



**LIETUVOS BANKAS**  
EUROSISTEMA

Activities of financial market participants

# **Review of Lithuania's Insurance Market**

2023

Review of Lithuania's Insurance Market  
Activities of financial market participants  
2023

ISSN 2335-8343 (online)

Publication prepared by:  
Banking and Insurance Supervision Department  
Insurance Supervision Division

Contact:  
[info@lb.lt](mailto:info@lb.lt)

Toll-free information line:  
+370 800 50 500

© Lietuvos bankas, 2024  
Gedimino pr. 6, LT-01103  
Vilnius [www.lb.lt](http://www.lb.lt)

Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged.

## CONTENTS

|                                                                                                |    |
|------------------------------------------------------------------------------------------------|----|
| 1. OVERVIEW OF THE LITHUANIAN INSURANCE MARKET .....                                           | 5  |
| 2. DEVELOPMENT OF THE LITHUANIAN INSURANCE MARKET .....                                        | 6  |
| 3. REVIEW OF THE ACTIVITY OF THE PENSION ANNUITY FUND .....                                    | 10 |
| 4. FINANCIAL PERFORMANCE OF INSURANCE UNDERTAKINGS LICENSED IN THE REPUBLIC OF LITHUANIA ..... | 11 |
| 5. COMPLIANCE WITH SOLVENCY CAPITAL REQUIREMENTS .....                                         | 13 |
| 6. INSURANCE BROKERAGE FIRMS .....                                                             | 14 |

The review of insurance market developments covers the overall activities of all Lithuanian market participants carried out in the territory of the Republic of Lithuania.

The assessment of compliance with financial and capital adequacy ratios as well as of changes in these ratios covers 8 insurance undertakings and 105 insurance brokerage firms registered in the country (across the territory of their activities). The financial performance and capital ratios of branches of EU or EEA insurance undertakings operating in the territory of the Republic of Lithuania are not assessed as these entities fall under the financial supervision of the home supervisory authorities of the undertakings that have established them.

In the preparation of the review, the data and calculations of the Bank of Lithuania were used.

### **Abbreviations**

|       |                                                            |
|-------|------------------------------------------------------------|
| EEA   | European Economic Area                                     |
| EU    | European Union                                             |
| IFRS  | International Financial Reporting Standards                |
| MTPL  | mandatory third-party liability insurance                  |
| CASCO | motor vehicle insurance (other than railway rolling stock) |

## 1. OVERVIEW OF THE LITHUANIAN INSURANCE MARKET

**In 2023, in the Lithuanian insurance market, premiums written amounted to €1.451 billion, of which €1.1 billion (75.6% of total premiums) were written under non-life insurance contracts and €354.5 million were written under life assurance contracts. The market growth rate was in double digits at 17.5%. This growth was essentially driven by the non-life insurance market, which grew by 22.5%, while the life insurance market only grew by 4.3%. Over the year, €807.6 million was paid out to policyholders and injured parties. The amount paid out to policyholders for non-life insured events equals €608.2 million, almost 74% of the total, while €199.4 million was paid out under life assurance contracts.**

In 2023, market participants providing insurance services faced a myriad of challenges and innovations. Despite being significantly lower than in 2022, high inflation rates throughout the year, almost constant increases in interest rates, and the ongoing Russian-Ukrainian war presented additional challenges to insurance undertakings, as to other participants in the financial markets. Moreover, the “revolutionary” changes that occurred during the period, such as the evaluation and recognition of insurance contracts in financial accounting, demanded additional focus and effort from insurers in adapting to these innovations.

In the non-life insurance market, premiums continued to increase throughout 2023. The main growth was recorded in MTPLI, property, CASCO, and health insurance premiums. The volume of premiums written for non-life insurance, which constitutes the largest part of the insurance market, increased by 18% year on year. The growth in non-life insurance claims in 2023 (20.9% to €608 million) was mainly driven by inflationary increases in the cost of insurance claims (compensation or restoration of the value of lost or damaged property, or services) and operating costs of undertakings, and an increase in the average claim frequency.

In 2023, the premium volumes in the life assurance market grew by 4.3% (6.4% in 2022) to almost €355 million, i.e. at a much slower pace than premiums in the non-life insurance market. The lower rate of premium growth was due to an 11.3% decrease in the number of new contracts life assurance benefits grew by almost 11.2% (to €199.4 million), mainly due to increased benefits under unit-linked life assurance contracts and terminated profit-sharing insurance contracts, including partial withdrawal of the accumulated amount. The termination of contracts and partial payments of accumulated sums were influenced by increased consumer demand to use accumulated savings to finance increased expenses due to the impact of inflation.

To summarise, insurance market participants reacted to the unusual situation and new risks were assessed and managed.

From 1 January 2023, a new, long-awaited insurance contract reporting standard, IFRS 17 *Insurance Contracts*, came into effect. Along with this standard, insurance undertakings were allowed not to apply the IFRS 9 *Financial Instruments*, which establishes accounting principles related to financial assets and financial liabilities, until 2023. The vast majority of our country’s registered insurance undertakings chose to apply both new IFRS simultaneously from 1 January 2023. Therefore, 2023 could be characterised as the beginning of significant long-term changes in the context of evaluating insurance contracts.

