



LIETUVOS BANKAS

Review of Lithuania's Insurance Market

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Abbreviations

Casco	Motor vehicles insurance (other than railway rolling stock)
MTPL	Motor third party liability insurance

Note:

Totals in the tables may not add up due to rounding.

GENERAL INSURANCE MARKET DATA

In the first quarter of 2013 the insurance undertakings registered in the Republic of Lithuania and branches of insurance undertakings of other European Union Member States established in Lithuania wrote insurance premiums amounting to LTL 441.3 million, which represented a year-on-year increase of even 10.9 per cent. The insurance market has been growing in recent years and is going to reach pre-crisis levels, when, in 2007, a total of over LTL 2 billion premiums were written. Within individual segments, the market has already reached pre-crisis levels.

Table 1. Premiums written

Branches of insurance	Amount, LTL million	Growth rate	
		Q1 2013 (%)	Q1 2012 (%)
Life assurance	132.9	▲ 10.4	▼ 8.5
Non-life insurance	308.4	▲ 11.1	▲ 4.0
Total	441.3	▲ 10.9	▼ 0.1

In the first quarter each year, as compared with the other quarters, less life assurance premiums are written. Despite an increase in the volume of life assurance of 10.4 per cent in the first quarter of 2013, it remains similar to that recorded in the initial quarters and still has not reached the peak volumes of life assurance recorded in 2007, when nearly LTL 150 million life assurance premiums were written in the first quarter.

The increase in the volumes of Lithuania's insurance market was driven by marked growth in the non-life insurance market. In the second and third quarters each year, the non-life insurance market share expands due to the still sensed cyclical conclusion of MTPL contracts. In the first quarter of 2013, the volume of the non-life insurance branch accounted for 69.9 per cent of the entire insurance market. Growth in the non-life insurance branch has not only been influenced by growth in MTPL, but also the second largest — Casco insurance — volumes.

In the first quarter of 2013, changes in insurance contracts concluded were slightly less considerable than the dynamics of premiums written: a total of 1.13 million of insurance contracts were concluded, which represents a year-on-year increase of 3.1 per cent. Thus, a larger premium has been written under one insurance contract on average.

Table 2. Contracts concluded

Branches of insurance	Amount (LTL thousands)	Growth rate	
		Q1 2013 (%)	Q1 2012 (%)
Life assurance	14.5	▲ 15.0	▼ 10.4
Non-life insurance	1,117.9	▲ 3.0	▲ 4.4
Total	1,132.4	▲ 3.1	▲ 4.2

Table 3. Contracts in force

Branches of insurance	Amount (LTL thousands)	Growth rate	
		Q1 2013 (%)	Q1 2012 (%)
Life assurance	390.4	▼ 0.8	▼ 1.0
Non-life insurance	3,188.8	▲ 2.4	▲ 1.4
Total	3,579.1	▲ 2.1	▲ 1.1

The number of non-life insurance contracts concluded grew by 3.0 per cent to 1.1 million and the number of contracts in force— by 2.4 per cent to 3.2 million. The growing number of non-life insurance contracts concluded and in force for several consecutive years signals the development of the non-life insurance market. As compared with premiums written, a larger non-life

Chart 1. Dynamics of premiums written (left-side scale) and their growth rate (right-side scale)

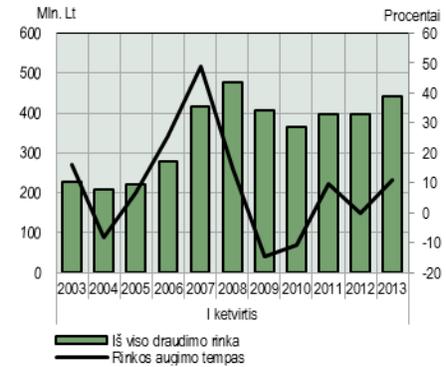


Chart 2. Dynamics of life assurance and non-life insurance premiums written

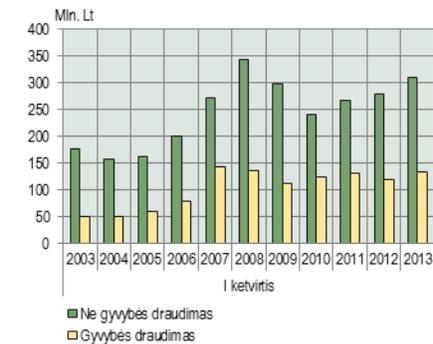


Chart 3. Dynamics of life assurance contracts (right-side scale) and non-life insurance contracts concluded (left-side scale)

