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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
GLI	General liability insurance

Note:

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

I. GENERAL INSURANCE MARKET DATA

During three quarters 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 1,408.2 million, a year-on-year increase of even 10 per cent.

1 Table 1. Premiums written

Branches of insurance	Amount (LTL million)	Growth rate	
		Q3 2013 (%)	Q3 2012 (%)
Life assurance	418.5	▲ 10.7	▼ 7.4
Non-life insurance	989.7	▲ 9.7	▲ 5.4
Total	1,408.2	▲ 10.0	▲ 1.3

Both the life assurance and the non-life insurance markets recorded growth: in the life assurance market, growth was somewhat stronger — 10.7 per cent or LTL 418.5 million; in the non-life insurance market — 9.7 per cent, or LTL 989.7 million. Year on year, the volumes of the life assurance market were the highest in six years, while being 22 per cent lower than during the economic upswing (in 2007). The volume of the non-life insurance market differed from that observed during the economic upswing (in 2008) by a mere 13 per cent.

Major contribution to growth in the life-assurance market stemmed from growth in the volumes of major classes of insurance — unit-linked insurance and traditional life assurance. It should be noted that the amount of premiums written in the case of survival was record large. The volume of non-life insurance expanded due to premiums written across all classes of insurance other than the credit, suretyship and ships insurance classes. Most premiums were written in the MTPL, GLI, health, financial loss, railway rolling stock and assistance insurance classes.

3.4 million units of insurance contracts were concluded during three quarters of 2013, a year-on-year increase of 3.9 per cent.

Table 2. Contracts concluded

Branches of insurance	Number (thousand units)	Growth rate	
		Q3 2013 (%)	Q3 2012 (%)
Life assurance	46.3	▲ 19.2	▼ 8.8
Non-life insurance	3,903.9	▲ 3.7	▲ 3.0
Total	3,950.2	▲ 3.9	▲ 2.8

Similar to this year's previous reporting periods, growth in the number of life assurance contracts outweighed non-life insurance contract changes. The number of life assurance contracts concluded was the largest in three recent years, yet 34 per cent below the figure for 2008. The trends in the conclusion of non-life insurance contracts diverged — in the reference period most insurance contracts were concluded year on year.

As the growth rate of insurance contracts was rather strong, the number of insurance contracts that were in force on 30 September 2013 increased by 4.7 per cent.

Table 3. Contracts in force

Branches of insurance	Number (thousand units)	Growth rate	
		Q3 2013 (%)	Q3 2012 (%)
Life assurance	397.3	▲ 2.2	▼ 2.9
Non-life insurance	3,423.6	▲ 5.0	▲ 4.8
Total	3,820.8	▲ 4.7	▲ 3.9

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

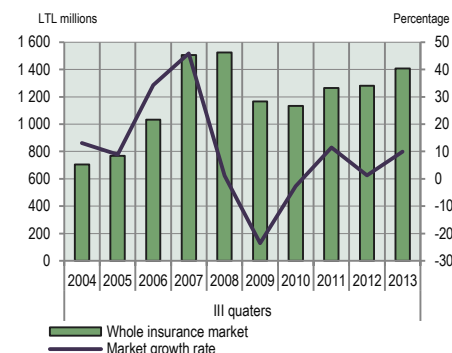


Chart 2. