offering the possibility of concluding multi-year contracts. At the same time, the high degree of market concentration, resulting from the fact that the first five insurance companies aggregate 70.03% of the market, can become, in time, a vulnerability on the non-life insurance segment.

XPRIMM: New technologies, such as telematics, also appear on the Romanian market. What impact do you anticipate they will have, in the coming years, on both the market and the consumers?

C.C.C.: The new technologies will revolutionize, in various ways, many economic sectors, and certainly the insurance sector as well, and the effects will be ample, customers' behavior included. I believe that insurers' business models will change, in the coming years, starting with adoption of telematics and culminating with insuring self-driving vehicles. Technological innovation in the insurance field will facilitate greater customizing in insurance - by identifying the individual risk - and will boost policyholder accountability.

At the same time, substantial investments in new technologies will be needed, increasing the information processing capacity, in order to face the big technological platforms, that are more advanced from this perspective and will be able, at a certain point, to compete with the classic insurers. In the end, those who will adapt as quickly as possible, and will smartly invest, will win, because technological innovation will become a competitive advantage.

XPRIMM: What steps does ASF take in order to support technological innovation in the insurance field?

C.C.C.: The new technologies, which can already be spotted on some insurance markets, will also pose a challenge for the Authority, which is why it was decided the set-up, within ASF, of an InsurTech working group, to collect information, develop competencies and expertise, aiming to encourage financial innovation.

One of the adopted initiatives is the development of a Sandbox-type environment for testing financial innovations within the

Insurers' business models will change, in the coming years, starting with adoption of telematics and culminating with insuring self-driving vehicles.



existing regulatory framework, while ensuring, at the same time, that the parties concerned are adequately protected. If, after Sandbox testing, the company wants to offer the resulting product on a large scale, it must comply with the existing regulatory framework. Also, meetings were held with representatives of the Employers' Association of Software and Services Industry and representatives of IT companies with relevant experience in the field, as well as representatives of the insurance market who were interested in digital processes and transformations, innovation of the customer interface and new types of insurance products.

XPRIMM: GDPR and IDD are two regulations with a deep impact on insurers, brokers and clients. Do you consider that the insurance industry will be prepared to comply with the new rules, starting May 25th and October 1st?

C.C.C.: I am confident that both intermediaries and insurers will be prepared to apply the stipulations of the IDD Directive, which will soon be transposed into the national legislation, considering that its application has been postponed for nearly 7 months. We must keep in mind that the novelty elements of the directive contribute to consumer protection by more effectively informing them, by creating fair competition between all categories of distributors, through the transparency of their activities. I am especially referring to the information that will be presented to clients regarding remuneration and incentives, the standards of selling products with an investment component, the transparency requirements in the case of cross-selling. All of these provide the basis for a better understanding of the products by the insured, with a long term positive effect on the industry development. However, the impact on intermediaries won't be as deep as in

other countries, as the Romanian market still depends on the mandatory products, while the penetration of the insurance products with an investment component is low.

Large risks may be triggered by the coming into force of the GDPR Regulation, which will require major operational changes on matters such as the storage and use of personal data, regarding the notification of ANSPDCP in case of personal data security breaches and the targeted person, the consequences in this case being both financial and reputational. New compulsory corporate rules will need to be defined, as well as relations between intermediaries and insurers - analyzed from the perspective of the relationship of the associated operators. The process is complex and will require considerable effort by companies to comply.

XPRIMM: What do you think is the real potential of the market? How do you see its evolution by the end of this year?

C.C.C.: In assessing the level of insurance market development, several benchmarks are used, such as the insurance penetration in GDP - which reflect the importance of the insurance sector in the national economy - and the density of insurance.

In emerging market countries, the penetration rate ranges between 6% and 2% (including voluntary pension schemes), while in Romania the indicator was 1.13% of GDP in 2017. If we compare the insurance density in countries such as Switzerland (about EUR 6.400), The Netherlands (EUR 4.000), Austria (EUR 700) and Greece (EUR 340) with the Romanian level of EUR 108 (LEI 494), it can only result in a consistent growth potential as a result of raising living standards and improving financial education.

Life insurance, including private pensions and private health insurance, represents, in countries with a mature insurance

industry, somewhere between 45-50% of the insurance market, in GWP terms. The Romanian market will also have to aim for these targets, that are achievable, but the evolution won't be a fast one. We enjoyed last year's 21% growth in the life insurance segment, compared to the previous year, and we hope the growth trend will strengthen.

A stable and mature market is characterized by the balance between compulsory and optional products, between property insurance and life insurance products, diversifying business lines for better risk management.

XPRIMM: What solutions could be used, in the near future, for a stronger development of the insurance market (eg. micro-insurance, mutual companies etc.)?

C.C.C.: We should start by identifying consumer needs and adapting the products to these needs. An analysis in this regard would be welcomed for both insurance companies and potential clients, because not always products that are well established on other markets are also required in Romania. Micro-insurance can be a solution for the low-income population segment, representing a limited financial protection, but operating well and contributing to the wider promotion of insurance products.

Regulating the establishment of mutual insurance companies is a step forward for the Romanian market. The mutual insurance company is a legal form well established in other countries from the European Union, this type of companies representing about a quarter of the markets where this form is used.

At the same time, the role of mutual companies in the social economy must not be neglected, as recognized by the European Parliament's resolution 2012/2038. Mutual companies have proven that they can contribute to job creation and that they are a factor of social cohesion. At the same time, they promote the key values of the socially active state: solidarity, non-discrimination, equal access and operation for the benefit of members. In the context of the last financial crisis, these companies have proved resilient, not being directly oriented towards profit.

The new technologies, will also pose a challenge for the Authority, which is why it was decided the set-up, within ASF, of an InsurTech working group.

XPRIMM: When could the first mutual insurance company emerge?

C.C.C.: The draft law on mutual insurance companies is in the inter-ministerial advisory stage, it's going to go through the legislative procedures and, afterwards, we will see for the first time how the convergence of the interests of insured and insurers in the mutual company will materialize.

XPRIMM: More than 9 months have passed since the entry into force of the MTPL Act. What are, in your opinion, the first effects for the insurance market and for the consumers?

C.C.C.: The MTPL insurance market has stabilized, as a result of the new mechanisms introduced by the new MTPL law, such as the reference tariff, the high-risk insured, Direct Settlement, which have contributed to the transparency of tariff calculation and market equilibration. However, we must not lose sight of the

The mechanisms introduced by the new MTPL law have contributed to the transparency of tariff calculation and market equilibration.

fact that the premium tariff for the MTPL insurance is set mainly depending on the risks undertaken by the insurer, including the insured persons' behavior. We find that the market has balanced in terms of the premium level, also becoming more predictable.

XPRIMM: How did consumers receive Direct Settlement? How many MTPL policies have been sold in the Direct Settlement market and what is their share of the total MTPL number of policies?

C.C.C.: In the short time since Direct Settlement was introduced, approximately 100.000 policyholders opted for this mechanism, which is encouraging by the effects we hope will have on consumer loyalty and insurer selection, according to the level of services received by the insured, in his quality of the damaged third party. Also, Direct Settlement leads to increased confidence and reputation of those insurers who are determined to provide quality services to their own customers.

XPRIMM: Are other foreign investors interested in the local market?

C.C.C.: The Romanian market keeps its attractiveness on medium term, as it keeps on developing and exceeding the mandatory insurance stage. In the context of the existence of a common regulatory framework within the European Union and the convergence of supervisory activity, the possibility for companies from countries within EU to operate throughout the European space, through a branch or under the freedom to provide services, can be realized without a great effort. The European market has reached a level of maturity and diversification that can no longer ensure a consistent growth over a long period of time and it is natural that the development of societies to continue in those countries where the practice of supervision is similar and where we have common regulations. At the same time, with the transposition and implementation of the IDD Directive, the degree of harmonisation of the intermediation activity will increase, in particular regarding rules of conduct, to ensure a greater consumer protection, which is an important aspect of the insurance activity.

Interview conducted by Mihaela CIRCU

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Romania



S&P Rating

BBB- STABLE

Moody's rating

BAA3 STABLE

Fitch Rating

BBB- STABLE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² The National Bank of Romania

³ Financial Supervision Authority (FSA)

⁴ XPRIMM calculations

Life insurance gained some 2 percentage points in weight, returning to the level of its historical peak point

Health insurance grew by some 16% y-o-y helped by the "heating" labor market and the fiscal deductibility

Three main business lines accounting together for 88% of the non-life GWP: MTPL insurance (50%), Motor Hull (25%) and Fire and allied perils insurance (13%)

The main event of the year was the entry into force of the Law no. 132/2017, known as the MTPL Act.

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	RON billion ¹	637.46	668.14	712.66	762.34	856.35
	EUR billion ⁴	144.25	150.33	160.33	169.76	187.46
GDP per capita, current prices	RON ¹	31,840.80	33,485.70	35,856.13	38,579.47	43,592.67
	EUR ⁴	7,205.43	7,534.02	8,066.62	8,590.78	9,542.84
Unemployment rate	% of total labor force ¹	7.10	6.80	6.81	5.90	4.99
Population	Millions ¹	20.02	19.95	19.88	19.76	19.64
RON/EUR exchange rate	Annual average ²	4.42	4.44	4.45	4.49	4.57
Gross written premiums	RON million ³	7,982	7,823	8,535	9,380.94	9,706.97
	EUR million ⁴	1,806.27	1,760.22	1,920.12	2,088.92	2,124.95
Paid claims	RON million ³	4,914.13	4,760.58	4,489.77	4,311.83	5,054.64
	EUR million ⁴	1,112.04	1,071.09	1,010.07	960.15	1,106.51
Insurance penetration degree	% in GDP ⁴	1.25%	1.17%	1.20%	1.23%	1.13%
Insurance density	EUR/capita ⁴	90.22	88.22	96.60	105.71	108.17

In the end of 2017, there were 42 insurers (31 local companies and 11 branches of EU insurers) and 382 registered insurance brokers. A few M&A operations took place: COLONNADE Insurance, part of the Canadian FAIRFAX Financial Holdings took over the insurance portfolio of AIG Europe Limited London – Bucharest Branch; EUROINS Romania Insurance-Reinsurance SA, part of EUROINS Insurance Group EAD, acquired the non-life insurance portfolio of ATE Insurance Romania S.A., subsidiary of Piraeus Bank; AXA Life Insurance has completed the sale of its Romanian

insurance operations to the Austrian group VIENNA Insurance Group (VIG).

Romanian insurers ended 2017 with total GWP production worth RON 9.7 billion (EUR 2.12 billion), 3.5% up y-o-y. Yet, in European currency, the market growth was of only 1.7% because of the slight depreciation of the Romanian leu against Euro.

The non-life insurance sector held, as always, the "lion part" of the portfolio, accounting for over 79% of the total GWP. Moreover, motor insurance lines accounted for three quarters of the non-life business.

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	2,124.95	2,088.92	1.72	1,106.51	960.15	15.24	100.00	100.00
TOTAL LIFE	441.77	371.75	18.84	218.50	158.16	38.15	20.79	17.80
Annuities and supplementary ins.	302.61	248.64	21.71	84.02	na	-	14.24	11.90
Unit-linked	121.32	105.54	14.95	127.15	na	-	5.71	5.05
Other life insurance	17.84	17.57	1.54	7.32	na	-	0.84	0.84
TOTAL NON-LIFE	1,683.17	1,717.17	-1.98	888.01	801.99	10.73	79.21	82.20
Accidents and illness	12.23	12.11	0.93	na	na	-	0.58	0.58
Health	28.87	25.30	14.12	na	na	-	1.36	1.21
Overall property insurance	256.47	246.18	4.18	na	na	-	12.07	11.78
Fire and allied perils	220.03	210.72	4.42	52.44	43.53	20.47	10.35	10.09
Damages to property	36.44	35.46	2.74	na	na	-	1.71	1.70
Overall motor insurance	1,251.73	1,312.78	-4.65	751.91	689.86	9.00	58.91	62.84
Motor Hull	414.88	390.90	6.13	261.38	253.96	2.92	19.52	18.71
MTPL	836.85	921.88	-9.22	490.53	435.90	12.53	39.38	44.13
GTPPL	49.28	50.45	-2.31	na	na	-	2.32	2.41
Warranties	37.10	24.13	53.79	na	na	-	1.75	1.15
Travel	22.47	19.40	15.86	na	na	-	1.06	0.93
Other non-life insurance	25.03	26.84	-6.75	na	na	-	1.18	1.28

RON 4.5681/EUR - in 2017

RON 4.4908/EUR - in 2016



Cornel COCA
CONSTANTINESCU
Vice-President ASF

Mandatory insurance lines increased their share in the market portfolio to 42% (13 pp growth in the last 5 years).

In comparison with the previous years, though **life insurance** gained some 2 percentage points in weight, returning to the level of its historical peak point, supported by the intensification of banking lending activity. *We have a market of about 2 billion euros. Considering its potential, it should be of 5 billion euros, provided the life insurance market grows to a 60% share of the total market, similar with that of the other European states,* said Cornel COCA CONSTANTINESCU, Vice-President ASF, in charge with the insurance market supervision.

Health insurance accounts for just 1.36% of the total market GWP and grew by some 16% y-o-y, supported by a “heating” labor market and the fiscal deductibility. Yet, the chronic issues hindering the sector’s development are still in place, as none of the problems deriving from the legislative gaps were solved and it seems that no action will be taken in the foreseeable future.

Non-life insurance stagnated in terms of business volume last year, the overall growth rate of the sector being of -0.3%, to RON 7.69 billion (EUR 1.68 billion). Out of this total, there are three main business lines accounting together for 88% of the non-life GWP: MTPL insurance (50%), Motor Hull (25%) and Fire and allied perils insurance (13%).

The main event of the year, marking both the end of a hectic time and the start of a “new era” in the main non-life business line, MTPL, was the entry into force, on July 12, of the Law no. 132/2017 on compulsory insurance against civil liability in respect of damage to third parties by means of vehicle and tramway accidents - known as the MTPL Act.

(D.G.)

Read a detailed analysis of the Romanian insurance market in 2017 in the latest issue of XPRIMM Insurance Profile Romania – FY2017.

Romania

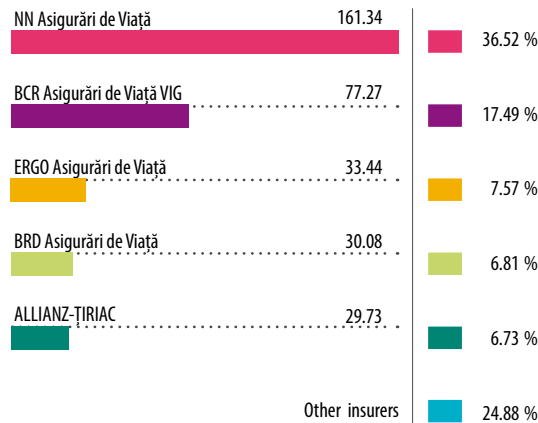
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Full market rankings per company & per class

MSEcel format * in EUR and local currency



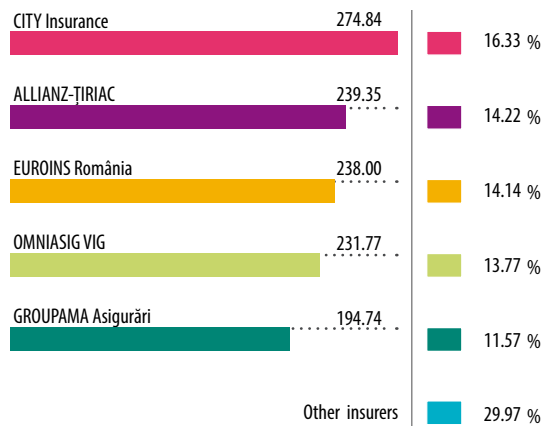
TOP 5 Life insurance (GWP, EUR million)*



*XPRIMM estimates based on the market shares published by ASF



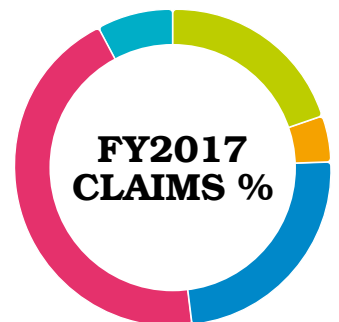
Top 5 Non-life insurance (GWP, EUR m)*



*XPRIMM estimates based on the market shares published by ASF



Life	20.79
Property	12.07
Motor Hull	19.52
MTPL	39.38
GTPL	2.32
Other	5.92



Life	19.75
Fire, allied perils	4.74
Motor Hull	23.62
MTPL	44.33
Other	7.56

Serbia



S&P Rating

BB STABLE

Moody's rating

BA3 STABLE

Fitch Rating

BB STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² National Bank of Serbia

³ XPRIMM calculations

Most of the market growth came from the non-life insurance side, which saw a 11% increase in premiums

Motor Hull class saw the strongest y-o-y increase in GWP, by 17.4%, helped also by the increasing cars sales

The first details about the future Law on Compulsory Traffic Insurance, to replace the current Law adopted in 2009, were made available; the new Law should be adopted until 2020

VIG achieved a market share of 11.7%, ranking 4th, after the merger of Wiener Stadtische Osiguranje with the two AXA units acquired the previous year

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	RSD billion ¹	3,876.40	3,908.47	4,043.47	4,261.93	4,468.84
	EUR billion ³	33.81	32.31	33.25	34.52	37.72
GDP per capita, current prices	RSD ¹	540,902.08	548,035.10	569,873.10	603,815.95	635,673.43
	EUR ³	4,718.18	4,530.78	4,685.45	4,890.29	5,365.57
Unemployment rate	% of total labor force ¹	23.00	19.89	18.23	15.92	14.61
Population	Millions ¹	7.17	7.13	7.10	7.06	7.03
RSD/EUR exchange rate	End of period ²	114.64	120.96	121.63	123.47	118.47
Gross written premiums	RSD million ²	64,041.51	69,405.01	80,925.79	89,137.99	93,093.99
	EUR million ³	558.62	573.79	665.37	721.93	785.78
Paid claims	RSD million ²	26,436.22	27,707.55	30,718.00	33,383.00	36,860.66
	EUR million ³	230.60	229.07	252.56	270.37	311.13
Insurance penetration degree	% in GDP ³	1.65%	1.78%	2.00%	2.09%	2.08%
Insurance density	EUR/capita ³	77.94	80.45	93.78	102.28	111.78

Serbian insurance market ended 2017 with FWP worth EUR 785.8 million, 8.8% up y-o-y, a result supported in part also by the Serbian Dinar appreciation against the European currency. In local currency, the GWP growth was of only 4.4%. Most of the market growth came from the non-life insurance side, which saw a 11% increase in premiums, thus raising its weight in the market portfolio by about 1.5 percentage points.

While the high dynamic seen on the life insurance side in 2016 calmed down, to a modest 2.5% growth, there were several non-life lines recording high double-digit growth rates. Among the most relevant in market weight terms, the Motor Hull class

saw the strongest y-o-y increase in GWP, by 17.4%, helped also by the increasing cars sales. According to Serbian Association of Importers of New Cars and Components, a total of 26,879 cars and light commercial vehicles were sold in Serbia in 2017, which is around 15.5% more y-o-y. In addition, 137,296 used cars were imported to Serbia. The MTPL line also saw a 10% y-o-y GWP growth and continues to hold the largest share in the market portfolio, of over 34%. Yet, in what the mandatory MTPL line is concerned, the most important piece of news is coming from the regulatory field, namely the first details about the future Law on Compulsory Traffic Insurance, to replace the current Law adopted in 2009.

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	785.78	721.93	8.85	311.13	270.37	15.08	100.00	100.00
TOTAL LIFE	192.09	187.31	2.55	76.87	52.07	47.63	24.45	25.95
TOTAL NON-LIFE	593.69	534.62	11.05	234.26	218.30	7.31	75.55	74.05
Accidents insurance	29.08	35.35	-17.74	16.65	19.05	-12.60	3.70	4.90
Health insurance	24.14	18.06	33.68	16.02	11.75	36.34	3.07	2.50
Goods in transit	6.32	5.15	22.70	2.01	1.50	34.18	0.80	0.71
Overall property insurance	140.65	126.33	11.34	56.44	58.86	-4.12	17.90	17.50
Fire and allied insurance	45.67	40.59	12.51	13.01	11.57	12.46	5.81	5.62
Damages to property	94.98	85.74	10.78	43.43	47.29	-8.17	12.09	11.88
Overall motor insurance	335.71	301.16	11.47	129.61	114.23	13.47	42.72	41.72
Motor Hull	65.77	56.02	17.41	46.59	40.47	15.12	8.37	7.76
MTPL	269.94	245.14	10.11	83.03	73.76	12.56	34.35	33.96
GTPL	17.43	15.57	11.93	3.71	3.99	-6.96	2.22	2.16
Credit	11.02	6.89	59.98	3.01	2.16	39.32	1.40	0.95
Financial loss	6.47	6.01	7.58	0.35	0.85	-58.73	0.82	0.83
Travel	18.18	15.50	17.29	5.27	4.95	6.52	2.31	2.15
Other non-life insurance	4.71	4.60	2.41	1.18	0.96	23.08	0.60	0.64

Exchange rate for calculations (Middle rate):

1 EUR = 118.4727 Dinars - RSD (December 31st, 2017)

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

The key elements of the new Law (in preparation for 2020) will apply to:

» Guarantee Fund – it should clarify the situation, establishing the new Fund under the jurisdiction of the Association of Serbian Insurers – after the adoption of the current Law, in 2009, the legal ambiguities led to a situation in which some damages were not paid (for example, damages incurred in an accident caused by an unknown person, in which the party to be indemnified was killed or suffered serious bodily injury);

» fees paid by insurance companies into the account of the National Health Insurance Fund – currently of 5%; Association of Serbian Insurers proposed reducing the allocation to 2% or returning to an earlier decision according to which every single damage would be individually regressed

» more efficient resolution of compensation claims through the new model of issuing records and other supporting documents,

» the relationship between insurance companies and MOT test companies as the leading sales channel of Motor third-party liability insurance (MTPL) – the maximum fee allowed is of 5%, but MOT test companies are not satisfied.

The only notable change in the market structure took place in August, when the merger between the Vienna Insurance Group (VIG) company Wiener Stadtische Osiguranje and the two AXA companies that were acquired in the previous year was finalized. As a result, VIG achieved a market share of 11.7% in the end of 2017, ranking fourth in the Serbian insurance market.

DUNAV, the state-owned company, remains the market leader, with an almost 27% market share (~ 1pp more than at the end of 2016). Although the Serbian Government started exploring some privatization options, the process is far from being on a decisive path. According to local media, in January the Government has set the approximate privatization price to EUR 110 million, a figure exceeding the expected EUR 60 million level. According to local sources, the Government's higher valuation took into consideration the significantly improved profitability achieved by DUNAV in the recent years. In 2017, the company's pre-tax profit is expected to rise by 20% to 1.25 billion dinars (10.5 million euro).

(D.G.)

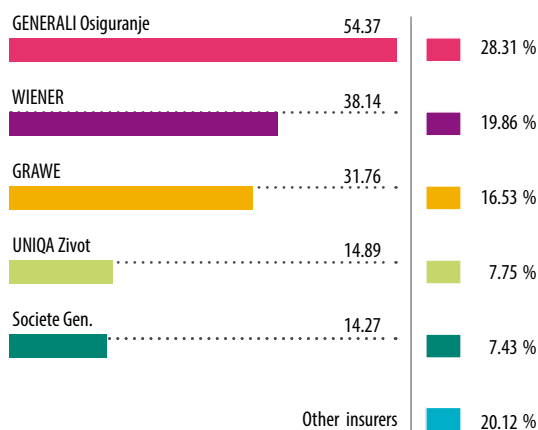
Serbia

Full market rankings per company & per class

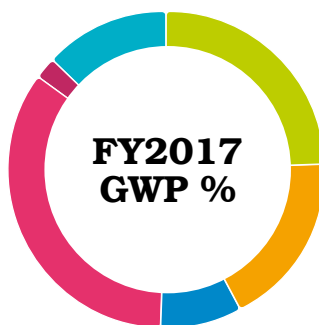
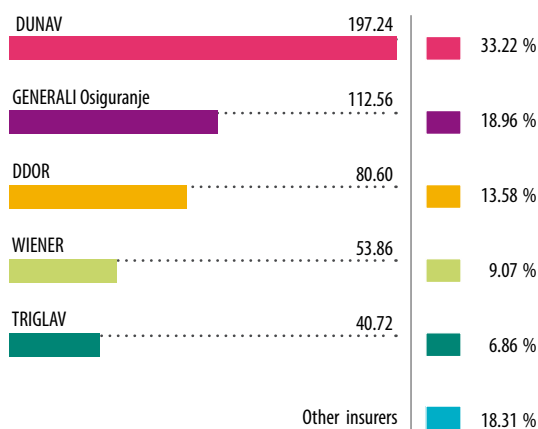
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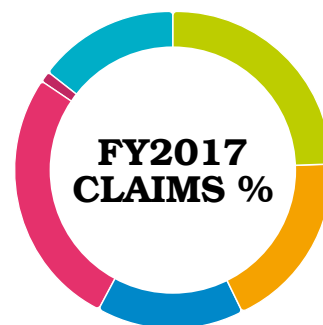
TOP 5 Life insurance (GWP, EUR million)



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



Life	24.45
Property	17.90
Motor Hull	8.37
MTPL	34.35
GTPL	2.22
Other	12.71



Life	24.71
Property	18.14
Motor Hull	14.97
MTPL	26.69
GTPL	1.19
Other	14.30

Slovak Republic



S&P Rating
A+ STABLE

Moody's rating
A2 POSITIVE

Fitch Rating
A+ STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² National Bank of Slovakia

³ XPRIMM calculations

The life insurance segment generates more than a half of the total GWP

The combined ratio in motor insurance reached 97.4%, while for the property insurance remained stable at 75%

The dynamic of insurance market was almost double that of the advance of the economy

The new taxation system in non-life is expected to be efficient from October 2018

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	EUR billion ¹	74.17	76.09	78.90	81.15	84.96
GDP per capita, current prices	EUR ¹	13,707.64	14,048.86	14,552.91	14,955.79	15,643.87
Unemployment rate	% of total labor force ¹	14.23	13.18	11.48	9.68	8.27
Population	Millions ¹	5.41	5.42	5.42	5.43	5.43
Gross written premiums	EUR million ²	2,081.90	2,105.55	2,019.80	1,966.67	2,135.07
Paid claims	EUR million ²	1,207.57	1,190.90	1,155.42	1,166.36	1,197.21
Insurance penetration degree	% in GDP ³	2.81%	2.77%	2.56%	2.42%	2.51%
Insurance density	EUR/capita ³	384.75	388.77	372.59	362.45	393.13

Last year, the growth rate of the local insurance market (+8.56%) was almost double that of the advance of the economy (+4.69%), thus the calculated indicators as the insurance penetration degree (2.51%) and the insurance density (EUR 393 per capita) significantly evolved as compared to FY2016.