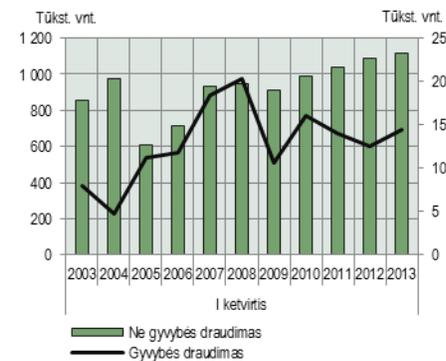


Chart 4. Dynamics of life assurance contracts (right-side scale) and non-life insurance contracts in force (left-side scale)

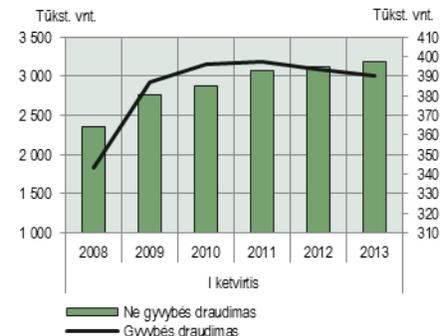


Chart 5. Dynamics of life assurance and non-life insurance claims paid

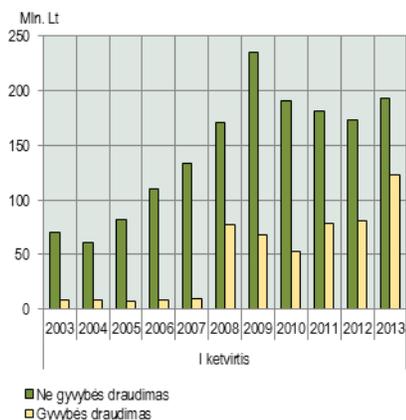


Chart 6. Life assurance contracts concluded

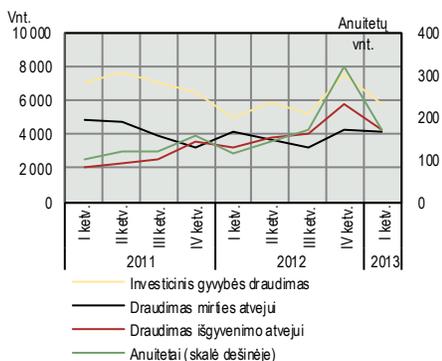


Chart 7. Portfolio of life assurance contracts concluded

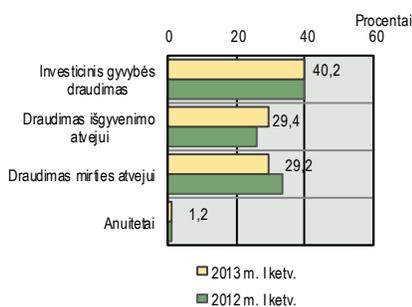
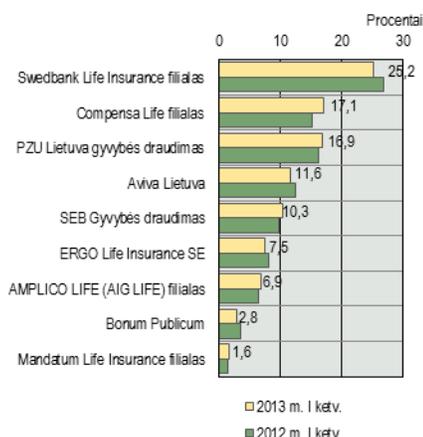


Chart 8. Portfolios of Contracts of Life Assurers



insurance premium is written under a contract concluded on average.

