INVESTMENT POTENTIAL OF INSURANCE COMPANIES IN BOSNIA AND HERZEGOVINA

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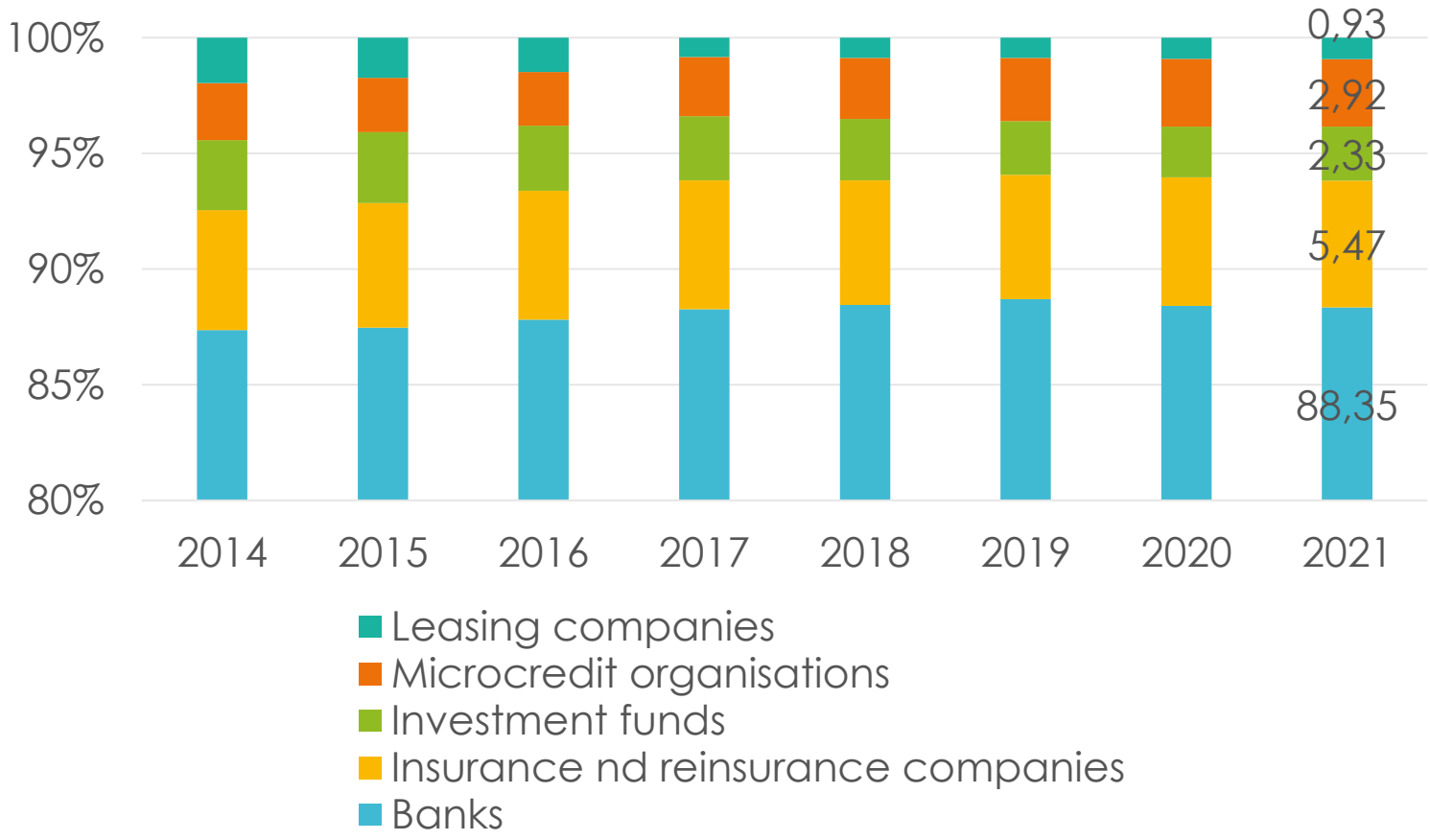
LEGAL FRAMEWORK

