FIAR - THE INTERNATIONAL INSURANCE-REINSURANCE FORUM

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The post-pandemic insurance landscape: Eastern Europe

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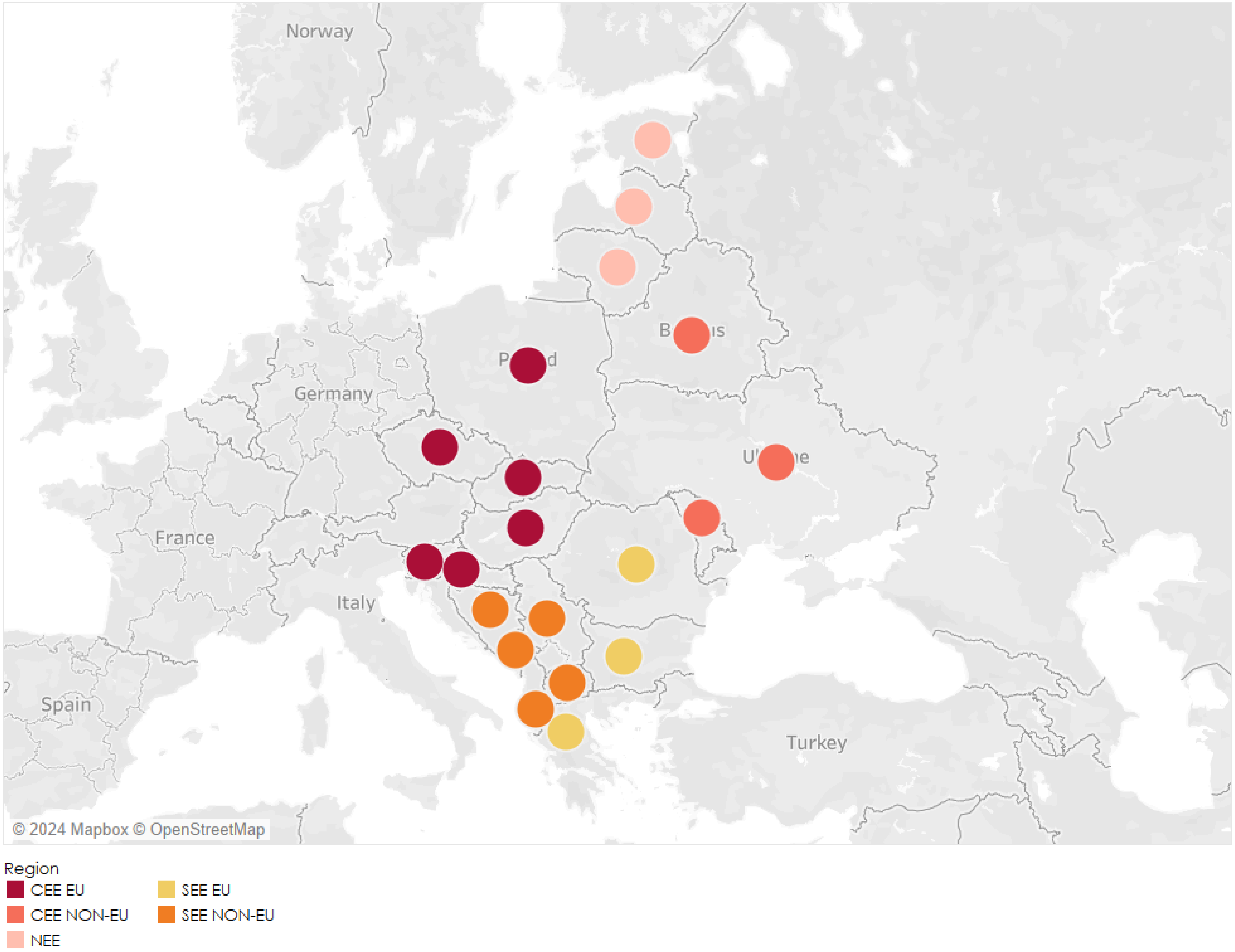
Agenda

- The scope
- Non-life insurance markets
- Life insurance markets
- Market portfolio
- Claims
- Claims to GWP
- Market concentration
- Efficiency and profitability
- Financial inclusion and underwriting
- Macrooutlook

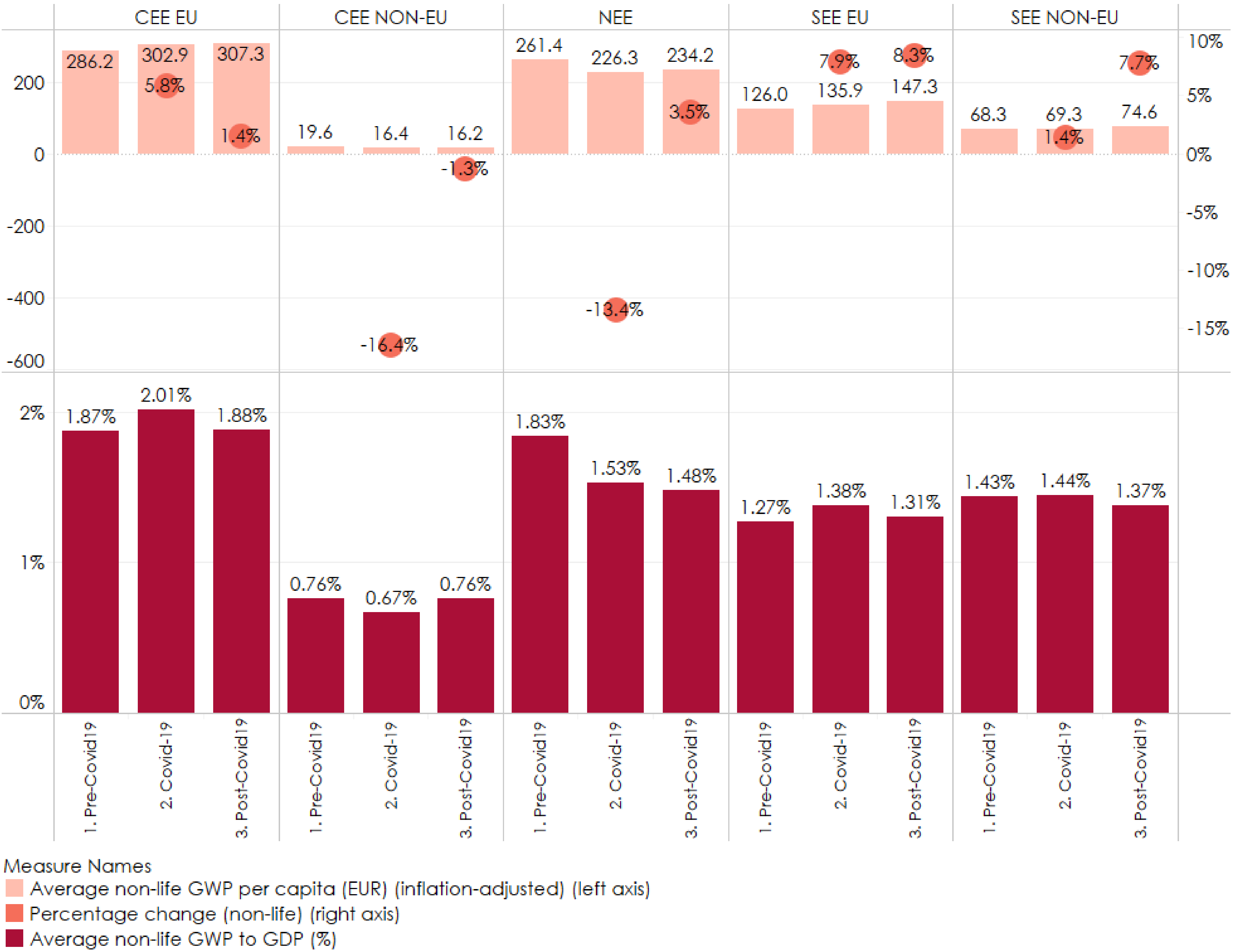


The Scope

- 5 regions - 21 countries
- Three sub-periods: 1) Pre-Covid-19 (2017 -2019); 2) Covid-19 (2020); 3) Post-Covid-19 (2021-2022)