IFRS 17 replaced the earlier IFRS 4. This change aimed to maximise alignment in comparing insurers’ financial results, while the particularly detailed disclosure requirements were intended to increase transparency in insurers’ operations. IFRS 17 establishes several methods for evaluating insurance contracts, which companies can (must) choose based on the characteristics of the contract. According to the new standard, insurance contracts are evaluated based on the cash flow principle at their current value, while the profit from contracts is recognised over the period during which services are provided under the insurance contract. Separately in the accounting, the insurance service result is shown along with the insurance financial activity’s revenue, expenses, and profits.

Before starting to apply the new standard, companies also had to recalculate and compare data from the comparative period. Therefore, we have comparative data from 2022 as well. In this review, when comparing or evaluating changes the data presented according to the requirements of IFRS 17 are compared for both 2023 and 2022. Summarising the data of insurance undertakings for 2022, which were evaluated according to the requirements of IFRS 4 and 17, significant differences in many financial statement positions are observed. Therefore, it is reasonable to conclude that it is not meaningful to compare financial statement results from years before 2022 (according to IFRS 17), except for the final annual operating result. It should also be noted that this review is based on unaudited preliminary data, and significant deviations from the preliminary data are likely after the data audit, as mastering the requirements of IFRS 17 posed a significant challenge for insurers.

On 1 December 2023, INVL Life, UAB, established in 2022, ceased operations and sold its insurance contract portfolio to the existing life insurance company UAB SB draudimas. The merger of the companies had a significant impact on the majority of comparative indicators.

According to unaudited data, the overall financial result of insurance undertakings, with a profit (before tax) of €73.8 million, was almost two times larger than in 2022 (excluding the results of INVL Life, UAB which launched its insurance business in mid-2022,) All but one insurance undertaking operated at a profit.

Insurance undertakings are adequately capitalised, all of them met the regulatory solvency capital requirements, and had significant buffers exceeding the required capital. In 2023, insurance undertakings paid out €26.0 million in dividends (€34.9 million in 2022). During the period under review, the environment of high but stable interest rates and lower inflation compared to the previous year continued to influence the investment activities of insurance undertakings registered in Lithuania. As a result, the value of investments increased by more than 13%, and companies earned just over €18 million from investment activities.

Insurance brokerage firms were also profitable: based on unaudited data, their profit (before taxes) totalled €23.5 million in 2023, 50.1% more than in 2022.

Since 1 July 2020, the State Social Insurance Fund Board under the Ministry of Social Security and Labour (hereinafter — Sodra), which performs the function of the pension annuity payer and manages the Pension Annuity Fund, has been providing the service of pension annuity payment of the funds accumulated in second- pillar pension funds. In 2023, the activity of pension annuity payers remained stable, with annuity payments totalling €1.6 million over the year.

## **2. DEVELOPMENT OF THE LITHUANIAN INSURANCE MARKET**

**Insurance services were provided by 19 insurers registered in Lithuania:** 8 undertakings and 11 branches of companies registered in other EU countries: 7 insurers were engaged in life assurance activities, 11 — in non-life insurance activities. 105 insurance brokerage firms were operating at the end of 2023.

In December 2023, INVL Life, UAB, sold its life insurance policy portfolio to the life assurance company UAB SB draudimas.

**Since 1 January 2023, insurance undertakings have started applying IFRS 17 and IFRS 9.**

IFRS 17 (which replaces IFRS 4 *Insurance Contracts*) is applicable from 1 January 2023 to the accounting for insurance, reinsurance and investment contracts with direct participation features, and establishes the principles for the recognition, measurement, presentation, and disclosure of contracts.

The new standard has improved the transparency and comparability of financial reporting. It provides investors and other stakeholders with more comprehensive and useful information about insurers' financial results and risk positions.

## 2.1. INSURANCE PREMIUMS

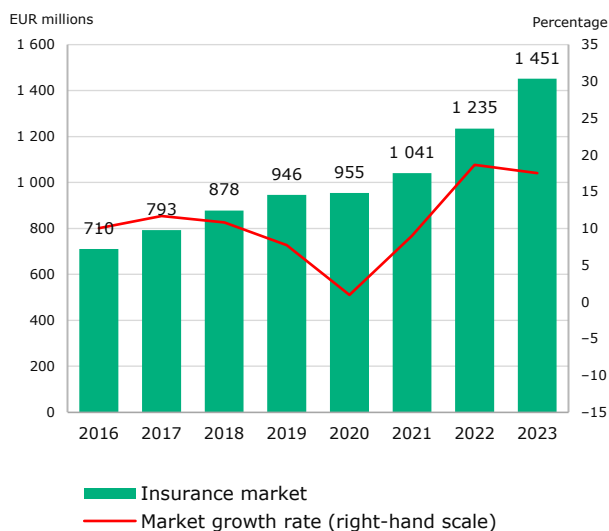
**In 2023, insurance premiums of the insurance undertakings registered in Lithuania and branches of insurance undertakings of other EU Member States established in Lithuania amounted to €1,451.7 million**, a year-on-year increase of 17.5%. Life assurance claims paid increased by 4.3 per cent and amounted to €354 million, while non-life insurance premiums grew by as much as 22.5% (to €1,096.6 million).