In the life assurance branch, as much as 15 per cent more of new contracts were concluded. However, the rate of conclusion of new contracts has been insufficient to offset the number of terminated and expired contracts. The number of contracts in force, which shows a more precise size of the life assurance market, has still been declining.

Table 4. Claims paid

Branches of insurance	Amount, LTL millions	Growth rate	
		Q1 2013 (%)	Q1 2012 (%)
Life assurance	123.0	▲ 51.3	▲ 4.1
Non-life insurance	192.7	▲ 10.9	▼ 4.4
Total	315.7	▲ 23.8	▼ 1.8

While the first quarter of 2013 was characterised by strong growth in income, the amount of claims paid in relative terms increased still more, by as much as 23.8 per cent year on year. In absolute terms, the amount of claims paid grew a little less than income, by LTL 315.7 million and LTL 441.3 million respectively.

II. LIFE ASSURANCE

CONTRACTS CONCLUDED

2013 began with a positive attitude in the life assurance market. During the first quarter of this year a total of 14,453 life assurance contracts were concluded. The number of contracts rose across all classes of insurance, with major contribution to the rise stemming from insurance in the case of survival. Owing to the current financial market situation, the trend in the choice of life assurance products remained similar to that in 2012, with the population tending to choose endowment assurance products rather than the life assurance products where the policyholder bears the investment risk.

Table 5. Life Assurance Contracts Concluded

Classes of insurance	Number (units)	Growth rate		
		Q1 2013		Q1 2012 (%)
		pcs.	%	
Marriage and birth insurance	–	–	–	–
Unit-linked life assurance	5,804	+796	▲ 15.9	▼ 28.9
Traditional life assurance	8,649	+1,093	▲ 14.5	▲ 8.3
Insurance in case of death	4,225	+40	▲ 1.0	▼ 13.8
Insurance in case of survival	4,251	+993	▲ 30.5	▲ 61.0
Annuities	173	+60	▲ 53.1	▲ 9.7
Total	14,453	+1,889	▲ 15.0	▼ 10.4

The portfolio of contracts concluded remained basically unchanged, with unit-linked life assurance accounting for the largest portfolio share (40.2%), although the products of life assurance in the case of survival are becoming increasingly popular (over the year, portfolio share has changed from 25.9% to 29.4%). In the assessment of insurer portfolios on an individual basis, a downward trend in the unit-linked life assurance portfolio share is dominant.

This year insurers managed to maintain similar customer levels, while at the end of 2012 there was a large wave of terminations due to the end of the 10 year period for which a significant share of contracts had been concluded. At the end of the first quarter of 2013, the number of contracts in force even picked up a little (0.9%) as compared with the situation at the end of 2012.

This suggests that the number of contracts concluded in the life assurance market counterbalanced that of terminated insurance contracts

PREMIUMS WRITTEN

The life assurance market share remained basically unchanged, with 30.1 per cent of the entire insurance market.

In the initial three months of 2013 a recovery in the life assurance market was observed: the amount of contracts written by assurers totalled LTL 132.9 million, which is an increase of 10.4 per cent year on year and a 1 per cent increase as compared with January–March 2011. This rise in premiums written encourages optimism, as a year ago their growth rate was negative at 8.5 per cent.

The growth rate of unit-linked life assurance, which, as in all periods, represented the largest market share, was positive at 12.7 per cent, or LTL 10.2 million. The volume of premiums written within the traditional life assurance class grew mainly because of an increase in insurance in the case of survival premiums of LTL 1.9 million. The growth rate of marriage and birth insurance, and of annuities, whose market share is the smallest, was negative in the first quarter (–27.4% and –0.4% respectively).

Growth in premiums written was driven by a considerable increase in single insurance premiums — their amount was by LTL 7.9 million bigger than a year ago. Periodic premiums grew less strongly, increasing by LTL 4.7 million (in the first quarter of 2013, 87.9% of premiums were paid as periodic ones).