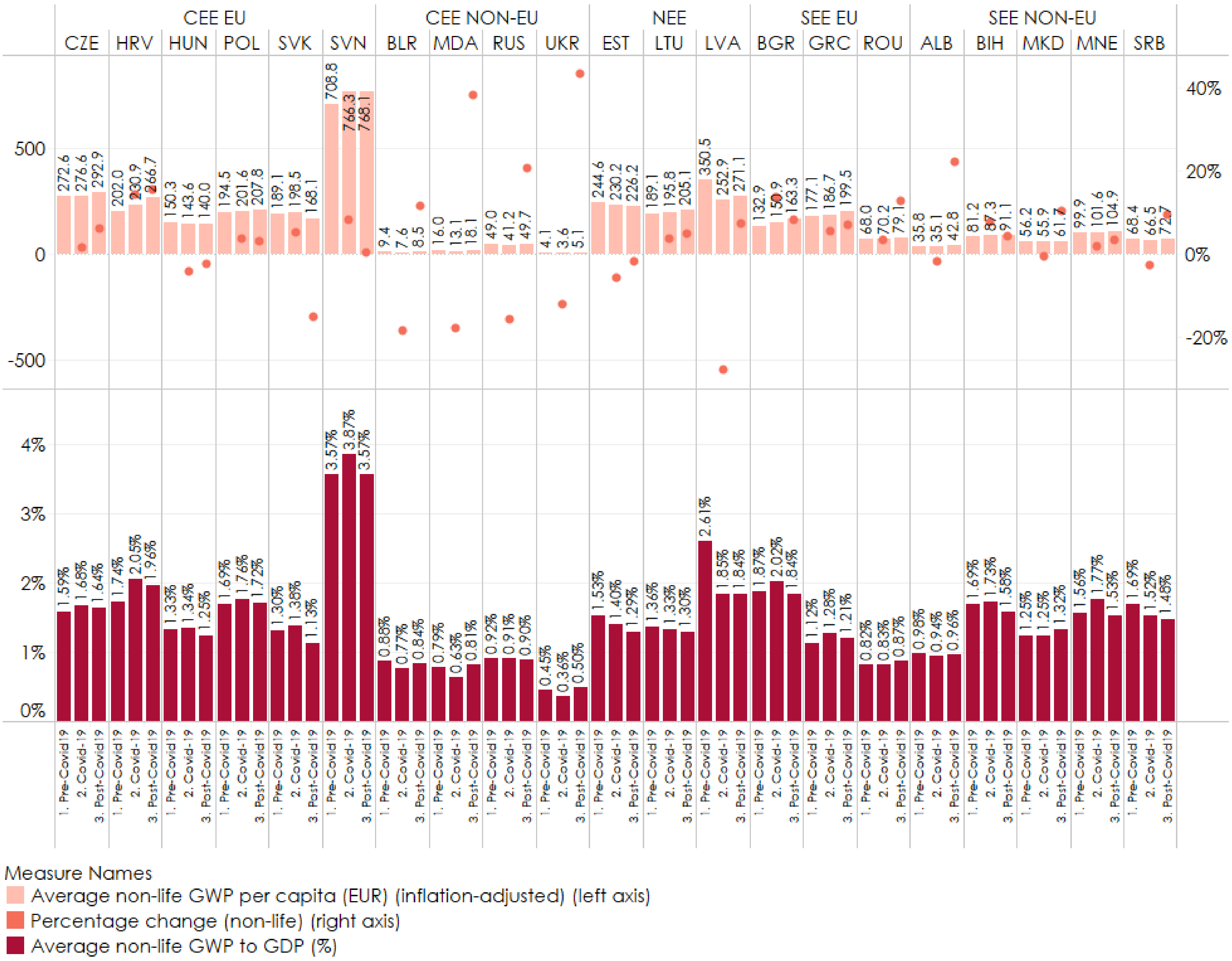
Non-life premiums per capita (inflation-adjusted) and as a % of GDP

- The South performed well during and after Covid-19
- The CEE markets fairly stable
- The North struggling to revive



Non-life

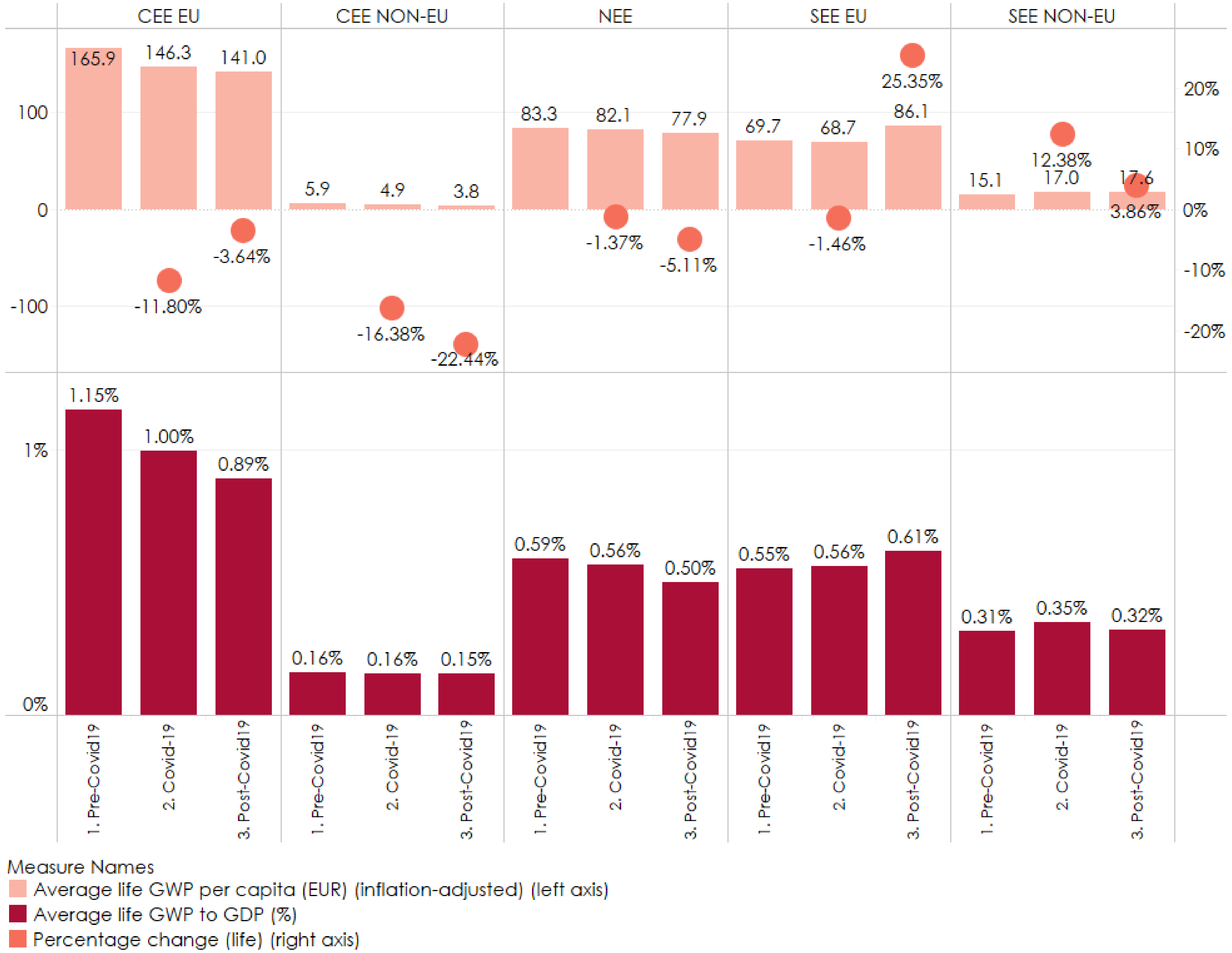
Non-life premiums per capita (inflation-adjusted) and as a % of GDP (by country)