- State level:
  - Law on Insurance Agency of Bosnia and Herzegovina
- Entity-level (FBiH and RS):
  - Private insurance corporations law
  - Law on insurance brokerage
  - Law on MTPL
- By-laws and regulations

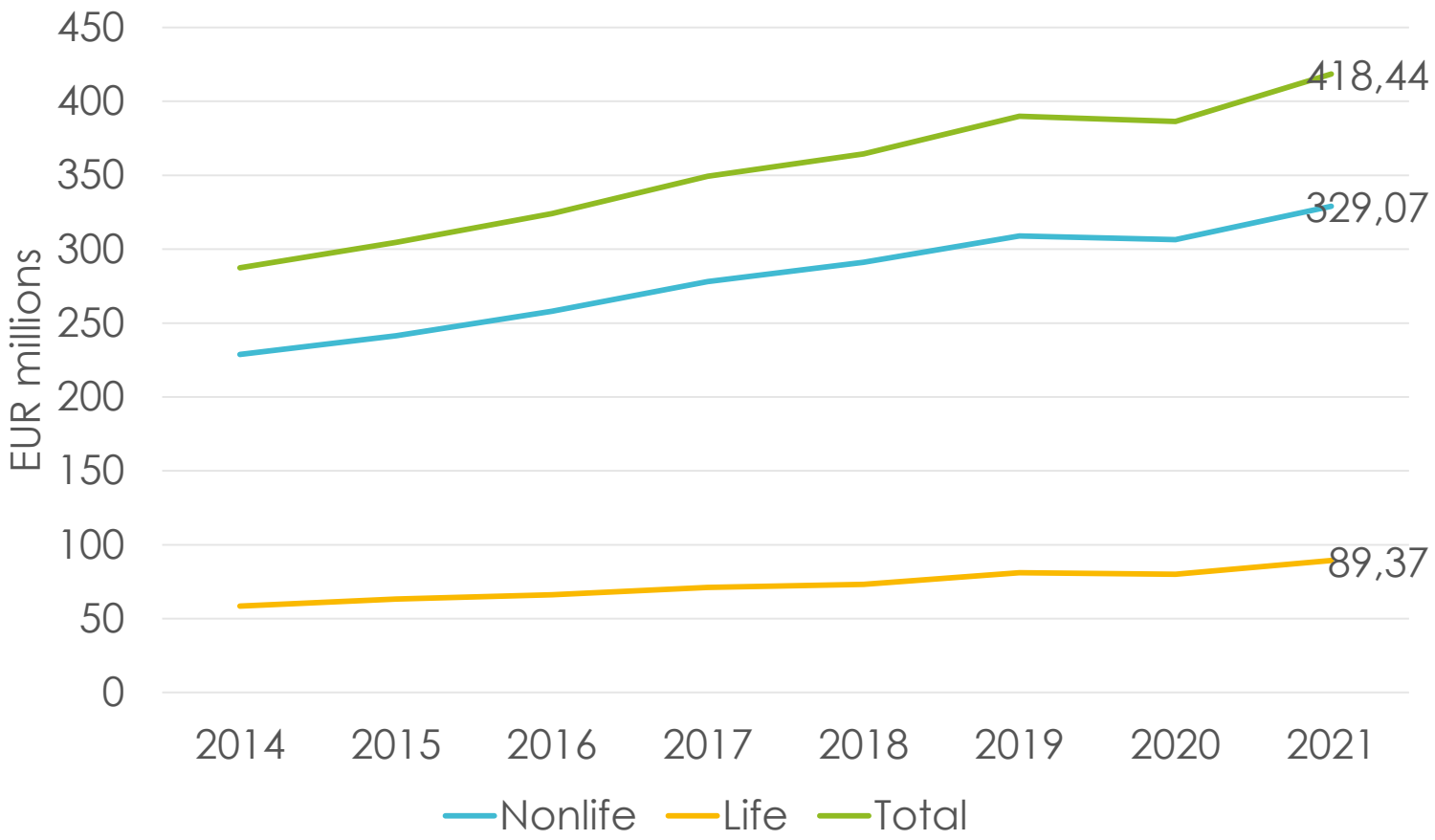
INSTITUTIONAL FRAMEWORK

- Insurance Agency in BiH
- Entity Insurance Supervision Agencies
- State and Entity Insurance Associations
- Protection funds in FBiH and RS
- Green Card Bureau
- Actuarial Associations
- FBiH: 11 Insurance & 1 Re-insurance companies
- RS: 14 Insurance companies