Table 6. Life assurance premiums written

Classes of insurance	Amount, LTL millions	Growth rate		
		Q1 2013		Q1 2012 (%)
		LTL millions	%	
Marriage and birth insurance	1.2	–0.4	▼ 27.4	▼ 16.1
Unit-linked life assurance	90.8	+10.2	▲ 12.7	▼ 15.4
Traditional life assurance	41.0	+2.7	▲ 7.1	▲ 10.9
Insurance in case of death	6.4	+0.8	▲ 15.3	▲ 20.6
Insurance in case of survival	32.2	+1.9	▲ 6.2	▲ 8.5
Annuities	2.4	–0.0	▼ 0.4	▲ 22.1
Total	132.9	+12.5	▲ 10.4	▼ 8.5

In the first quarter, natural persons wrote 88.4 per cent of the amount of total premiums written. The share of premiums written by legal entities expanded from 7.4 per cent to 11.6 per cent over the year and amounted to LTL 15.4 million. A considerable increase in the single unit-linked life assurance premiums of legal entities (LTL 5.6 million, or as many as 5.5 times) contributed significantly to the growth of the entire market.

The distribution of the insurance market among the three largest life assurers remained unchanged over the year. While the leader in the market, *Swedbank Life Insurance SE* Lithuania branch lost 4.1 per cent of the market, it retained the highest positions. A significant rise in the premiums of legal persons in the portfolio of *Mandatum Life Insurance Baltic SE* Lithuania branch provided conditions for the branch to increase its market share to nearly 3 per cent.

Chart 9. Dynamics of life assurance premiums written

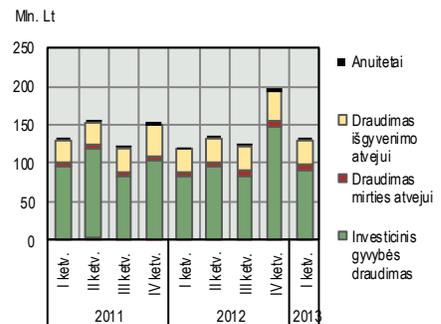


Chart 10. Life assurance portfolio in terms of premiums written

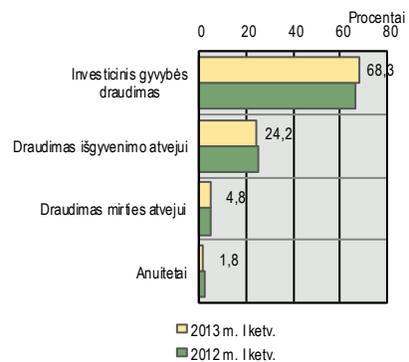


Chart 11. Concentration in the life assurance market in terms of premiums written