- CEE EU: Slovenia on the top despite the sluggish revival; Croatia catching up!
- CEE NON-EU: Heavily underdeveloped, but with significant post-pandemic rebound
- NEE: Estonia and Latvia still struggling
- SEE EU: Stable post-pandemic growth, especially Romania
- SEE NON-EU: Despite the heavy rebound, decreasing importance of insurance in the Serbian economy

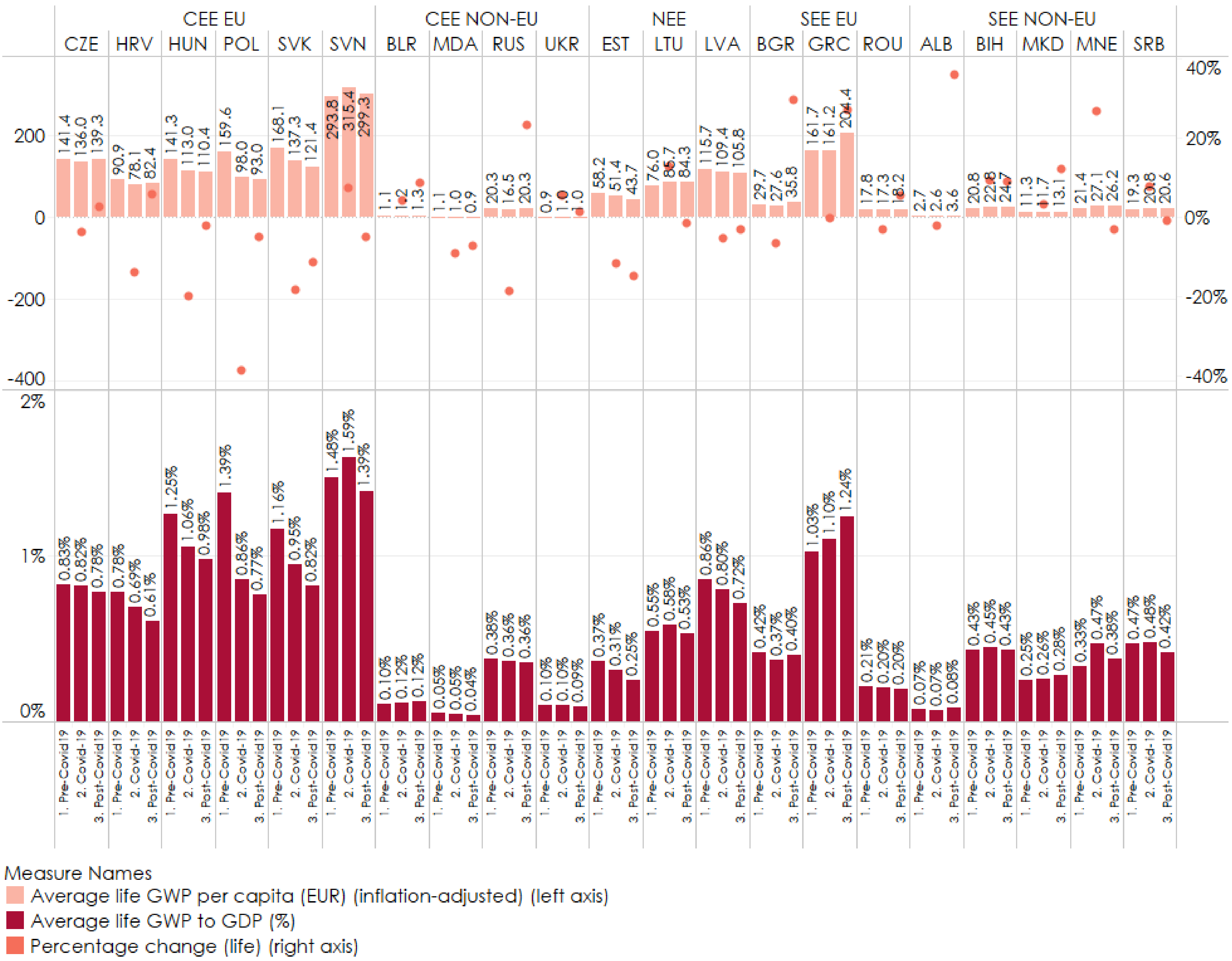
Life premiums per capita (inflation-adjusted) and as a % of GDP

- The South performed better during and after Covid-19
- The CEE markets heavily impacted (CEE EU: GWP as a % of GDP below 1%)
- The North fairly impacted with significant post-pandemic decline