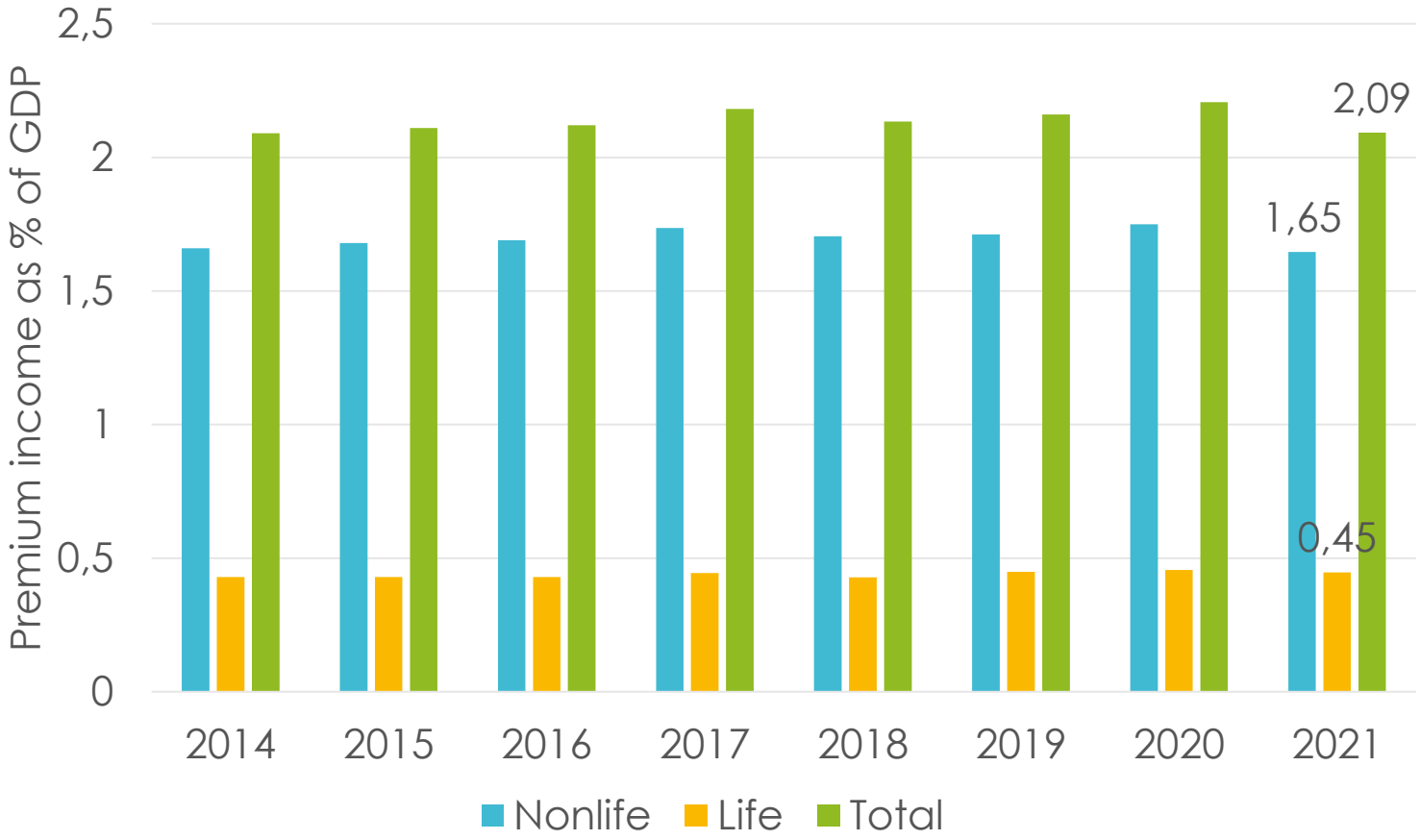
STRUCTURE OF THE FINANCIAL SERVICE SECTOR



