

The Insurance Sector in Serbia

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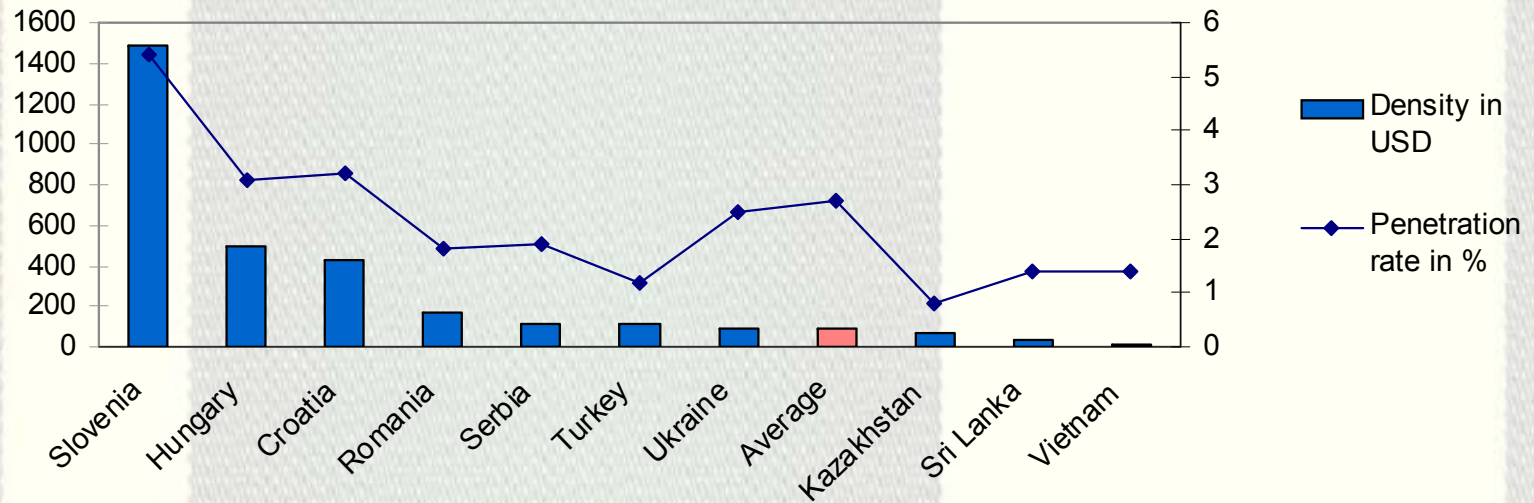
Insurance Market in Serbia - significant improvements are obvious

In billion RSD

	2004	2005	2006	2007	2008	2009	trend
Total premium	22,6	34,7	38,3	44,8	52,2	53,5	
Life ins. premium	1,7	3,3	4	4,9	6,3	7,9	
share in total premium	7,4%	9,5%	10,6%	11%	12,2%	14,7%	
Non-life ins. premium	20,9	31,4	34,3	39,8	45,8	45,7	
Insurance density	€38	€55	€65	€77	€80	€76	
Life insurance premium per capita	€3	€5	€7	€8	€10	€11	
Insurance penetration	1,6%	2,1%	1,9%	1,9%	1,9%	1,9%	
Total assets	30,8	46,4	56	70,6	84,8	99,2	
Capital	15,6	18,6	20,7	24,7	25,3	29,2	
Technical reserves	11,5	22,9	28,9	39,5	51,5	60,5	
Number of IC	40	19	17	20	24	26	
Number of employees	5407	7283	7876	9697	11713	11142	