Life

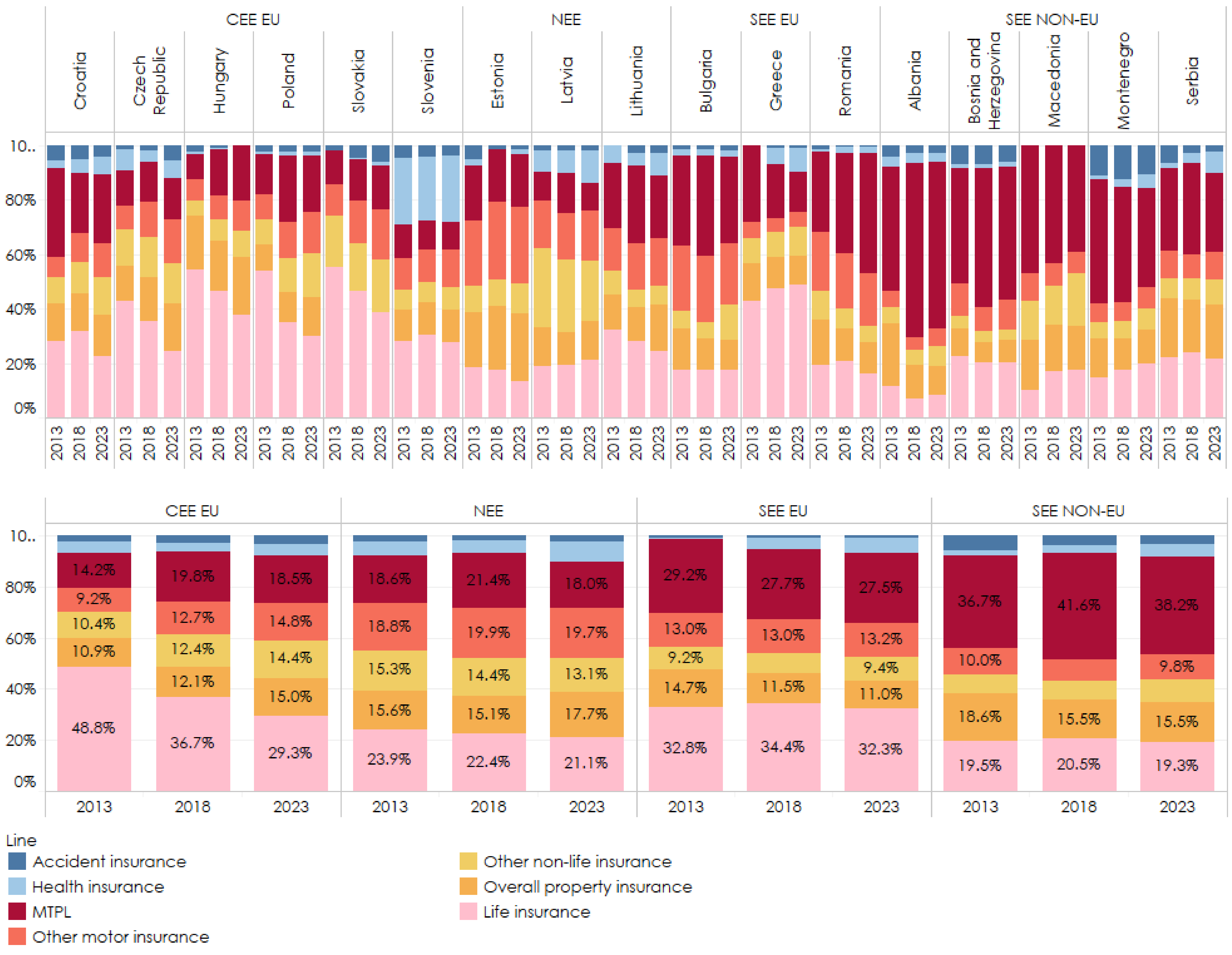
Life premiums per capita (inflation-adjusted) and as a % of GDP (by country)



- CEE EU: Hungary, Poland, Slovakia and Slovenia still in negative territory
- CEE NON-EU: Significant post-pandemic rebound for Russia
- NEE: Estonia and Latvia with decreasing tendencies
- SEE EU: Greece and Bulgaria with significant positive tendencies
- SEE NON-EU: Despite the positive tendencies, without significant changes

Market portfolio

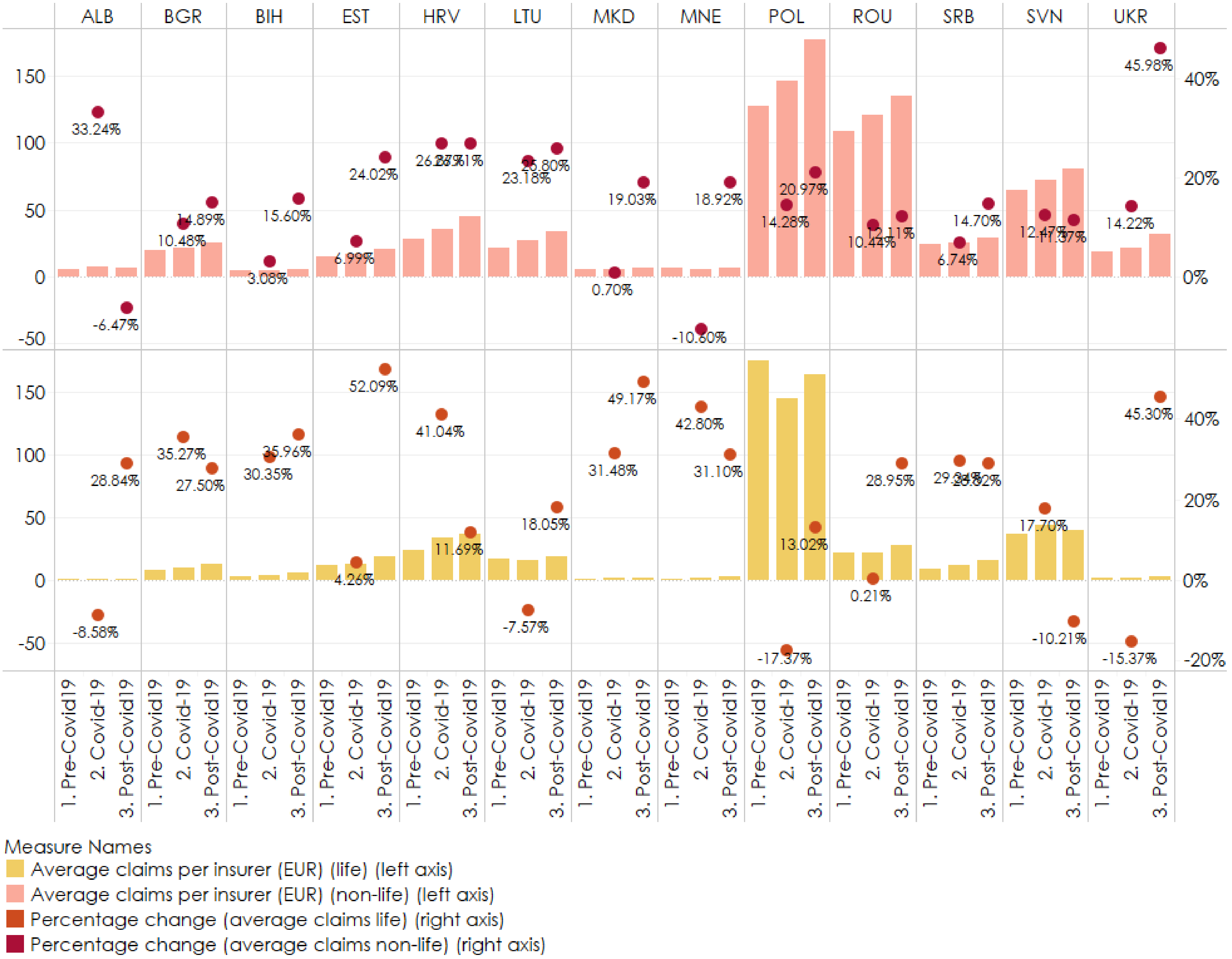
- The MTPL still dominates in the South
- The share of life lines drops from almost 1/2 to 1/3 in the CEE EU
- The post-pandemic rise of the health insurance, especially in the South