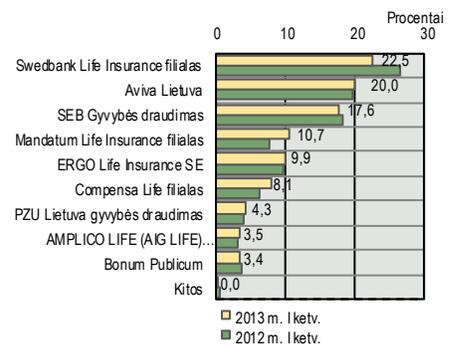


Chart 12. Portfolio of life assurance claims paid

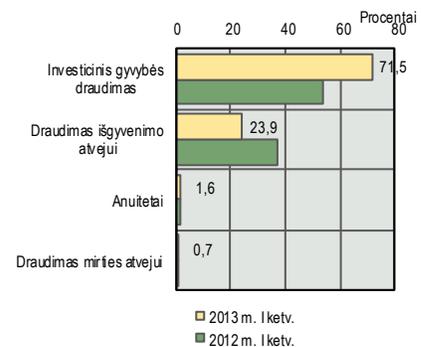


Chart 13. Concentration in the life assurance market in terms of claims paid

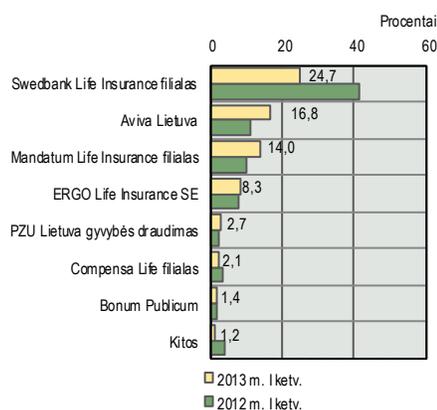


Chart 14. Dynamics of non-life insurance contracts concluded and in force

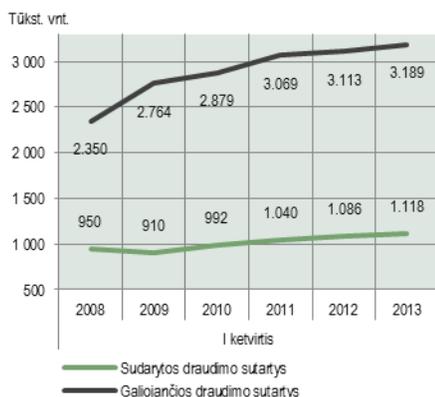
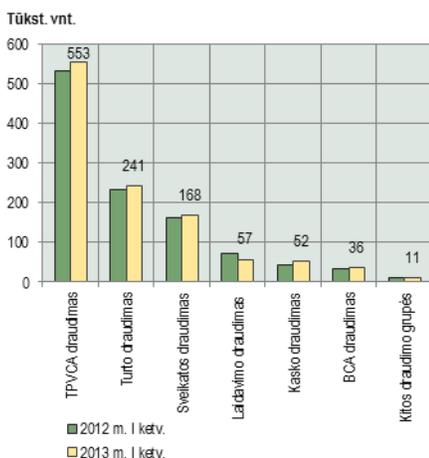


Chart 15. Portfolio of non-life insurance contracts concluded



CLAIMS PAID

The amount of claims paid in the insurance market in the first quarter of 2013 totalled LTL 123 million, a year-on-year increase of 51.3 per cent. Unit-linked life assurance represented the most significant portion of claims paid—LTL 88 million. The amount of claims paid for insurance in the case of survival stood at nearly LTL 30 million, a year-on-year decline of 3 per cent.

Table 7. Life assurance claims paid

Classes of insurance	Amount, LTL millions	Growth rate		
		Q1 2013		Q1 2012 (%)
		mln. Lt	%	
Marriage and birth insurance	2.8	-2.3	▼ 44.6	▲ 4.5
Unit-linked life assurance	88.0	+44.1	▲ 100.3	▼ 19.2
Traditional life assurance	32.3	-0.1	▼ 0.3	▲ 71.4
Draudimas mirties atvejui	0,9	+0,0	▲ 2,2	▲ 71,4
Draudimas išgyvenimo atvejui	29,4	-0,9	▼ 3,0	▲ 71,9
Anuitetai	2,0	+0,8	▲ 67,1	▲ 60,1
Iš viso	123,0	+41,7	▲ 51,3	▲ 4,1

Record claims paid in the first quarter of 2013, as compared with the initial quarters of the previous year, resulted from continued payment of claims owing to a great number of expired insurance contracts and termination of contracts that had been in force for 10 years at the end of 2012. In February and March, a downward trend in claims paid and the likely market stabilisation trend were already observed. Amounts paid to cover insurance claims alone, in contrast to other amounts paid, stood at LTL 7.8 million, a decrease of even 22.4 per cent.

III. NON-LIFE INSURANCE

CONTRACTS CONCLUDED

During three months of 2013 more than 1.1 million insurance contracts were concluded in Lithuania's non-life insurance market. Year on year, growth in the number of contracts concluded weakened somewhat: in the first quarter of 2013, the number of contracts concluded rose by 3.0 per cent, compared to 4.4 per cent in the first quarter of 2012.