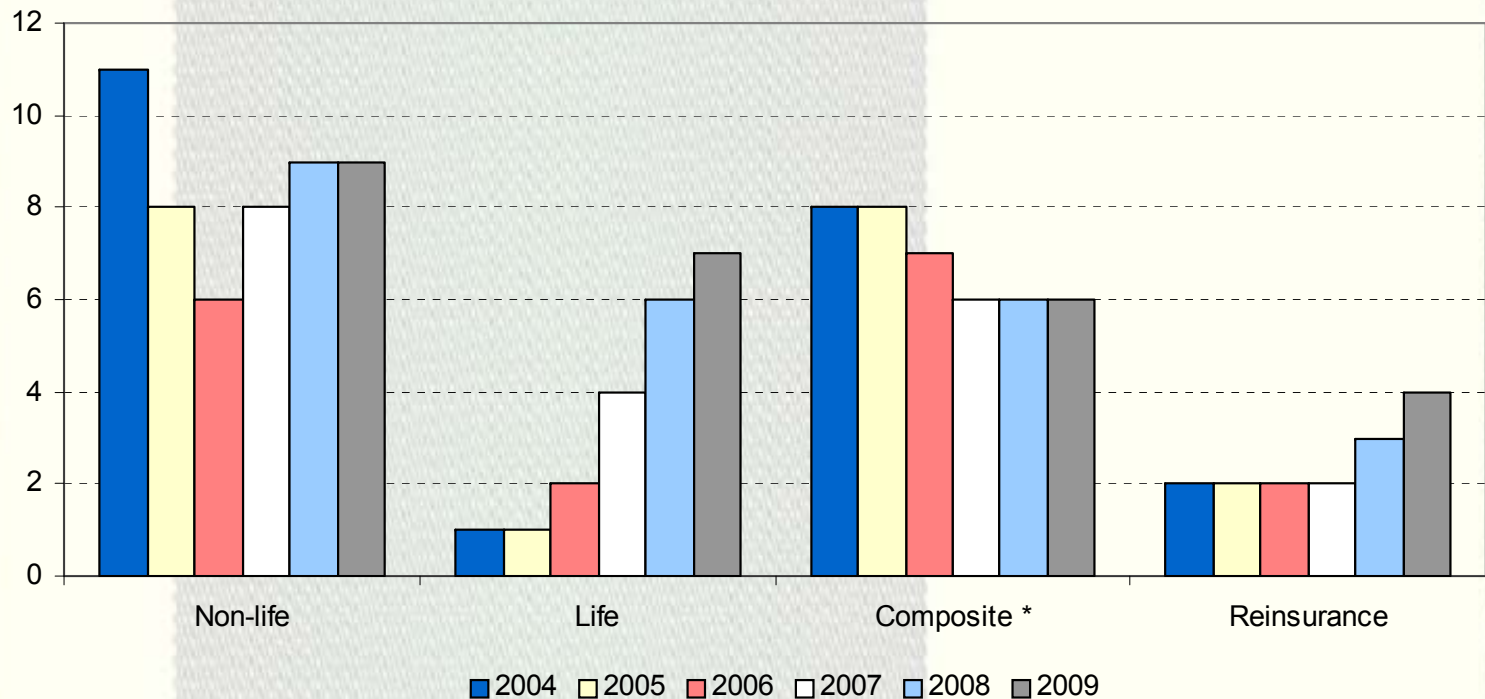
Compared to the average for the group comprising Serbia, its position may be considered as satisfactory, but it remains small and underdeveloped

**Insurance density and penetration ratio in 2008
in some countries in the group of emerging countries**



Source: Swiss Re, Sigma No 3/2009

Market participants in Serbia by the type of insurance activities



*deadline for separation of life and non-life classes of insurance - postponed till the end of 2011.

Abolition of prior approval of policy conditions and tariffs by NBS (as medium-term priority within the NPI projects) will encourage insurers to enter market and so increase **competition**.