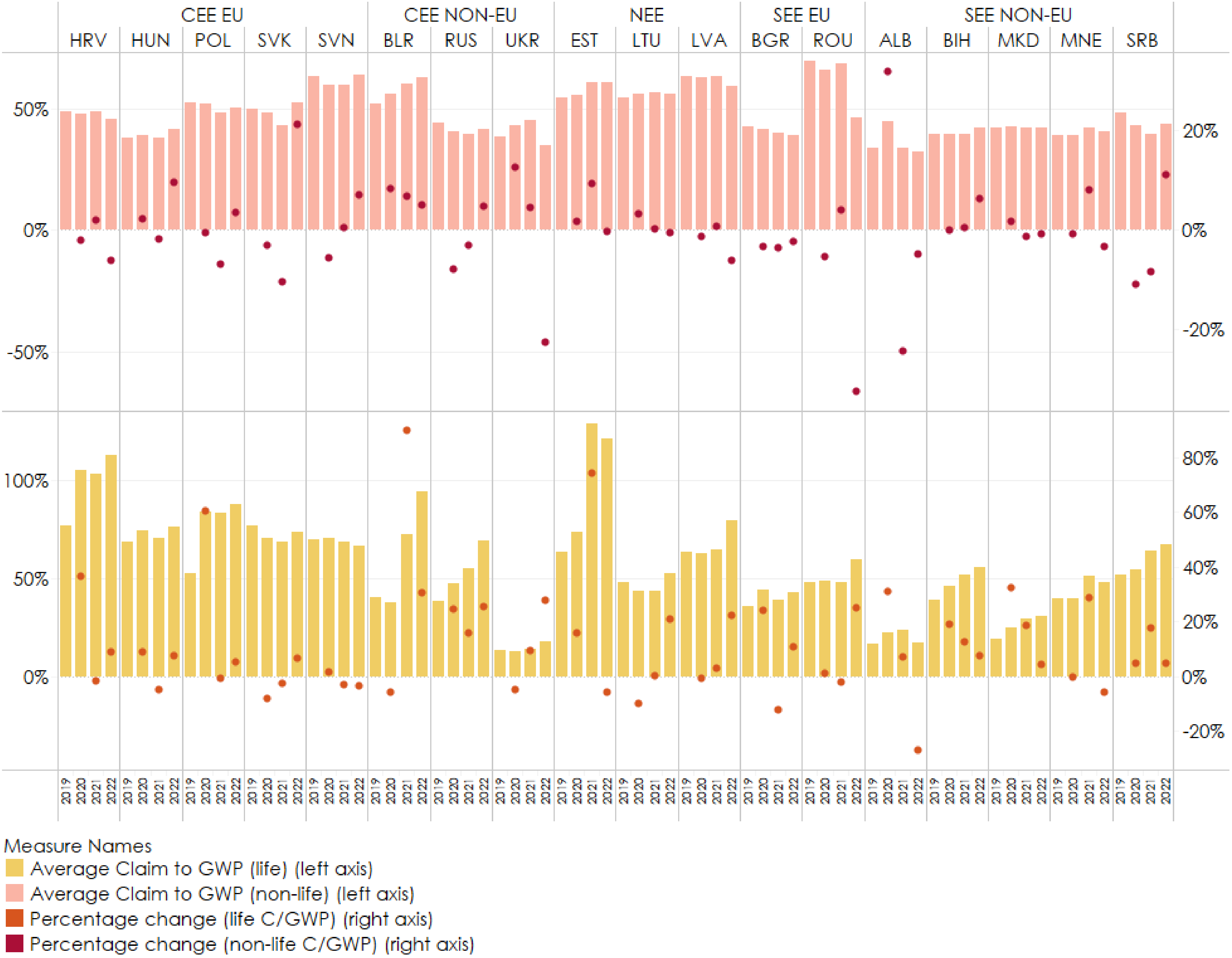
The claims

Average claims per insurer

- The post-pandemic spike in claims-paid
- The lowest spikes in the non-life segment observed for Romania and Slovenia (even negative for Albania); Croatia, Lithuania and Ukraine, most heavily impacted
- Even larger spikes in the life segment; The SEE insurers “suffered” the most



Claim to GWP ratio 2019 - 2022

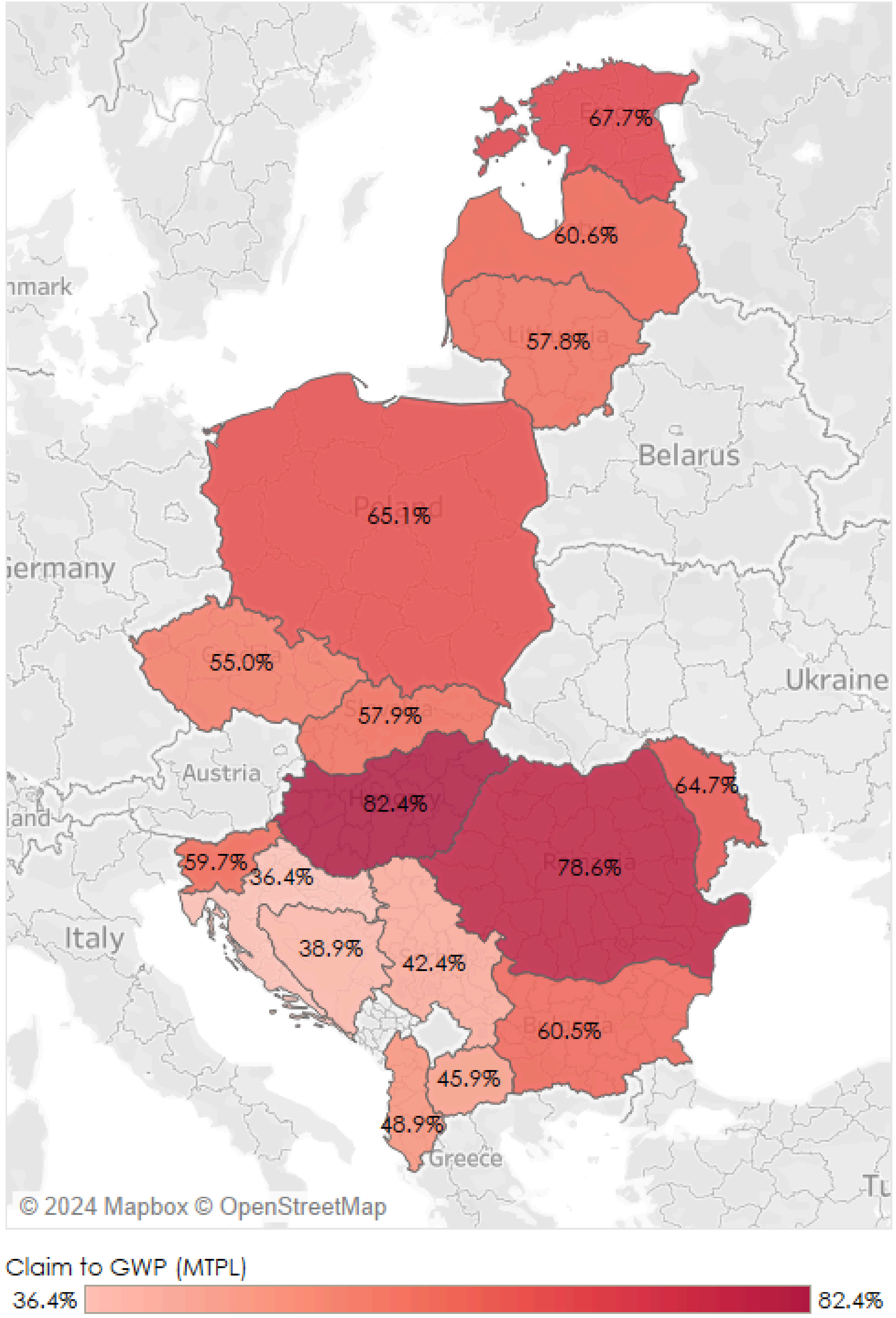


- Non-life: Increasing tendencies in the CEE markets, while decreasing in the SEE markets
- Non-life: Significantly lower post-pandemic ratios for Bulgaria and Romania
- Life: Increasing tendencies across all markets
- Life: Over 100% in Croatia and Estonia