Table 8. Non-life insurance contracts concluded

Classes of insurance	Amount (LTL thousands)	Growth rate		
		Q1 2013		Q1 2012 (%)
		Thous. units.	%	
MTPL insurance	552.5	+20.7	▲ 3.9	▲ 3.0
Property insurance	240.7	+6.9	▲ 3.0	▲ 4.8
Health insurance	168.1	+6.9	▲ 4.3	▲ 4.9
Suretyship insurance	57.4	-13.4	▼ 18.9	▲ 0.6
Casco insurance	51.9	+7.6	▲ 17.2	▲ 11.4
General liability insurance	35.8	+2.9	▲ 8.8	▲ 19.9
Other classes of insurance	11.4	+0.7	▲ 6.7	▲ 22.6
Total	1,117.9	+32.3	▲ 3.0	▲ 4.4

The volumes of activity across all classes of insurance representing the largest share of the insurance portfolio grew; however, credit insurance, suretyship insurance and other (non-Casco) motor vehicle insurance contracts declined in number.

The number of MTPL insurance contracts concluded grew by 4 per cent and totalled 552.5 thousand. While the number of insurance contracts concluded within this class of insurance kept growing, the number of insurance contracts in force, which shows more precisely the volume of insurance activity, as of 31 March 2013 was lower by 3 per cent than as of 31 March 2011, when 1.34 million insurance contracts were in force.

When analysing the contracts within the property insurance class, more robust growth in the number of insurance contracts for property owned by legal persons should be noted. Contracts concluded within this class of insurance rose by 6 per cent (17.9 thousand pieces) year on year. Growth in the number of insurance contracts concluded for property owned by individuals was less pronounced — they rose 3 per cent (to 222.7 thousand units). Within the two segments of property insurance, the number of contracts in force as of 31 March 2013 was the largest in the recent two years.

With regard to the health insurance class, it should be noted that the volume of supplementary voluntary health insurance recorded the strongest growth. In the first quarter of 2013, 20 per cent more of insurance contracts were concluded year on year. Significant growth in the volumes of this class of insurance in recent years has also been observed with regard to the number of insurance contracts in force: as of 31 March 2013, 6,513 insurance contracts were in force, a year-on-year increase of 31 per cent.

The number of suretyship contracts concluded shrank owing to a 21 per cent drop in the number of liability executing customs procedures insurance contracts (50.9 thousand units).

As regards the contracts within the branch of non-life insurance, it should be noted that the number of Casco insurance contracts concluded recorded one of the strongest growth rates, 17 per cent. It should also be noted that within the segment of insurance of transport vehicles owned by individuals, relatively more insurance contracts were concluded than in the segment of legal persons. Recoding stable growth in recent years, as of 31 March 2013 the Casco insurance class also reached new heights in terms of insurance contracts in force.

PREMIUMS WRITTEN

For the non-life insurance market, the year 2013 started with a vigorous jump: as compared with the results for the first quarter of the previous year, the amount of premiums written grew by 11 per cent and was higher than the volume recorded in the first quarter of 2009. The amount of premiums written in the reporting period stood at LTL 308 million.

Chart 16. Portfolio of non-life insurance contracts in force

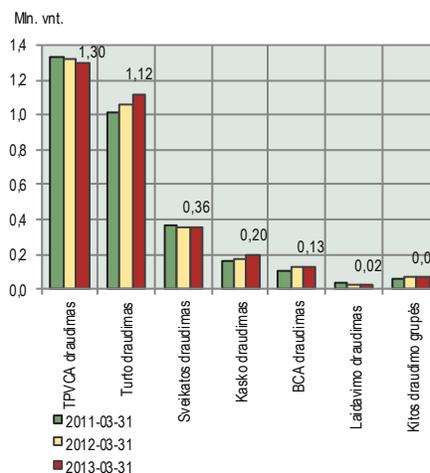


Chart 17. Dynamics of non-life insurance premiums written (left-side scale) and their growth rate (right-side scale)