Ownership structure has been changed, number of participants has increased

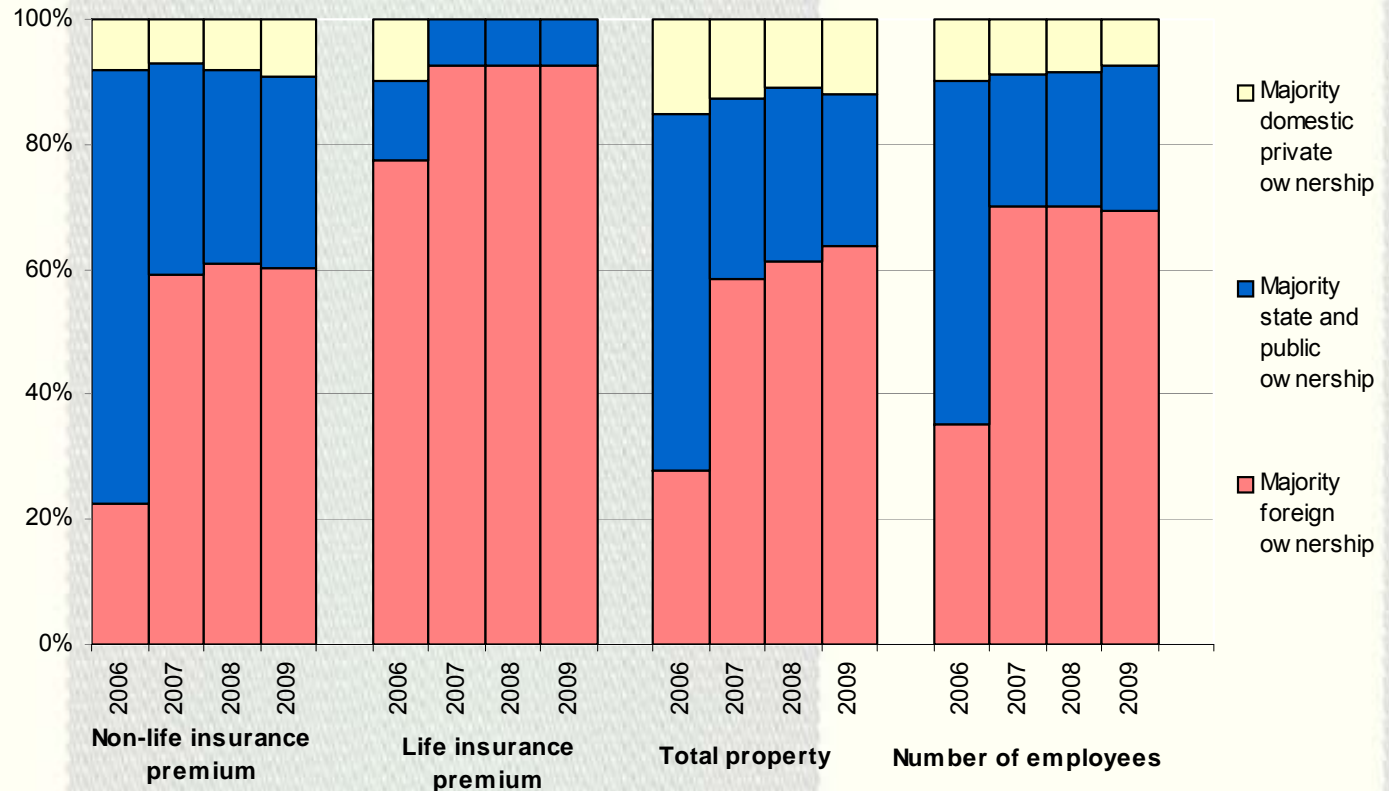
	2004	2005	2006	2007	2008	2009	Companies
Serbia	35	14	9	7	7	7	AMS, Delta Generali Re, Dunav, Dunav RE, Takovo, Energoprojekt Garant, Globos
Austria	2	2	4	6	6	6	Grawe '97, Wiener '03, Uniqa '06, Delta Generali '06-'07, Merkur* '07, Uniqa Non Life* '07, Wiener Re* '08
Slovenia	-	-	2	2	4	4	Sava '06, Triglav '06, As* '08, Sava zivot* '08
Italy	-	-	-	1	1	1	DDOR/Fondiaria '07
Switzerland	1	1	-	2	2	2	Zepter '98, Basler Life* '07, Basler Non Life* '07
France	-	-	1	1	1	2	Credit Agricole* '06, Societe Generali* '09
Croatia	1	1	1	1	1	1	Milenijum '04
Netherlands	1	1	-	-	1	1	Dunav TBI '02, Delta Generali '08
USA	-	-	-	-	1	1	AIG* '08
Ireland						1	DDOR Re* '09
TOTAL FOREIGN	5	5	8	13	17	19	
TOTAL	40	19	17	20	24	26	* Green field licensed since 2005 (11)