PREMIUM INCOME

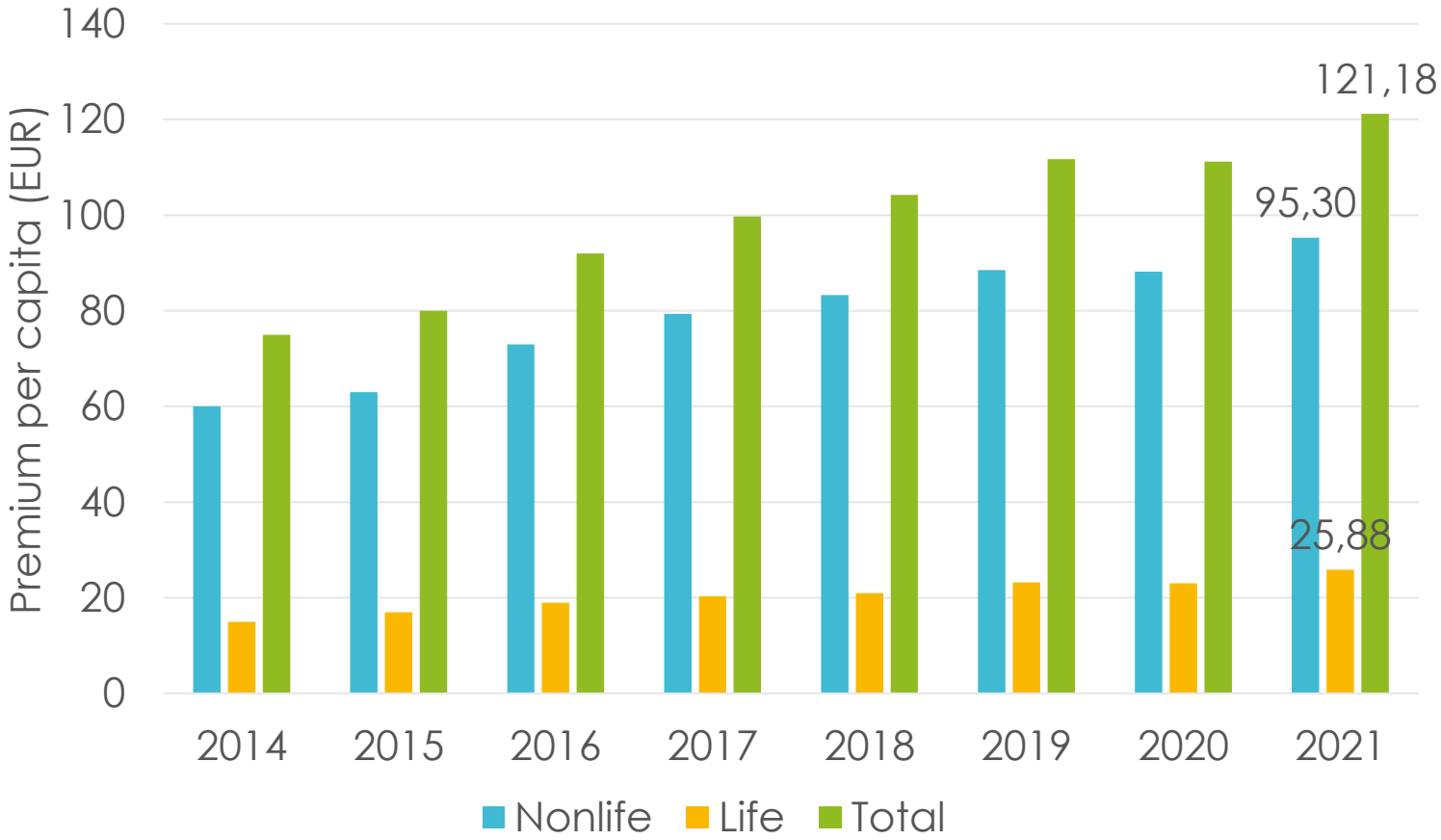


INSURANCE PENETRATION