Table 1. Insurance premiums

| Types of insurance | Amount, EUR millions |         |         | Growth rate, % |      |
|--------------------|----------------------|---------|---------|----------------|------|
|                    | 2021                 | 2022    | 2023    | 2022           | 2023 |
| Life assurance     | 319.3                | 339.8   | 354.5   | 6.4            | 4.3  |
| Non-life insurance | 721.4                | 894.9   | 1,096.6 | 24.0           | 22.5 |
| Total              | 1,040.7              | 1,234.7 | 1,451.0 | 18.6           | 17.5 |

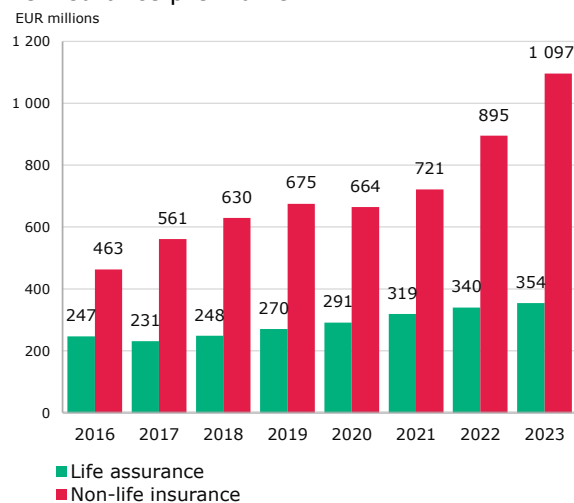
Source: Bank of Lithuania.

Chart 1. Dynamics and growth rate of premiums within the insurance market



Source: Bank of Lithuania.

Chart 2. Dynamics of life assurance and non-life insurance premiums

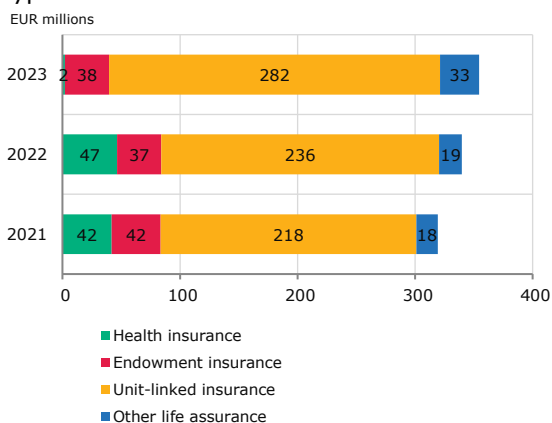


Source: Bank of Lithuania.

**In 2023, the growth of the life assurance market was driven by unit-linked life assurance.** Unit-linked life assurance premiums accounted for 79.5% of the total life assurance premium portfolio. The growth of the unit-linked life assurance segment was influenced by the fact that from 2023, additional risks were not separated into a separate contract, but were accounted for together with the main risk. For this reason, it would not be entirely accurate to calculate the growth rate of unit-linked life assurance contributions. Unit-linked life assurance contributions (including contributions for additional insurance risks) amounted to €281.8 million. Comparing the number of unit-linked life assurance contracts concluded in 2022 and 2023, there was a significant decrease of 18.3%. It is likely that the decrease in

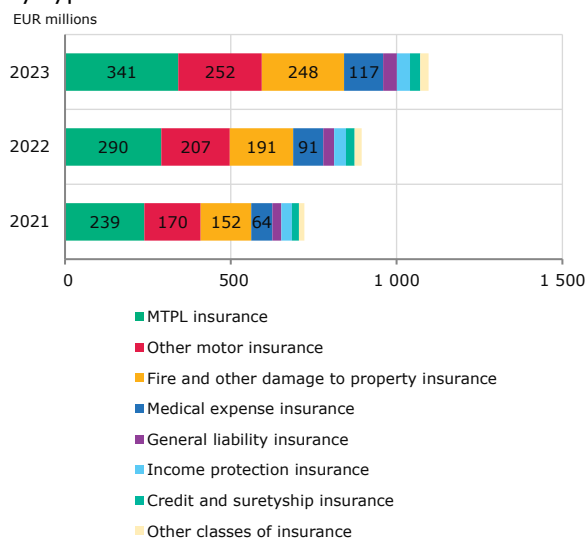
the number of unit-linked life assurance) contracts concluded was influenced by the uncertain geopolitical situation due to Russia's war against Ukraine. Insurance with profit-sharing contributions remained almost the same as in 2022 (0.4%), despite the number of insurance contracts concluded being 51.6% lower. Although interest rates started to rise in 2022, insurers are not willing to return to underwriting this product, and the low guaranteed interest rates have not served as an incentive for policyholders to choose this product. The number of contracts for insurance in case of death concluded fell by 12.3%, while premiums were 70.6% higher. It's likely that the increase in premiums was caused by the allocation of additional risks to the main contract. The premiums for health insurance, which is a separate insurance, amounted to €2.1 million.