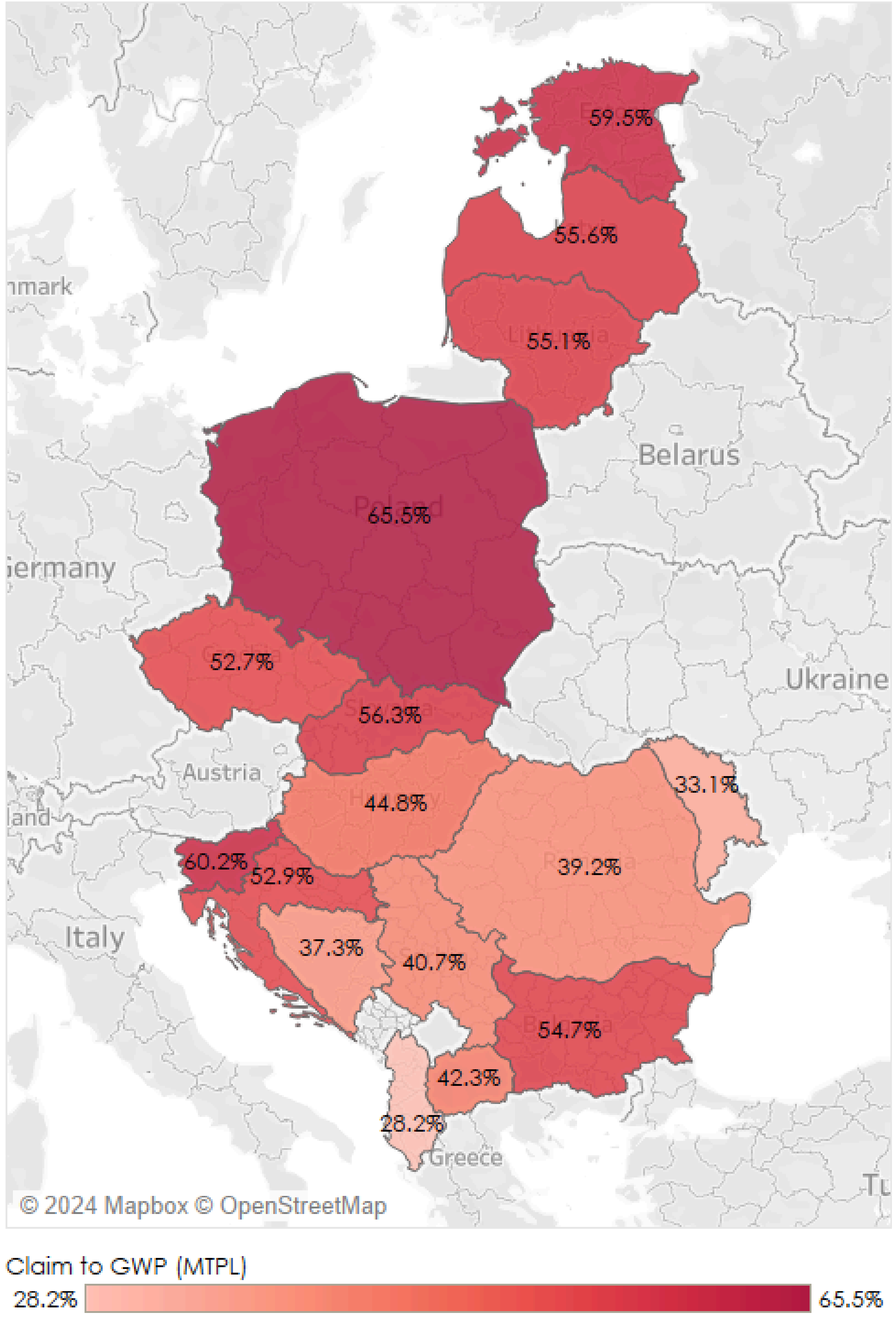
MTPL
Claim to GWP

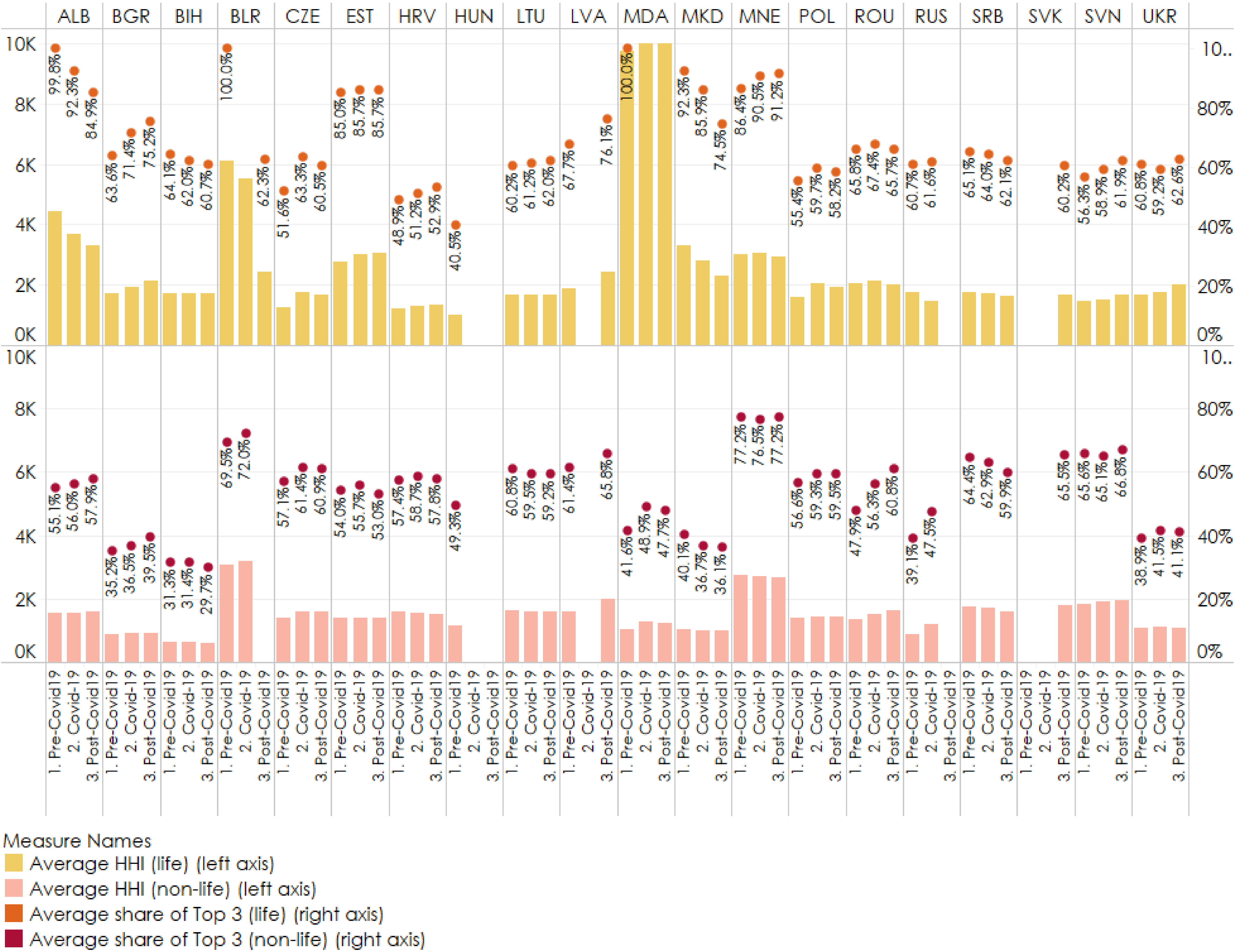
- The ratio range is lower across Eastern Europe
- Favorable ratios for Albania, Hungary, Moldova and Romania
- Worse ratio for Croatia