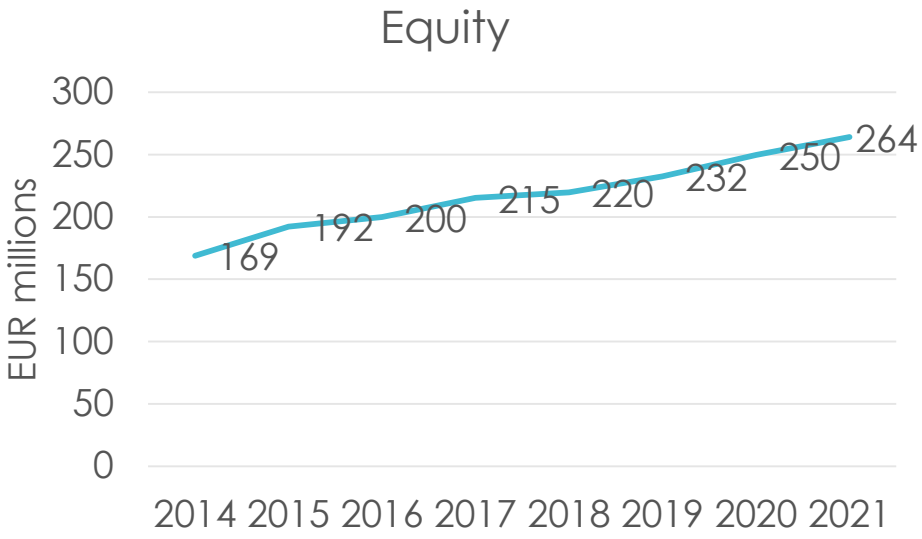
	EU	Serbia	Croatia	BiH
Data for 2021	7.00	1.90	2.72	2.09