Chart 3. Breakdown of life assurance premiums by type



Source: Bank of Lithuania.

Chart 4. Breakdown of non-life insurance premiums by type



Source: Bank of Lithuania.

**The growth in the non-life insurance market was driven not only by the increased volumes in motor insurance, but also in property and health insurance.** The largest portion (30.6%) of the non-life insurance market portfolio, consisting of MTPL, saw a fairly rapid increase in the sum of contributions, reaching €336 million, which was 18% higher year on year. This growth in contributions and the increase in average contributions were mainly influenced by the record-high inflation in 2022. The insurance market reacts to inflation with a delay, so although inflation generally decreased, its impact on the insurance market remained significant, both in terms of contributions and payouts. Similar trends are observed in insurance of land vehicles (other than railway rolling stock) (CASCO). CASCO premiums showed robust growth and amounted to €251.4 million, i.e. 21.9% more than in 2022, and 6.2% more insurance contracts were concluded. The average comprehensive car insurance premium continued to rise in 2023, being 14.8% higher year on year. The number of comprehensive car insurance contracts for individuals increased more rapidly (8.2%) than for legal entities (3.4%).

Property insurance premiums also grew rapidly, increasing by as much as 29.7% and totalling €248.1 million. Property insurance premiums in the segment of legal entities grew particularly rapidly, by as much as 53.2% and amounted to €104.7 million. However, the most significant part of property insurance continues to consist of residential property insurance – €120.5 million, an increase of 18%. The increase in the amount of premiums was faster than in the number of contracts concluded, suggesting a rise in the average premium.

The number of supplementary voluntary health insurance contracts increased by 47.3%, while the



premiums rose by 32.3%. This insurance is used as an incentive for employees. The number of newly formed medical expense insurance contracts increased by 21.9%, while the premiums rose by 15%. Also, the amount of premiums in medical expense insurance grew and totalled €117.3 million.

## 2.2. INSURANCE CLAIMS

**In 2023, the amount of insurance claims paid by insurers grew at a particularly rapid pace.**

Insurance undertakings in Lithuania engaged in life assurance and non-life insurance activities paid out €807.6 million in insurance benefits, which is 18.4% more than in 2022. Both life assurance and non-life insurance benefit amounts increased. Life assurance claims increased by 11.2%, totalling €199.4 million, while non-life insurance claims increased by 20.9%, totalling €608.2 million.

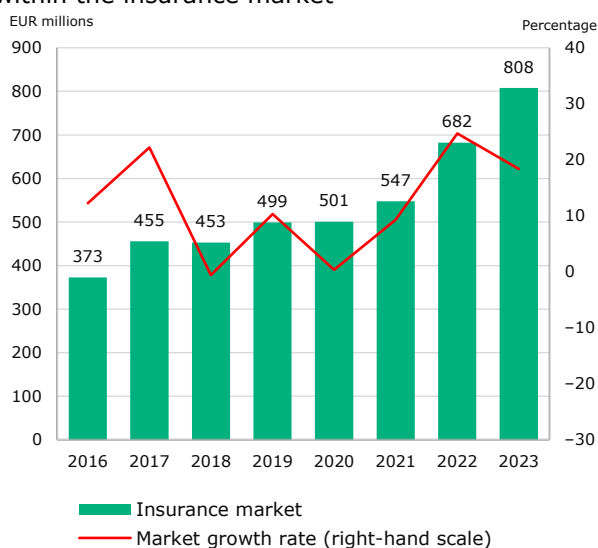
Table 2. Claims paid

| Types of insurance | Amount, EUR millions |       |       | Growth rate, % |      |
|--------------------|----------------------|-------|-------|----------------|------|
|                    | 2021                 | 2022  | 2023  | 2022           | 2023 |
| Life assurance     | 139.3                | 179.3 | 199.4 | 28.7           | 11.2 |
| Non-life insurance | 407.8                | 503.0 | 608.2 | 23.3           | 20.9 |
| Total              | 547.1                | 682.4 | 807.6 | 24.7           | 18.4 |

Source: Bank of Lithuania.