2013



2023



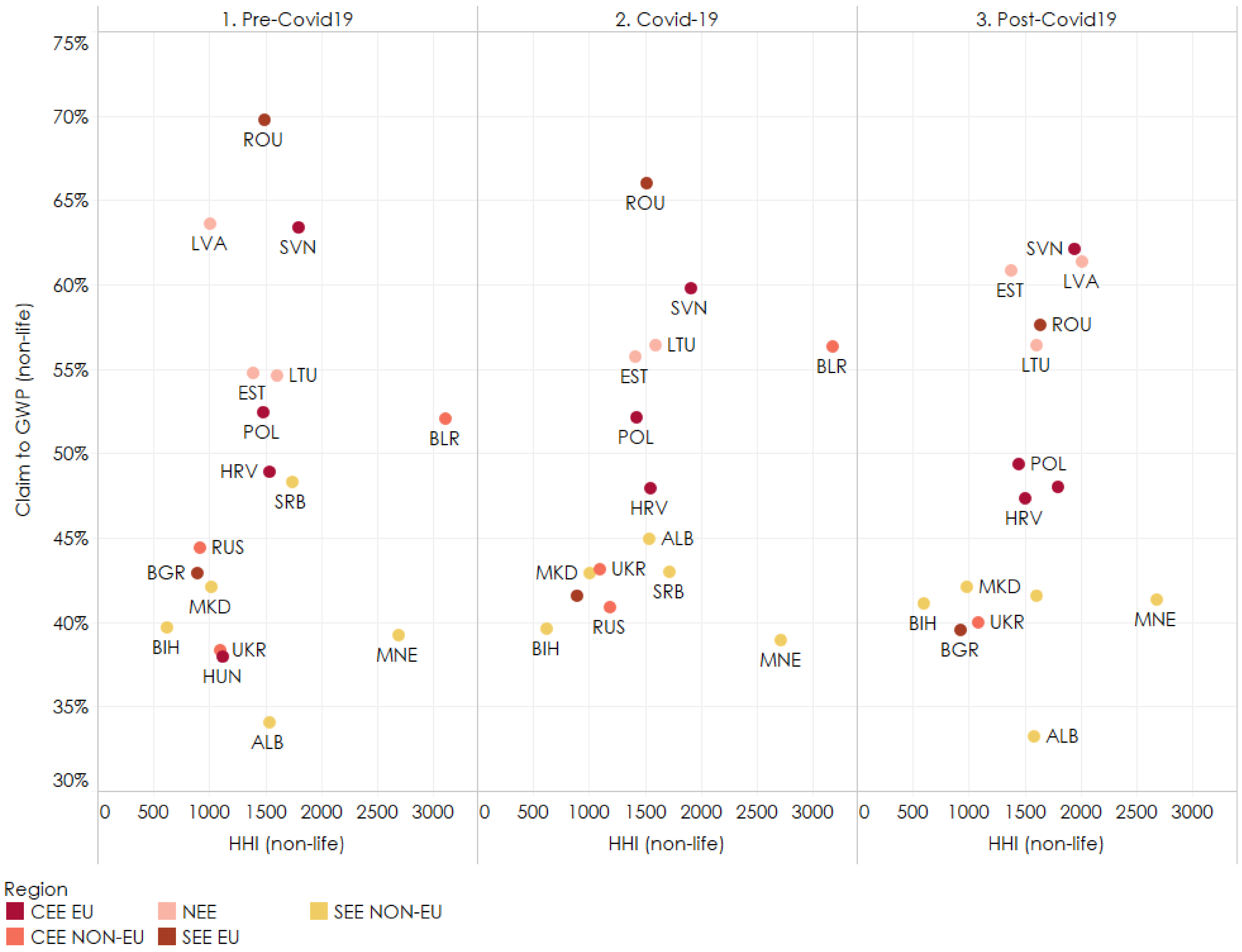


Market concent-ration

- Non-life: without significant changes (exception: Romania - Top 3 from 48% to 61%
- Life: Albania, Belarus and Macedonia with more competitive markets
- Life: Rise in the market concentration in Bulgaria