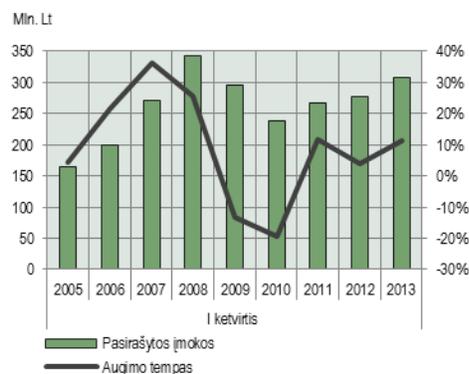


Chart 18. Portfolio of Non-life Insurance Premiums Written

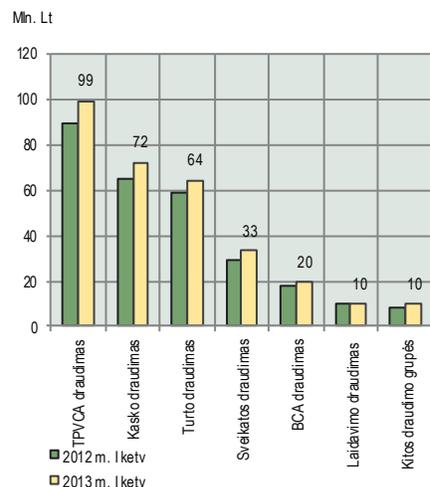


Chart 19. Concentration in the non-life insurance market in terms of premiums written

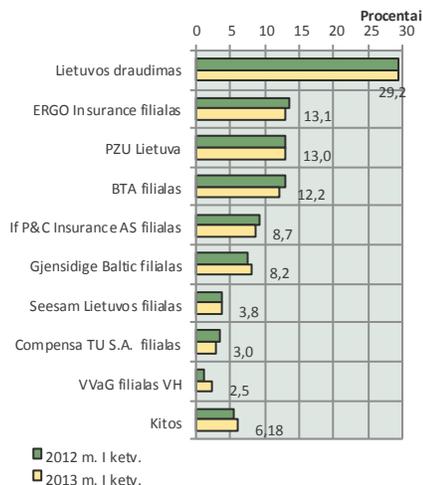


Chart 20. Dynamics of non-life insurance claims paid (left-side scale) and their Growth Rate (right-side scale)

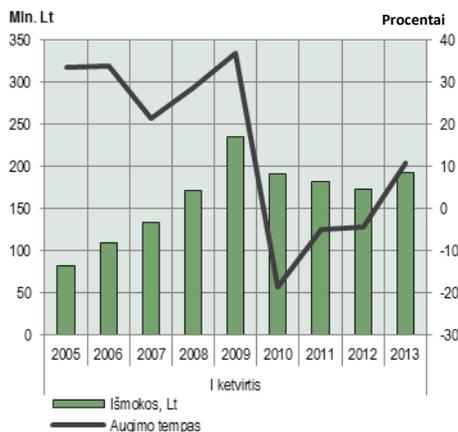


Chart 21. Portfolio of non-life insurance claims paid

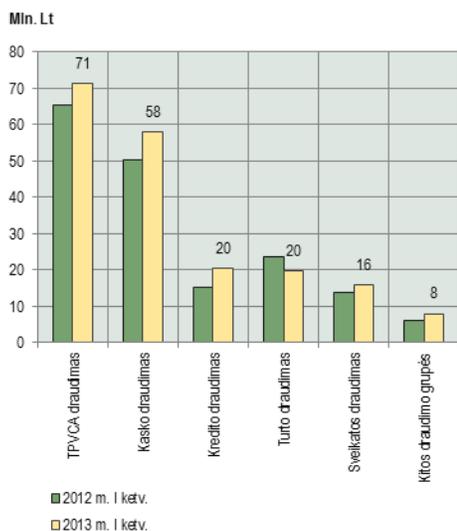


Table 9. Non-life insurance premiums written

Classes of insurance	Amount (LTL million millions)	Growth rate		
		Q1 2013		Q1 2012 (%)
		LTL millions	%	
MTPL insurance	99.1	+9.8	▲ 11.0	▲ 6.7
Casco insurance	72.0	+7.5	▲ 11.6	▲ 15.6
Property insurance	64.3	+5.7	▲ 9.8	▼ 12.0
Health insurance	33.3	+4.2	▲ 14.6	▲ 22.3
General liability insurance	19.7	+1.9	▲ 10.6	▼ 6.9
Suretyship insurance	10.0	+0.2	▲ 2.3	▲ 4.7
Other classes of insurance	10.0	+1.5	▲ 17.7	▼ 0.8
Total	308.4	+30.8	▲ 11.1	▲ 4.0

The portfolio of premiums written over the last year remained unchanged: the MTPL, Casco and property insurance classes continue to dominate.

All classes of non-life insurance, except for ships insurance, liability for ships insurance, and aircraft liability insurance recorded growth in their premiums written.

The record amount written within the MTPL insurance class in the first quarter of 2013—LTL 99 million—exceeded the pre-crisis volumes within this class of insurance (in the first quarter of 2008, the premiums written amounted to LTL 93 million). While growth in the Casco insurance class outpaced somewhat (by 11.6%) growth in the MTPL insurance class, the amount of premiums written by Casco insurance during the initial months of this year did not equal that written either in the first quarters of 2007 or 2008 (LTL 86.6 million and LTL 105.4 million respectively).

Weaker relative growth in the insurance contracts concluded by MTPL insurance, as compared to growth in the premiums written, suggests the increase of the average premium within this class of insurance, whereas the trends within the Casco class of insurance are opposite — relative growth in the insurance contracts concluded exceeded that in the premiums written, and led to the decline in average premium. It should be noted that the lowest average premium of Casco insurance in the recent ten years has been recorded.

The volumes of insurance of property owned both by legal and natural persons recorded growth (10% and 9.6% respectively). The growth in the volume of insurance of property owned by legal entities was driven by a considerable increase in the scope of crop insurance (LTL 7.7 million). As regards the segment of insurance of property owned by legal entities, excluding the crop insurance performance, the volumes of this sector's activity would have contracted by 4 per cent. In the segment of insurance of property owned by individuals, the amount of premiums written stood at LTL 30.7 million, which is the most in the last ten years.

The three largest non-life insurance market participants continued to retain the highest positions in the market in the first quarter of 2013.

CLAIMS PAID

The amount of claims paid in the non-life insurance market in the first quarter of 2013 totalled LTL 192.7 million, a year-on-year increase of 10.9 per cent.

Table 10. Non-life Insurance claims paid

Classes of insurance	Amount (LTL million millions)	Growth rate		
		Q1 2013		Q1 2012 (%)
		LTL million	%	
MTPL insurance	71.2	+5.7	▲ 8.7	▲ 9.3
Casco insurance	58.0	+7.9	▲ 15.7	▼ 11.0
Credit insurance	20.3	+5.2	▲ 34.1	▲ 6.8
Property insurance	19.7	-3.7	▼ 15.9	▼ 25.5
Health insurance	15.7	+2.1	▲ 15.2	▲ 28.4
Other classes of insurance	7.9	+1.9	▲ 31.0	▼ 35.6
Total	192.7	+19.0	▲ 10.9	▼ 4.4

Amounts paid increased across all classes of insurance, except for the financial loss and property insurance classes.

The composition of the portfolio of claims paid changed somewhat this year: the MTPL and Casco insurance classes continued to dominate; however, the credit insurance class became the third one in terms of claims paid. Housing loan insurance claims paid to banks for the default in liabilities by insurance policy holders dominated the credit insurance class. Their amount surged by 40 per cent to LTL 19.7 million.

With the growing volume of MTPL activity, in the first quarter of 2013 the amount of claims paid grew to record heights. Within the insurance class representing the largest portfolio share, the amount of claims paid in 2013 totalled LTL 71.2 million, or 8.7 per cent more than in the first quarter of 2012. Relative growth in the amount of claims paid under Casco insurance was considerably higher than under MTPL insurance — 15.7 per cent). As regards the dynamics of the number of claims paid, it should be noted that the average claim paid under MTPL insurance exceeded the average amounts paid in the previous periods, and the average claims paid under Casco insurance were the highest in 2008 and 2009.

The amount of claims paid under property insurance shrank by LTL 3.7 million to LTL 19.7 million; the weights of the claims paid changed, however, across the segments, i.e. the highest-in-the-previous-periods amounts paid under insurance of property owned by legal entities contracted by 45 per cent — to LTL 7.5 million, whereas the amounts paid under insurance of property owned by individuals picked up by 27 per cent and amounted to LTL 12.1 million.