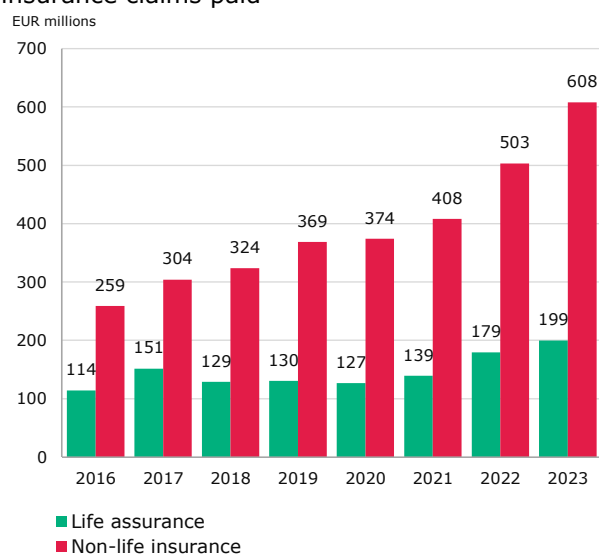
The amount of payments upon contract termination totalled €77 million, while partial payments reached €43 million. The total amount of these payments was €120 million, which was 20.3% higher year on year. The amount of profit-sharing payments made by the insurance company was the same — more than €41 million were paid out. Insurers rarely enter into new profit sharing assurance contracts, therefore, this type of assurance contracts which are terminated had been in force for a considerable period of time and the claim paid upon their termination is quite significant. Payments for this type of insurance are not increasing; the payments amount has stabilised.

5 Chart Dynamics and growth rate of claims paid within the insurance market



Source: Bank of Lithuania.

6 Chart Dynamics of life assurance and non-life insurance claims paid



Source: Bank of Lithuania.

In 2023, insurance claims paid under MTPLI contracts totalled €185.2 million and were 15% higher than a year ago. The number of insurance claims paid under MTPLI contracts by insurers registered in Lithuania increased by 5.4%, compared to the previous year. Such developments of claims in terms of the absolute amount paid and the number of payments indicate an upturn of the average claim. The amount of CASCO claims paid totalled €162.6 million, i.e. 19% more than in 2022. The growth in the number of claims was slower, amounting to 7.7%. Thus, like with MTPLI, the average CASCO insurance claim was increasing. This increase can be attributed to the insurance market's reaction to inflation in 2022, making both repair services and car parts more expensive. Claims paid under property insurance amounted to €135.1 million, a year-on-year increase of 31.4%. The increase in property insurance payouts can be partly attributed to the storms that occurred in Lithuania.

### 3. REVIEW OF THE ACTIVITY OF THE PENSION ANNUITY FUND

In the period under review, the operating volumes of the Pension Annuity Fund managed by Sodra, which was launched on 1 July 2020 and has been providing the service of pension annuity payment of the funds accumulated in second-pillar pension funds, remained stable. In 2023, 877 decisions for the payment of pension annuities were adopted and the total single premiums amounted to €13 million. Residents most frequently opted for a standard pension annuity with a guaranteed payment period and, less frequently, for a deferred pension annuity. The Pension Annuity Fund established a technical provision in the amount of €38 million and paid €1.6 million over in 2023.

Table 3. Performance indicators of the Pension Annuity Fund

| Type of pension annuity                                        | Applications received and decisions adopted for the payment of a pension annuity, units |      | Pension annuity premiums, EUR |            | Pension annuity payments, EUR |           |
|----------------------------------------------------------------|-----------------------------------------------------------------------------------------|------|-------------------------------|------------|-------------------------------|-----------|
|                                                                | 2022                                                                                    | 2023 | 2022                          | 2023       | 2022                          | 2023      |
| Standard annuity <sup>1</sup>                                  | 193                                                                                     | 218  | 2,111,866                     | 3,086,586  | 249,709                       | 419,849   |
| Standard annuity with a guaranteed payment period <sup>2</sup> | 674                                                                                     | 593  | 9,819,727                     | 9,257,960  | 712,880                       | 1,185,267 |
| Deferred annuity <sup>3</sup>                                  | 98                                                                                      | 66   | 314,239                       | 184,772    | 0                             | 0         |
| Total                                                          | 965                                                                                     | 877  | 12,925,152                    | 13,028,818 | 962,590                       | 1,605,116 |

Source: Bank of Lithuania.

<sup>1</sup> Standard pension annuity is a service where the payer of a pension annuity, upon receiving a lump sum contribution from the funds accumulated in a pension fund, starts making pension annuity payments to pension annuity recipients until the end of life. Standard pension annuity is not hereditary.

<sup>2</sup> Standard pension annuity with a guaranteed payment period is a service where the payer of a pension annuity, upon receiving a lump sum contribution from the funds accumulated in a pension fund, starts making pension annuity payments to pension annuity recipients until the end of life. Where the recipient of a pension annuity dies before the guaranteed payment period defined in the decision on the standard pension annuity payment, the lump sum pension annuity benefit for the amount of pension annuities for the remaining guaranteed payment period that in the event of death had not been paid to the recipient under the standard pension annuity with a guaranteed payment period is to be inherited under the procedure established in the Civil Code.

<sup>3</sup> Deferred pension annuity is a service where the payer of a pension annuity, upon receiving a lump sum contribution from the funds accumulated in a pension fund, starts making periodic pension annuity payments to pension annuity recipients when they reach the age of 85 until the end of life. Deferred pension annuity is not hereditary.