Growth in number of other participants licensed by NBS

	2004	2005	2006	2007	2008	2009*	
Agent and broker firms	149	40	44	59	65	69	Licensed banks: <i>in 2007:</i> Meridian bank, Metals banka, Banka Intesa, Raiffeisen banka <i>in 2008:</i> Erste bank, Hypo-Alpe-Adria bank, Volksbank, Čačanska banka, Jubmes banka, Credy banka, OTP banka <i>in 2009:</i> Eurobank EFG, Privredna banka, Societe Generale <i>in 2010:</i> Piraeus bank
Entrepreneurs	-	35	87	123	122	122	
Individually licensed agents and brokers	-	2,578	3,982	5,002	8,190	10,124	
Banks	-	-	-	4	11	15	

*March 2010

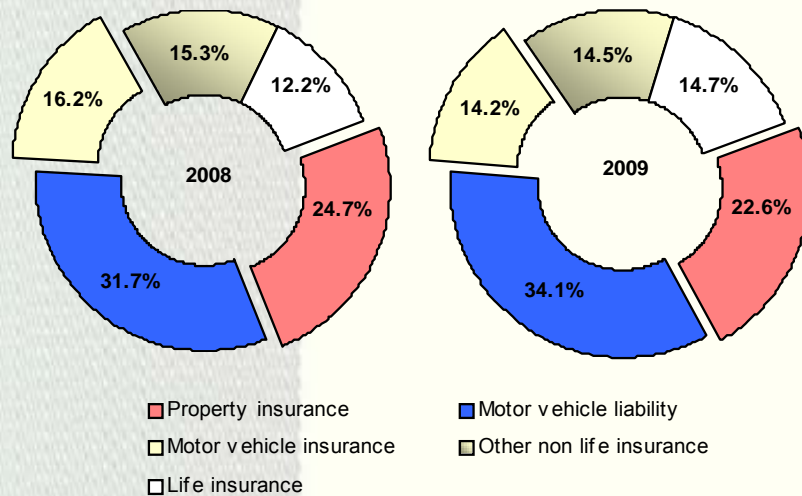
Some indicators by the ownership structure (companies in majority foreign ownership have predominant share)



All indicators in the period 2009/2008 show an upward trend except the non-life premium

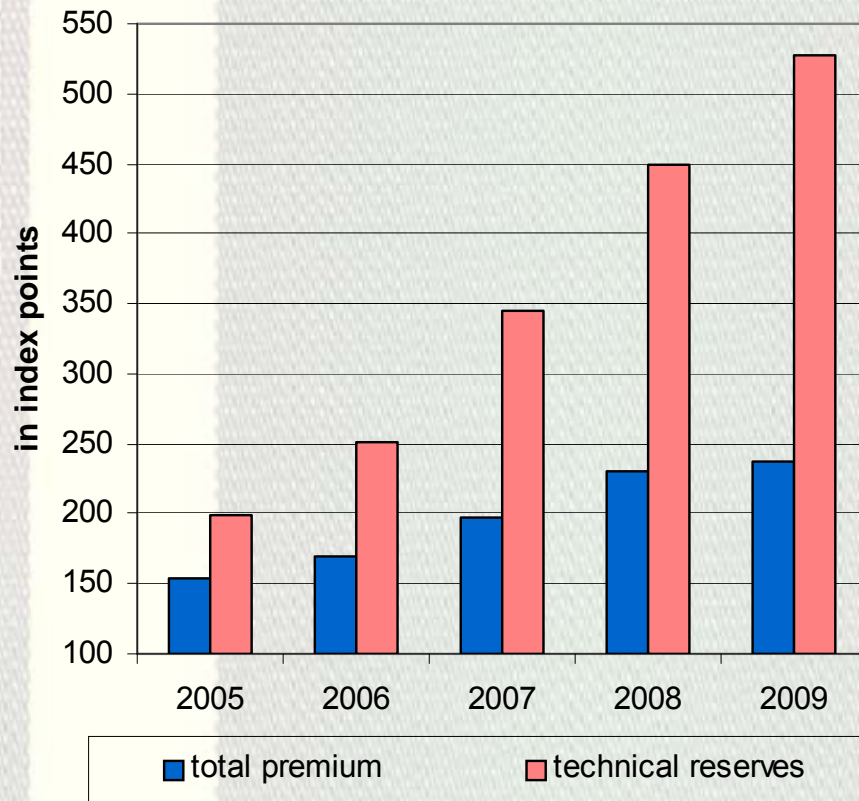
- Total premium RSD 53.5 bill (EUR 558 mil) in 2009 growth of 2.6% comparing with 2008. while non-life insurance premium dropped by 0.4%.
- Non life premium share of 85.3%, since life premium share of 14.7% (In 2008 share of life premium was 12.2% ; during 2009 life premium grew for 24.2%).
- The expected effects of the crisis on **non-compulsory** insurance came through property insurance premium fell by 6.3% and full coverage motor vehicle insurance premium fell by 10% in 2009, and through their decreased shares in total insurance premium.
- Compulsory** insurance, on the other hand, suffered no impact at all – motor vehicle liability insurance premium upped by 10.1% in 2009.