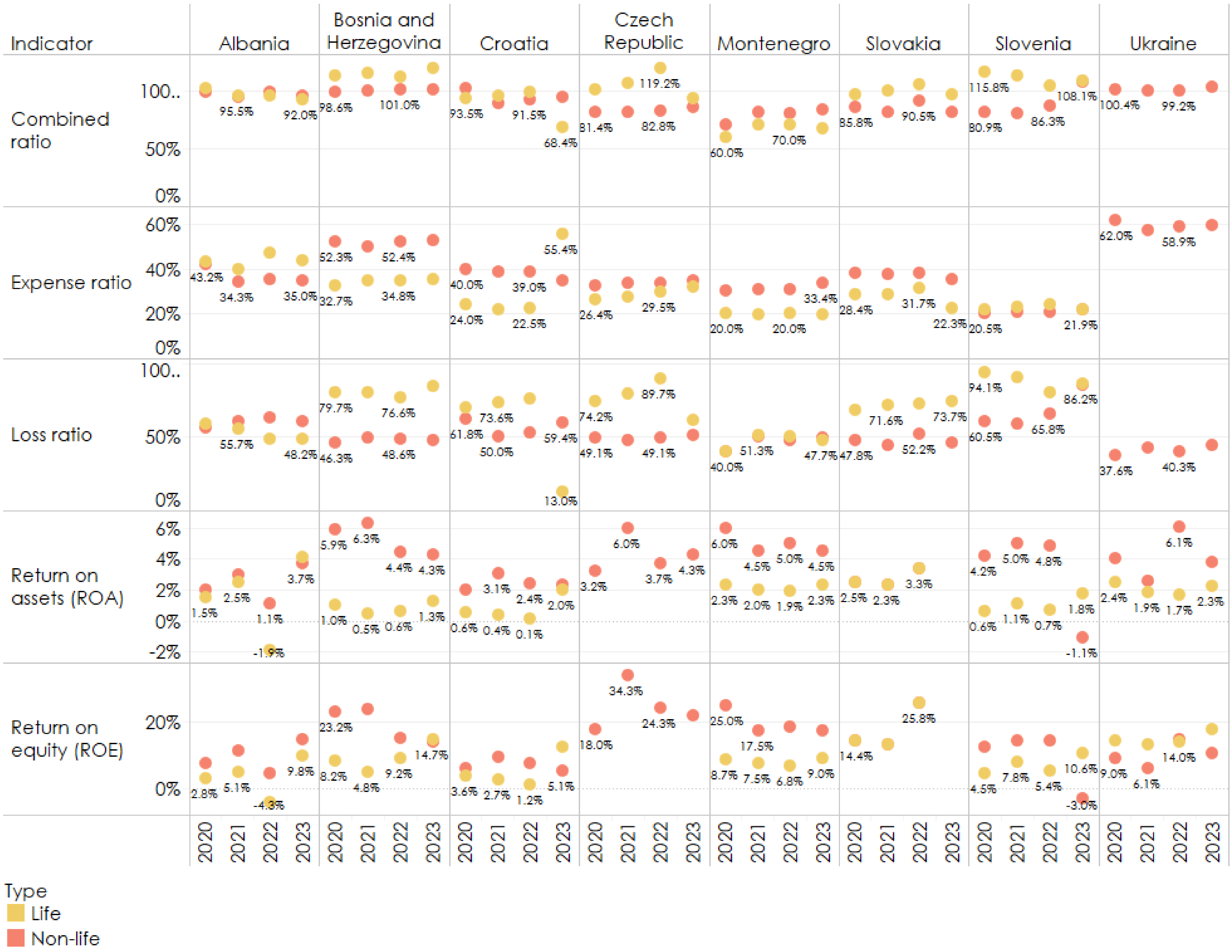
Concentration vs. efficiency

- Non-life: NEE with rising Claim to GWP ratios, while CEE EU with decreasing ratios
- The post-pandemic dispersion in the Claim to GWP ratios is lower
- Efficiency loss?



Profitability dynamics

(Selected countries)



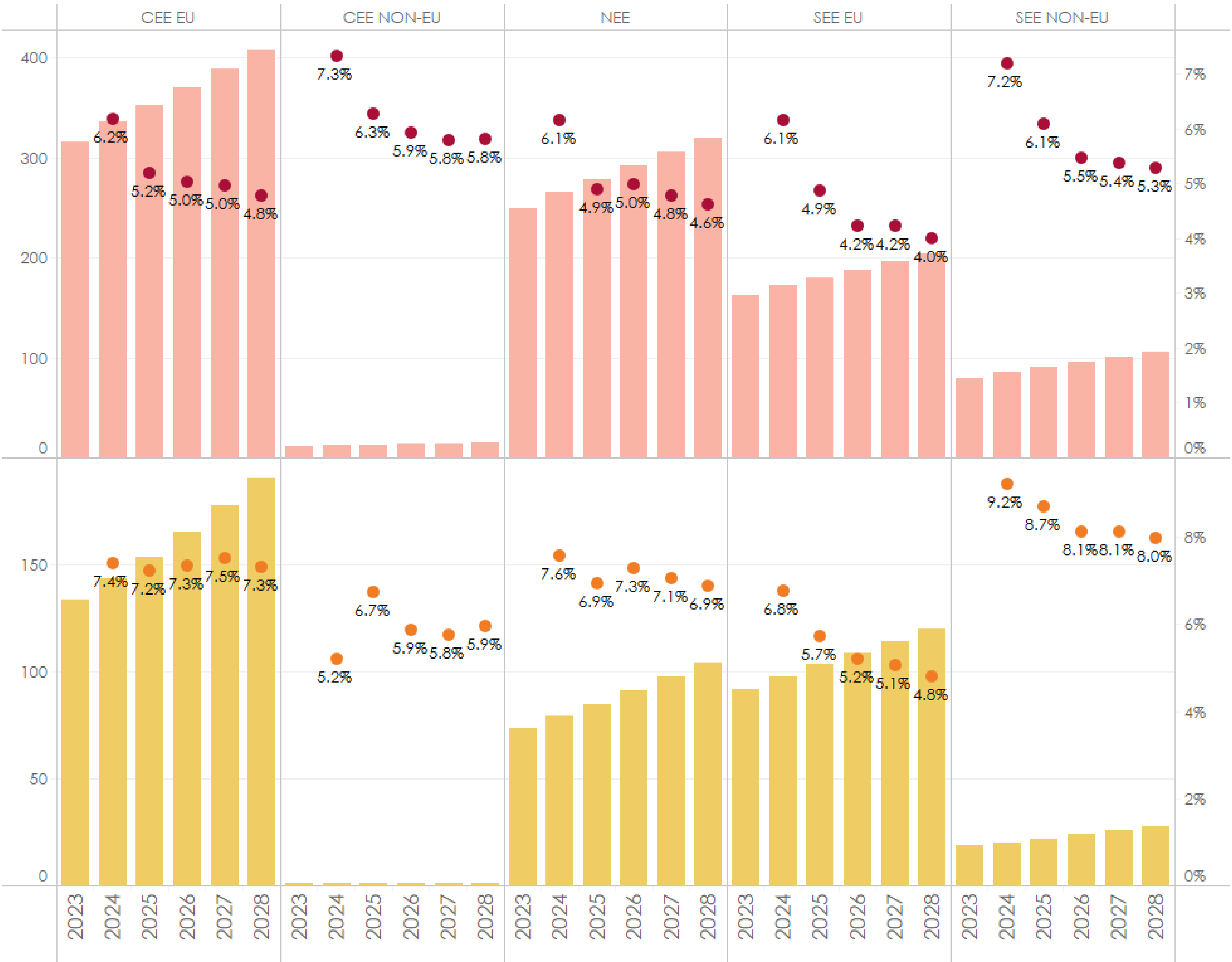
- Higher fluctuations in the non-life segment; but also higher profitability there
- Efficiency improvement in Croatia (non-life); Deteriorated profitability in Slovenia (non-life)
- The case of Albania: The profitability driven by inefficiencies in the life, and by claims in the non-life

Financial inclusion and underwriting performance

- **Stabilising effects** of financial inclusion
- **Competition reinforces** positive effects of financial inclusion on performance
- Policy implications: **reduce demand-side deficiencies**: insurance education and insurance culture; **reduce supply-side deficiencies**: adapted insurance contracts, insurance trust, careful consolidation

Macrooutlook 2024 - 2028

Non-life premiums per capita (inflation-adjusted)
Life premiums per capita (inflation-adjusted)



- Based on IMF estimates on GDP growth and inflation dynamics
- Non-life: Higher growth rates expected for Non-EU markets
- Life: Higher growth rates expected for CEE EU and SEE NON-EU

Wrap up

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- The SEE non-life insurance markets with strong post-pandemic growth, however slower than the growth of their economies
- The CEE and NEE life insurance markets struggling in the post-pandemic period
- Rising importance of health insurance on the South
- The inflation still puts pressure on the growth of claims-paid in some countries
- Market concentration remains stable across markets
- No systematic tendencies of efficiency losses; the role of inclusion in improving profitability

Thank you for your attention!

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