#### **4. FINANCIAL PERFORMANCE OF INSURANCE UNDERTAKINGS LICENSED IN THE REPUBLIC OF LITHUANIA**

**Based on unaudited data, at the end of 2023, the book value of insurance undertakings' assets was €1.8 billion and increased by 22.4% or €333.2 million, compared to the end of 2022.** It has already been mentioned that changes in accounting principles for assets and insurance contracts had an impact on significant changes. However, the decisive factor for the notable increase in assets was the merger of the insurance contract portfolios of two life insurance undertakings, which is not included in the comparable data for 2022. Life assurance undertakings' assets amounted to €904.3 million, an increase of 28%. This growth was primarily influenced by the increased value of investments, including assets managed under unit-linked life assurance contracts, which amounted to €563.5 million in 2023, representing a 54% increase year on year. This increase was driven by the aforementioned merger of two companies. Excluding this change, the growth in unit-linked life assurance contract volumes would have been around 17%.

In 2023, the book value of assets of insurance undertakings was €914.8 million (a year-on-year increase of 17.4%). Taking into account the safe margin of capital reserves, financial performance, insurance undertakings paid out €26.0 million to shareholders in dividends in 2023, which is 45% or €8.9 million less year on year, i.e. almost all the earned profit was paid out to the shareholders.

The total book value of equity investments (including cash) of life assurance undertakings increased by 8% to €302.6 million, compared to the end of 2022. The largest positive impact on this change was due to the merger of companies, where the acquiring company's portfolio of proprietary investments more than doubled. In 2023, life assurance undertakings paid dividends to their shareholders totalling €15.3 million (in 2022 – €15.1 million).

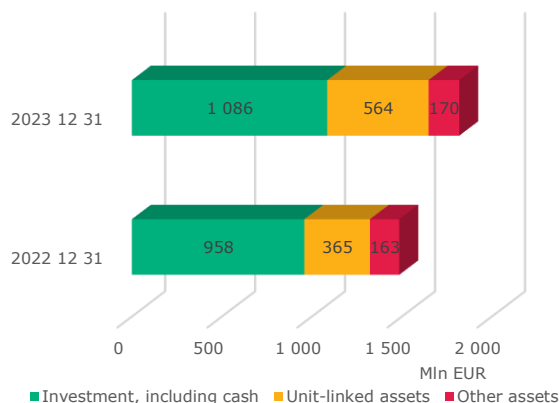
At the end of 2023, compared to the end of 2022, the total book value of equity investments of non-life insurance undertakings (including cash) grew to €783 million (15.4% or €105 million). This is mainly due to increased investment portfolio and its higher value, as well as the dividends paid out to company shareholders, totalling €10.8 million (compared to €19.8 million in 2022).

The accounting principles established in the IFRS 17 had a significant impact on the size of insurance undertakings' equity and liabilities. Comparative to 2022, the equity in 2023, evaluated according to different accounting standards, increased by almost €75 million. Mostly, this was due to the recalculated size of the accumulated operating result profit (or loss) from previous years, which increased by €50 million. Comparing the technical provisions' sizes in 2022, their value calculated under the new accounting principles decreased by almost €208 million, or 17%.

In 2023, insurance undertakings' equity and reserves amounted to €456.9 million, which is 23.1% more than in 2022. This was significantly influenced by the increase (+€21.96 million) in statutory capital during the merger process of one of the companies. Due to positive changes in financial markets in 2023, there was a smaller negative size of the revaluation reserve and a significantly increased amount of retained earnings for the reporting year. IFRS 17 stipulates the requirement to form two technical provisions for insurance obligations: outstanding insurance protection obligations and incurred loss obligations. Moreover, companies distributing unit-linked life assurance contracts, if these contracts do not include significant insurance risk coverage, may choose to treat these contracts as investment contracts, not insurance, and account for them according to the requirements of IFRS 9. In such cases, they form obligations of investment contracts. Insurance undertakings formed technical provisions (reserves) to fulfil obligations under insurance contracts totalling €1.139 billion, which is 15.1% higher than in 2022. Life assurance undertaking' insurance obligations (including obligations arising from unit-linked life assurance contracts) amounted to €596.4 million, or 14% more than in 2022, while non-life insurance undertakings' insurance obligations amounted to €542.6 million, or 16.4% more than in previous years. Obligations under investment contracts amounted to €111.7 million, compared to only

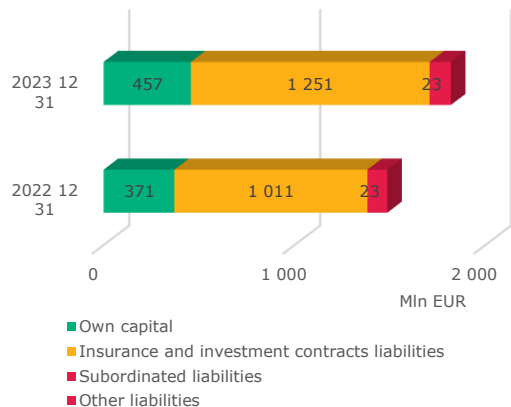
€21.5 million in 2022. Transitioning to the new insurance contract accounting standard, life assurance undertakings reassessed their unit-linked life assurance contract portfolios and allocated a larger portion of them to investment contracts, i.e. those without significant insurance risk.

Chart 7. Composition of insurance undertakings' assets



Source: Bank of Lithuania.

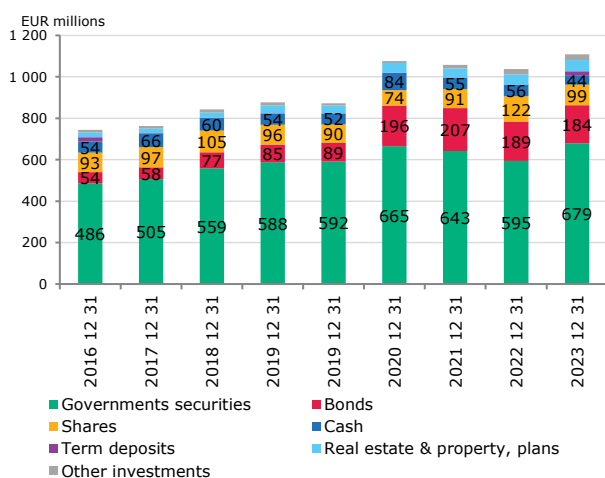
Chart 8 Composition of insurance undertakings' liabilities



Source: Bank of Lithuania.

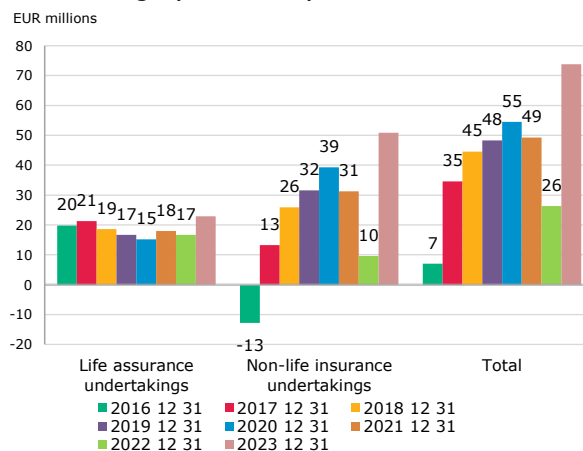
As of 31 December 2023, the total volume of equity investments (including cash) of insurance undertakings grew by 13% amounting to €1.09 billion. The composition of the investment portfolio of insurance undertakings is rather conservative: the bulk of investments consists of government debt securities, which are less dependent on market fluctuations. Investments in government securities increased by 14.1 percentage points, continuing to dominate investment portfolios, accounting for 61.2%, or €678.9 million (compared to €594.9 million in 2022), with nearly 95% of them invested in government securities issued by EEA countries. The second-largest investment direction, investments in bonds of other companies, decreased by 2.7 percentage points to 16.6% of proprietary assets investments, totalling €184.0 million (compared to €189.1 million in 2022), with 76% of them invested in bonds of EEA countries. The share of investments in equity securities, including investments in collective, investment undertakings (CIUs) dropped by 18.6 percentage points to 8.9% and amounted to €99 million (€122 million in 2022).

Chart 9. Composition of insurance undertakings' equity investment



Source: Bank of Lithuania.

Chart 10. Operating result of insurance undertakings (before tax)



Source: Bank of Lithuania.

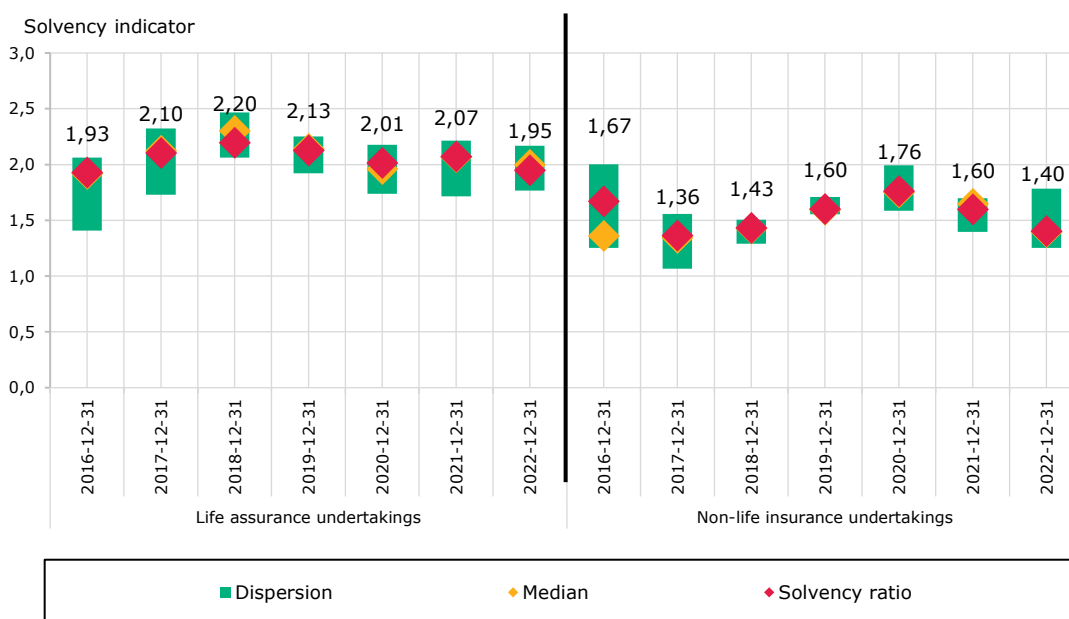
In 2023, insurance undertakings registered in the Republic of Lithuania earned a total profit of €73.8 million (before taxes), which is more than double the amount earned in 2022 (excluding the profit earned by INVL Life, UAB, in 2022). The profit (before tax) earned by life assurance undertakings in 2023 amounted to €22.9 million (€16.7 million in 2022). Compared to 2022, the profits of non-life insurance undertakings grew more than fourfold – to €50.9 million. The performance of this sector was mostly influenced by changes in the operating results of one of the companies, which in the past had generated losses for several reporting periods.