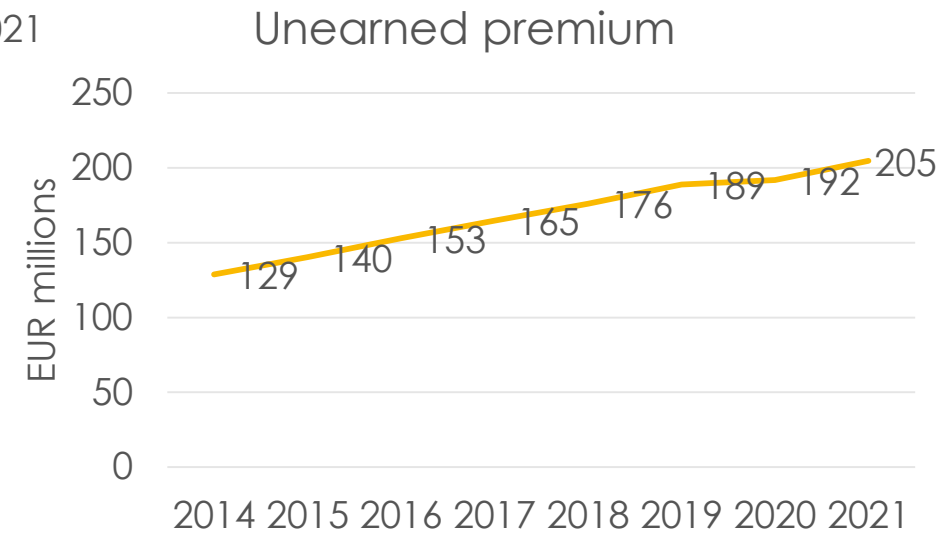
INSURANCE DENSITY

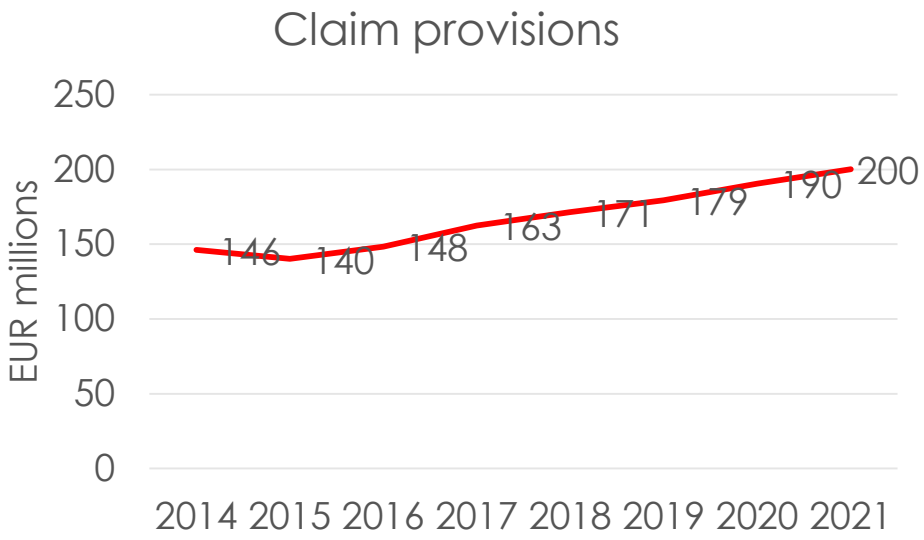


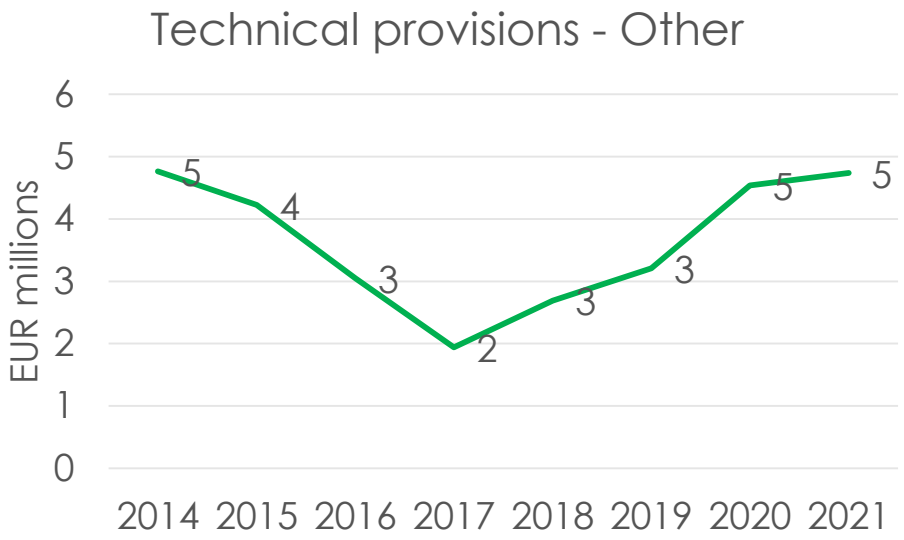
	EU	Serbia	Croatia	BiH
Data for 2021	2,356	149	400	121