In terms of GWP, the Slovak insurance market totaled EUR 2.13 billion vs. EUR 1.96 billion a year before, according to the preliminary figures provided by the National Bank of Slovakia (NBS).

The net profit of insurance sector after taxation increased by 8.4% comparing to 2016. The coverage of solvency capital requirement was relatively stable during the year 2017, there was just a slight decrease in March to 208% and it was more or less stable during the year around ~208%. In year on

year comparison there was a decrease in SCR coverage, as in 2016 it stood at 230%. The reasoning of the change is sharing of profit of companies with shareholders. The gross written premium increased, both in life and in non-life insurance, said Julia CILLIKOVA, Director of the Regulation and Financial Analysis Department of the National Bank of Slovakia.

The life insurance segment experienced an increase of 11.32% y-o-y to EUR 1.07 billion, this type of policies generating 50.27% of the total insurance market, while the non-life classes accounted for EUR 1.06 billion, or 5.92% more y-o-y.

In terms of growth rates, the most dynamic life insurance class was the one related to index-linked and unit-linked products: +17.83% to EUR 239.58 million.

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	2,135.07	1,966.67	8.56	1,197.21	1,166.36	2.64	100.00	100.00
TOTAL LIFE	1,073.21	964.12	11.32	680.16	660.01	3.05	50.27	49.02
Insurance with profit participation	533.00	501.93	6.19	382.36	399.35	-4.25	24.96	25.52
Index-linked and unit-linked insurance	239.58	203.33	17.83	147.83	130.92	12.92	11.22	10.34
Other life insurance	300.63	258.87	16.13	149.97	129.74	15.60	14.08	13.16
TOTAL NON-LIFE	1,061.86	1,002.55	5.92	517.04	506.35	2.11	49.73	50.98
Medical expense insurance	11.55	11.73	-1.57	3.51	3.17	10.86	0.54	0.60
Income protection insurance	55.87	58.71	-4.84	14.70	18.24	-19.41	2.62	2.99
Fire and other damages to property	254.38	247.42	2.81	67.05	77.95	-13.99	11.91	12.58
Overall motor insurance	616.86	562.76	9.61	404.74	361.63	11.92	28.89	28.61
Motor Hull	310.07	281.64	10.10	192.55	171.82	12.07	14.52	14.32
MTPL	306.79	281.12	9.13	212.18	189.81	11.78	14.37	14.29
GTPL	74.26	72.85	1.93	20.55	31.24	-34.21	3.48	3.70
Marine, aviation and transport insurance	9.85	10.45	-5.77	0.24	1.20	-79.82	0.46	0.53
Credit and Suretyship insurance	3.76	6.81	-44.75	-4.35	4.36	-199.70	0.18	0.35
Miscellaneous financial loss	8.69	8.21	5.85	1.83	1.38	32.71	0.41	0.42
Legal expenses insurance	0.35	0.33	5.40	0.04	0.03	60.02	0.02	0.02
Assistance	26.29	23.26	13.01	8.73	7.15	22.12	1.23	1.18

Note: FY2017 figures are preliminary
Slovak currency: EURO



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

Slovak Republic

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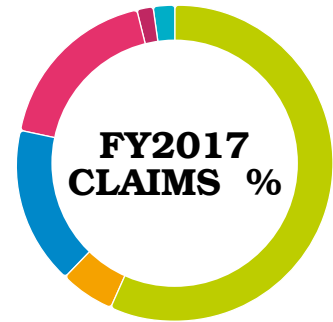
On the non-life insurance segment, in absolute values, the largest increase rates in GWP were recorded on the two motor insurance classes, as follows: Motor Hull GWP was up by 10% to EUR 310 million, while the value of MTPL GWP increased by 9% to EUR 307 million. The third largest non-life insurance subclass – Fire and other damages to property, generated GWP of about EUR 254 million (+2.81% y-o-y) – while the value of paid claims was down by 14% to EUR 67 million.

The combined ratio in motor insurance improved at the end of the year as it reached 97.4%. The combined ratio of property insurance was stable and at the end of the year 75% or 81% if we take into consideration also a new so called indirect tax on non-life insurance. There was decrease of investment of technical provision into bonds but investments into funds increased.

Speaking about the new indirect taxation system for the insurance premium in preparation, replacing the current special insurance 8% levy on the MTPL premiums the NBS representative pointed out that the new taxation system in non-life is expected to be efficient from October 2018 and it will be 8% levy for MTPL and 8% tax for the other lines of non-life insurance.



Life	50.27
Property	11.91
Motor Hull	14.52
MTPL	14.37
GTPL	3.48
Other	5.45



Life	56.81
Property	5.60
Motor Hull	16.08
MTPL	17.72
GTPL	1.72
Other	2.06

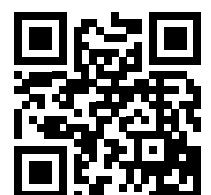
It is worth mentioning that local media wrote that the new indirect taxation system for the insurance premium will replace the current special insurance 8% levy with a rate which will vary from 2 to 18% depending on the type of the policy. For example, the tax rate for most non-life insurance businesses is proposed at 8% and 6%, the proposed rate for accident and illness insurance is 4%, and the proposed rate for

the life insurance businesses is 2% and 3%, wrote Face to Face Business.

Currently, the final wording of the bill is still under debate with the insurance sector. An unfavorable novelty in the bill is the extension of the tax to life insurance, especially because this way income provided by life insurance will be subject to multiple taxation.

(V.B.)

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Fitch Rating
A- STABLE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² Slovenian Insurance Association

³ XPRIMM calculations

Insurance density reached EUR 1,055/capita in 2017, a double value as compared with the second best in the region

Top 5 insurers account together for over 77% of the overall GWP, a percentage which is even higher for the non-life segment (89.5%)

Two of the Top 5 companies are the largest health insurance providers in the country, accounting together for 19% of the market GWP

SAVA Re celebrated in November 2017 forty years of activity

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	EUR billion ¹	36.24	37.62	38.84	40.42	43.28
GDP per capita, current prices	EUR ¹	17,601.92	18,250.05	18,826.45	19,580.63	20,948.84
Unemployment rate	% of total labor force ¹	10.14	9.73	9.00	8.03	6.76
Population	Millions ¹	2.06	2.06	2.06	2.06	2.07
Gross written premiums	EUR million ²	1,977.54	1,937.56	2,003.62	2,066.05	2,179.29
Paid claims	EUR million ²	1,360.86	1,326.05	1,364.87	1,373.65	1,496.97
Insurance penetration degree	% in GDP ³	5.46%	5.15%	5.16%	5.11%	5.04%
Insurance density	EUR/capita ³	960.44	940.10	971.22	1,001.00	1,054.83

Despite its small overall size, the Slovenian insurance market remains the most developed if judging by the values of the main qualitative indicators. Thus, the insurance density reached EUR 1,055/capita in 2017, a double value as compared with the second best in the region (the Czech Republic) and the closest to the European average. Also, insurance penetration stayed slightly above 5%, the highest across the CEE region's markets.

Slovenian insurers ended 2017 with GWP of EUR 2.18 billion, 5.5% up y-o-y, mostly capitalizing from the life insurance segment's revitalization. Thus, after a weak

2016, when the life insurance business followed a descending path, in 2017 the almost 10% growth of the Unit-Linked insurance products line gave the segment the needed stimulus to re-enter on a positive trend.

On the non-life insurance side, the overall change in GWP was of 4.5%, to EUR 1.45 billion, maintaining more or less the pace of the preceding year. In absolute terms, the largest contribution to the non-life business growth came from the health insurance, in fact from the supplementary health insurance segment *whose premium became more expensive as of 1 February*

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	2,179.29	2,066.05	5.48	1,496.97	1,373.65	8.98	100.00	100.00
TOTAL LIFE	653.53	606.55	7.75	477.02	423.39	12.67	29.99	29.36
Life assurance	276.38	262.19	5.41	204.52	202.55	0.97	12.68	12.69
Unit-linked	329.52	300.42	9.69	251.86	199.78	26.07	15.12	14.54
Other life insurance	47.63	43.94	8.39	20.64	21.05	-1.96	2.19	2.13
TOTAL NON-LIFE	1,525.75	1,459.50	4.54	1,019.95	950.26	7.33	70.01	70.64
Accident insurance	94.74	96.19	-1.50	33.60	33.96	-1.04	4.35	4.66
Health insurance	515.52	491.47	4.89	452.39	430.34	5.12	23.66	23.79
Overall property insurance	251.89	244.54	3.01	121.14	108.01	12.16	11.56	11.84
Fire and allied perils	117.71	118.04	-0.27	55.68	44.79	24.31	5.40	5.71
Damages to property	134.18	126.50	6.07	65.46	63.22	3.54	6.16	6.12
Overall motor insurance	491.31	460.12	6.78	328.04	313.36	4.68	22.54	22.27
Motor Hull	257.36	234.49	9.75	181.67	172.28	5.45	11.81	11.35
MTPL	233.94	225.63	3.69	146.37	141.09	3.75	10.73	10.92
Railway, aircraft and ships ins.	4.99	5.28	-5.53	2.16	3.37	-36.01	0.23	0.26
Goods in transit	7.84	7.95	-1.39	2.18	2.32	-6.18	0.36	0.38
GTPL	67.17	67.60	-0.63	20.73	20.26	2.30	3.08	3.27
Carriers' liability (air and sea)	2.23	2.35	-5.09	0.16	0.30	-45.49	0.10	0.11
Credit insurance	46.18	45.39	1.74	35.03	18.85	85.82	2.12	2.20
Suretyship	1.86	1.74	6.88	0.13	0.57	-77.25	0.09	0.08
Financial loss	6.83	6.52	4.67	3.61	2.93	23.05	0.31	0.32
Legal expenses insurance	3.80	3.76	1.05	0.58	0.56	3.44	0.17	0.18
Travel insurance	31.40	26.61	18.04	20.19	15.41	31.04	1.44	1.29

Slovenian currency: EURO

2017, according to one the main Slovene providers, TRIGLAV.

Motor insurance lines – especially the MOTOR Hull class -, provided also for a large part of the market growth. While the MTPL line saw a 3.7% increase in GWP, to EUR 234 million, on the Motor Hull segment the GWP growth was of almost 10%, to EUR 257.4 million, owing in part to the average price increase, but also to increasing sales of cars, especially based on leasing agreements.

Property insurance lines recorded a modest increase in GWP, of 3%, entirely fueled by the *damages to property*” class. Quoting again the TRIGLAV Annual Report for 2017, one of the main sources of this growth was the crop insurance, due to “higher proportion of the Government’s co-financing in fruit- and wine-growing and hop-growing and premium growth in permanent crops insurance.

GWP for the “fire and allied perils” line remained fairly at the same level as in 2016. Yet, for this line of business the notable change was recorded on the paid claims side. Damages of crops and fruits by spring frost and hail storms, as well as the higher claims paid for the property insurance of individuals because of the storms and floods occurred mainly in the second part of the year added to the insurers’ bill so that claims paid went up by 12% y-o-y (24.3% for the fire insurance line).

The Slovenian market is a concentrated one, with Top 5 insurers accounting together for over 77% of the GWP volume, a percentage which is even higher for the non-life segment (89.5%).

It is worth noting that two of the Top 5 companies are the largest health insurance providers in the country: Vzajemna zdravstvena zavarovalnica (13.06% overall market share; 18.65% of the non-life GWP) and TRIGLAV Zdravstvena zavarovalnica (5.96% overall market share; 8.5% of the non-life GWP). However, the first three positions are held by the largest composite companies: Zavarovalnica TRIGLAV, the parent company of the largest insurance Group of the ex-Yugoslavian area, TRIGLAV (27.75% market share); Zavarovalnica SAVA, the parent company of the SAVA Re Group (16.7% market share) and ADRIATIC SLOVENICA, a subsidiary of financial services provider KD Group (14.08% market share).

(D.G.)

Slovenia

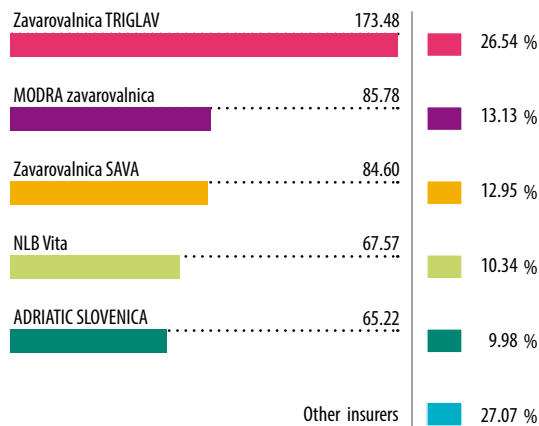
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Full market rankings per company & per class

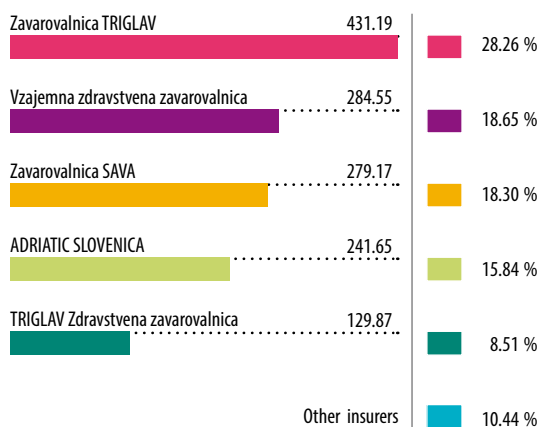
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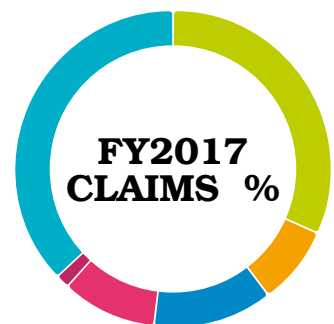
TOP 5 Life insurance (GWP, EUR million)



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



Class	Share (%)
Life	29.99
Property	11.56
Motor Hull	11.81
MTPL	10.73
GTPL	3.08
Other	32.83



Class	Share (%)
Life	31.87
Property	8.09
Motor Hull	12.14
MTPL	9.78
GTPL	1.38
Other	36.74

CEE Region generates 55.1% of the VIG FY2017 premiums and around 57% of the overall gross profit

Austrian insurer VIG announced its FY2017 premiums increased to around EUR 9.4 billion (+3.7%), the profit (before taxes) was up to around EUR 443 million (+8.8%), while the combined ratio improved to 96.7% (2016: 97.3%).

In terms of premiums, the insurer mentioned the record premium growth rates in Slovakia (+10.6%), Hungary (+10%), Bulgaria (+9.8%), Poland (+8.2%) and the Czech Republic (+4.9%). In the Remaining CEE segment, premium increases were especially large in Bosnia-Herzegovina (+23.2%) and Serbia (+12.4%) in 2017. The CEE region generated 55.1% of Group premiums in 2017.

In terms of profits, the 8.8% increase was primarily due to positive improvement in the combined ratio and an increase in the life insurance underwriting result in the Czech Republic and Slovakia. Poland recorded a particularly large increase in profit, due in part to a successful stabilization of the motor insurance business. The companies in the CEE region are already contributing around 57% to the overall profit (before taxes).

Published on 22.03.2018

Global insurance premiums increased by 3.7% y-o-y last year to EUR 3.66 trillion

The global premium volume last year rose to a new record sum of EUR 3.66 trillion (excluding health insurance). Compared to 2016, the nominal increase adjusted for exchange rate effects is 3.7%, according to projections by ALLIANZ Research.

ALLIANZ mentioned the growth rate of premium income accelerated slightly compared to the previous year (+ 2.9%), it lagged behind the expansion of economic activity (+ 5.9% nominal growth) for the second year in a row. Thus, *insurance penetration (premiums as a percentage of GDP) has thus fallen to 5.5% - the lowest value in the last 30 years. At the beginning of the millennium, before the great financial crisis, this figure was on average one full percentage point higher.*

Published on 03.05.2018

NBG to continue the ETHNIKI sale process with the runners-up in the last phase

Following the failure to sell its insurance arm, NBG - National Bank of Greece announced it would continue the process for the sale of ETHNIKI Insurance with the final bidders, wrote local media.

According to ekathimerini.com, the NBG representatives announced that the board *decided to continue with the tender process with the runners-up in the last phase.*

Published on 03.05.2018

MUNICH Re to pay out EUR 1.3 billion to shareholders

Reinsurer MUNICH Re announced The Annual General Meeting approved an unchanged dividend of EUR 8.60 per share to be paid out for the 2017 financial year. The overall dividend payout amounts to EUR 1.3 billion.

Sustainably high dividends thus remain a hallmark of MUNICH Re - despite the exceptionally high hurricane losses of the past year, as the reinsurer pointed out in a statement.

Published on 26.04.2018

Croatian insurance market's watchdog approved the merger the VIG units, WIENER and ERSTE

The Croatian Financial Services Supervisory Agency (HANFA) approved the merger of the Croatian subsidiary of Vienna Insurance Group (VIG), Wiener Insurance, with Erste VIG, in accordance with the Merger Agreement dated 6 February 2018, the authority's website reads.

The two VIG subsidiaries account together for 8.5% of the Croatian insurance market. WIENER Osiguranje VIG reported in 2017 GWP worth EUR 78.9 million (6.5% market share, ranks 5th), while ERSTE Osiguranje VIG ended last year with GWP of 24.27 million (2% market share).

Published on 26.04.2018

CO Group, FY2017: restructuring process resulted in a 43% increase in the net profit

CROATIA Osiguranje (CO) Group reported consolidated profit after taxation of HRK 253 million (EUR 33.67 million) for the full year 2017, 43% up y-o-y. The parent company Croatia osiguranje d.d. reported a profit before tax of HRK 184.5 million (profit after tax HRK 150.9 million).

The CO Group's aggregate GWP reached HRK 3.14 billion, 4% up y-o-y. Of this, non-life GWP amounted to HRK 2.5 billion (5% up), while the life insurance premiums amounted to HRK 639 million, up by 2%. The earned premiums in the reporting period amounted to HRK 2.72 billion, 2.6% up y-o-y.

Published on 02.05.2018

VIG Re, FY2017: Profit before tax up by 5% y-o-y

VIG Re reported for 2017, on consolidated basis, GWP of EUR 459.9 million, up by 10.2% y-o-y. Premium growth was driven by the Property & Casualty segment which grew by 13.0% to EUR 422.4 million. Main markets which account for growth were CEE and DACH.

Combined ratio for the period was 94.9%, making up for a positive underwriting result EUR 15.7 million. In 2017, the Company was not materially affected by any large natural catastrophes, although facing a higher frequency of both weather related and man-made losses compared to the previous year.

Published on 19.04.2018

Decreasing 2017 profits for the top 5 global reinsurers

Top 5 global reinsurers saw a USD 11.3 billion decrease of their aggregated profits in 2017 as their balance sheets for 2017 were severely impacted by a sharp increase in loss experience following the large-scale weather events in the second half of the year. The USD 330 billion economic losses recorded globally resulted in insured losses amounting, according estimations, to USD 135 billion.

MUNICH Re, SWISS Re, HANNOVER Re, SCOR and BERKSHIRE HATHAWAY were not spared. Their cumulative profit is in sharp decline. From USD 9.530 billion recorded in 2016, this figure dropped to a loss of USD 1.820 billion in 2017, that is a decline in profits of USD 11.350 billion in one year.

Published on 04.04.2018

Bulgaria: KBC completes acquisition of MetLife's 40% stake in UBB-MetLife joint venture

Belgian financial group KBC said it has completed the acquisition, through its Bulgarian subsidiary DZI Insurance, of MetLife's 40% stake in UBB-MetLife Life Insurance Company, a life insurance joint venture between United Bulgarian Bank (UBB) and MetLife (UBB-MetLife).

The deal was announced on 29 December 2017 and received regulatory approval on 9 March 2018.

Earlier in 2017, as part of KBC's acquisition of UBB and Interlease, KBC through UBB acquired 60% of UBB-MetLife. As a result of this acquisition, DZI and UBB-MetLife's combined share of the Bulgarian life insurance market will be 21%.

Published on 21.03.2018

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Outlook of the **EU cyber insurance market** in the run-up to GDPR implementation

by Denis LAZAREV, CUO, KLPP INSURANCE & REINSURANCE COMPANY LTD
Larisa SACHENKO, Expert

Excerpt

Cyber-risk insurance is becoming an increasingly significant part of Insurance programs for corporate clients.

On the one hand, it is caused by cardinal technological changes in the main ways of doing business. Digital technologies can significantly reduce costs, improve business efficiency and give completely new opportunities in many areas.

On the other hand, along with these positive changes, the degree of cyberthreats is also growing. In 2016, the damage to world business from cyber-attacks was estimated at \$ 450 bn. (Graham, 2017), while cyber risks ranked third in importance for business (Allianz, 2017).

Cyber-risk insurance is also showing significant growth over the past few years. However, for a more accurate understanding of the prospects of this market, it is necessary to outline its main segments that are fundamentally different in terms of the nature of the risks and the level of maturity.

Policyholders of cyber-risks can be divided into the following groups:

- ▶ companies processing large amounts of personal data (telecom- and media companies, health care, education, etc.);
- ▶ critical infrastructure companies (energy, communications);
- ▶ companies whose business is based on online transactions (retail, payment systems, financial institutions);
- ▶ a combination of the above (transport companies, health care).

The main driver of the growth of cyber insurance is the segment associated with the protection of personal data. At the same time, the largest losses are observed and expected in the financial sector and critical infrastructure companies. Thus, at this stage of the development of the cyber insurance market, there is a clear imbalance between the needs of policyholders and the capabilities of the insurance market.

The reason for the apparent imbalance may be the fact that the development of an insurance market in this direction requires

generation of a conscious, qualitatively and quantitatively estimated demand. If we assume the hypothesis of two differently directed reasons for the growth of the insurance market: "demand following" and "supply leading" (Outreville, 2013), without going into detailed hypothesis testing, we can attribute cyber risks market on the current stage to the first group. Therefore, the growth of cyber-risks insurance market is currently a consequence of the corresponding demand.

We can support our assumption with the example of data breach insurance in the United States. The growth of the US cyber insurance market in 2011-2015 was due to the introduction of legislation in most states to take appropriate security measures to protect against cyber risks and report serious breaches to national authorities. This led to an increase in demand for cyber insurance products covering personal data breach. Data leaks became better identified and recorded, which enabled analysis of the related data. Thus, a clear upward trend of identified personal data leaks and the synchronous growth of the cyber-risk insurance market were recorded.

Between 2011 and 2015, when most of states actively introduced data breach legislation, cyber-risks market demonstrated an annual growth rate of about 30%.

Along with the policyholders, who were actively engaged in information security of their companies, insurers also learned how to deal with the new line of business. Insurers spent less on Crisis Services Costs, such as forensic, credit card monitoring services, notification services for victims, legal support and PR services. Thus, judging by these trends, we can talk about the growing maturity of cyber insurance market in the US. This process takes place simultaneously for both: policyholders and insurers. (more details available on xprimm.com)

Policyholders pay more attention to cybersecurity and reduce the risk of personal data breaches. This leads to a better understanding of cyber risks and necessary conditions for cyber insurance policies. Insurance companies, for their part, gain

experience in claims settlement, improve policy terms, and work out interaction with Crisis services providers. There is also a recent trend towards increasing demand for cyber insurance among medium-sized companies and small businesses.

European Opportunities

For European companies, the situation in the cyber insurance market before the adoption of the GDPR is quite similar to the market conditions in the US in 2011. The total volume of the cyber insurance market is estimated at about \$ 135m (AON, 2017). The main policyholders are large companies with a turnover of more than \$ 1bn. These are generally financial institutions, large retailers and hotel sector companies. Cover for cyber-extortion and business interruptions account for most of demand. (AON, 2017).

However, there are several significant differences from the US experience.

First, during the past 7 years the world business has faced many serious cyber-incidents, which affected the activities of many companies and made management aware of the possible consequences of such events.

Secondly, implementation of the European GDPR regulation and serious fines for its violation became known long before May 25, 2018. Consequently, the European business had enough time and incentives to prepare and ensure information security of its companies.

The third difference is that the world's leading insurers now have significant shares of both American and European markets. They are ready to apply the experience from the United States to the insurance of European companies in the field of personal data protection in accordance with GDPR.

All these prerequisites can help EU insurers to pass infant period of cyber insurance market with lower losses and less time. However, there might be some difficulties because of lower culture of cybersecurity among European companies as well as some unclarified issues regarding insurance coverage according to GDPR.

Critical infrastructure companies

Critical infrastructure enterprises frequently demand insurance coverage for cyber-risks even more than personal data operators. Such enterprises can suffer considerable material losses due to cyber incidents, and what is more dangerous, severe damage, including damage to life and health, can be caused to third parties. Despite this, only relatively small amount of such companies is currently buying cyber risks insurance policies.

Insurance is only one of the elements in building a cyber security system for enterprises. Technical and organizational measures to prevent cyberthreats should always be a top priority. However, current situation with cybercrimes prevention is far from ideal. Requirements of the NIS Information Security Directive for Operators of Essential Services (OES) and Digital Service Providers (DSP) will take effect on May 10, 2018 and according to a recent study (Honeywell, 2017), 45% out of 130 surveyed industrial enterprises do not have an information security specialist in their staff, 60% do not monitor suspicious network activity, while 53%

of respondents have been a victim of cyberattacks at least once.

It is obvious that companies that are not aware of cyber threat and are not working on reduction of cyber risks are far from thinking about insurance protection for events.

If we assume the hypothesis of following demand, the demand for cyber insurance in this segment of policyholders is in the stage of formation.

Online Business

In terms of demand for cyber insurance products, online services and financial institutions are in a much more advanced state than industrial enterprises. Unlike the latter, this category of policyholders suffers from insufficient supply.

Companies in this sector are most vulnerable to cyberattacks. Banks and insurance companies are vulnerable to direct material losses. Moreover, there is significant risk of cumulation. Recent examples are cyberattack targeting systems operated by Domain Name System (DNS) provider DYN on October 21, 2016, and the Amazon S3 Service Disruption on February 28, 2017. Because of these incidents, clients of both companies suffered significant losses, once again proving that it is not necessary to be the target of cyberattack to suffer from it.

In addition to cumulation, the main risk for online services is business interruption. Policyholders require insurance protection for a large amount of intangible assets, since the cost of tangible assets of online companies is relatively small.

Both circumstances significantly restrain supply of cyber insurance products for online business.

Conclusion

Cyber liability or data breach insurance is currently the flagship of cyber insurance. This is the most massive segment, which allows both policyholders and insurers to gain necessary experience as well as understand and assess risks. This is the first step that will allow all participants of the market to switch to other types of cyber insurance: already existing and those that might emerge in future. In view of this, implementation of the GDPR shall significantly increase insurance protection of the EU business against cyber threats.

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Cyprus



S&P Rating
BB+ POSITIVE

Moody's rating
BA3 POSITIVE

Fitch Rating
BB POSITIVE



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² Insurance Association of Cyprus Annual Reports - IAC (2013-2015), IAC preliminary figures (2016-2017)

³ XPRIMM calculations

EUR 25.03 million – the underwriting result in non-life

EUR 33.41 million – the net profit of life insurers

The average premium on motor was EUR 279 (claims frequency of 12%)

The highest values of the combined ratio were reported in case of A&H (101.43%) and motor (105.69%)

Market's main indicators-timeline

		2013	2014	2015	2016	2017
GDP, current prices	EUR billion ¹	18.14	17.61	17.74	18.12	18.87
GDP per capita, current prices	EUR ¹	20,950.53	20,519.81	20,947.03	21,362.84	22,119.43
Unemployment rate	% of total labor force ¹	15.85	16.08	14.90	13.03	11.29
Population	Millions ¹	0.87	0.86	0.85	0.85	0.85
Gross written premiums	EUR million ²	772.00	751.00	763.00	765.34	813.64
Paid claims	EUR million ²	620.00	459.00	450.00	472.53	486.25
Insurance penetration degree	% in GDP ³	4.26%	4.27%	4.30%	4.22%	4.31%
Insurance density	EUR/capita ³	891.45	875.29	900.83	902.52	953.86

In 2017 Cyprus experienced a significant improvement in macroeconomic indicators, and this was reflected in both the GDP's growth rate and the insurance market performance. Picking up from the severe decrease of the insurance market in line with the economy during 2012-2014 due the crisis, or the modest growth rates registered in 2015 and 2016, the industry performed particularly well during 2017, confirming it is now on a growth path.

Total gross written premiums for 2017 amounted to EUR 816.6 million, compared to EUR 765.3 million in 2016, representing a healthy 6.5% growth, according to the year-end market figures published by the Insurance Association of Cyprus – IAC (which represents 30 members which account for about 95% of the annual gross premiums written in the domestic market).

The gross premiums written for the non-life sector increased to EUR 465.3 million in 2017 from EUR 442 million a year before, an increase of 5.3% y-o-y. The performance of the Accident & Health insurance subsector stands out, having surged by an impressive 12.3% y-o-y. At the same time, motor insurance remains, by far, the largest non-life class with total GWP reaching EUR 171 million. The life sector follows on a positive path, with premiums increasing to EUR 348.4 million from EUR 323.3 million in 2016, representing an increase of 7.8%.

Total claims paid in 2017 amounted to EUR 486.3 million, or EUR 1.3 million per day, up from EUR 472.5 million paid in 2016, representing an increase of 2.9%. This is driven by a significant uptick in the number of claims in the non-Life sector, from 437,639 claims in 2016 to 484,719 at the end of 2017. Of the total claims, a total

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			INCURRED CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	813.64	765.34	6.31	486.25	472.53	2.90	100.00	100.00
TOTAL LIFE**	348.38	323.29	7.76	220.35	217.48	1.32	42.82	42.24
TOTAL NON-LIFE	465.27	442.05	5.25	265.90	255.05	4.26	57.18	57.76
Accident & health*	135.55	120.75	12.25	103.97	93.67	11.00	16.66	15.78
Motor	171.19	165.31	3.56	114.41	107.36	6.57	21.04	21.60
MAT	3.63	3.55	2.18	0.90	0.90	0.16	0.45	0.46
Fire	106.73	105.02	1.63	26.12	39.80	-34.37	13.12	13.72
Liability	42.11	40.31	4.47	19.27	13.28	45.07	5.18	5.27
Credit	0.09	0.20	-52.28	-0.12	0.09	-	0.01	0.03
Miscellaneous	5.97	6.91	-13.60	1.35	-0.06	-	0.73	0.90

* 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

volume of EUR 265.9 million was related to non-life business, a 4.3% y-o-y increase and EUR 220.4 million to life business, or 1.3% more y-o-y.

In terms of profitability, at the end of 2017, the life insurance market reported a gross underwriting profit of EUR 38.30 million (vs. EUR 28.07 million in 2016), while the net underwriting profit was EUR 33.41 million. All life insurers reported profits, from this point of view the top 3 being as follows: EUROLIFE (net profit of EUR 14.66 million), CYPRIALIFE (EUR 9.83 million) and UNIVERSAL Life (EUR 3.80 million).

The underwriting result in non-life insurance was EUR 25.03 million, or 10.10% more y-o-y. The largest contribution had the following segments: fire (EUR 19.18 million) and liability (EUR 7.38 million), while the A&H sub-segment experienced a loss of -EUR 1.22 million.

The average gross claims ratio was 58.47% (vs. 58.44% in 2016), while the gross combined ratio totaled 89.27% (vs. 90.77%). On insurance classes, the highest values of the gross combined ratio were reported in case of A&H (101.43%) and motor (105.69%).

In absolute figures, the operating costs of the non-life sector totaled EUR 39.87 million (vs. EUR 43.84 million) while the commission & acquisition costs increased by 3% to EUR 100.14 million.

At the end of 2017, there were in force 2,177 group life policies, as well 222,459 individual life insurance contracts. On the non-life segment, at 31 December 2017, there were 1,092,084 non-life contracts, of which 617,816 – motor policies and 252,362 – fire. For the entire non-life segment, the average premium was EUR 429.15. In case of motor segment, the average premium was EUR 278.96, while in case of fire insurance contracts, the same indicator was EUR 424.65. The claim frequency was 12% - in case of motor segment, while for the fire policies it was 3.3%.

Life premiums in 2017 were shared among eleven insurance companies with the three largest companies controlling 72.62% of total life GWP, while non-life GWP was shared among 27 companies - top three insurers controlling 29.41% of total non-life GWP.

(V.B.)

Cyprus

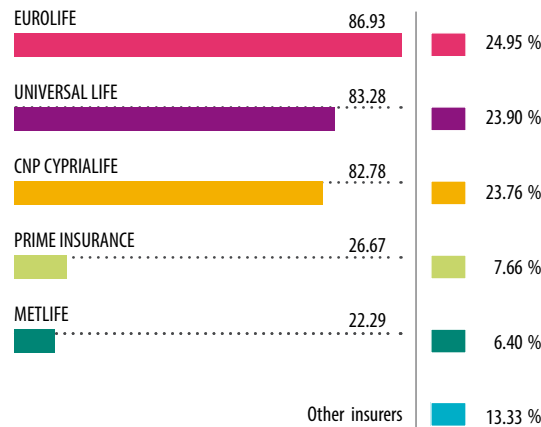
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Full market rankings per company & per class

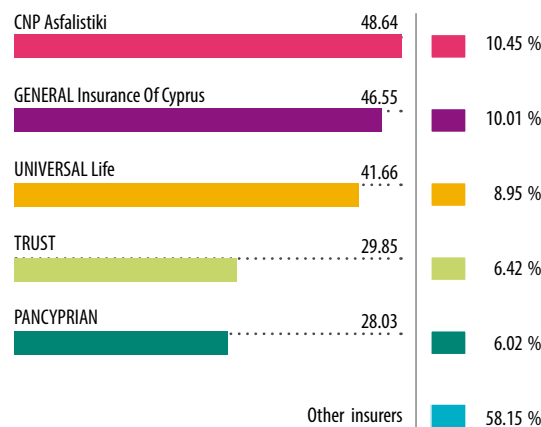
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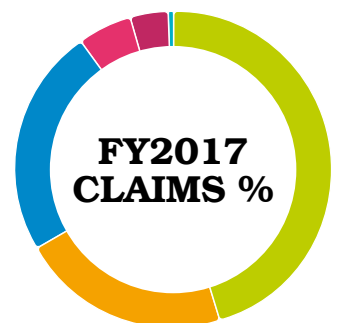
TOP 5 Life insurance (GWP, EUR million)



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



Life	42.82
A&H	16.66
Motor	21.04
Fire	13.12
Liability	5.18
Other	1.19



Life	45.32
A&H	21.38
Motor	23.53
Fire	5.37
Liability	3.96
Other	0.44

Greece



S&P Rating

B POSITIVE

Moody's rating

B3 POSITIVE

Fitch Rating

B POSITIVE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² Hellenic Association of Insurance Companies

³ XPRIMM calculations



Market's main indicators-timeline

		2013	2014	2015	2016	2017
GDP, current prices	EUR billion ¹	180.65	178.66	176.31	174.20	177.74
GDP per capita, current prices	EUR ¹	16,417.70	16,350.25	16,237.95	16,153.85	16,505.56
Unemployment rate	% of total labor force ¹	27.48	26.50	24.90	23.55	21.45
Population	Millions ¹	11.00	10.93	10.86	10.78	10.77
Gross written premiums	EUR million ²	4,012.40	3,965.70	3,724.60	3,783.52	3,785.28
Insurance penetration degree	% in GDP ³	2.22%	2.22%	2.11%	2.17%	2.13%
Insurance density	EUR/capita ³	364.63	362.93	343.03	350.85	351.53

According to the year-end market figures published by HAIC - the Hellenic Association of Insurance Companies, the Greek insurance market totaled EUR 3.78 billion at the end of 2017, up by 0.05% y-o-y. The life insurance segment decreased by 2% y-o-y to EUR 1.87 billion, due the negative rate reported by the traditional life policies (-4.1% y-o-y to EYR 1.36 billion).

In case of non-life business line, Greek insurers generated about EUR 1.91 billion in GWP, 2.14% more y-o-y. Except the property insurance subclass (a decrease in annual GWP by 4%), all main non-life classes reported positive growth-rates. The result takes into consideration 50

HAIC members, of which 20 were active in life insurance (99.9% market share of FY 2016 life GWP) and 44 were active in the Non-life insurance (94.6% market share). *All insurance enterprises - members, which are established in Greece, participated, while the ones operating under freedom of service (F.O.S.) did not, announced HAIC.*

NBG to re-open the bid process for ETHNIKI

One of the hottest topics related to the Greek insurance market remains the sale of the largest insurer in the market – ETHNIKI Asfalistikiki. In June 2017, the National Bank of Greece's board approved the sale of 75%

☀ The positive rates reported on the non-life side maintained the market at the 2016 size

☀ Except the property insurance subclass, all main non-life classes reported positive growth-rates

☀ The sale of ETHNIKI to EXIN failed. NBG to re-open the bidding process

☀ NBG to continue the ETHNIKI sale process with the runners-up in the last phase, wrote local media

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			Weight in all GWP	
	2017 EUR m	2016 EUR m	Change %	2017 %	2016 %
TOTAL MARKET	3,785.28	3,783.52	0.05	100.00	100.00
TOTAL LIFE	1,871.15	1,909.54	-2.01	49.43	50.47
Annuities and supplementary ins.	1,366.76	1,425.69	-4.13	36.11	37.68
Unit-linked	296.79	273.01	8.71	7.84	7.22
Management of group pension funds	207.59	210.82	-1.53	5.48	5.57
Capital redemption	0.01	0.02	-33.89	0.00	0.00
TOTAL NON-LIFE	1,914.13	1,873.98	2.14	50.57	49.53
Accident	42.71	39.76	7.44	1.13	1.05
Sickness	204.11	173.50	17.64	5.39	4.59
Overall property insurance	427.65	445.62	-4.03	11.30	11.78
Fire and natural forces	330.29	346.15	-4.58	8.73	9.15
Damages to property	97.36	99.47	-2.12	2.57	2.63
Overall motor insurance	920.45	904.61	1.75	24.32	23.91
Motor Hull	188.21	174.17	8.06	4.97	4.60
MTPL	732.24	730.45	0.25	19.34	19.31
GTPL	74.54	77.79	-4.18	1.97	2.06
Railway, aircraft & ships hull	10.35	9.61	7.74	0.27	0.25
Goods in transit	19.30	19.58	-1.42	0.51	0.52
Aircraft & ships liability	5.85	5.81	0.60	0.15	0.15
Credit	33.85	32.11	5.43	0.89	0.85
Suretyship	1.05	0.22	367.67	0.03	0.01
Miscellaneous financial loss	41.22	33.68	22.36	1.09	0.89
Legal expenses	34.60	34.17	1.27	0.91	0.90
Assistance	98.45	97.52	0.96	2.60	2.58

Greek currency: EURO

stake in ETHNIKI Insurance to American-Dutch consortium CALAMOS-EXIN after bidding about EUR 718 million. Other bidders were the Chinese conglomerate FOSUN, Shanghai-based GONGBAO and WINTIME.

The sale of the Greek largest insurer to the American-Dutch consortium CALAMOS-EXIN failed after CALAMOS Family Partners had filed a legal action against EXIN Financial Services Holdings. According to local media, CALAMOS requested a repayment of more than USD 41 million owed to them by EXIN under a series of loan agreements.

All in all, the "longstop date" for Netherlands-based EXIN to meet conditions in a purchase agreement signed in June 2017 expired on March 28. EXIN did not pay for the realization of the deal, while NBG declared the tender barren and now is looking at alternative options to divest its insurance unit.

An interesting fact is that Chinese investors have closely monitored the sales process throughout the entire period. One of them, RONGFENG Holding Group – a Chinese property company - "said in a statement on 11 February that it is looking to buy ETHNIKI", wrote The Insurance Insider -

"as part of a consortium with Shanghai GONGBAO" - one of the final round bidders in the sale process that came to an end in mid-2017.

On the other hand, China's FOSUN expressed again its interest in Greece's largest insurer ETHNIKI a few days before the deadline for the EXIN Group to implement the deal for the acquisition. *FOSUN has continuously been interested in becoming the controlling shareholder of ETHNIKI Insurance*, Kang LAN, FOSUN Executive Director and Senior Vice President, said in a written response to questions by BLOOMBERG.

According to the FOSUN representative, the future tender for ETHNIKI will be at a price that should be adjusted based on the firm's financial data: *We need to re-evaluate the financials of the company before providing an updated offer.*

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. Founded in 1891, ETHNIKI Asfalistiki is Greece's largest insurance company, with presence also in Romania, Bulgaria and Cyprus.

(V.B.)

Greece

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Life	49.43
Property	11.30
Motor Hull	4.97
MTPL	19.34
GTPL	1.97
Other	12.98

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Insurance in CEE, SEE and CIS

XPRIMM Insurance Report



PROPERTY Insurance Report



MOTOR Insurance Report



INSURANCE PROFILE



Turkey



S&P Rating
BB NEGATIVE

Moody's rating
BA2 STABLE

Fitch Rating
BB+ STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² Central Bank of the Republic of Turkey

³ Insurance Association of Turkey

⁴ XPRIMM calculations

European insurers concerned about MTPL measures

German insurer TALANX agreed to acquire 99.4% of the shares in LIBERTY Sigorta - the Turkish non-life subsidiary of US-based LIBERTY MUTUAL Group

HOWDEN, part of HYPERION Insurance Group, has entered into agreement to acquire a majority stake in ACP, the largest independent broker in the market

British insurer AVIVA is considering acquisitions in Poland and Turkey

Insurance market employs around 20,000 people

Market's main indicators-timeline

		2013	2014	2015	2016	2017
GDP, current prices	TRY billion ¹	1,809.71	2,044.47	2,338.65	2,608.53	3,099.09
	EUR billion ⁴	615.61	721.84	733.21	701.86	685.08
GDP per capita, current prices	TRY ¹	23,604.59	26,313.69	29,700.49	32,682.20	38,350.10
	EUR ⁴	8,029.59	9,290.57	9,311.66	8,793.58	8,477.60
Unemployment rate	% of total labor force ¹	9.04	9.92	10.28	10.91	11.01
Population	Millions ¹	76.67	77.70	78.74	79.82	80.81
TRY/EUR exchange rate	End of period ²	2.94	2.83	3.19	3.72	4.52
Gross written premiums	TRY million ³	24,229.62	25,989.55	31,025.90	40,486.80	46,554.69
	EUR million ⁴	8,242.21	9,176.13	9,727.21	10,893.50	10,291.29
Paid claims	TRY million ³	11,808.00	13,410.92	15,692.53	18,124.58	21,710.10
	EUR million ⁴	4,016.74	4,734.99	4,919.91	4,876.66	4,799.19
Insurance penetration degree	% in GDP ⁴	1.34%	1.27%	1.33%	1.55%	1.50%
Insurance density	EUR/capita ⁴	107.51	118.10	123.53	136.48	127.35

Total insurance premiums in Turkey reached TRY 46.5 billion (EUR 10.3 billion) in 2017, representing an increase of 15% over 2016, according to data from the Turkey Insurance Association (TSB). Due to the depreciation of Turkish lira against Euro by about -20%, the nominal change in European currency was negative (-5.5%).

The insurance penetration rate is 1.6% and the insurance density is 165 USD per person. Insurance represents 4% of the financial system, as opposed to banks that have 87%, stated Aysun Yildiz OZER - Deputy Secretary General, Turkish Insurance Association for XPRIMM.

Non-life insurance contributed TRY 39.71 billion to total GWP, showing an increase of

12% over 2016, while life premiums raced ahead by 35.8% to TRY 6.84 billion. Life insurance increased its market share from 12.45% in 2016 to 14.70% last year.

It is worth mentioning that the MTPL segment contributed about TRY 13 billion in terms of GWP, representing the largest class of business. Motor premiums were flat with a 0.8% increase last year, due mainly to the establishment of a motor risk pool and the imposition of a ceiling on premiums last year. At the same time, this class of business saw a decline of 4% to 28% as share in total GWP.

Per insurance companies, three of Top 5 non-life insurers, members of one of the largest European groups, reported

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	10,291.29	10,893.50	-5.53	4,799.19	4,876.66	-1.59	100.00	100.00
TOTAL LIFE	1,512.94	1,355.76	11.59	552.65	616.69	-10.38	14.70	12.45
TOTAL NON-LIFE	8,778.35	9,537.75	-7.96	4,246.54	4,259.97	-0.32	85.30	87.55
Accident	371.89	385.19	-3.45	50.91	47.78	6.54	3.61	3.54
Health	1,111.14	1,137.08	-2.28	755.38	797.92	-5.33	10.80	10.44
Railway, aircraft and ships	73.46	76.17	-3.55	99.82	44.12	126.25	0.71	0.70
Goods in transit	144.12	147.84	-2.51	54.29	47.77	13.65	1.40	1.36
Overall property insurance	2,233.00	2,240.37	-0.33	665.78	636.35	4.62	21.70	20.57
Fire and allied perils	1,270.20	1,298.94	-2.21	408.81	344.08	18.81	12.34	11.92
Damages to property	962.81	941.43	2.27	256.96	292.27	-12.08	9.36	8.64
Overall motor insurance	4,411.93	5,139.62	-14.16	2,491.57	2,523.46	-1.26	42.87	47.18
Motor Hull	1,528.88	1,660.31	-7.92	1,073.48	1,069.96	0.33	14.86	15.24
MTPL	2,883.05	3,479.31	-17.14	1,418.09	1,453.50	-2.44	28.01	31.94
Aviation liability	34.97	40.56	-13.78	11.16	4.57	143.90	0.34	0.37
GTPL	226.33	219.57	3.08	64.01	65.64	-2.48	2.20	2.02
Other non-life insurance	171.51	151.36	13.31	53.62	92.36	-41.94	1.67	1.39

¹ EUR = 4.5237 Turkish lira - TRY (December 31st, 2017)

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



Mehmet Akif EROĞLU
Secretary General,
TSB - Insurance
Association of
Turkey



Aysun Yildiz OZER
Deputy Secretary
General,
TSB - Insurance
Association of
Turkey

negative rates in terms of GWP (ALLIANZ -11%, AXA -18% and MAPFRE -4%) due the negative “double-digit” backdrop reported on MTPL (-41%, -20%, and -20% respectively).

The Turkish regulatory framework for motor third-party liability insurance saw significant changes over the past year. Together, the new elements are highly concerning for European (re)insurers operating in the Turkish insurance market as they prevent (re) insurers (including those from Europe) from placing business on an economic basis and in line with appropriate business and risk management practices. The measures, while applied to all market participants, undermine past achievements in bringing trade between the EU and Turkey closer and they endanger the sustainability of the sector, in a published factsheet, Insurance Europe - the European federation representing insurers and reinsurers, commented on restrictions on market access and trade barriers faced by foreign insurance players in Turkey.

Insurance Europe mentioned that since April 2017, the Treasury has imposed premium caps for MTPL insurance for all types of vehicles. The caps take into account the bonus-malus system and vary by vehicle-type and city of registration. The caps are set below economic costs and — together with the other measures — have led to significant losses for European players in the market.

At the same time, "the pooling system for MTPL policies, introduced by the Treasury in July 2017, covers slightly below 10% of the market and about a quarter of the overall premiums underwritten in the market. Half of the pooled risk is redistributed equally to all market participants. The other half is

Turkey

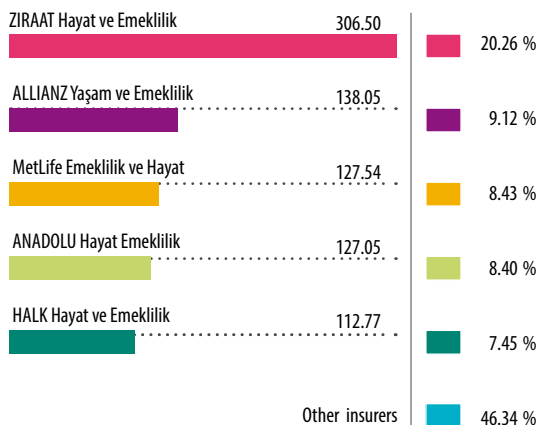
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Full market rankings per company & per class

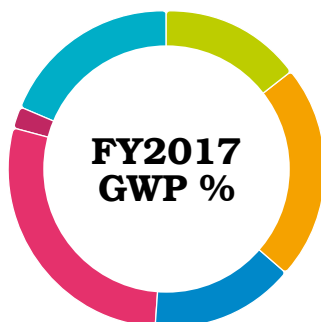
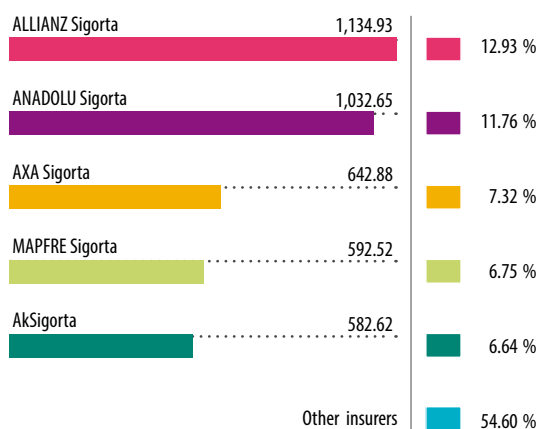
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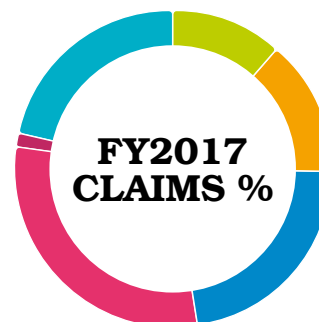
TOP 5 Life insurance (GWP, EUR million)



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



Life	14.70
Property	21.70
Motor Hull	14.86
MTPL	28.01
GTPL	2.20
Other	18.53



Life	11.52
Property	13.87
Motor Hull	22.37
MTPL	29.55
GTPL	1.33
Other	21.36

assigned based on the individual market shares of licensed entities. With this system, the Treasury prevents any of the limited competition that it claimed still occurred after the introduction of the price cap.

We have to find solutions to the structural problems of the system, so we can operate at reasonable prices, the TSB's Secretary General Mehmet Akif EROGLU told the Insurance Gazette in an interview.

He explained, the price was a consequence of three structural problems: the frequency and severity of traffic accidents, inadequate premium rates and grey legislative areas that cause many claims to be decided by the courts.

We need to take care of the causes and not the consequences (...) So we must first reduce traffic accidents, said Mehmet Akif EROGLU. According to TSB, the tariff limitation has led to prices that are 20% below the correct level, despite a monthly positive correction of 1.5%. The effects of this situation will become more visible in the current year, the association estimating that motor insurers will continue to record losses.

In fact, the MTPL insurance class has generated the largest technical loss in

the Turkish portfolio (TRY -535.87 million, or EUR -118.50 million), compared to a technical profit of TRY 18.90 million a year before. According to TSB statistics, the technical profit reported by local insurers increased overall by 31.77% y-o-y to TRY 3.58 billion (about EUR 791.7 million). Per business lines, life insurers technical profit was up by 47.79% to TRY 1.31 billion (EUR 290.3 million), while in case of non-life segment, the same indicator rose by 23.98% y-o-y to TRY 2.26 billion (about EUR 501.4 million). In case of non-life segment, the largest contributions were reported by the following sub-classes: accidents (TRY 767.79 million), health (TRY 442.08 million), fire and allied perils (TRY 380.27 million), other damages to property (TRY 353.33 million) and MoD (TRY 290.78 million).

The insurance sector has provided employment to 19,901 people in 2017, an increase of 1.2% over 2016, according to figures announced by TSB. The number of people working in insurance companies, excluding direct sales personnel, was 14,052 (of which 1,183 of them graduated from insurance and actuarial studies), while the number of direct sales personnel was 5,849 last year.

For the years to come, the local insurance market is estimated to follow an expansion period, at least until 2023 which will be the centenary of the proclamation of the Republic of Turkey in 1923. Thus, local authorities implemented "the 2023 Vision" plan which aims to establish Turkey as one of the world's top economies: *Turkey retains its attractiveness to foreign investors in the insurance sector because of energy, infrastructure and other new projects undertaken or planned in line with the government's 2023 Vision*, said Mr Maximilian STAHL, CEO of Istanbul-based VHV Reassurance, quoted by Middle East Insurance Review.

Among the most grandiose projects mentioned by the Turkish authorities, we can mention the construction of the largest suspended bridge in the world (between the Aegean Sea and the Marmara Sea, over the Dardanelles straits - an estimated USD 2.8 billion) or the New Bosphorus Project - an artificial sea route of 45 kilometres parallel to the Bosphorus that is to connect the Black Sea to the Sea of Marmara - to minimize shipping traffic in the Istanbul Strait.

(V.B.)



BADEN-BADEN

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21 October, 2018

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The Russian National Reinsurance Company (RNRC) was established by the Central Bank of Russia more than a year ago, pursuant to the law on the mandatory assignment of 10% for all Russian insurers, and immediately manifested its interest in reinsuring risks from neighboring countries.

Vice-President of RNRC on Business Development in CIS & Eastern Europe, Pavel RUDENSKIY is speaking about what is RNRC willing to offer to the international market and the company's first steps towards this strategic objective of entering the foreign markets.

CIS and Eastern Europe are the most interesting markets for RNRC

Reinsurance market is a very conservative one and startups in this field are rare. How was RNRC welcomed in the international markets?

P.R.: We prepared the ground for entering the international market long before having the rating, necessary to work in many countries. Thus, we started to write business almost the next day after FITCH assigned us the international rating BBB- (at the country's level), in the last summer. Even in a strong competitive environment we do have something to offer to the market. We clearly assess our possibilities and focus our efforts first on the CIS market, which we consider as our market due to single language area, historical heritage and business traditions. Besides that, RNRC has the biggest capacity in the post-soviet states' territory. We are already actively working with Belarus, Kazakhstan and Uzbekistan, are actively quoting risks and are ready to accept significant shares or to act as a leader in some reinsurance pools. We also consider dynamic emerging markets of Asia and MENA countries as our target markets, where we invested a lot of effort in the last year and obtained registration and necessary authorization to conclude business, for example in China, South Korea, Egypt, India; we also joined the Federation of Afro-Asian Insurers and Reinsurers (FAIR). Moreover, we conducted many business meetings and joined all key international conferences. Thus, we laid the groundwork, and plan for this year to raise about RUB 500 million of reinsurance premiums from the international market. We bet on the service that we are ready to offer – assistance in development of new insurance products, customer manager support, a quick response to quotations, very professional approach based on significant

experience in respect of space and aviation risks insurance, oil-gas risks, insurance of big industrial, infrastructural and power generation projects.

Why does a company, that became the leader of inward reinsurance segment in its own country, aim to conquer the international market?

P.R.: Insurance, especially reinsurance, is a global business, based on diversification of risks, including geographical distribution. We, like any other company, must focus on the shareholder's expectations – the Central Bank of Russia, which invested more than USD 1.2 billion for establishment of our business. RNRC today is the biggest national reinsurer in the post-soviet states' territory with the largest own retention. Even under the soft market conditions the capacity we offer – is an excellent alternative solution and additional capacity for placing various risks.

What were the key achievements for your first year?

P.R.: In 2017 we reported RUB 7.7 billion in reinsurance premiums and immediately became the biggest Russian reinsurer. RNRC's share in Russian total outward reinsurance of the Russian insurers in 2017 amounted to 7%. Today, 52% of RNRC's portfolio is represented by premiums under the contracts of reinsurance of corporate property & construction, space and engineering risks. Considering the particularities of our business - we monitor and have a good knowledge of all major Russian risks, and a result we gather all the market analytics, which we are willing to share with our partners.

RNRC was established in July 2016 by the Central Bank of the Russian Federation pursuant to the Federal Law, adopted by the parliament on obligatory insurance cession for all Russian insurance companies. According to the Law, not less than 10% share of each Russian risk, ceded in reinsurance, must be offered to RNRC. The reinsurer is obliged also to accept in reinsurance not less than 10% share of risks of the companies which are under sanctions regime. Bigger shares and all other risks RNRC is accepting based on its own underwriting policy.

RNRC membership

- FAIR
- CIRC
- EFSA
- KIDI
- IRDAI



Sole shareholder: **Central Bank of Russian Federation**
 Authorized capital: **USD 1,2 billion**
 Net assets: **USD 383 billion**
 Fitch rating **BBB- (positive)**
 Official auditor: **Ernst & Young**

Technological advance is rapidly changing the core aspects of the classical insurance business, from data gathering to claims payment. It also sheds a new light on the way insurers are engaging with clients. Due to the fast-evolving technologies, it seems more than ever that the business innovation is a never-ending process, an endless journey. About the huge possibilities, but also the pitfalls potentially trapping InsurTech initiatives we have discussed with

Matteo CARBONE

Founder and Director IoT Insurance Observatory

XPRIMM: Digital and focus on consumer are the game changers for insurance markets nowadays. This “wave” will eventually “hit” also the CEE and CIS markets. How should insurers prepare for this wave and what are the first steps to consider?

Matteo CARBONE: Let's start with the strategy. I believe all the players in the insurance arena will be insurtech – in any region – meaning organizations where technology will prevail as the key enabler for the achievement of their strategic goals. “All the insurance players will be insurtech” is the title of a book I published a few months ago and it has continuously been in the top 3000 bestseller management book on Amazon.

XPRIMM: Western European companies are working to adapt to the rapid changes we witness today. In your opinion, what are their achievements so far and lessons learned to be considered also for the CEE&CIS players?

M.C.: The importance to don't fall in love for a technology: any solution sooner or later will become obsolete; any investment sooner or later will represent a legacy. The innovation is not a final destination, it is a journey. You cannot stop to innovate. Innovate or die.

XPRIMM: Which are, in your opinion, the main success factors in adopting the latest digital technologies in the insurance business? Where are the main challenges lying?

M.C.: To focus the innovation effort on the achievement of strategic goals. I developed a few years ago a framework to evaluate any InsurTech initiative based on 4Ps: on technical Profitability, Productivity, Proximity with the clients, and Persistency of the book of business. Why to invest resources in something is not impacting on any of these aspects of your business?

The main challenge is to resist to follow the hype. It is obviously easier to create and follow a checklist of the most quoted buzzword than to develop critical view designing the approach which fit better. It is easier and less risky from a managerial

perspective replicate what others (maybe the market leader) are doing than to propose something different motivated by your view.

XPRIMM: In your opinion, is the fast spread of these technologies depending also on the local culture? Which are the factors that explain best the significant differences that exist even among mature insurance markets in what the latest technologies adoption is concerned?

M.C.: I think each market has his specificity and must find the technologies which fit better with its needs. That being said, there are contexts where the innovation is promoted by the availability of capital, tech skills, more friendly regulation etc, ...

Don't fall in love for a technology: any solution sooner or later will become obsolete; any investment sooner or later will represent a legacy.

XPRIMM: In the last few years, 1500 InsurTech startups collected funding of about USD 19 billion USD. What would you advise InsurTech startup founders?

M.C.: To do their homework and to study the insurance fundamentals. The higher your knowledge, the higher your ability to innovate the insurance model. Obviously, you need to deal with some mental bias due to that knowledge, but ignorance is not a good thing to deal with the insurance business. I'm shocked when I'm talking with InsurTech folks who confuse the combined ratio with the loss ratio – affirming that combined ratio describes the difference between insurance premiums collected and amounts paid to the customers due to claims - or who ignore the concept of insurance float.

XPRIMM: Recent financial results in the US market has shown that some important start-ups are losing money and they did not show so far, a great underwriting result. Do you think this will change in the next couple of years?

M.C.: Each player has his history and his specificity, so it is first of all difficult to generalize. When we talk about the future, we must consider how all of them have great teams and a pile of cash to finance their trial & error exercises. I did – together with Adrian Jones – an analysis of the income statements of some of those players. One key takeaway is the necessity of more realism when we digest the words of a founder before standing-up all together and clapping the hands. Their announced superiority of their business model in addressing underwriting or claims management, as of ability to influence behaviors, as of other special effects are not here today, are not current capabilities are fascinating and ambitious wishes.

The figures have shown these approaches haven't demonstrated to work better than the traditional ones as of today. Let's see how they will improve themselves but let's wait to see the wishes become true before to choose an idol to follow.

XPRIMM: Interned of Things, Blockchain, Artificial Intelligence, Drones, Mobile – which one do you think will have the biggest impact on the insurers' business from CEE & CIS in the forthcoming period? How can insurers create their value proposition?

M.C.: If I must pick one, I have to say Internet of Things. But I'm biased in that answer. I dedicated my career to spread the innovation culture and promote the adoption of this technology creating the IoT Insurance Observatory. It is an insurance think tank specialized on the insurance IoT has aggregated more than 50 Insurers, Reinsurers, tech players, and institution both in North America and Europe. It has provided a unique international perspective, a constant update on the best practice and pitfalls, and connected people and ideas to help them to understand the opportunity to use of IoT in the insurance value chain. In a nutshell: some insurers have been capable of improving the technical profitability through the usage of IoT data on their processes, some insurers have done an incredible job in enhancing the proximity and the interaction frequency with their clients leveraging their data, others have created and consolidated knowledge about risks and their customer base.

XPRIMM: Currently, telematics is not very popular in the CEE or CIS markets, for example, in Romania there are couple of thousands, while in the Russian market about 50,000 of car owners have "smart" hull policies. What are the chances for the improvement of this segment, considering the low level of premiums?

M.C.: Telematics – like any other insurance IoT approach – is based on a bundle of an insurance contract with services (based on IoT data). The same data necessary to deliver the services allow the insurers to generate value improving the way they asses, manage and transfer the risk. This value can be shared with the customer through incentives, cashback, and discounts in order to deliver superior value proposition to the customer. So, your point is correct: the lower is the premium compared to the service cost, the lower is the potential to generate these synergies. But the cost of the technology is reducing, so many things - that were



“impossible” a few years ago – can also be done in the markets characterized by average premium lower than the western one.

Price of technology is reducing, so many things - that were “impossible” a few years ago – can also be done in the markets characterized by average premium lower than the western one.

XPRIMM: You are one of the most influential voices in InsurTech and telematics. What motivated you?

M.C.: I love the insurance sector and I enjoy so much the discussion. I'm spending more than 2 hours daily – fragmented in thousands of micro-moments – discussing with the almost 170.000 insurance passionate follows me on LinkedIn and Twitter. I took 200 flights in the last 12 months to discuss insurance innovation with the members of my IoT Insurance Observatory and at more than 40 insurance conferences from San Francisco to Dubai. You can't do this if you consider it only a job.

Interview conducted by Oleg DORONCEANU

Armenia



Moody's rating
B1 POSITIVE

Fitch Rating
B+ POSITIVE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² Central Bank of Armenia

³ ArmInfo News Agency

⁴ XPRIMM calculations

🌟 GWP of health insurance grew up by 28.1% and claims – by 17.8% due to implementation in October 2017 of compulsory health insurance for public officials

🌟 On the 1st of November 2017 insurers launched online payment of MTPL premiums with issuance of policies through the website of the Bureau of Motor Insurers. MTPL GWP y-o-y growth rate amounted to 4.42% but claims significantly jumped by 32.72% taking into account remarkable simplification of claims documentation procedure

Market's main indicators – timeline

		2013	2014	2015	2016	2017
GDP, current prices	AMD billion ¹	4,555.64	4,828.63	5,043.63	5,079.87	5,574.40
	EUR billion ⁴	8.14	8.36	9.54	9.92	9.61
GDP per capita, current prices	AMD ¹	1,528,737.65	1,617,513.75	1,686,586.15	1,698,566.01	1,863,774.59
	EUR ⁴	2,732.13	2,801.04	3,190.12	3,316.22	3,212.85
Unemployment rate	% of total labor force ¹	16.20	17.60	18.50	18.79	18.91
Population	Millions ¹	2.98	2.99	2.99	2.99	2.99
AMD/EUR exchange rate	End of period ²	559.54	577.47	528.69	512.20	580.10
Gross written premiums	AMD million ³	34,513.86	30,059.45	31,351.40	32,912.58	34,948.54
	EUR million ⁴	61.68	52.05	59.30	64.26	60.25
Paid claims	AMD million ³	17,922.51	22,019.50	13,564.46	14,222.49	17,762.65
	EUR million ⁴	32.03	38.13	25.66	27.77	30.62
Insurance penetration degree	% in GDP ⁴	0.76%	0.62%	0.62%	0.65%	0.63%
Insurance density	EUR/capita ⁴	20.70	17.44	19.83	21.48	20.14

In 2017 GWP growth of the Armenian market amounted to 6.19% in local currency based on increase in accident insurance (+55.45%), health (+28.1%) and cargo insurance (+31.56%).

Motor insurance remains the main business line of the market with almost 60% market share in terms of GWP. The most important step made for MTPL improvement was introduction of online policies. It remarkably changed relationship between insurers and clients making the whole process from purchase of a policy to claim settlement much faster and easier. On the 1st of November 2017 insurers launched online payment of MTPL premiums with issuance of policies through the website of

the Bureau of Motor Insurers. MTPL GWP y-o-y growth rate amounted to 4.42% but claims significantly went up by 32.72% due to the remarkable simplification of claims documentation procedure. MTPL claims share is the biggest in total paid claims and in 2017 it amounted to 65.76% vs 61.88% a year before.

Implementation of MTPL direct reimbursement system significantly reduced the gap between minimal and maximal average compensation (AMD 178-198 thousand vs AMD 150-210 thousand in 2016) due to unification of damage assessment method. According to Vahan AVETISYAN, CEO of the Bureau of Motor Insurers, direct reimbursement system

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	60.25	64.26	-6.24	30.62	27.77	10.27	100.00	100.00
Accidents	1.58	1.15	37.26	0.09	0.13	-30.04	2.63	1.80
Health	12.23	10.81	13.10	6.94	6.67	4.05	20.29	16.82
Overall property insurance	5.20	7.34	-29.08	0.36	0.28	29.71	8.64	11.42
Fire and allied perils	4.56	6.44	-29.15	0.24	0.23	7.50	7.57	10.02
Other damages to property	0.64	0.90	-28.59	0.12	0.05	126.45	1.06	1.40
Overall motor insurance	36.13	39.33	-8.13	22.13	19.41	13.99	59.98	61.21
Motor Hull	3.35	3.78	-11.23	1.99	2.23	-10.65	5.57	5.88
MTPL	32.78	35.55	-7.80	20.14	17.18	17.19	54.41	55.33
CARGO	1.69	1.45	16.16	0.28	0.15	84.71	2.80	2.26
GTPL	0.91	1.50	-39.10	0.17	0.02	809.33	1.52	2.34
Travel	1.03	1.04	-1.45	0.18	0.16	12.84	1.71	1.63
Other	1.47	1.63	-9.79	0.47	0.95	-50.17	2.43	2.53

¹ 1 EUR = 580.10 Dram - AMD (December 31st, 2017)

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



Karina MELIKYAN
Head Agency of
Rating Marketing
Information ArmlInfo

Armenia

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Full market ranking

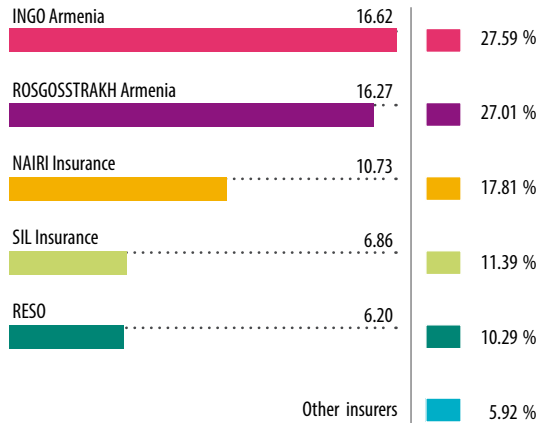
MSEcel format * in EUR and local currency



ultimately reduced the risk of damage underestimation or overestimation as well as cut the reimbursement period by 2-3 times. The loss ratio uptrend (48.8% in August 2016 and 61.7% a year later) means the growth of paid claims and thus – the growth of service quality, on the other hand it sets a range of tasks for maintaining the paid claims at the reached point.

Another market driver with more than 20% share is health insurance. According to Karina MELIKYAN, Head of the Agency of Rating and Marketing Information ArmlInfo, *GWP of health insurance grew up by 28.1% and claims – by 17.8% due to implementation in October 2017 of compulsory health insurance for public officials of about 100 thousand persons. It is noteworthy that in the 4th quarter every third of policy holders took advantage of medical services including operable cases. The first phase is financed by the Ministry of Health. Starting from the second half of 2018 the insurance program will cover another 612 thousand of persons (the most disadvantaged social groups).* Thus health insurance GWP share in total market increased from 16.82% to 20.29% and retail market accelerated the upward trend from 0.2% to 4.5%, while the corporate market slowed from 12.1% to 8.5%. Before introduction of MTPL and compulsory health insurance, the share of corporate insurance significantly prevailed. According to the Analytical Ranking of Insurance Companies of Armenia, acceleration of the paid claims by 17.8% due to introduction of the first phase of compulsory medical insurance is considered a normal indicator at the first stages of the social package introduction. This level of claims will fluctuate slightly every year until the full-scale launch of the compulsory medical insurance that will stabilize claims at an optimal level of 80-85%. Approximate time for the full-scale introduction is 2019. In 2017 health insurance was the second class with the biggest claims share (22.66%).

Top 5 Total market (GWP, EUR m)

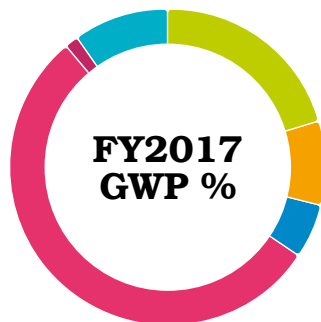


All six companies saw claims growth in 2017, the biggest shares in claims showed RESO (55.5%) and NAIRI Insurance (51.6%), and the smallest share had ROSGOSSTRAKH Armenia (7.8%). Per classes the highest increase in claims was recorded for GTPL (10 times more), property from other damages (2.6 times), cargo insurance (2.1 times) and MTPL. The number of insurance contracts effective as of January 1, 2018 was 693,607 with an annual growth of 9.5%. Among the classes the leading position in terms of

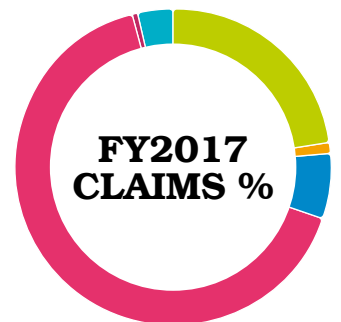
the number of contracts is held by MTPL, of voluntary classes the most popular is accident insurance.

In 2017 Armenian insurers reported in general over 203 thousand insurance events, the major part is in medical insurance – about 140 thousand events and MTPL – about 59 thousand events. Motor Hull by number of insurance events traditionally took the 3rd place – about 2 thousand.

(M.M.)



Life	20.29
Property	8.64
Motor Hull	5.57
MTPL	54.41
GTPL	1.52
Other	9.58



Life	22.66
Property	1.18
Motor Hull	6.50
MTPL	65.76
GTPL	0.56
Other	3.34

Azerbaijan



S&P Rating
BB+ STABLE

Moody's rating
BA2 STABLE

Fitch Rating
BB+ STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² Central Bank of Azerbaijan Republic

³ Financial Markets Supervision Authority of the Republic of Azerbaijan (FIMSA)

⁴ XPRIMM calculations

In general 2017 year was a significant period for Azeri insurers. For the first time the market generated GWP over AZN 500 million

One of the major events of the Azeri market in 2017 was adoption of the law on "Compulsory insurance against unemployment" (July 2017) effective from January 2018.

In 2017 the government allocated AZN 23.77 million for introduction of compulsory health insurance (CHI) in 2 regions and from 2019 CHI will be available throughout the whole country

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	AZN billion ¹	58.18	59.01	54.38	60.39	69.14
	EUR billion ⁴	53.97	61.98	31.90	32.39	34.05
GDP per capita, current prices	AZN ¹	6,218.35	6,227.02	5,668.72	6,222.55	7,039.11
	EUR ⁴	5,768.41	6,539.61	3,325.54	3,337.56	3,466.34
Unemployment rate	% of total labor force ¹	4.97	4.91	4.96	5.04	5.04
Population	Millions ¹	9.36	9.48	9.59	9.71	9.82
AZN/EUR exchange rate	End of period ²	1.08	0.95	1.70	1.86	2.03
Gross written premiums	AZN million ³	405.67	429.18	442.91	486.07	556.87
	EUR million ⁴	376.32	450.73	259.83	260.71	274.22
Paid claims	AZN million ³	122.80	157.13	180.24	237.25	257.11
	EUR million ⁴	113.92	165.02	105.74	127.25	126.61
Insurance penetration degree	% in GDP ⁴	0.70%	0.73%	0.81%	0.80%	0.81%
Insurance density	EUR/capita ⁴	40.22	47.56	27.09	26.86	27.92

Azeri insurers ended 2017 with GWP worth AZN 556.8 million which is 14.5% up y-o-y in local currency, while paid claims increased by 8.37%. Given the continuous devaluation of the Azeri Manat, the market's premium production maintained

a positive trend also denominated in European currency, but at a significantly lower pace (5.2% y-o-y). However, even the lower pace of the positive trend, denominated in euro, means good result for the market considering that 1st half of

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017 EUR m	2016 EUR m	Change	2017 EUR m	2016 EUR m	Change	2017 %	2016 %
TOTAL MARKET	274.22	260.71	5.18	126.61	127.25	-0.50	100.00	100.00
TOTAL LIFE INSURANCE	103.92	78.77	31.93	64.33	50.94	26.28	37.89	30.21
Voluntary life insurance	87.58	62.01	41.25	62.25	48.79	27.58	31.94	23.78
Compulsory life insurance*	16.33	16.76	-2.56	2.08	2.15	-3.21	5.96	6.43
TOTAL NON-LIFE INSURANCE	170.31	181.95	-6.40	62.28	76.31	-18.38	62.11	69.79
Accident and diseases (V)	2.10	2.07	1.89	0.22	0.52	-57.16	0.77	0.79
Medical insurance (V)	40.95	45.41	-9.82	26.10	33.02	-20.96	14.93	17.42
Travel insurance (V)	1.53	1.40	9.26	0.18	0.31	-39.81	0.56	0.54
Fire and other perils (V)	18.62	23.21	-19.77	1.09	2.92	-62.65	6.79	8.90
Aircraft insurance (V)	5.20	6.42	-19.00	-	1.40	-	1.90	2.46
Ships insurance (V)	3.74	3.35	11.80	-	0.01	-	1.36	1.28
Cargo insurance (V)	1.60	2.19	-26.84	0.04	0.21	-81.98	0.58	0.84
Agricultural plants (V)	0.65	0.32	102.52	0.70	0.00	34,166	0.24	0.12
Agricultural animals (V)	1.48	0.66	125.98	0.05	0.41	-88.49	0.54	0.25
Aircraft liability (V)	2.20	2.29	-4.27	0.75	0.00	586,583	0.80	0.88
Ships liability (V)	0.12	0.21	-42.59	-	-	-	0.04	0.08
Professional liability (V)	0.96	0.94	2.15	0.00	-	-	0.35	0.36
Employer's liability (V)	0.58	0.70	-17.19	0.00	0.01	-57.04	0.21	0.27
GTPL (V)	5.04	6.94	-27.39	0.53	0.22	135.78	1.84	2.66
Credit insurance (V)	0.00	0.01	-99.61	-	0.03	-	0.00	0.00
Overall motor insurance	57.30	55.69	2.89	27.45	30.29	-9.38	20.90	21.36
Motor Hull (V)	11.10	11.40	-2.63	5.35	8.33	-35.70	4.05	4.37
Motor Vehicle liability (V)	0.60	0.80	-25.68	0.05	0.05	-5.60	0.22	0.31
Liability for owners of motor vehicles (M)	45.60	43.49	4.87	22.04	21.91	0.62	16.63	16.68
Immovable property (M)	13.75	13.51	1.76	1.39	1.08	29.38	5.02	5.18
Military servants (M)	7.46	9.14	-18.39	2.21	5.16	-57.19	2.72	3.51
Servants of judicial and law-enforcement bodies (M)	6.04	6.61	-8.64	0.67	0.69	-2.80	2.20	2.53
Other non-life insurance (V)+(M)	0.97	0.87	11.84	0.90	0.04	2,326.40	0.35	0.33
TOTAL VOLUNTARY INSURANCE	184.78	170.94	8.10	98.20	96.24	2.04	67.38	65.56
TOTAL MANDATORY INSURANCE	89.44	89.78	-0.37	28.41	31.01	-8.40	32.62	34.44

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

(V) - Voluntary insurance
(M) - Mandatory insurance

1 EUR = 2.0307 Manat - AZN (December 31st, 2017)
1 EUR = 1.8644 Manat - AZN (December 31st, 2016)

2017 the market had a downward trend in euro (-15.07% in terms of GWP). The main market driver that saw the best dynamic based on the full year result was voluntary life insurance with the sector's weight about 32% in 2017.

The PASA Group's companies are holding the top 2 positions in the overall market ranking (27.43% and 19.32%), the State Insurance Company AZERSIGORTA ranks third, with a 7.26% market share.

In general 2017 year was a significant period for Azeri insurers. For the first time the market generated GWP over AZN 500 million. In 2011 after introduction of new insurance products (MTPL and compulsory insurance against industrial disability arising out of industrial accidents and occupational illnesses) experts forecasted total GWP over AZN 500 million in the next few years but the way to this target was a bit longer. It is remarkable that this target was reached under continuous exchange rate volatility in the global market.

One of the major events of the Azeri market in 2017 was adoption of the law on "Compulsory insurance against unemployment" (July 2017) effective from January 2018. The law provides right for compensation for those whose labor contracts are terminated due to employer's liquidation or wholesale redundancy, thus improving the social security system. In December 2017 the Parliament approved the Fund of unemployment insurance with a budget for 2018 in the amount of AZN 89.04 million.

Another important achievement of the last year is successful introduction of the pilot compulsory medical insurance (CHI), the first result of which confirms accuracy of the chosen strategy. In 2017 the government allocated AZN 23.77 million for introduction of CHI in 2 regions and from 2019 CHI will be available throughout the whole country. The basic CHI package in Azerbaijan includes more than 1800 medical services.

Motor insurance in 2017 also introduced a new product named "KASKO boutique" which is the first collective product of several insurers fully electronic from policy purchase to claim payment. Product offers 4 insurance packages with coverage from AZN 2222 to 5555, depending on the client's income. Besides in October 2017 the Azeri market had 1 year experience since introduction of electronic MTPL policies. The validity period of the last paper policies

Azerbaijan

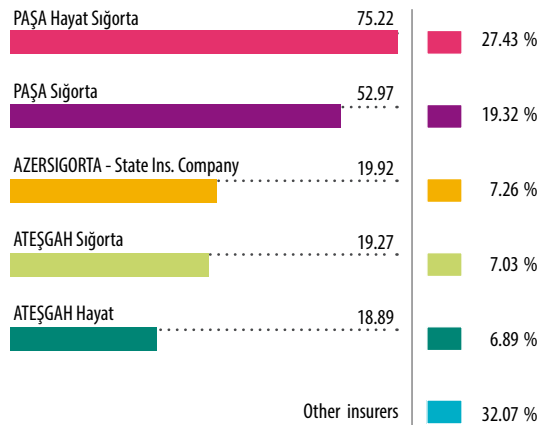
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Full market ranking

MSExcel format * in EUR and local currency



Top 5 Total market (GWP, EUR m)



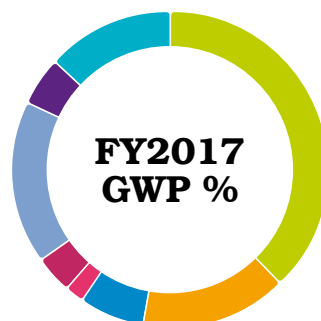
on compulsory MTPL insurance expired on 31 October 2017. Thus, the MTPL policies in paper forms were completely excluded from circulation in the country, wrote the Compulsory Insurance Bureau. Based on the MTPL growth rate of 14.22% it seems clear that this measure made a good difference even denominated in European currency (+4.87%).

In 2017 the Azeri market grew up also in number. Insurance company Nakhchivan

Insurance became a new player. Despite the fact that the company was established only in the middle of the year, it was way ahead of some opponents in terms of GWP by the end of 2017.

It can be said that 2017 year was really successful for the Azeri market despite the global continuous financial crisis. The market keeps growing, searching new products and ways of their introduction.

(M.M.)



Life	37.89
Medical (V)	14.93
Fire & other perils (V)	6.79
GTPL (V)	1.84
Motor Hull (V)	4.05
MTPL (M)	16.63
Immovable property (M)	5.02
Other	12.85



Life	50.81
Medical (V)	20.61
Fire & other perils (V)	0.86
GTPL (V)	0.42
Motor Hull (V)	4.23
MTPL (M)	17.41
Immovable property (M)	1.10
Other	4.56

Andrei UNTON

General Manager, Belarus Re

XPRIMM: Based on Belarus Re FY2017 results on the international markets – could you point out the main company’s achievement of the last year?

Andrei UNTON: In 2017 Republican unitary enterprise “Belarusian National Reinsurance Organization” achieved all targets of the business plan. It is important to notice that amid the significant growth of GWP, the loss ratio remained at the previous low level (combined ratio amounted to 37,20%).

XPRIMM: CIS insurance market, one of the key markets for your company, is under reforms and consolidation process, including many legal changes. How did the business of Belarus Re go in 2017 on CIS market and which trends do you expect from this region for the current year?

A.U.: Legal changes of 2017 in CIS countries did not affect significantly cooperation with insurers from the region. The development of our cooperation with existing partners keeps positive dynamics, we established new business relations with various insurance and reinsurance CIS organizations.

XPRIMM: 2017 year was the costliest, at global scale, in NatCat losses terms. Did that affect reinsurance tariffs and policy on the markets of CIS, Central and Eastern Europe?

A.U.: NatCat losses of 2017 did not significantly affect the rates and conditions of reinsurance on the markets of CIS and Eastern Europe. Some increase of rates was recorded only in respect of the contracts with high loss ratio.

It is worth noting that a range of contracts experienced substantial structural changes, thus it’s difficult to clearly identify exact appreciation level of reinsurance programs.

XPRIMM: Which major projects did Belarus Re participate in 2017?

A.U.: Among the major projects of 2017 we can point out such investment projects as: construction of an ore mining and dressing plant in the Mink Region for mining of abraum salts (insured - foreign LLC «Slavkaliy») with investment volume of more than USD 1.5 billion, construction of a triplex board production plant in Dobrush with investment volume of more than USD 200 million, construction of a production-logistics hub in Smorgon’ of the Grodnen region with investment volume of about USD 100 million.

In 2017 the following projects on reinsurance of solar power plants construction went further: Myadelskiy district (Minsk



region), Bragin (Gomel region), Smorgon’ (Grodnen region), as well as infrastructure projects on reconstruction of waste treatment facilities in Vitebsk, Grodno, Slonim and parts of the auto-road M-6 Minsk-Grodno-border of the Republic of Poland (Bruzgi).

In the field of aviation insurance, one must note creation of the first Belarusian business airline operator aimed at satisfaction of needs of directors of large enterprises and businesses through transportation by Swiss airplanes Pilatus.

The Republican unitary enterprise traditionally participated in reinsurance of property risks of the Belarusian economy leaders: OJSC «Mozyrskiy NPZ», OJSC «Naftan», OJSC «Gazprom transgaz Belarus», cargo risks of OJSC «Belarusian potassium company», aviation risks of the Republican unitary enterprise «National Airlines «Belavia», the Republican unitary enterprise «Transaviaexport» and operations risks of Belarusian space telecommunication satellite «BELINTERSAT-1».

Interview conducted by Marina MAGNAVAL



FitchRatings has assigned BELARUS Re an Insurer Financial Strength (IFS) rating of 'B'. The Outlook is Stable. The company rating corresponds to sovereign rating.



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www.belarus-re.com

Belarus



S&P Rating

B STABLE

Moody's rating

B3 STABLE

Fitch Rating

B STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² National Bank of the Republic of Belarus

³ Ministry of Finance of the Republic of Belarus

⁴ XPRIMM calculations

In 2017 Belarusian market saw an uptrend in terms of GWP in local currency, but total figure denominated in euro appears to be negative due to the Belarusian ruble's y-o-y decline against the euro by 15%

Personal insurance is still the market driver forging ahead of property and liability classes

Among insurers the leaders by growth rate in 2017 were IMKLIVA Insurance (more than 76%), KUPALA (52%), INGOSSTRAKH, KENTAVR, EXIMGARANT of BELARUS and BELNEFTESTRAKH. The life leader by GWP growth is STRAVITA (20% growth rate and almost 76% market share).

Market's main indicators-timeline

		2013	2014	2015	2016	2017
GDP, current prices	BYN billion ¹	67.07	80.58	89.91	94.95	105.19
	EUR billion ⁴	51.28	56.04	44.29	46.43	44.66
GDP per capita, current prices	BYN ¹	7,086.73	8,510.70	9,483.16	9,996.74	11,130.95
	EUR ⁴	5,417.99	5,918.43	4,671.51	4,888.38	4,725.91
Unemployment rate	% of total labor force ¹	0.51	0.49	0.91	1.02	1.02
Population	Millions ¹	9.46	9.47	9.48	9.50	9.45
BYR/EUR exchange rate	End of period ²	1.31	1.44	2.03	2.05	2.36
Gross written premiums	BYN million ³	664.51	726.73	822.71	987.86	1,050.80
	EUR million ⁴	508.04	505.38	405.28	483.06	446.14
Paid claims	BYN million ³	276.13	328.14	472.64	540.76	532.32
	EUR million ⁴	211.11	228.19	232.83	264.43	226.01
Insurance penetration degree	% in GDP ⁴	0.99%	0.90%	0.92%	1.04%	1.00%
Insurance density	EUR/capita ⁴	53.68	53.38	42.75	50.86	47.21

In 2017 Belarusian market saw an uptrend in terms of GWP in local currency, but total figure denominated in euro appears to indicate a negative trend due to the Belarusian ruble's y-o-y decline against the euro by 15%. Life insurance had an uptrend both in local currency and euro. Paid claims show a declining trend as well compared to 2016.

Per classes the share of voluntary segment in GWP slightly increased in 2017 and amounted to 56.6% (vs 54.9% in 2016).

The breakdown of the segment shows the following distribution: voluntary personal insurance had 39.3% of total premiums, property had 54.4% and liability had 6.2%. The share of compulsory segment in 2017 quite the contrary slightly decreased with 43.4% total share vs 45.1% a year before.

Among the compulsory classes personal insurance premiums amounted to 37.8%, property had 8.8% and liability resulted with 53.4%. In terms of claims the share of voluntary segment was 53.1% and

compulsory claims amounted to 46.9%. Personal insurance is still the market driver forging ahead of property and liability classes.

Among insurers the leaders by growth rate in 2017 were IMKLIVA Insurance (more than 76%), KUPALA (52%), INGOSSTRAKH, KENTAVR, EXIMGARANT of BELARUS and BELNEFTESTRAKH. The life leader by GWP growth is STRAVITA (20% growth rate and almost 76% market share).

Speaking about the most memorable events for the market it may be noted that ASNOVA Insurance, despite the existing prospects, decided in 2017 to leave the market. Another insurer's license (from TOP-3 private insurance companies) - B&B Insurance Co was suspended in December 2017. The life segment faced the final prohibition on behalf of the National Bank to conclude insurance policies with individuals in a foreign currency which led to reduction of the number

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	446.14	483.06	-7.64	226.01	264.43	-14.53	100.00	100.00
LIFE INSURANCE	43.66	42.40	2.98	13.52	17.86	-24.31	9.79	8.78
NON-LIFE INSURANCE	402.48	440.67	-8.67	212.49	246.57	-13.82	90.21	91.22

1 EUR = 2.0450 New Belarusian Ruble - BYN (December 31st, 2016)

1 EUR = 2.3553 New Belarusian Ruble - BYN (December 31st, 2017)

of such long-term savings-life insurance contracts. With respect to international cooperation in 2017 representatives of the Belarusian insurance market for the first time participated in European conference of insurance regulatory authorities and associations. The major event of the year was creation of State Insurance Register of insurance history which is a huge data-base accumulating information from insurance companies. From January 2017 insurers started data transfer to the State Insurance Register.

It is worth mentioning that financial market activity in Belarus depends on the pace of economic recovery due to big share of state owned companies. It is important that the National Bank and the government should be able to offer a competitive business environment for those markets. About 75% of shares of Belarusian companies are owned by the state. At the Belarusian Investment Forum in Minsk Maksim YERMOLOVICH, the First Deputy Finance Minister, pointed out that *it is important to steadily liberalize the insurance market by decreasing the share of state-owned assets and by letting private companies sell compulsory insurance (this sector is now monopolized by state-owned insurance companies). And it is also important to keep further digitalization of all segments of the financial market.*

Oldest Belarusian insurer went out of business

The Ministry of Finance of Belarus on April 11 revoked a license of the Open Joint-Stock Insurance Company B&B Insurance Co. The insurer's license was earlier suspended in December of 2017.

The Ministry allowed the insurer time for satisfying the regulator's requirements on availability of equity on bank accounts in the minimal amount that would secure the created insurance reserves. However, the insurer failed to increase the equity amount on its bank accounts.

B&B Insurance Co had been working in the insurance market since 1995.

Based on 2017 result B&B Insurance Co took 11th place in the market in terms of GWP, at that the market is represented by 22 insurance companies.

(M.M.)

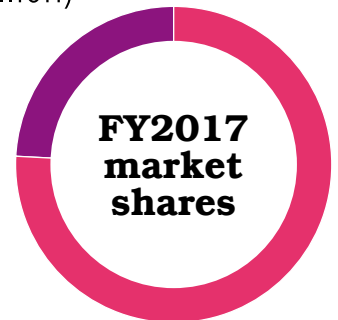
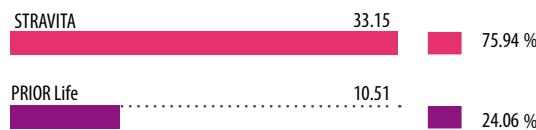
Belarus

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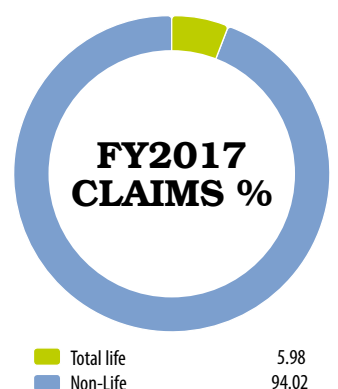
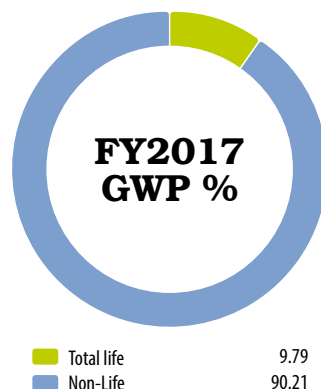
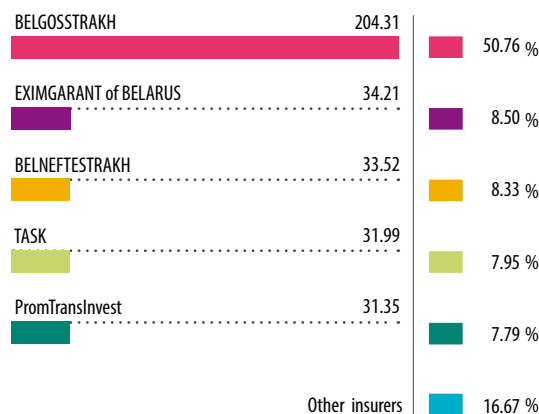
Full market rankings per company & per class

MSExcel format * in EUR and local currency

Life insurance ranking (GWP, EUR million)



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



Georgia



S&P Rating

BB- STABLE

Moody's rating

BA2 STABLE

Fitch Rating

BB- POSITIVE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² The National Bank of Georgia

³ State Insurance Supervision Service of Georgia

⁴ XPRIMM calculations

In terms of classes the biggest market share of 44.7% is held by health insurance, followed by Motor Hull (16.86%) and Property (16.34%)

TOP-5 leaders are GPI Holding (23.27% market share), followed by Aldagi (20.45%), Imedi L (11.72%), ARDI Insurance (7.81%) and TBC Insurance (7.20%), totally holding more than 70% of the market

According to Devi KHECHINASHVILI, Head of Georgian Insurance Association, 2017 year was not really positive for the local insurance market. Old problems, existing in the industry, are still pending

Market's main indicators-timeline

		2013	2014	2015	2016	2017
GDP, current prices	GEL billion ¹	26.85	29.15	31.76	33.92	37.99
	EUR billion ⁴	11.24	12.87	12.13	12.14	12.24
GDP per capita, current prices	GEL ¹	7,096.84	7,816.19	8,535.52	9,165.03	10,286.05
	EUR ⁴	2,970.51	3,449.94	3,261.69	3,280.25	3,313.38
Unemployment rate	% of total labor force ¹	14.56	12.35	11.95	11.76	na
Population	Millions ¹	3.78	3.73	3.72	3.70	3.69
GEL/EUR exchange rate	End of period ²	2.39	2.27	2.62	2.79	3.10
Gross written premiums	GEL million ³	471.07	302.64	359.80	393.04	441.40
	EUR million ⁴	197.17	133.58	137.49	140.67	142.19
Paid claims	GEL million ³	387.61	219.09	210.52	231.86	248.77
	EUR million ⁴	162.24	96.70	80.45	82.99	80.13
Insurance penetration degree	% in GDP ⁴	1.75%	1.04%	1.13%	1.16%	1.16%
Insurance density	EUR/capita ⁴	52.12	35.81	36.96	38.01	38.49

According to the National Bank of Georgia, the Georgian insurance market totaled GEL 441.4 million, up by 12.3% y-o-y in local currency and up by 1.08% in EUR. Total paid claims in local currency amounted to GEL 248.77 million, which is 56% of total GWP, and saw an uptrend (+7.29%), but in EUR quite the reverse situation – decrease by 3.44% due to the Lari (local currency) y-o-y decline against the euro by 11%.

In terms of classes the biggest market share of 44.7% is held by health insurance, followed by Motor Hull (16.86%) and Property (16.34%). The share of the life sector is quite small and in 2017 amounted to 5.6% of total GWP with a declining trend

(-2.67% in local currency and -12.4% in euro).

According to Devi KHECHINASHVILI, Head of Georgian Insurance Association, 2017 year was not really positive for the local insurance market. Old problems, existing in the industry, are still pending. And the total market growth rate does not mean actual growth of the market coverage and improved insurance relations since the total number of insured in 2017 was almost the same as in previous years. The market growth is mainly inflationary. First of all due to medical inflation based on government decisions which increased private health insurance costs. The market needs a forward

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	142.19	140.67	1.08	80.13	82.99	-3.44	100.00	100.00
TOTAL LIFE	7.96	9.08	-12.40	2.23	2.33	-4.28	5.60	6.46
TOTAL NON-LIFE	134.23	131.59	2.01	77.90	80.65	-3.41	94.40	93.54
Accidents	1.61	1.60	0.75	0.08	0.04	91.68	1.13	1.14
Health	63.55	62.75	1.28	50.49	52.18	-3.23	44.70	44.61
Overall motor insurance	27.67	24.76	11.78	18.13	14.03	29.22	19.46	17.60
Motor Hull	23.98	21.37	12.21	16.45	12.45	32.11	16.86	15.19
MTPL	3.69	3.39	9.08	1.69	1.58	6.56	2.60	2.41
Property	23.23	23.40	-0.71	5.03	7.43	-32.25	16.34	16.63
Railway, aircraft and ships	2.55	1.55	64.63	0.31	0.04	709.57	1.79	1.10
CARGO	1.99	1.79	11.41	0.29	0.13	112.56	1.40	1.27
GTPL	6.64	9.02	-26.34	1.63	1.66	-1.63	4.67	6.41
Carriers' liability (air and sea)	1.42	1.69	-15.78	-	0.45	-	1.00	1.20
Financial Risks	0.78	0.72	7.99	0.02	2.50	-99.01	0.55	0.51
Credit	0.18	0.00	4,253	0.02	-	-	0.13	0.00
Suretyship	2.18	2.16	1.10	1.73	2.03	-15.13	1.54	1.54
Travel	2.42	2.16	11.72	0.16	0.16	1.60	1.70	1.54

¹ EUR = 3.1044 Lari - GEL (December 31st, 2017)

¹ EUR = 2.7940 Lari - GEL (December 31st, 2016)



Devi KHECHINASHVILI
Head of Georgian
Insurance Association

momentum that can be provided through the compulsory products diversification and development of general insurance service availability. For the moment the market has a lot of pending issues related to private insurance and the universal healthcare program.

Speaking about the whole market situation Vasil ARKHARADZE, General Director of UNISON Insurance Company, which, based on 2017 results, ranks 5th in the non-life and 6th in the life sectors, believes that due to full domination of the big banks, the Georgian insurance sector is developing in the wrong way. Banks' gross interference in the insurance market creates non-competitive environment, hampers the development of the industry and makes it hard for independent companies to enter the market with dominant position of bank owned big insurers, resulting in non-competitive environment and limited availability of insurance services for customers.

Georgy GIGOLASHVILI, President of the Georgian Insurance Institute, on the contrary believes that the 2017 result of the local market can be considered as positive due to stability and absence of any explosive fluctuations as well as exits from the market.

In 2017 Insurance Supervisory Office of Georgia prepared a law regarding the introduction of the compulsory liability insurance for foreign vehicles (registered abroad) as the most civilized way for solving disputes arising from road accidents. This compulsory insurance took effect from March 1, 2018.

Georgian insurance market is represented by 16 companies, 14 of them working in life segment. Based on total market GWP figures TOP-5 leaders are GPI Holding (23.27% market share), followed by Aldagi (20.45%), Imedi L (11.72%), ARDI Insurance (7.81%) and TBC Insurance (7.20%), totally holding more than 70% of the market.

Leaders of the life sector are TBC Insurance with 37.53% share of the sector followed by Aldagi (35.36%) and PSP Insurance (11.15%).

(M.M.)

Georgia

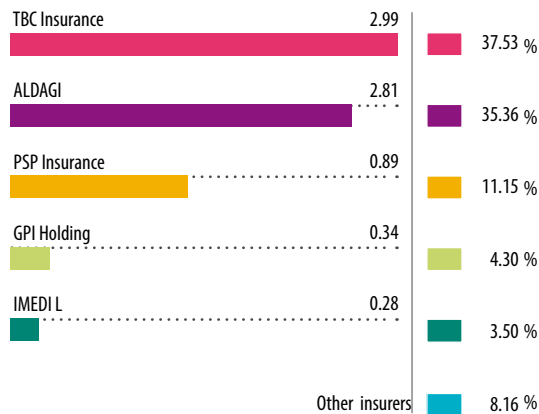
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Full market rankings per company & per class

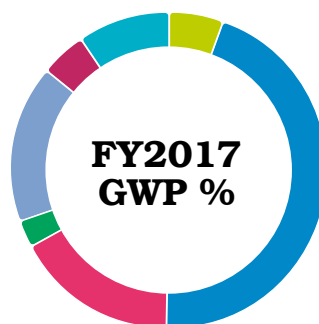
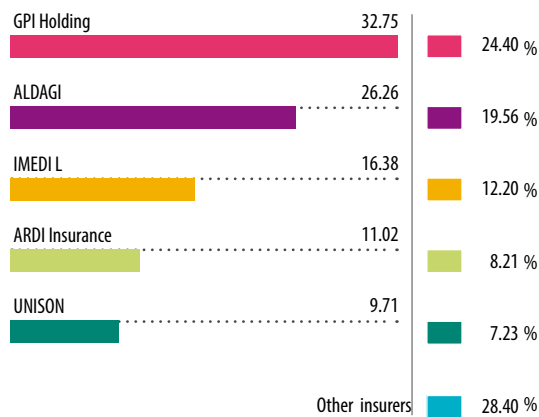
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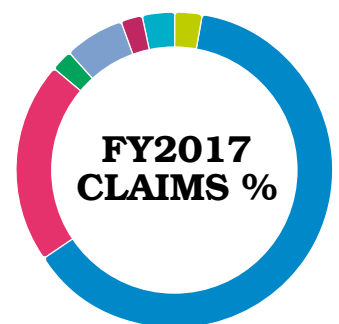
Top 5 Life insurance (GWP, EUR m)



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



Life	5.60
Health	44.70
Motor hull	16.86
MTPL	2.60
Property	16.34
GTPL	4.67
Other	9.24



Life	2.79
Health	63.00
Motor hull	20.52
MTPL	2.11
Property	6.28
GTPL	2.04
Other	3.26

Kazakhstan



S&P Rating

BBB- STABLE

Moody's rating

BAA3 STABLE

Fitch Rating

BBB STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² The National Bank of Kazakhstan

³ XPRIMM calculations

The Kazakh insurance sector remains small by international standards. The low level of insurance penetration, according to A.M. Best, at 0.71% of GDP in 2017 can be attributed to the fact that insurance is still relatively new concept for the population

Annual growth rate of insurers' profit experienced a decline trend 2 years in a row (KZT 67 billion in 2017 vs KZT 82.8 billion in 2016, or 19.1% less). Rate of expenses grew twice as much as the rate of profit (22.9% and 11.3% accordingly in 2017).

Market's main indicators-timeline

		2013	2014	2015	2016	2017
GDP, current prices	KZT billion ¹	35,999.03	39,675.83	40,884.13	45,732.11	52,433.49
	EUR billion ³	170.47	178.74	110.11	129.77	131.67
GDP per capita, current prices	KZT ¹	2,097,747.49	2,277,903.10	2,313,681.12	2,551,089.73	2,882,134.42
	EUR ³	9,933.93	10,262.21	6,231.13	7,238.78	7,237.36
Unemployment rate	% of total labor force ¹	5.23	5.04	4.97	4.95	4.95
Population	Millions ¹	17.16	17.42	17.67	17.93	18.19
KZT/EUR exchange rate	End of period ²	211.17	221.97	371.31	352.42	398.23
Gross written premiums	KZT million ²	279,235.45	266,120.94	288,272.59	356,903.89	370,173.60
	EUR million ³	1,322.33	1,198.90	776.37	1,012.72	929.55
Paid claims	KZT million ²	61,461.09	70,980.29	82,792.31	97,080.60	88,734.59
	EUR million ³	291.05	319.77	222.97	275.47	222.82
Insurance penetration degree	% in GDP ³	0.78%	0.67%	0.71%	0.78%	0.71%
Insurance density	EUR/capita ³	77.05	68.83	43.93	56.49	51.09

The Kazakh insurance market totaled KZT 370.17 billion in 2017 up by 3.72% y-o-y, based on the figures published by National Bank of Kazakhstan (NBK). However, denominated in euro the total figure saw a negative trend. Looking at the life segment alone, growth was more pronounced at almost 19%. The increase in life premiums was driven partially by higher demand from customers following a favorable change in the tax framework with respect to savings life products, - as estimated by A.M. Best. The biggest part of GWP (~73.85%) was generated by voluntary

insurance, compulsory insurance increased up to about 26%. GWP portfolio in 2017 consisted mostly of property insurance (21.89%), life insurance (17.88%), MTPL (13.63%) and policies covering workers' accidents (11.55%).

Annual growth rate of insurers' profit is experiencing a decline for the second year in a row (KZT 67 billion in 2017 vs KZT 82.8 billion in 2016, or 19.1% less). Growth rate of expenses twice as much as the growth rate of profit (22.9% and 11.3% accordingly in 2017). However, taking on board some negative trends,

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	929.55	1,012.72	-8.21	222.82	275.47	-19.11	100.00	100.00
TOTAL LIFE	166.25	158.16	5.11	36.60	36.55	0.12	17.88	15.62
Life insurance (v)	81.98	77.09	6.34	5.14	6.48	-20.80	8.82	7.61
Annuity (v)	84.27	81.07	3.95	31.46	30.07	4.63	9.07	8.01
TOTAL NON-LIFE	763.30	854.56	-10.68	186.23	238.92	-22.05	82.12	84.38
Accidents (v)	22.79	19.48	16.99	2.47	3.52	-29.83	2.45	1.92
Sickness (v)	65.16	67.68	-3.72	44.39	50.06	-11.33	7.01	6.68
Property insurance (v)	203.43	210.71	-3.45	29.15	60.14	-51.53	21.89	20.81
Overall motor insurance	167.20	183.58	-8.92	73.14	83.57	-12.48	17.99	18.13
Motor Hull (v)	42.98	48.74	-11.82	14.09	19.15	-26.43	4.62	4.81
MTPL (c)	124.22	134.84	-7.87	59.05	64.42	-8.33	13.36	13.31
CARGO (v)	17.97	24.65	-27.11	0.49	0.70	-31.02	1.93	2.43
GTPL (v)	121.38	132.20	-8.19	3.04	9.02	-66.36	13.06	13.05
Financial losses (v)	10.58	51.52	-79.46	2.45	1.13	115.76	1.14	5.09
Worker against accidents (c)	107.37	109.68	-2.11	17.53	16.97	3.29	11.55	10.83
Others (c)-(v)	47.42	55.06	-13.89	13.58	13.80	-1.56	5.10	5.44
TOTAL COMPULSORY INSURANCE	243.03	257.17	-5.50	77.00	82.52	-6.70	26.15	25.39
TOTAL VOLUNTARY INSURANCE	686.51	755.55	-9.14	145.82	192.94	-24.42	73.85	74.61
DIRECT PREMIUMS/CLAIMS	833.72	917.02	-9.08	183.55	235.37	-22.02	89.69	90.55
REINSURANCE ACCEPTED	95.83	95.70	0.13	39.27	40.10	-2.05	10.31	9.45

(v) - voluntary insurance / (c) - compulsory insurance

1 EUR = 398.23 Tenge - KZT (December 31st, 2017)

1 EUR = 352.42 Tenge - KZT (December 31st, 2016)

Zhanat KURMANOV, Deputy Chairman, NBK, believes that *the insurance market hasn't become yet an effective protection instrument for the population and business, but it has a huge untapped development capacity*. He points out underdevelopment of voluntary life and health insurance, property and business risk insurance; lack of standards in compulsory insurance conditions; lack of trust in insurance due to rather low quality of services; unavailability of insurance in some regions; insufficient level of capitalization; high level of costs related to ineffective reinsurance and significant acquisition payments; inadequate digitalization - as the difficulties for the growth.

Motor classes still show declining trends despite the rising number of cars, mostly used (in 2017 total number of cars increased by 61.5 thousand units, at that the number of cars under 3 years dropped by 4.7% and the number of cars over 10 years increased by 3.9% up to 60.3% share). The main reason is continuous loss of personal income and purchasing power of population second year in a row, moreover last year average price for gasoline jumped by almost 20%. The government is also considering some legal amendments to increase motor insurance indemnity limits by 50% which may negatively affect the motor insurance making this class loss making, at that MTPL accounts for nearly a third of the non-life segment (based on 2017 net premiums) and is an important profitability driver for most companies. Based on A.M.Best estimation the market's return on equity is also decreasing after 2015 (48% in 2015, 15.6% in 2016 and 13.8% in 2017). This is partially a result of high interest rates, increased by the National Bank in response to inflationary pressures over the last 2 years.

The Kazakh insurance market in 2017 was represented by 32 insurers, 7 of which were active only in life sector. In terms of GWP, the largest insurers in the country were EURASIA (14.47% market share), followed by KAZAKHMYS (10.66%) and HALYK-LIFE (9.91%).

The Kazakh insurance market remains rather small by international standards. The low level of insurance penetration, according to A.M. Best, at 0.71% of GDP in 2017 can be attributed to the fact that insurance is still relatively new concept for the population, and is often considered as an expense with little benefit.

(M.M.)

Kazakhstan

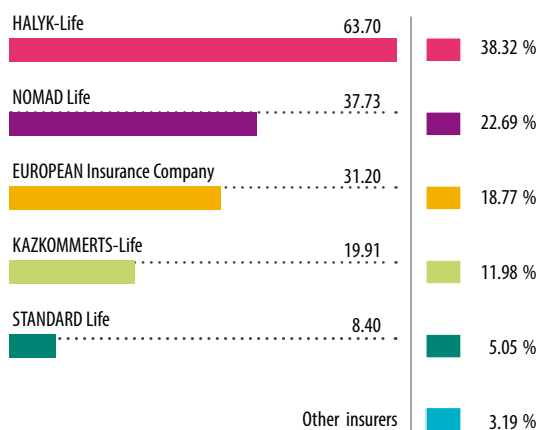
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Full market rankings per company & per class

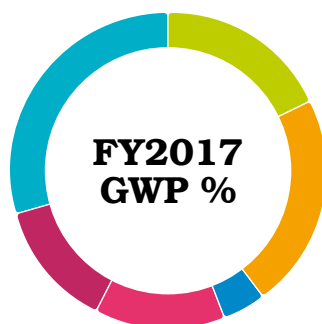
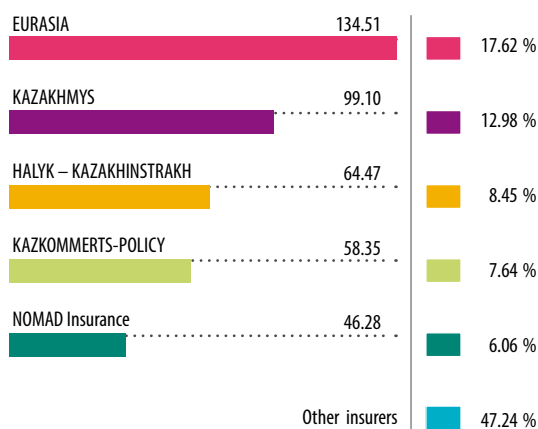
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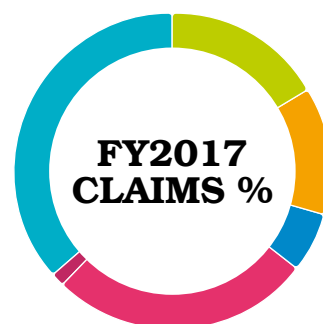
TOP 5 Life insurance (GWP, EUR million)



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



Life	17.88
Property	21.89
Motor Hull	4.62
MTPL	13.36
GTPL	13.06
Other	29.18



Life	16.42
Property	13.08
Motor Hull	6.32
MTPL	26.50
GTPL	1.36
Other	36.31



XII International Conference Insurance in Central Asia

16-17 April 2018, Almaty, Kazakhstan

The event traditionally became a site for discussion between representatives of insurance markets, supervisory authorities, international experts and state authorities. It gathered more than 120 participants from Kazakhstan, CIS as well as non-CIS countries, who during 2 days of the conference discussed pending insurance issues, conducted meetings and business negotiations.

The conference was dedicated to development perspectives of the Eurasian Economic Union insurance markets, creation of united reinsurance area within the region and effective mechanisms and models of self-regulation and underwriting. At the same time, technological innovations played also an important role in the conference debates.

According to Vitaliy VEREVKIN, President of the Kazakh Insurers Association, during the last 6 years Kazakh insurers increased their assets 2.4 times with top-10 companies having 75%. GWP in 2017 increased by 3.7%, life share amounted to 27% of GWP (vs 24% in 2016), the market was stable and online insurance will be introduced in the near future, mainly on MTPL segment.

Also, Oleg KHANIN, President of the Board, KOMESK OMIR pointed out that the market drivers in 2018 will be life insurance, liability insurance and medical insurance, the last one starting from January 2019. HE also added that the main players felt an improvement on the insurance market, and expects a 10% increase overall in 2018.

Throughout the conference days the participants also discussed urgent issues of cooperation between EAEU markets in part of reinsurance based on regulation features of exact countries, self-regulation experience and development of cooperation between market players inside professional associations. Special



Oleg DORONCEANU,
Director XPRIMM International delivered an interesting presentation at the event

part of the conference was dedicated to innovation-driven development of insurance markets. Within the framework of the roundtable discussion during the second day of the conference with participation of representatives of the Fund of compulsory medical insurance and the Ministry of Health of Kazakhstan, the conference members discussed ways of cooperation between compulsory and voluntary insurance in Kazakhstan.

The conference was organized with support of the Association of Insurers of Kazakhstan and the Association of Financial organization of Kazakhstan with strategic partnership of the Fund of guaranteed insurance settlement and sponsorship of the Russian National Reinsurance Company.

XPRIMM Publications supported the event as a traditional Media Partner, also presenting the new Edition of the Insurance Profile Kazakhstan, the latest issues dedicated to the local insurance market.

Marina MAGNAVAL

22 years of success and commitment



Dinara TEZEKBAEVA
Chairman of the Board

Established in 1996, INGOSSTRAKH Insurance Company* is the leading insurer of the Kyrgyz Republic, with a market share of more than 42%, member of the international insurance group INGO.

After more than 22 years of activity on the local market, INGOSSTRAKH offers services on 47 mandatory and voluntary insurance classes, totalizing assets of KGS 524 million**.

The company has achieved consistent results on the market and earned its recognition from its direct clients and from leading worldwide reinsurance partners based on its stable development, professional services, comprehensive expertise of the management team and effective client management.

Based on FY2017 results, INGOSSTRAKH confirms its leading position on the market, writing almost a half of all written premium on the local market. At the same time, as the reputation of an insurer is based on the claims paid to its clients, INGOSSTRAKH has paid more than a quarter of all the claims paid on the Kyrgyz insurance market.

The efficiency of the insurer's business model is also given by the structure of its portfolio, a very profitable one, as the property insurance holds a 84% stake in the company's total premiums, followed by liability, personal and mandatory insurance classes.

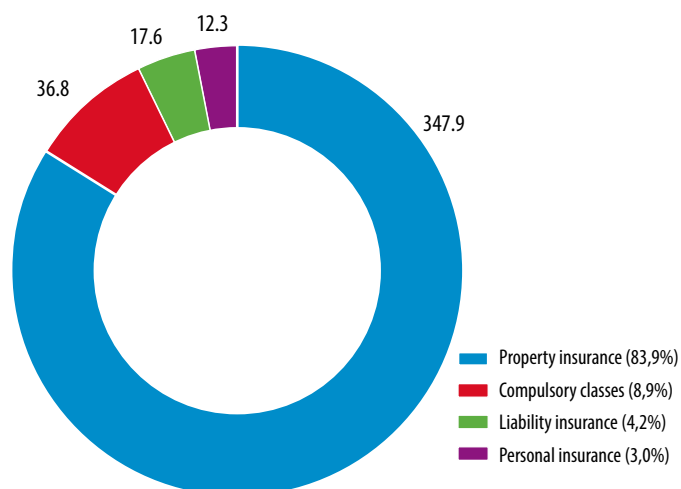
At the same time, INGOSSTRAKH Insurance Company is a fronting insurer for most of the big international holdings/companies, that have representative offices and business within the territory of the Kyrgyz Republic, through cooperation with the leading insurance/reinsurance companies and the leading global insurance brokers. Thus, the average annual extent of reinsurance amounts to 80% of the company's insurance portfolio.

Considering this, the insurer is confirming its strategy and willingness to develop stable and trusted partnerships, with partners inside and outside the Kyrgyz Republic, for mutual benefits of parties involved and keeping in mind the best interest of the clients.

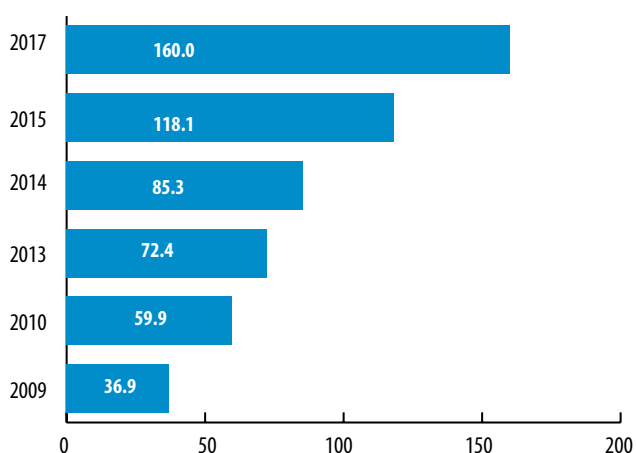
*Prior to February 2018 the company acted under the name KYRGYZINSTRAKH

** EUR = KGS 82.5936 (31.12.2017)

Company's portfolio (million, KGS)



Company's charter capital (million, KGS)



Kyrgyzstan



Moody's rating
B2 STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2017

² National Bank of the Kyrgyz Republic

³ FSA - Gosfinaadzora

⁴ XPRIMM calculations

In terms of premiums, health insurance generated about 12% of total market, liability insurance - about 13%, property classes – about 62% and compulsory subclasses – more than 13%. It is worthy of note that the current market does not have life insurance and MTPL segments

Adoption of the law on MTPL was postponed until February, 2019

The largest insurers in the country in 2017 were KYRGYZINSTRAKH (39% market share) followed by DJUBILI Kyrgyzstan Insurance Company (8.6%) and KYRGYZSTAN Insurance (8.4%).

Market's main indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	KGS billion ¹	355.30	400.69	430.49	458.03	493.32
	EUR billion ⁴	5.25	5.59	5.19	6.29	5.97
GDP per capita, current prices	KGS ¹	61,506.19	67,971.13	71,516.05	74,594.87	78,763.39
	EUR ⁴	908.45	948.07	861.56	1,024.04	953.63
Unemployment rate	% of total labor force ¹	8.33	8.05	7.55	7.21	7.12
Population	Millions ¹	5.78	5.90	6.02	6.14	6.26
KGS/EUR exchange rate	End of period ²	67.70	71.69	83.01	72.84	82.59
Gross written premiums	KGS million ³	967.79	1,017.99	1,006.50	NA	1,064.06
	EUR million ⁴	14.29	14.20	12.13	-	12.88
Paid claims	KGS million ³	92.47	134.87	61.70	NA	141.15
	EUR million ⁴	1.37	1.88	0.74	-	1.71
Insurance penetration degree	% in GDP ⁴	0.27%	0.25%	0.23%	-	0.22%
Insurance density	EUR/capita ⁴	2.47	2.41	2.01	-	2.06

At the end of 2017, the Kyrgyz Republic insurance market totaled about KGS 1.06 billion, according to figures published by the State Service for Financial Market Regulation and Supervision under the Government of the Kyrgyz Republic. The value of paid claims by local insurers amounted to KGS 141.15 million, of which almost 62% accounted by property insurance class. In terms of premiums, health insurance generated about 12% of total market, liability insurance - about 13%, property classes – about 62% and compulsory subclasses – more than 13%. It is worthy of note that the current market does not have life insurance and MTPL segments.

The local market is represented by 18 insurance companies. The largest insurers in the country in 2017 were KYRGYZINSTRAKH (39% market share) followed by DJUBILI Kyrgyzstan Insurance Company (8.6%) and KYRGYZSTAN Insurance (8.4%). KYRGYZINSTRAKH is the state insurer established in 1996 and the leading insurance company of the Kyrgyz Republic both for voluntary and

compulsory insurance classes. In 2017 KYRGYZINSTRAKH concluded home insurance contracts over 6 times more than a year before and for other classes – over 7 times more contracts than in 2016.

In December of 2017 KYRGYZSTAN Insurance, which is among TOP-3 insurers of the country in terms of GWP, was the first insurer of the local market to which Fitch Ratings assigned 'B-' insurer financial strength rating with 'stable' outlook.

In October 2017 Kyrgyzstan started the 4th (last) period of development under the "Development Concept of the Kyrgyz insurance market development for 2013-2017 years" which had been regulating insurance market growth rates over the last 5 years. According to the concept the country is planning introduction of MTPL, but adoption of the law on MTPL was postponed until February, 2019. Many insurers hope that MTLP will give new momentum to the market. The local market is having positive but really moderate total growth taking into consideration some deterrents from low level of trust, undeveloped insurance

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS		PAID CLAIMS	Weight in all GWP
	2017	2017	2017	2017
	EUR m	EUR m	EUR m	%
TOTAL MARKET	12.88	1.71		100.00
Health	1.56	0.36		12.13
Property	7.94	1.06		61.62
Liability	1.68	0.08		13.00
Compulsory	1.71	0.20		13.24

1 EUR = 82.5936 Som - KGS (December 31st, 2017)

Kyrgyzstan

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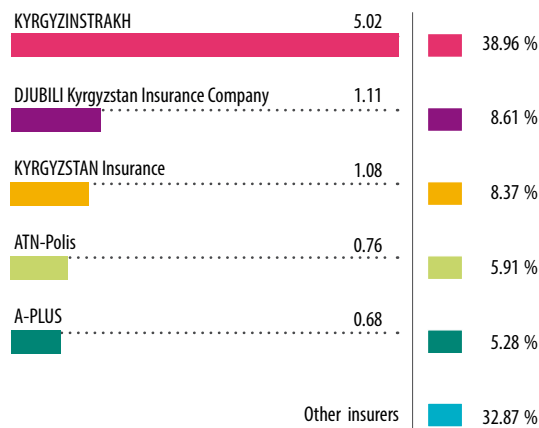
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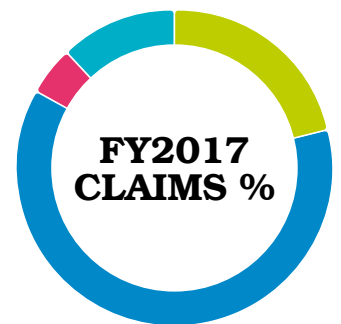
culture and unstable economy to the lack of legal framework. However, Kyrgyzstan already adopted some laws on compulsory liability insurance of dangerous cargo carriers as well as passenger carriers, employers' liability and government liability to military servicemen. General Director of ALMA Insurance, Alexander KRAVCHENKO said *in Kyrgyzstan we see rather low level of insurance culture compared to the western countries, where in some cases the insurance penetration degree reaches 95%, in Russia it is about 10%, but in Kyrgyzstan - not more than 2-3%...One of the main tasks is to improve consumer confidence in insurance services through financial awareness and insurance promotion.*

(M.M.)

Top 5 Total market (GWP, EUR m)



Health	12.13
Property (V)	61.62
Liability (V)	13.00
Compulsory	13.24



Health	21.27
Property (V)	61.95
Liability (V)	4.95
Compulsory	11.83

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Moldova



Moody's rating
B3 STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² The National Bank of Moldova

³ The National Commission of Financial Market (NCFM)

⁴ XPRIMM calculations

In 2017 the Moldovan market GWP totaled MDL 1.5 billion, 4.48% up. In European currency the market y-o-y evolution was 6.93% due to appreciation of the national currency against euro

Claims paid by the companies decreased by 2.15% y-o-y and reached MDL 507.97 million, though in the first half year paid claims saw on the contrary an uptrend

Among the market leaders in terms of GWP are MOLDASIG (14.32% market share), DONARIS VIG (14.27%) and GRAWE CARAT Asigurari (14.27%)

Market's main indicators-timeline

		2013	2014	2015	2016	2017
GDP, current prices	MDL billion ¹	100.51	112.05	122.56	134.94	149.56
	EUR billion ⁴	5.59	5.90	5.71	6.46	7.33
GDP per capita, current prices	MDL ¹	28,252.06	31,517.46	34,495.02	38,000.81	42,169.56
	EUR ⁴	1,572.21	1,659.11	1,606.07	1,819.13	2,066.13
Unemployment rate	% of total labor force ¹	5.10	3.90	4.90	4.20	4.20
Population	Millions ¹	3.56	3.56	3.55	3.55	3.55
MDL/EUR exchange rate	End of period ²	17.97	19.00	21.48	20.89	20.41
Gross written premiums	MDL million ³	1,198.92	1,203.55	1,228.22	1,380.13	1,441.90
	EUR million ⁴	66.72	63.36	57.19	66.07	70.65
Paid claims	MDL million ³	432.45	513.61	386.55	519.07	507.92
	EUR million ⁴	24.07	27.04	18.00	24.85	24.89
Insurance penetration degree	% in GDP ⁴	1.19%	1.07%	1.00%	1.02%	0.96%
Insurance density	EUR/capita ⁴	18.75	17.82	16.09	18.61	19.92

In 2017 the Moldovan market GWP totaled MDL 1.5 billion, 4.48% up y-o-y, according to the official data of the National Commission of Financial Market (CNPF). In European currency the market y-o-y evolution was 6.93% due to appreciation of the national currency against euro.

Per classes motor insurance had the biggest share of the total market premiums, including MTPL with 24.5% share, Green Card (22.14%) and Motor

Hull (20.1%). The share of life insurance maintained low at only 6.58%, followed by property insurance (6.26%), health insurance (5.54%) and GTPL (3.57%). Claims paid by the companies decreased by 2.15% y-o-y and reached MDL 507.97 million, though in the first half year paid claims saw on the contrary an uptrend. The biggest shares of paid claims in 2017 had motor insurance (83%), health insurance (5.7%) and life insurance (3.8%).

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	70.65	66.07	6.93	24.89	24.85	0.15	100.00	100.00
TOTAL LIFE	4.65	4.27	8.97	0.95	0.87	9.50	6.58	6.46
TOTAL NON-LIFE	66.00	61.80	6.79	23.94	23.98	-0.19	93.42	93.54
Accidents insurance	1.17	1.10	5.56	0.11	0.19	-44.47	1.65	1.67
Overall health insurance	3.91	3.48	12.30	1.42	1.30	9.37	5.54	5.27
Health - valid in Moldova	0.97	0.86	13.26	0.70	0.63	11.70	1.37	1.30
Health - valid outside Moldova	2.94	2.63	11.99	0.72	0.67	7.18	4.16	3.97
Overall property insurance	4.42	4.94	-10.51	0.63	0.92	-31.25	6.26	7.48
Fire and allied perils	3.93	4.57	-14.01	0.53	0.44	21.66	5.56	6.92
Damages to property	0.49	0.37	32.66	0.10	0.48	-79.22	0.70	0.56
Overall motor insurance	47.95	44.14	8.65	20.67	21.20	-2.48	67.88	66.80
Motor Hull	14.21	12.71	11.74	8.30	7.60	9.21	20.11	19.24
MTPL	17.34	15.65	10.79	8.22	7.95	3.37	24.55	23.69
Green Card	15.64	14.83	5.47	4.01	5.55	-27.83	22.14	22.45
Other motor insurance	0.76	0.94	-18.57	0.15	0.10	49.83	1.08	1.42
Aircraft insurance	1.93	1.55	24.46	0.25	0.27	-6.01	2.73	2.34
Aircraft liability	3.12	2.64	18.07	-	-	-	4.42	4.00
Goods in transit	0.51	0.42	21.18	0.02	0.03	-25.38	0.73	0.64
GTPL	2.52	3.02	-16.42	0.71	0.02	2,759	3.57	4.57
Financial loss insurance	0.26	0.45	-42.23	0.03	0.03	10.82	0.37	0.68
Other non-life insurance	0.20	0.05	281.97	0.09	0.02	296.82	0.28	0.08

1 EUR = 20.4099 Lei - MDL (December 31st, 2017)

1 EUR = 20.8895 Lei - MDL (December 31st, 2016)

Among the market leaders in terms of GWP are MOLDASIG (14.32% market share), DONARIS VIG (14.27%) and GRAWE CARAT Asigurari (14.27%). On the 4th place is ASTERRA Grup, which climbed in the rankings two positions up, compared to 2016, having 9.86% market share. Among other companies (out of total 17 reported) with significant increases in GWP in 2017 were GALAS over 60% up, TRANSELIT – up by 23.7%, MOLDOVA-ASTROVAZ – up by 15.9% and ACORD Grup – up by 11.5%. Life sector is represented only by 4 insurers, among which the biggest market share of 97.02% is owned by GRAWE CARAT Asigurari.

In 2017 the National Commission of the Financial Market in Moldova (NCFM) developed a market strategy for the following 5 years until 2022, according to which the volume of insurance reserves and the insurers' capital must reach the level of MDL 1.8 billion each. NCFM aims at aligning the legislative and normative framework in accordance with the community legislation and international principles. Among the most important objectives are: alignment of risk supervision and management to standards of regime Solvency II by 2019; adoption of the European Insurance Distribution Directive (IDD) by 2019; developing and implementing by 2018-2019 the financial recovery framework for insurers; gradual liberalization of MTPL until 2019; promotion of the draft of Law on National Insurance Guarantee Fund; stimulating the launch of new products in voluntary insurance: life and health insurance, financial risk insurance, housing and real estate insurance, agriculture insurance, etc.

The Insurance Conference - Republic of Moldova, dedicated to the regional insurance market, took place in October. The participants pointed out that Moldova continues to be dominated by motor insurance - MTPL and Motor Hull and Green Card; low income and lack of financial education are main deterrents to the market growth; anyway the national insurance market has perspectives for development. Svetlana LUPASCU, General Direction for Insurance Supervision, CNPF, believes that *the current period is a period of challenges for the insurance market and the main tasks are creation of new laws for MTPL as well as raising awareness regarding Solvency II and development of voluntary insurance products.*

(M.M.)

Moldova

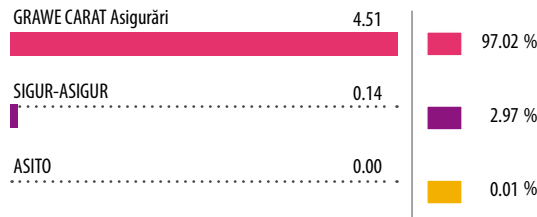
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Full market rankings per company & per class

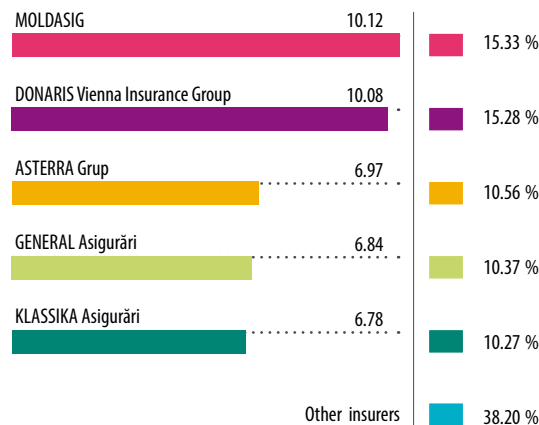
MSEcel format * in EUR and local currency



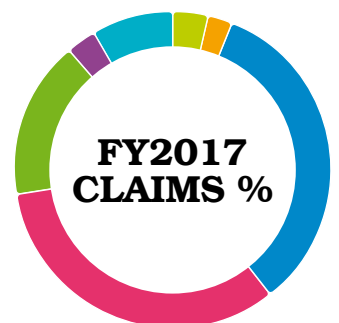
Life insurance ranking (GWP, EUR m)



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



Life	6.58
Property	6.26
Motor Hull	20.11
MTPL	24.55
Green Card	22.14
GTPL	3.57
Other	16.78



Life	3.81
Property	2.55
Motor Hull	33.34
MTPL	33.01
Green Card	16.10
GTPL	2.86
Other	8.33

Russia



S&P Rating

BBB- STABLE

Moody's rating

BA1 POSITIVE

Fitch Rating

BBB- POSITIVE

Sources:

¹International Monetary Fund, World Economic Outlook Database, April 2018

²The Central Bank of the Russian Federation

³Financial Markets Service of the Bank of Russia

⁴XPRIMM calculations

In 2017 the market produced GWP worth RUB 1.28 trillion, which is 8.3% more vs 2016. GWP positive growth rate in 2017 was recorded by 119 (57%) of insurers

The key factor supporting the life sector's growth was hybrid life insurance (investment life insurance) sold through banks as the main distribution channel

MTPL is still a challenge for the market partially influenced by negative performance of the segment leader ROSGOSSTRAKH that posted a net loss of RUB 56 billion in 2017 and reduced its share by almost two thirds

Market's main indicators-timeline

		2013	2014	2015	2016	2017
GDP, current prices	RUB billion 1	73,133.90	79,199.70	83,387.20	85,917.80	92,081.90
	EUR billion 4	1,626.29	1,158.86	1,046.30	1,346.44	1,337.10
GDP per capita, current prices	RUB 1	509,299.64	550,912.28	579,528.52	596,796.44	639,502.05
	EUR 4	11,325.35	8,061.03	7,271.63	9,352.55	9,286.07
Unemployment rate	% of total labor force 1	5.50	5.16	5.58	5.53	5.21
Population	Millions 1	143.60	143.76	143.89	143.97	143.99
RUB/EUR exchange rate	End of period 2	44.97	68.34	79.70	63.81	68.87
Gross written premiums	RUB million 3	904,863.56	987,772.59	1,023,819.32	1,180,631.59	1,278,841.60
	EUR million 4	20,121.54	14,453.23	12,846.36	18,501.98	18,569.78
Paid claims	RUB million 3	420,769.03	472,268.59	509,217.48	505,790.11	509,722.13
	EUR million 4	9,356.68	6,910.30	6,389.40	7,926.37	7,401.57
Insurance penetration degree	% in GDP 4	1.24%	1.25%	1.23%	1.37%	1.39%
Insurance density	EUR/capita 4	140.13	100.54	89.28	128.52	128.97

According to the Central Bank of Russia, in 2017 the market produced GWP worth RUB 1.28 trillion, which is 8.3% vs 2016. GWP growth rate in 2017 was recorded by 119 (57%) of insurers. The GWP leader is SOGAZ (RUB 158 billion), followed by SBERBANK

Life Insurance, RESO-Garantia, VTB Insurance and INGOSSTRAKH. Total claims increased only by 0.8% and amounted to RUB 510 billion. The penetration degree in GDP stood at 1.38%, the market remained highly concentrated with Top-20

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	18,569.78	18,501.98	0.37	7,401.57	7,926.37	-6.62	100.00	100.00
LIFE INSURANCE*	4,814.17	3,380.92	42.39	529.82	469.87	12.76	25.92	18.27
OVERALL NON-LIFE INSURANCE	13,737.36	15,121.06	-9.15	6,869.13	7,456.50	-7.88	73.98	81.73
VOLUNTARY NON-LIFE INSURANCE	10,161.97	11,058.55	-8.11	4,063.55	4,487.40	-9.45	54.72	59.77
Personal insurance, of which:	3,793.66	3,852.11	-1.52	1,745.09	1,802.84	-3.20	20.43	20.82
Accidents and diseases	1,760.63	1,692.35	4.03	208.62	225.78	-7.60	9.48	9.15
Health	2,033.03	2,159.76	-5.87	1,536.46	1,577.07	-2.57	10.95	11.67
Property insurance, of which:	6,368.31	5,873.88	8.42	2,318.46	2,291.58	1.17	34.29	31.75
Motor Hull	2,359.57	2,674.65	-11.78	1,210.22	1,527.52	-20.77	12.71	14.46
Railway, aircraft and ships insurance	214.00	243.91	-12.26	89.29	122.20	-26.93	1.15	1.32
CARGO insurance	268.83	310.75	-13.49	39.02	51.94	-24.88	1.45	1.68
Real estate property insurance, of which:	2,227.42	2,490.64	-10.57	650.99	526.96	23.54	11.99	13.46
Property of legal entities	1,393.83	1,684.45	-17.25	531.44	396.57	34.01	7.51	9.10
Property of individuals	833.59	806.20	3.40	119.56	130.40	-8.31	4.49	4.36
Agricultural insurance	56.95	153.93	-63.00	23.09	62.96	-63.32	0.31	0.83
Civil liability insurance**	724.78	860.27	-15.75	108.74	145.47	-25.25	3.90	4.65
Business risks	131.38	139.53	-5.84	163.01	218.57	-25.42	0.71	0.75
Financial risks	385.40	332.76	15.82	34.09	28.94	17.80	2.08	1.80
MANDATORY INSURANCE	3,575.39	4,062.51	-11.99	2,805.58	2,969.09	-5.51	19.25	21.96
Personal insurance***	266.14	281.22	-5.36	239.88	248.78	-3.57	1.43	1.52
Compulsory MTPL	3,224.72	3,672.85	-12.20	2,548.63	2,705.58	-5.80	17.37	19.85
Dangerous installations ¹ owners TPL insurance	44.30	50.05	-11.48	3.11	3.23	-3.70	0.24	0.27
Other	40.23	58.38	-31.10	13.96	11.51	21.23	0.22	0.32
OTHER****	18.25	-	-	2.62	-	-	0.10	-

*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

****Premiums with no reliable figures due to late receipt of the primary accounting documents and collection write-off under court decisions

1 EUR = 63.8111 RUB December 31st, 2016)

1 EUR = 68.8668 RUB (December 31st, 2017)



Maksim DANILOV
Vice-President of
the All-Russian
Insurance
Association (ARIA)



Valeria ERMAKOVA
Senior Financial
Analyst, A.M.Best

insurers accounting for 80%, while Top-10 generated more than 66% of GWP.

Life insurance is still the main market's driver with the largest share of the total market (~26%). The sector's growth amounted to 53.7%, claims also increased by 21.7%. Top life insurers (among 31 active) by GWP include SBERBANK Life Insurance at the 1st place (30.6% market share, +67.46% growth), followed by ROSGOSSTRAKH-Life (16.14% market share) and AlfaStrakhovanie-Life (15.79% share). Life sector evolution considerably outpaces the growth in other segments and the whole market itself. *The key factor supporting the life sector's growth was hybrid life insurance (investment life insurance) sold through banks as the main distribution channel (with 88% of life premiums written in 2017) mainly due to tough policy of the Central Bank targeted at inflation and reduction of rates, thus making customers more interested in life insurance investment tools. Provided that this policy continues, life sector will keep growing, explained Maksim DANILOV, Vice-President of the All-Russian Insurance Association (ARIA).*

Non-life sector produced RUB 946 billion, 1.95% less in local currency than in 2016 (in euro it shows a negative rate of 9%). Non-life claims also sank by 0.58%. MTPL segment in 2017 sank by 5.2% with GWP of RUB 222 billion. Motor Hull produced 4.8% less than in 2016, and GWP leaders in this segment include INGOSSTRAKH, RESO-Garantia and ROSGOSSTRAKH. *Basically, stagnation of non-life insurance is caused by macroeconomic trends, i.e. low*

Russia



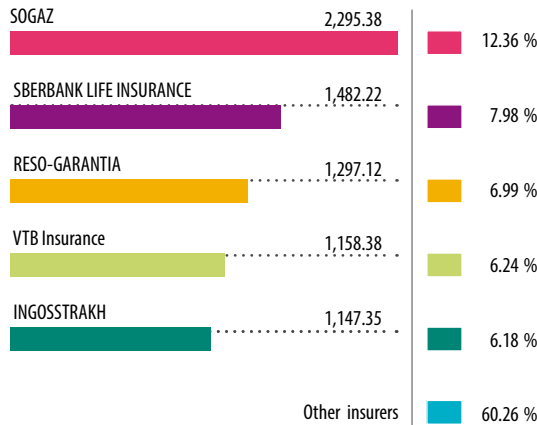
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Full market rankings per company & per class

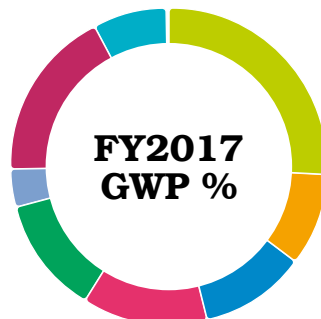
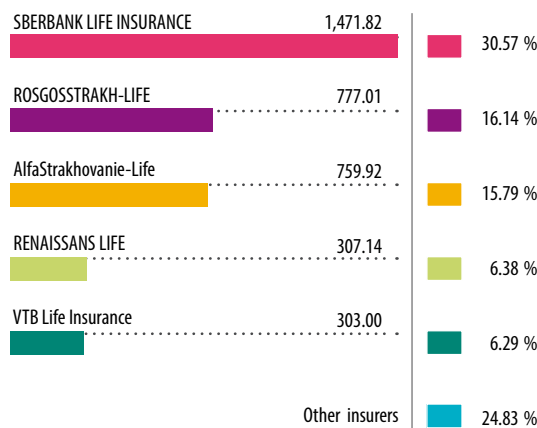
MSEcel format * in EUR and local currency



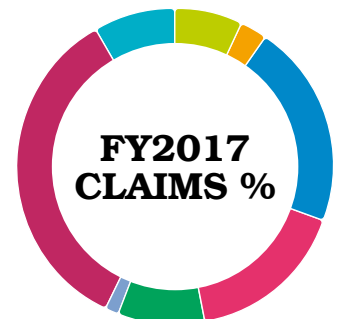
TOP 5 Total market (GWP, EUR million)



TOP 5 Life insurance (GWP, EUR million)



Life	25.92
Accidents & diseases	9.48
Health	10.95
Motor Hull	12.71
Real estate	11.99
Civil liability	3.90
CMTPL	17.37
Other	7.68



Life	7.16
Accidents & diseases	2.82
Health	20.76
Motor Hull	16.35
Real estate	8.80
Civil liability	1.47
CMTPL	34.43
Other	8.22



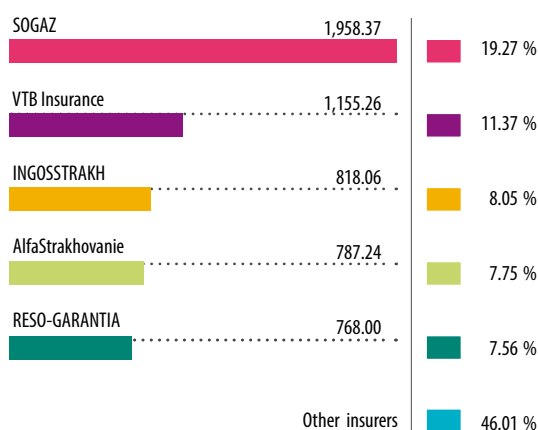
Nikolay KUZNETSOV
Chief Actuary of
RNRC

economic growth and declining personal incomes, said Alexey BREDIKHIN, General Director of ACRA (Analytical Credit Rating Agency, Russia). MTPL is still a challenge for the market partially influenced by negative performance of the segment leader ROSGOSSTRAKH that posted a net loss of RUB 56 billion in 2017 and reduced its share by almost two thirds, high level of insurance fraud and extremely low tariffs, established by the government, which make most insurers leave the segment and even voluntarily cancel their licenses. Despite an increase of tariffs, introduction of compulsory online policies and the preference of in-kind claims settlement over cash payments, results remain weak, with combined ratios in some regions exceeding 100% due to elevated losses and fraud, believes Valeria ERMAKOVA, Senior Financial Analyst, A.M.Best.

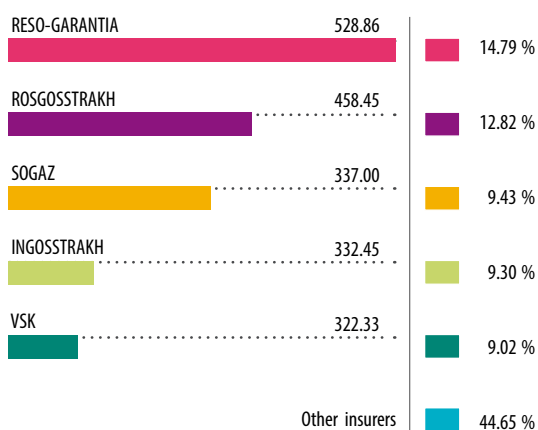
Property insurance becomes the main driver of the Russian non-life segment. According to the Central Bank, in 2017 the subclass had 17% growth. This segment is pretty big for all Russian insurers, said Alexander BLAYVAS, Managing Director of SBERBANK Insurance. First mover of the individuals' market is mortgage, since it makes property insurance compulsory. Also, package insurance is attracting more and more attention from individuals due to their willingness to save time and quickly get the necessary product. Another mover is digitalization of the financial sector. More and more clients use digital sales channels to purchase insurance policies including property insurance. SBERBANK Insurance is the leader of online sales of property insurance policies.

Total number of authorized insurers in 2017 reduced by 9.2%, with only 208 companies in the ranking which were actually active based on their FY result, while total number of authorized insurers in 2017 was 237. Last year the market left 30 insurance companies, 30 insurance brokers and 1 mutual insurance association, according

TOP 5 Voluntary non-life insurance (GWP, EUR m)



TOP 5 Overall mandatory insurance (GWP, EUR m)



to the unified State register of insurance entities. As of January 1, 2018 the market had 226 insurance companies (vs 256 a year before), 71 brokers (vs 101). The main reasons of the market "clean up" process are bankruptcy, non-compliance with the increased capital requirements, inadequate solvency ratios, or non-compliance with the legal reporting obligations. On the other hand, in October 2017, the Central Bank initiated a process of preparing the financial recovery mechanism of insurance companies.

As for reinsurance, the downward trend of inward market continued the decline dropping by 2.6% compared to 2016. If no creation of RNRC, the drop could have been even more dramatic, said Nikolay

KUZNETSOV, Chief Actuary of RNRC. The total volume of accepted premiums in 2017 amounted to RUB 34.9 billion (-2.6%) of which RUB 21.6 billion (+13.6%) accepted from domestic market and RUB 13.2 billion (-21%) – from international market. Total outward GWP dropped by almost 17% of premiums ceded in reinsurance (RUB 109.6 billion), thus RNRC has obviously played its role as an additional capacity provider returning business on the domestic market. Share of foreign presence in the market due to the establishment of RNRC and the adopted law on compulsory 10% cession is much less than in 2016 (29% of the total premiums vs 47% in 2016).

(M.M.)



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CAA2 POSITIVE

Fitch Rating

B- STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² National Bank of Ukraine

³ League of Insurance Organizations of Ukraine, Insurance Top Magazine, The National Financial Services Commission

⁴ XPRIMM calculations

🌸 In European currency many classes saw a declining trend, especially life sector (in EUR dropped by more than 10%). That relates to Ukrainian hryvnia's fall against euro by almost 18% last year

🌸 After several years of development of electronic MTPL, in 2017 it was completed for introduction in February 2018

🌸 In USD, agroinsurance GWP exceeded 2016 result by 28%. The main growth factors are expansion of the insurance product range, extended coverage by adding more risks and rather mild 2017 winter conditions

Market's main indicators-timeline

		2013	2014	2015	2016	2017
GDP, current prices	UAH billion ¹	1,465.20	1,586.92	1,988.54	2,383.18	2,908.23
	EUR billion ⁴	132.70	82.51	75.83	83.85	86.82
GDP per capita, current prices	UAH ¹	32,383.00	37,112.40	46,689.41	56,187.38	68,710.61
	EUR ⁴	2,932.84	1,929.63	1,780.47	1,976.86	2,051.34
Unemployment rate	% of total labor force ¹	7.17	9.28	9.14	9.35	9.39
Population	Millions ¹	45.25	42.76	42.59	42.42	42.33
UAH/EUR exchange rate	End of period ²	11.04	19.23	26.22	28.42	33.50
Gross written premiums	UAH million ³	28,661.90	26,767.30	29,736.00	35,170.30	43,431.80
	EUR million ⁴	2,595.83	1,391.74	1,133.96	1,237.41	1,296.65
Paid claims	UAH million ³	4,651.80	5,065.40	8,100.50	8,839.50	10,536.80
	EUR million ⁴	421.30	263.37	308.91	311.00	314.57
Insurance penetration degree	% in GDP ⁴	1.96%	1.69%	1.50%	1.48%	1.49%
Insurance density	EUR/capita ⁴	57.37	32.55	26.62	29.17	30.63

Ukrainian market in 2017 grew overall by 23.49%, while the non-life sector saw an above average performance, with GWP increasing by 25% in local currency, data published by the National Financial Services Commission of Ukraine show. 93.29% of total GWP were generated by non-life sector; the biggest part of the non-life sector (more than 78%) was collected by voluntary classes. Significant contribution to voluntary segment in 2017 was made by insurance of financial risks, motor hull insurance, other property insurance and cargo insurance.

Compulsory non-life segment produced more than 14% of the non-life GWP with MTPL and Green Card traditionally biggest shares. In European currency many classes had a declining trend, especially life sector (in EUR dropped by more than 10%). That relates to Ukrainian hryvnia's fall against euro by almost 18% last year.

Total claims in local currency also increased (more than 19%), although in euro this increase was rather moderate. In general in 2017 Ukrainian insurers paid UAH 10.5 billion, about 78% of which were paid by non-life voluntary classes.

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	1,296.65	1,237.41	4.79	314.57	311.00	1.15	100.00	100.00
TOTAL LIFE	86.99	96.97	-10.29	16.61	14.72	12.85	6.71	7.84
TOTAL NON-LIFE	1,209.66	1,140.44	6.07	297.97	296.28	0.57	93.29	92.16
VOLUNTARY NON-LIFE	1,022.11	941.85	8.52	226.80	230.03	-1.40	78.83	76.11
Accident insurance	39.07	29.45	32.64	4.65	4.80	-3.14	3.01	2.38
Medical insurance	86.02	82.87	3.80	49.92	47.19	5.77	6.63	6.70
Motor Hull	166.29	161.98	2.66	78.33	72.13	8.60	12.82	13.09
CARGO	139.92	153.91	-9.09	1.97	13.82	-85.71	10.79	12.44
Fire and other perils	107.42	89.78	19.64	4.99	2.88	73.21	8.28	7.26
Other property insurance	152.23	145.74	4.45	7.84	5.27	48.79	11.74	11.78
Civil liability insurance	87.33	73.67	18.53	0.83	1.18	-29.72	6.73	5.95
Financial risks	167.02	126.54	31.98	56.10	32.91	70.47	12.88	10.23
Other	76.82	77.89	-1.37	22.17	49.85	-55.52	5.92	6.29
Compulsory non-life	187.55	198.59	-5.56	71.16	66.25	7.41	14.46	16.05
Domestic MTPL	111.82	122.02	-8.36	56.35	49.51	13.81	8.62	9.86
Green Card	38.74	42.41	-8.66	14.53	14.46	0.49	2.99	3.43
Other	36.99	34.16	8.30	0.28	2.29	-87.61	2.85	2.76

1 EUR = 28.422604 Hryvnia - UAH (December 31st, 2016)

1 EUR = 33.495424 Hryvnia - UAH (December 31st, 2017)

Despite outdated regulatory environment and very moderate economic growth insurers provided the growth of key financial indicators (153 companies of 295 market insurers ended 2017 with profit); in 2017 total number of concluded insurance contracts exceeded 2016 result by 18.7%, announced Alexander ZALETOV, a member of the National Financial Services Commission of Ukraine. According to him "the insurance market is growing and getting more investment-attractive and competitive. Regardless of the big number of insurers, 97% of all paid claims in Ukraine are made by 90 P/C insurers and 10 life insurers.

Leaders of non-life sector by GWP were CREMEN (9% market share), UNIQA (4%), AXA Insurance, ARSENAL Insurance and PZU Ukraine. In terms of paid claims the leaders: AXA Insurance, UNIQA, INGO Ukraine, PROVIDNA and PZU Ukraine. Life sector, having less than 7% of the total market, is supported by 10 insurers among which first places in 2017 took METLife (over 25%), UNIQA Life (15%) and TAS (~15%).

One of the positive indicators of insurance industry is agro insurance, which in 2017 saw a good uptrend, the number of contracts increased by 21%, GWP – by 30%, in USD agro insurance GWP exceeded 2016 result by 28%. The main growth factors were expansion of the insurance product range, extended cover by adding more risks and rather mild 2017 winter conditions.

MTPL segment last year saw a rapid increase of claims compared to premiums (GWP ~8% and claims ~34%). According to MTIBU (Motor transport insurance bureau of Ukraine) the main reason is rapid increase of claimed damages and limit of compensations. Average compensation amount in 2017 grew by 20% (from UAH 12,557 to 15,215). In 2017 development of electronic MTPL was completed for introduction in February 2018. This will significantly change relations between insurers and clients by offering direct claim settlement, reduction of payment periods and total process simplification, thus improving confidence in the insurance market. This is a landmark event for the Ukrainian market, said Volodimir SHEVCHENKO, General Director of MTIBU.

Total number of insurers keeps decreasing making the market more concentrated and consolidated. 20 insurers left the market in 2017 (14 - risk insurers and 6 - life insurers). By the end of 2017 the market had 294 companies. (M.M.)

Ukraine

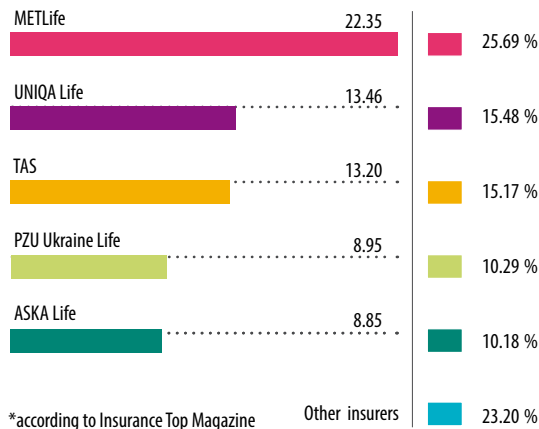
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Full market rankings per company & per class

MSEcel format * in EUR and local currency

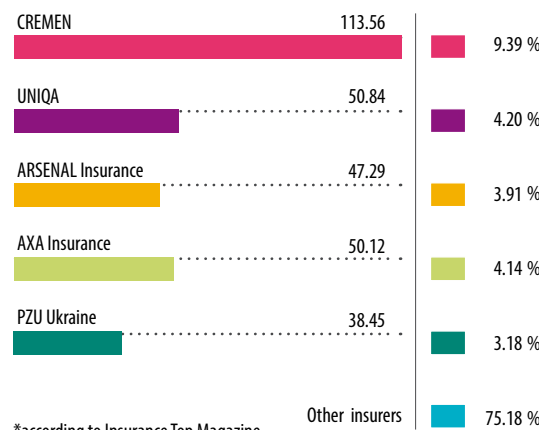


TOP 5 Life insurance (GWP, EUR million)*



*according to Insurance Top Magazine

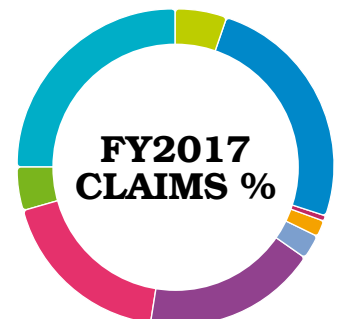
TOP 5 Non-Life insurance (GWP, EUR million)*



*according to Insurance Top Magazine



Life	6.71
Motor Hull	12.82
CARGO	10.79
Fire and other perils	8.28
Other property	11.74
Financial risks	12.88
Domestic MTPL	8.62
Green Card	2.99
Other	25.16



Life	5.28
Motor Hull	24.90
CARGO	0.63
Fire and other perils	1.59
Other property	2.49
Financial risks	17.83
Domestic MTPL	17.91
Green Card	4.62
Other	24.75

Uzbekistan



Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² The Central Bank of the Republic of Uzbekistan

³ Ministry of Finance of the Republic of Uzbekistan

⁴ XPRIMM calculations

In 2017 Uzbek insurers paid UZS 270 billion which is 2.1 times more than in 2016, thus insurance claims growth rate broke the record over the last 10 years. According to the Uzbek rating agency SAIPRO such a dramatic claims' growth was caused by 2 factors: growth of agro insurance claims and increase of universal life insurance

Insurance market's total result was affected by the currency reform and significant change in the exchange rate (the local currency in 2017 dropped 2.8 times against euro)... in EUR all Uzbek insurers had declining GWP rate in 2017, at that the decline varies between 2% and 69%.

Market's main indicators-timeline

		2013	2014	2015	2016	2017
GDP, current prices	UZS billion ¹	120,861.50	145,846.40	171,808.30	198,871.60	249,136.00
	EUR billion ⁴	39.86	48.81	55.89	58.16	25.89
GDP per capita, current prices	UZS ¹	3,996,319.83	4,741,784.98	5,489,275.98	6,244,418.00	7,756,292.71
	EUR ⁴	1,318.09	1,587.08	1,785.60	1,826.26	805.87
Unemployment rate	% of total labor force ¹	na	na	na	na	na
Population	Millions ¹	30.24	30.76	31.30	31.85	32.12
UZS/EUR exchange rate	End of period ²	3,031.90	2,987.74	3,074.19	3,419.23	9624.72
Gross written premiums	UZS million ³	338,483.34	439,134.13	551,530.03	692,594.43	927,451.40
	EUR million ⁴	111.64	146.98	179.41	202.56	96.36
Paid claims	UZS million ³	66,919.81	74,632.59	111,001.85	130,456.77	269,997.12
	EUR million ⁴	22.07	24.98	36.11	38.15	28.05
Insurance penetration degree	% in GDP ⁴	0.28%	0.30%	0.32%	0.35%	0.37%
Insurance density	EUR/capita ⁴	3.69	4.78	5.73	6.36	3.00

As reported by the Ministry of Finance of the Republic of Uzbekistan in 2017 Uzbek insurers paid UZS 270 billion which is 2.1 times more than in 2016, thus insurance claims growth rate broke the record over the last 10 years.

According to the Uzbek rating agency SAIPRO such a dramatic claims' growth was caused by 2 factors: growth of agro insurance claims and increase of universal life insurance. As a result, in 2017 UZAGROSUGURTA's share in total paid claims amounted to 34.5%, share of other 4 insurers - 29% and share of the rest - 36.5%. In 2017 Uzbek insurers' claims under voluntary insurance amounted to UZS 202.4 billion, which is 2.4 times more than in 2016. Compulsory insurance paid claims increased by 48% and amounted to UZS 67.6 billion. Such a trend led to the change of voluntary-compulsory ratio. Share of voluntary classes in total claims increased by 10% and reached 75% (vs 64.9% in 2016). Accordingly the share of compulsory classes reduced down to 25%.

GWP in 2017 amounted to UZS 927.4 million and had 33.91% y-o-y increase, however denominated in euro the market dramatically dropped by 52.43%. It is worth

noting that insurance market's total result was affected by the currency reform and significant change in the exchange rate (the local currency in 2017 dropped 2.8 times against euro). In the local currency GWP of 23 companies out of 27 increased compared to 2016, and 4 of them had even more than 100% increase, but in EUR all Uzbek insurers had declining GWP rate in 2017, at that the decline varies between 2% and 69%. However, of 27 insurance companies only one insurer, AGROS Hayot, had no change compared to 2016 due to starting operations only in March 2017.

The biggest insurers in 2017 were UZAGROSUGURTA (14.48% market share), UZBEKINVEST (14.11%), GROSS INSURANCE (8.76%) and KAFOLAT Insurance (8.66%). However, the biggest insurer UZAGROSUGURTA lost about 6% compared to 2016.

Despite the rapid growth of life insurance, general insurance is still prevailing in the insurance industry. The general insurance sector (non-life) is presented by 23 companies which in 2017 produced UZS 788.8 billion of GWP (85% of total premiums), 24.5% more than a year before.

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2017	2016	Change	2017	2016	Change	2017	2016
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET, of which:	96.36	202.56	-52.43	28.05	38.15	-26.48	100.00	100.00
Voluntary ins.	72.12	141.85	-49.16	21.03	24.78	-15.13	74.84	70.03
Mandatory ins.	24.24	60.71	-60.07	7.02	13.37	-47.50	25.16	29.97

1 EUR = 9624.72 Som - UZS (December 31st, 2017)

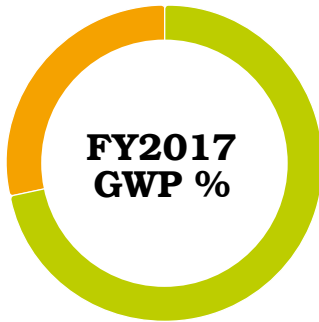
1 EUR = 3419.23 Som - UZS (December 31st, 2016)

GWP of life insurers in 2017 increased by 2.3 times on y-o-y basis to UZS 138.6 billion. Life insurers' share in the market reached 14.9%, which is still rather low. The total market 2017 results are still far from those of developed insurance markets but anyway are the highest over the last 6 years.

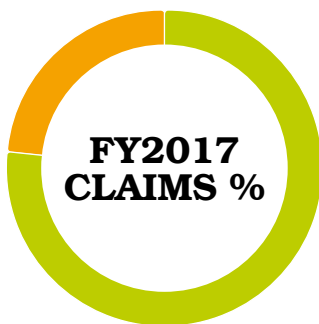
(M.M.)

Uzbekistan

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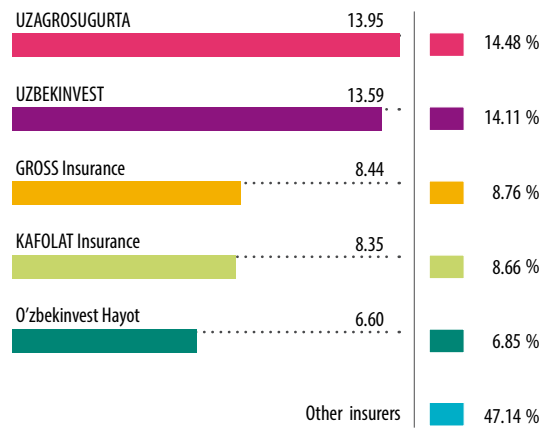


Voluntary ins. 70.03
Mandatory ins. 29.97



Voluntary ins. 74.97
Mandatory ins. 25.03

Top 5 Total market (GWP, EUR m)



Turkmenistan



Macroeconomic indicators - timeline

		2013	2014	2015	2016	2017
GDP, current prices	TMT billion ¹	111.71	124.04	125.30	126.63	132.74
	EUR billion ⁴	28.53	35.78	32.73	34.28	31.66
GDP per capita, current prices	TMT ¹	20,817.60	22,692.74	22,514.34	22,442.47	23,248.83
	EUR ⁴	5,315.76	6,545.35	5,880.41	6,074.89	5,544.68
Unemployment rate	% of total labor force ¹	na	na	na	na	na
Population	Millions ¹	5.37	5.47	5.57	5.64	5.71
TMT/EUR exchange rate	End of period ²	3.92	3.47	3.83	3.69	4.19

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² Central Bank of Turkmenistan

³ XPRIMM calculations

Tajikistan



S&P Rating

B- STABLE

Moody's rating

B3 STABLE

Sources:

¹ International Monetary Fund, World Economic Outlook Database, April 2018

² The National Bank of Tajikistan

³ XPRIMM calculations

The voluntary segment in 2017 generated TJS 179.90 million of total GWP. It is the leading segment of the Tajik market by GWP, paid claims and premiums ceded in reinsurance

In terms of assets the leading company is SPITAMEN-SUGURTA with TJS 90.3 million, followed by SUGURTAI Avvalini milli (TJS 61.35 million) and TOJIKSUGURTA (TJS 60.7 million)

Tajikistan

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Macroeconomic indicators - timeline

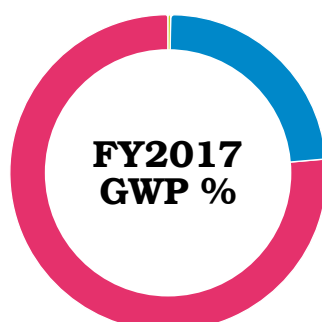
		2013	2014	2015	2016	2017
GDP, current prices	TJS billion ¹	40.53	45.61	48.40	54.47	62.25
	EUR billion ⁴	6.16	7.07	6.34	6.56	5.89
GDP per capita, current prices	TJS ¹	4,983.61	5,493.06	5,709.98	6,293.83	7,044.23
	EUR ⁴	757.71	850.98	747.49	757.65	666.02
Unemployment rate	% of total labor force ¹	na	na	na	na	na
Population	Millions ¹	8.13	8.30	8.48	8.66	8.84
TJS/EUR exchange rate	End of period ²	6.58	6.46	7.64	8.31	10.58

According to the year-end market figures, published by the National Bank of Tajikistan, Tajik insurers totally produced TJS 235.84 million of GWP by the end of December 2017. The share of voluntary classes amounted to 76.28% and compulsory ones – accordingly to 23.72%.

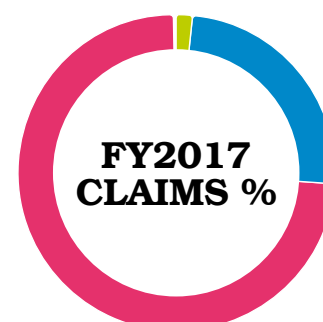
By the end of 2017 Tajik insurance market was represented by 22 organizations, among which 2 state organizations, 18 non-state organizations, 1 broker and 1 mutual insurance association. One of the oldest insurers is the state insurer TOJIKSUGURTA, the successor of GOSSTRAXH, founded in 1924. In 2017 TOJIKSUGURTA generated TJS 30.12 million (about 13% market share), providing 22 insurance services (13 compulsory and 9 voluntary) and having branches in all regions of the country. In terms of assets the leading company is SPITAMEN-SUGURTA with TJS 90.3 million, followed by SUGURTAI Avvalini milli (TJS 61.35 million) and TOJIKSUGURTA (TJS 60.7 million). In

2017 total number of insurers increased by one company (in 2016 the market consisted of 21 organizations: 2 state, 17 non-state, 1 broker and 1 mutual insurance association).

On March 13, 2017 under the Decree of the President of the Republic of Tajikistan the insurance supervisory authority was transferred to the National Bank of Tajikistan for the purposes of insurance market support, development, control and protection of rights and interests as well as licensing, maintenance of the state register of insurance entities, insurance reporting and coordination. At the meeting between the National Bank and the local insurers on December 11, 2017, Chairman of the National Bank, Khamidullo MASHRABZODA said that *the National Bank was preparing new legislation on insurance including the laws "On compulsory insurance of carriers' liability" and "On compulsory insurance of vehicle owners' liability" for enforcement in 2018.* (M.M.)



Compulsory state ins.	0.42
Other compulsory ins.	23.30
Voluntary ins.	76.28



Compulsory state ins.	1.71
Other compulsory ins.	24.52
Voluntary ins.	73.78

Market portfolio at December 31st, 2017

Business line	GROSS WRITTEN PREMIUMS	PREMIUMS CEDED IN REINSURANCE	PAID CLAIMS	No. of contracts	Weight in all GWP
	EUR m	EUR m	EUR m	units	%
TOTAL MARKET	22.30	10.53	1.09	1,802,471	100.00
Compulsory state insurance	0.09	-	0.02	15,921	0.42
Other compulsory insurance	5.20	-	0.27	458,953	23.30
Voluntary insurance	17.01	10.53	0.81	1,327,597	76.28



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Regional Actuarial Insurance Conference

22 February, Skopje, Macedonia, 2018

For a good, long time, the actuarial profession was seen as a “burden imposed by regulation”, the actuaries being far from appreciated at their real value. In the last years, however, the actuarial profession has gained other dimensions and the interest in this profession has increased globally. The actuarial profession, like any other field, will be subject to changes brought in by digitization and technological innovation and, therefore, will need to know how to face such challenges.

The current state of the actuarial profession, the role it plays in the insurance industry and beyond, but also the way it has to respond to the challenges brought in by digitization and technological innovation, in the near future, were only a few of the topics discussed, on February 22nd, at the “IIF 2018 - CEE & SEE - Regional Actuarial Insurance Conference”, event organized in the Republic of Macedonia, which brought together professionals from the insurance and the actuarial industries from Central and Eastern Europe.

The evolution of the actuarial profession can be described in a few words. Yesterday, *the general perception of actuaries was extremely poor and this profession was considered a burden imposed by regulation, the actuaries being involved only in the booking process, sometimes even against the company's interest, by reducing profits*, as Klime POPOSKI - President, Insurance Supervision Agency, Macedonia -, pointed out during the “IIF 2018 - CEE & SEE - Regional Actuarial Insurance Conference”.

Then, things have changed and actuaries stepped into the limelight. *The role of actuaries within the supervisory authorities has increased over time due to several factors, including the growing complexity of complicated calculations on solvency, domestic models etc*, as stated by, in Macedonia, at the end of February, on the occasion of the event mentioned above, Peter BRAUMULLER - Managing Director, FMA - Financial Market Authority, Austria.



Where did the actuaries arrive today? There, where *they are recognized as professional consultants in financial services, risk management and social protection*, explained Maria KAMERANOVA - Member of the Board, Actuarial Association of Europe. “A source of advice and expertise” (Bostjan VOVK - Deputy Director, Insurance Supervision Agency, Slovenia), the actuarial system transformed in such a way that *CEE and SEE markets can write history in the actuarial field*, as stressed out by Vladimir BUBALOV - President, Macedonian Actuarial Association.

Tomorrow, actuaries must accept digitization and also meet the challenges brought in by both digitization and technological innovation. Klime POPOSKI knows how actuaries must greet both tomorrow and the changes this day will bring in. *Actuaries should be prepared to accept digitization and also adapt to the new requirements imposed by it, they must follow the new trends and find solutions to get the most out of the benefits brought in by digitization.*

Cristian ȘUCA

Challenges and Practice of Insurance Supervision in South-East Europe Conference

17 April 2018, Zagreb, Croatia



Insurance professionals from all over Europe gathered on Tuesday, April 17th, in Zagreb, Croatia, at the "Challenges and Practice of Insurance Supervision in South-East Europe" conference. The debates focused on a few main themes, including the Insurance Distribution Directive (IDD), the Packaged Retail and Insurance-based

Investment Products (PRIIPs), Product Oversight and Governance (POG), as well as Solvency II and the current situation and trends in insurance supervision in the SEE region.

Ante ZIGMAN, HANFA - Croatian Financial Services Supervisory Agency, Croatia -, pointed out that the Croatian market is dominated by non-life policies. *The economic growth in Croatia was moderate, but a mild growth of the insurance industry was recorded. Non-Life policies dominate the market and obtained a growth of more than 5%, while the life market stagnated. There is an increasing presence of Unit-linked policies, given the low interest rates offered by the banks. We will amend our national insurance act and implement the IDD, hence increasing the quality of the services offered to consumers.*

Also, Alexandru CIUNCAN - IRSG- Insurance and Reinsurance Stakeholder Group of EIOPA & APPA-The Association for Insurance Promotion, Romania -, underlined the importance of IDD. *The IDD brings principles to the distribution of insurances and to the insurance value chain. It might also bring, some argue, too much red tape and make everything a little too complex and costly. However, the intention is definitely good here. For the first time, consumer protection is embedded in the insurance product itself. It is the first time when insurance manufacturers have to design, use and review processes for the approval of new products or for products that have been significantly altered.*

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INTERNATIONAL INSURANCE FORUM 2018

Motor Insurance - the innovation challenge Conference

16 March 2018, Vienna, Austria

The impact of technological innovations on the motor insurance industry, and not only, and the near future's challenges were only two of the topics discussed with the occasion of "IIF 2018 - MOTOR INSURANCE - the innovation challenge" Conference. The event, organized by XPRIMM Publications, brought together, in Vienna, on March 16th 2018, tens of internationally known professionals, who responded to questions that spur both the motor insurance industry and other areas.



Thus, Peter BRAUMULLER - Managing Director, FMA-Financial Market Authority, Austria -, has spoken about both MTPL insurances and technological innovations. *MTPL cover is mandatory, therefore many people are affected by pricing, claims management etc., so there is some political sensibility in this regard. MTPL is a major source of complaints, according to EIOPA's*



Consumer Trends Report. Looking at the future, I believe that modern technologies will reshape the future of motor insurance, through the usage of BigData in product design, pricing and risk management.

During the same event, Richard NATHSCHLAEGER - Managing Director, AUDATEX, Austria -, și Michael THEILMEIER - Senior Vicepresident, GEN Re, Germania -, have both underlined the importance of digitalisation. *The name of the game nowadays is digitalisation. If companies do not jump on this train, they will miss a lot or even go bankrupt. Companies*



and organisations that have overslept will not make it, stressed out Richard NATHSCHLAEGER. Insurers and repair shops should be concerned about the ownership of vehicle data. In fact, Insurance Europe has a dedicated campaign for that, #Data4Drivers, also pointed out Michael THEILMEIER.

Showing that, in the insurance industry, and not only, frauds can occur where you expect less, Paul SWOBODA - UNSAR & GRAWE Group, Romania -, and Paul IVAN - Executive Director, RECREX, Romania -, have both underlined the importance



of the anti-fraud battle. In classical life insurance, fraud is not really an issue in theory - you can either be dead or not. But there have been cases when organised criminal groups, working together with local authorities, managed to declare the death of certain individuals in order to claim, which only shows that anything is possible. This shows that fraud is an issue not only in



together with McKinsey, stated Franz FUCHS - Member of the Managing Board, VIENNA Insurance Group.

So, what solutions come handy for the insurance companies? FRISS offers solutions to over 150 insurance companies in 25 countries, including leading insurers



Insurance premiums will become highly personalised and claims settlement will be fully automated, self-services and quick to pay experience for customers, pointed out Florin GOLOVATIC. 2017 was an interesting year because the market has previously been disrupted by two bankruptcies, namely ASTRA Asigurari and CARPATICA Asigurari. The BAAR still pays for these companies. Until the end of 2017, the BAAR paid 70 million EUR for these 2 companies, also underlined Mădălin ROȘU.

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motor insurance, but also in lines of business that were thought to be covered, explained Paul SWOBODA. Paul IVAN showed what were the directions adopted by RECREX in this regard and how the company innovated in the field. Alongside the classic procedures used in claims handling activity, we developed an innovative system called Claims Buffering System, which is focused on the application of several anti-fraud filters: customer care, documentation review, technical inspection, international technical analysis etc.



in various markets. A proper policy and a fraud-fighting mentality are of key importance to a company. So, it is not only the systems that are installed, but also the people that use them and the willingness to act, explained Ruud VAN GERWEN - FRISS, The Netherlands. Christof KLEINHENZ - NTT Data, Germania -, also stressed out: Telematics solutions mark the move from risk aggregation based on mathematics models to risk prevention based on individual behaviour and to understanding the customer. Our NTT Data Connected Service Platform forms the basis for new digital business. The system has versatile functions that offer added value for insurance customers.



Reducing fraud level is a target also for VIENNA Insurance Group. VIG insures every 10th vehicle in the CEE. Motor business represents 25% of the total GWP of VIG. Total VIG motor GWP in 2017 is 2,44 billion EUR. 7-8% of MTPL and MOD claims in the UK are fraud. The EU average is around 4%. VIG has started a project aiming at lowering frauds in all the countries that we operate in,

Florin GOLOVATIC – ASF - Financial Supervisory Authority, Romania -, and Mădălin ROȘU - President, BAAR - Romanian Motor Insurers' Bureau -, were also on the speakers' list at "IIF 2018 - MOTOR INSURANCE - the innovation challenge" Conference. It is expected that we will witness a 40-50% decrease by 2030 in motor GWP, according to a BCG and Morgan Stanley analysis. InsurTech companies are adopting new, innovative technology faster, especially for pricing and underwriting, but also in product distribution processes. Also, automation will replace human effort across the entire insurance value chain.



European Consumer Protection Conference

22 March 2018, Prague, Czech Republic

Prague hosted, on March 22nd 2018, one of the most important events dedicated to consumer protection, "European Consumer Protection Conference". At its 4th edition, the conference debated, among other topics, the newest trends in protecting the financial services consumer and, also, the legal frame for this field. The event, organized by XPRIMM Publications, supported by IIS - International Insurance Society, with the support of VIENNA Insurance Group and RECREX, as Main Partners, has reunited world known specialists in the financial services field.



In a continuously changing legal environment, for a while now, how prepared are the European regulatory authorities from the financial services field to implement new and new changes? EIOPA calls for transparency and focus changing. *We strive now for convergence in implementation and interpretation. We are now therefore moving from regulation to supervision. There needs to be much greater transparency from a conduct risk. The real impact of conduct risk on consumers can be life-changing in a negative way. We should always keep this in mind*, stated Katja WUERTZ - Head of Consumer Protection Department, EIOPA.

Insurance Europe drew the attention on the issues already raised with the new regulations and, also, on the challenges ahead. *All these new pieces of regulation should not be taken individually, as most of the times there are overlaps. Overlaps between the PRIIPs KID and other regulation such as UCITS may happen. The IDD is raising questions for the future, such as the risk of information overload for consumers or the compatibility with the digitalisation of distribution*, stressed out William VIDONJA - Head of Conduct of Business, Insurance Europe.



A real challenge, IDD (Insurance Directive Distribution) has already been implemented in Germany, while Spain takes on a different approach. *IDD & Data protection specific legislation represents a huge change in the insurance landscape. Germany is the first EU member state that fully implemented the Insurance Distribution Directive*, pointed Michael THEILMEIER - Senior Vicepresident, Gen Re Germany. On the other hand, Spain, as Mirenchu DEL VALLE - Secretary General, Association of Spanish Insurers -, stressed out, *is in the process of implementing the Insurance Distribution Directive to the national law. However, is it not certain if the law will be transposed before 1 January 2019. We need at least 3 months between the approval of the law and its implementation. But Spanish*



insurers are implementing above and beyond the requirements of IDD - basically self-regulating itself through a dedicated Guide. Over 70% of the Spanish insurance markets has already adhered to this guide.

From Romania, Alexandru CIUNCAN - Member of IRSG & OPSG of EIOPA -, also underlined the importance of consumer protection: *Conduct of business supervision legislation is here for a purpose. It all started with mis-selling practices promoted by the insurance industry, such as PPI-Payment Protection Insurance in the UK or Mobile Phone insurance. It is the industry who has to take responsibility for its actions. Claims handling is still a major source of consumer detriment, especially in Central and Eastern European markets. According to the EIOPA Consumer Trends Report, the number of*

European
Consumer Protection
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22 March

Prague, Czechia

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petitions at EU level increased by 31% year on year. Something had to be done.

In this context, the Romanian Financial Supervision Authority showed that the operational risks cannot be ignored, but, on the contrary, correctly managed. Operational risks are among the most important risks that affect consumers, hence



they should be managed correctly. So, we have a special focus on this category. It will take around 2-3 years for the Insurance Distribution Directive to be fully and truly applied, stated, during the same event,

Calin RANGU - Director, ASF - Financial Supervision Authority.

The importance of new regulations in the consumer protection field was also highlighted by Derville ROWLAND - Director General (Financial Conduct), Central Bank of Ireland. *Globally, banks' misconduct costs have reached 320 billion USD - this gives you an idea about the size. Consumers are best protected in a stable financial system where their interests are at the core of the thinking. In 2006, the Central Bank of Ireland published a Consumer Protection Code, which set out how financial products should be sold. This was complemented with a Minimum Competency Code, which set out minimum professional standards for service providers. The 4th edition of the "European Consumer Protection Conference" approached, as expected, a topic on pensions. One of those who spoke on this subject was Matti LEPPALA - Secretary General / CEO, PensionsEurope. There are numerous sustainability issues of public pensions systems everywhere, so the need to*



supplemental pensions is great, but depends on national specificities. The Pan-European Personal Pensions initiative can solve a real problem by increasing the retirement savings in the EU. This should create more savings and not simply transfer funds from different other national pillars, such as occupational pensions or other personal pensions scheme, stated the PensionsEurope's representative.

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INTERNATIONAL INSURANCE FORUM 2018

PROPERTY INSURANCE - the NatCat challenge and beyond Conference

23 March 2018, Prague, Czech Republic

Tens of professionals representing the most important re/insurance entities, digital technologies providers, claims adjusters and risk modelling companies from all over the world met in Prague, on March 23rd 2018, with the occasion of "IIF - PROPERTY INSURANCE - the NatCat challenge and beyond", conference organized by XPRIMM Publications, with the help of IIS - International Insurance Society and supported by PAID Romania as Main Partner. The event tackled topics



such as: the way risk-modelling systems developed in time, the lessons learned by the re/insurance industry and also how technological innovations can influence the property insurance business.

On this occasion, Pavel HUERTA-URIBE - Expert Property EMEA Business Generation Director | Property & Specialty Underwriting SWISS Re, Elveția -, stated that *Global natural catastrophe losses totalled 2,03 trillion USD over the last decade, with 70% uninsured. Catastrophe models estimate the global annual uninsured losses from future natural disaster events to be 153 billion USD. Technology will influence the personal lines of the property insurance industry and, hopefully, help with client engagement.*

Nicoleta RADU - General Director, PAID România -, underlined both the importance of increasing the insurance coverage and the reinsurance level currently registered by the company she is representing. Nicoleta RADU also stressed out that PAID Romania is working

on implementing an operational NatCat solution. *Romania is by far one of the most exposed countries in Europe to NatCat risks. PAID was initially a project initiated by The World Bank, which became a law. PAID was established in 2009, while the first policy was issued in 2010. The company closed 2017 with 1,7 million mandatory policies, while in the country there were also 1,3 million optional policies. PAID is also the largest single territory buyer of reinsurance in the CEE, having a 71% higher protection than the level required under Solvency II. The company is now working towards the implementation of an operational solution for the effective and timely payments to its clients, in case of a major NatCat event, basically a Mass Claims Plan.*



Attending the event, Laurent MONTADOR - Deputy Chief Executive Officer, CCR - Caisse Centrale de Reassurance -, and Andy BORD - CEO, FLOOD Re, UK -, explained how the NatCat protection through housing insurance works in France and the UK. *The French market has a specific NatCat regime set-up in 1982, which is a partnership between the State and insurance companies. Currently, 12% of the overall property insurance premiums are for covering the NatCat risk. When policies are mandatory, they are seen by the public as a tax and... nobody likes to pay taxes, pointed out, in Prague, Laurent MONTADOR. In 2007, the UK saw a 3 billion pound loss due to floods.*

IIF 2018 International Insurance Forum
PROPERTY INSURANCE
The NatCat Challenge and Beyond
 23 March 2018 | Prague, Czechia

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FLOOD Re is designed as a finite solution that has a life span of 25 years and, hence, will cease to exist in 2039. FLOOD Re currently has 142.000 policies that were passed on to us. 93% of people can now get 5 or more quotes, so there is so much more availability, but also affordability, stated Andy BORD.

How things are going in Turkey? The premium is very affordable - less than 33 USD / year. The operational costs are very low - below 2%. A low cost product is critical for long term survival. The penetration degree improved to 48% (8.4 million policies).



After 2012, the new law introduced several check and control points for the TCIP policy - at electricity, water and gas subscription. The objective is to grow the penetration degree up to 10 million policies, through the effective use of the check points. Rapid growth pushes TCIP to buy additional reinsurance capacity. Since being in place, TCIP paid over 48 million USD in claims, explained Aysun YILDIZ OZER - Deputy Secretary General, TSB - Turkish Insurers' Association.

In this context, many are wondering whether and how technological innovations can support and have a positive influence on the property insurance business. Climate change is advertising for the concept of risk. Digitalisation is changing the way the insurance is seen. People's expectations are changing and the insurance industry has to keep up. Insurance is also moving from general prevention, to an individualisation of risk, stressed out, during the same event,



Călin RANGU - Director, ASF - Financial Supervision Authority, Romania.
 Thus, risk models are becoming more and more important for the risk modelling industry, so both Dr. Eduard HELD - PERILS AG, Elveția -, and Miroslav HRNCIR - Cat Modelling Analyst, Guy Carpenter -, underlined, at "IIF - PROPERTY INSURANCE



- the NatCat challenge and beyond" Conference, the importance of risk models. Our data are used by the key stakeholders to validate their models. We can facilitate alternative risks transfer, cat-bonds etc., that use our data and index. We are very useful to the modelling industry and for those who develop models, our data are really needed to improve the stability of the models, explained Dr. Eduard HELD. The catastrophes are too complex to be exactly evaluated, we need to do our best and to increase prediction. The models create a certain discipline in the industry, a common understanding to compare, increase consistency when it comes to loss concentration and exposure, also stressed out Miroslav HRNCIR.

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XXII International Insurance and Reinsurance Congress

10-12 April 2018, Moscow, Russian Federation

The International Insurance and Reinsurance Congress was dedicated to analyzing the conditions of the insurance and reinsurance markets in Russia and CIS insurance markets, development of incoming reinsurance, impact of the international reinsurance sector on the Russian market's activity. XPRIMM, as a traditional Media Partner of the event, and launched on the occasion the latest edition of its magazine Insurance Profile Russia, providing 2017 full year statistical data and analysis of the main insurance trends.

The event gathered 235 participants from 20 countries. Representatives of western European markets, Middle East and South-Eastern Asia came to join the discussions. The primary audience consisted of directors, top-managers of insurance and reinsurance companies, brokers, adjusters and independent experts. Participants, discussed perspectives of reinsurance in Russia, structural changes, results of RNRC's activity, companies' solvency ratios and risks.



NIKITINA Svetlana pointed out that in 2017 Russian reinsurance market saw a stabilization trend, supported by creation of RNRC. The United Kingdom, Germany, Switzerland, France and the United States were the main partners where the largest part of Russian reinsurance premiums was ceded last year. Nikolay GALUSHIN, President of RNRC, emphasized that overall volume of premiums ceded to foreign reinsurers was decreasing, while the own retentions share went up, new sanctions would lead to a change of the reinsurance picture towards increasing the local players' retention. Much attention was given to the speech of CHISTIUKHIN Vladimir, Deputy President, Central Bank of Russia, on the regulator's position towards the development of the Russian reinsurance market. He highlighted increased transparency of the market, the Central Bank's efforts in the fight



against fraudulent schemes in reinsurance and the agreement, signed with IAIS for information exchange as very important and helpful. Alexey BREDIKHIN, Director, Financial Institutions Ratings Group, noted that insurance penetration degree in Russia was expected to grow up to 1.9% in the next 5 years and life/non-life shares in the portfolio would be the same. Andrei UNTON, General Director, BELARUS Re, stressed the point that the Russian market is one of the most important for Belarus Re, which among others covers many territories, including Arab and African countries and India.

Also among the discussion topics of the second day were underwriting experience and claim settlement in insurance of stocks and first Russian experience in cyber-insurance.

Marina MAGNAVAL



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