The unrealised valuation changes resulted from revaluation of investments (which are directly increasing or decreasing the equity of undertakings and not recognised in the profit and loss account of the reporting period) included in other comprehensive income (expense) amounted to a profit of €13.1 at the end of 2023: there was a loss of €6.3 million in life assurance undertakings and a profit of €19.4 million in non-life insurance undertakings in 2023 (compared to a loss of €21.0 million in 2022 of life assurance undertakings – €26 million profit, of non-life insurance undertakings – €47 million loss).

## 5. COMPLIANCE WITH SOLVENCY CAPITAL REQUIREMENTS

All insurance undertakings complied with their solvency capital requirements. Having calculated the capital requirement and evaluated the amount of available own funds in line with Solvency II requirements, the Bank of Lithuania concluded that all insurance undertakings were solvent, i.e. held sufficient own funds to cover the solvency capital requirement and the minimum capital requirement. As of 31 December 2023, the solvency ratio of life assurance undertakings was 2.03 and that of non-life insurance undertakings – 1.45.

Chart 11. Indicators of insurance undertakings' solvency capital requirement



Source: Bank of Lithuania

## 6. INSURANCE BROKERAGE FIRMS

**In the reporting period, 35% of the contracts within the insurance market were concluded through the mediation of insurance brokerage firms.** As of 31 December 2023, 105 insurance brokerage firms operated in Lithuania’s insurance market. During the reporting period, insurance brokerage firms mediated in concluding 3.07 million insurance contracts. Compared to 2022, their number increased by almost 12%. As usual, insurance brokerage firms were most active in the non-life insurance market. The composition of the portfolio of insurance contracts concluded through the mediation of insurance brokerage firms changed only slightly, with the largest share of contracts, i.e. 1.87 million, or 61% of contracts (as a year ago) going to MTPL insurance, 0.26 million or 8% of contracts were concluded in assistance insurance, 0.24 million or 7% of property insurance contracts were concluded, while the number of contracts concluded in accident insurance, CASCO, and sickness insurance also increased.

Table 4. Key performance indicators of insurance brokerage firms

| Indicator                                     | Amount |        |         | Growth rate, % |      |
|-----------------------------------------------|--------|--------|---------|----------------|------|
|                                               | 2021   | 2022   | 2023    | 2022           | 2023 |
| Insurance contracts concluded, thousand units | 2,486  | 2,732  | 3,073   | 9.9            | 12.4 |
| Dynamics of sales revenue, EUR thousands      | 67,448 | 85,366 | 108,511 | 26.6           | 27.1 |
| Result for reporting period, EUR thousands    | 9,092  | 13,224 | 21,773  | 45.4           | 64.6 |

Source: Bank of Lithuania.

**Sales revenues of insurance brokerage firms (from insurance mediation activities) amounted to €108.5 million as at 31 December 2023 according to the (draft) financial statements – an increase of 27.1% compared to 2022.** Insurance brokerage firms operated at a profit during the reporting period, generating a profit (before taxes) of €23.5 million; a year-on-year profit of 50.1%. The main reason for the surge in profits was an increase in sales revenues of insurance brokerage firms and lower growth in operating costs. The operations of 88 insurance brokerage firms were profitable.

During the reporting period, the assets and equity capital of insurance brokerage firms increased by 25.9 and 30.3% respectively. As of 31 December 2023, all insurance brokerage firms complied with the minimum equity capital requirement (the capital cannot be less than €19,510 or less than 4% of the insurance premiums received by an insurance brokerage firm over a year payable to insurers).

Under existing legal acts, insurance brokerage firms must hold insurance premiums collected, intended for settlement with insurers, on separate bank accounts. It should be noted that over the reporting period this requirement was met. Over the year, insurance brokerage firms collected €175.0 million in insurance premiums, which was transferred to insurance undertakings.