Total premium according to the types of insurances in 2008 and 2009



The growth of technical reserves provides protection of the interests of insurers

**Movements in total premium and technical reserves,
2004=100**



- The amount of technical reserves (with growth of 18% in 2009. compared to 2008.) exceeded the amount of premiums for the first time in 2009.

Despite the impact of the financial crisis, the industry is financially stable and healthy with regard to its overall underwriting performance

❖ **Solvency margin ratio** (guarantee reserve/solvency margin*) is satisfactory (206% in 2006, 211% in 2007, 173% in 2008, **184% in 2009**)

* calculation of solvency margin mostly complies with EU regulations (Solvency I), except the premium base, which is prescribed due to the current level of development of insurance.

❖ **Liquidity** [short term assets (operating assets less inventories)/ short term liabilities]:

Non-life 103%

Life 197%

❖ **Claims performance ratio:** agility in settling claims, measured by **Rate of closed claims** (number of settled claims/total number of claims i.e. outstanding claims plus reported claims) is satisfactory (92% in 2006, 93% in 2007, 93% in 2008, **92% in 2009**).

	2006	2007	2008	2009
Total number of claims	328744	364875	409213	427206
Number of outstanding claims	25143	25837	29338	32888
Rate of outstanding claims (Outstanding/ Total claims)	8%	7%	7%	8%

❖ **Technical Reserves investments**

Non-life coverage (investments* /non-life technical reserves): **94% in 2009**.

(banks deposits 27%, cash & cash equivalents 21%, securities 16%, undue premium 10%)

Life coverage (investments*/life technical reserves): **101% in 2009**.

(securities 72%, banks deposits 20%)

* investment rules are generally consistent with EU regulations, aside from some which are in connection with the current level of capital market development. Full compliance is planned by The national program of the integration (NPI).

❖ **Loss ratio** (based on losses and earned technical premium) was good in previous period and become better in 2009.

Code	Type of insurance	31.12.2006	31.12.2007	31.12.2008	31.12.2009
01	ACCIDENT INSURANCE	108.17	94.69	88.24	97.21
03	MOTOR INSURANCE	105.87	103.16	98	95.15
08	PROPERTY INSURANCE AGAINST FIRE AND OTHER PERILS	41.12	36.49	46.79	44.55
09	OTHER PROPERTY INSURANCES	88.47	83.1	68.88	62.47
10	MOTOR VEHICLE LIABILITY INSURANCE	70.12	87.75	87.32	78.3
	TOTAL	74.95	79.53	77.9	74.63

The issue which requires special (further) attention

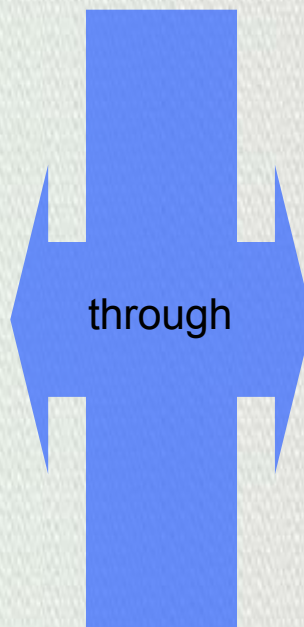
Protect users of financial services (insurance products)



In order to strengthen confidence and improve market

The promotion of good practice

Amendments to the Insurance Law introduces the obligation of informing the insurers **before** concluding the contract (detailed information on the insurer, the duration of insurance, the amount of premiums, taxes and exemptions and how to resolve disputes; particularly in life insurance: participation in the profits, the right to reduced paid-up insurance , the tax treatment etc) and **during the validity of the contract.**



Raising awareness of the risks and the way of manage that risks