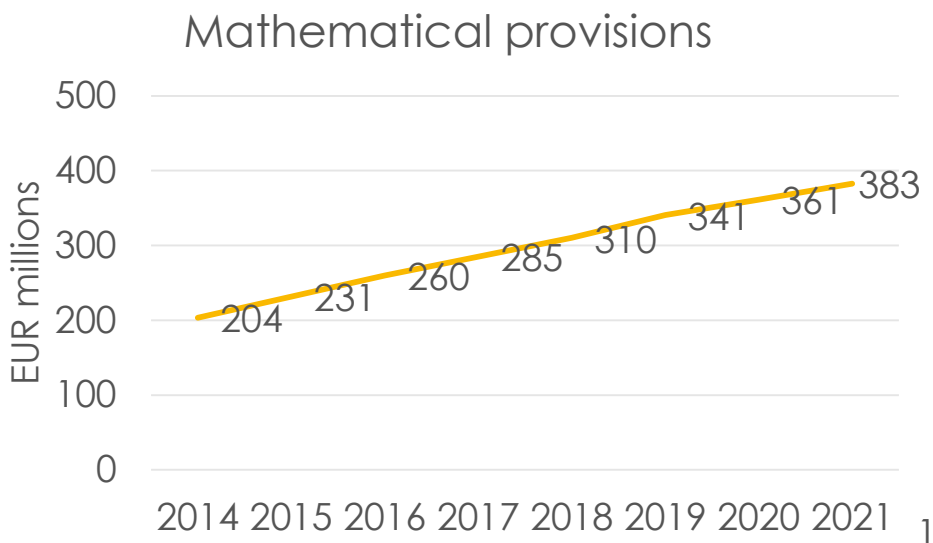
INVESTMENT POTENTIAL

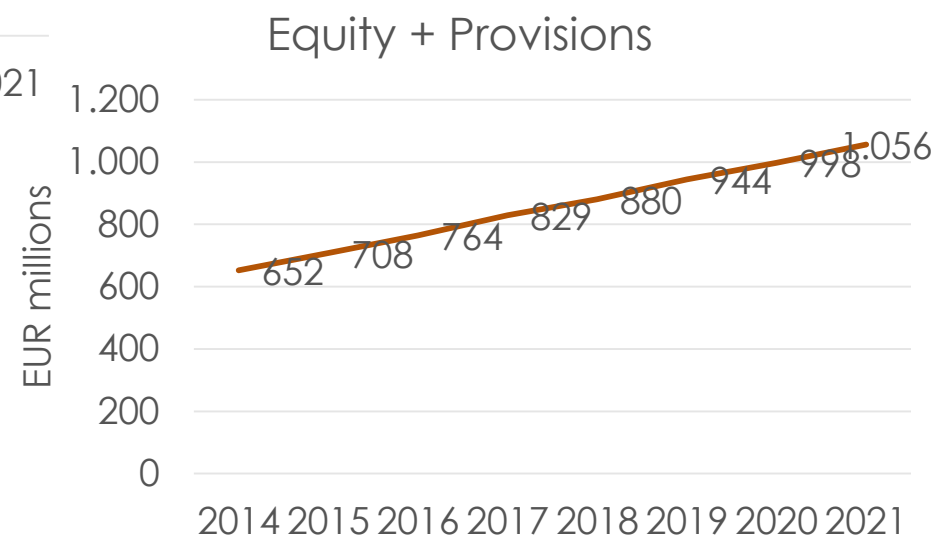


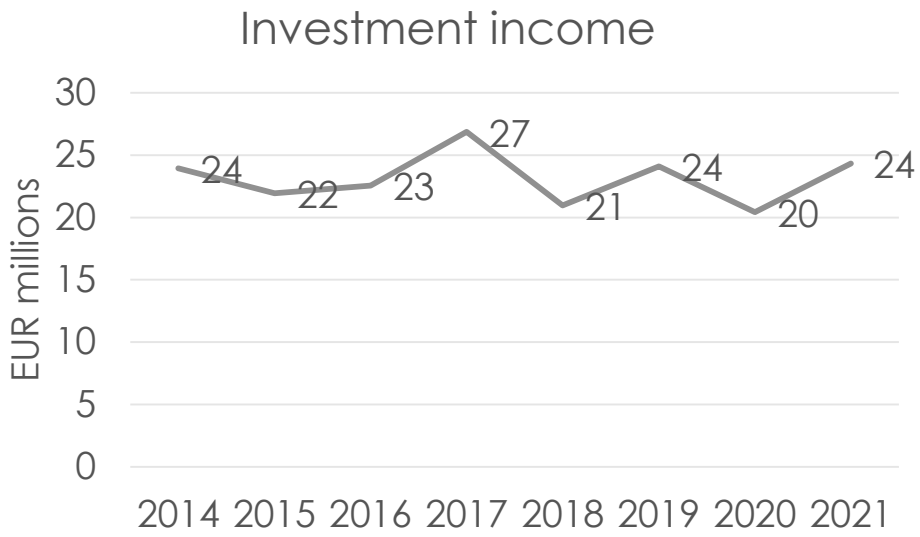


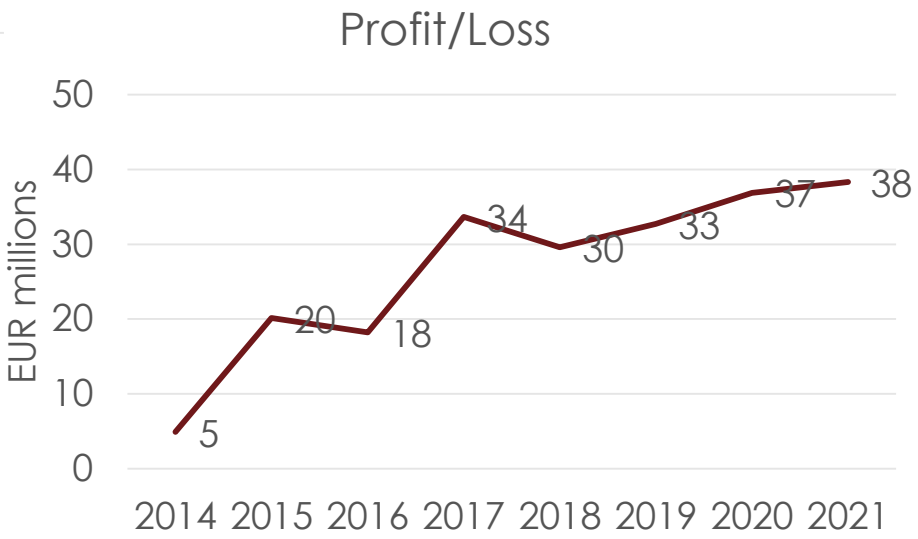

Claim provisions
EUR millions
250
200
150
100
50
0
146
140
148
163
171
179
190
200
2014 2015 2016 2017 2018 2019 2020 2021


Technical provisions - Other
EUR millions
6
5
4
3
2
1
0
5
4
3
2
3
3
5
5
2014 2015 2016 2017 2018 2019 2020 2021


Mathematical provisions
EUR millions
500
400
300
200
100
0
204
231
260
285
310
341
361
383
2014 2015 2016 2017 2018 2019 2020 2021


Equity + Provisions
EUR millions
1.200
1.000
800
600
400
200
0
652
708
764
829
880
944
998
1.056
2014 2015 2016 2017 2018 2019 2020 2021


Investment income
EUR millions
30
25
20
15
10
5
0
24
22
23
27
21
24
20
24
2014 2015 2016 2017 2018 2019 2020 2021


Profit/Loss
EUR millions
50
40
30
20
10
0
5
20
18
34
30
33
37
38
2014 2015 2016 2017 2018 2019 2020 2021

LIMITS FOR MARKET DEVELOPMENT

- Underdeveloped economy that is not competitive to Western Europe
- Risk management and insurance culture is missing
- Many unsolved political issues
- Delay in EU integration process
- Slow process of economic reforms (privatisation, unemployment, poor financial markets...)

- Role of insurance in the economy is not well recognized
- Government is slow in providing legal and institutional framework for development
- Bank-centric market – focus to the banks
- Insurers are not very active in promotion of insurance and they are focused to increasing their market share leading to unfair competition
- Structure of the insurers portfolio is not well

- Dominance of MTPL as obligatory insurance and negative experience with liberalisation
- Potential for development of life insurance is not fully exploited (problem with pensions...)
- Other non life products are not well promoted and adapted to the market
- Low level of product innovation
- Low level of use of digitalisation of insurance

PROSPECTS AND CHALLENGES

- EU integration and implementation of new regulatory framework - insurers will be more efficient
- Economic reforms will be followed by increasing of demand for insurance products
- Strenghten capacity of supervision bodies in order to implement Solvency II
- Reform of social insurance – a need for private insurance alternatives
- More collaboration with banks – distribution and product innovation

- Market consolidation – mergers and acquisitions
- Active role of insurers associations in promotion of insurance and increasing level of confidence in the sector
- MTPL market liberalisation
- Considering the volume of the BiH economy, there is a serious **potential for the insurance markets growth in future**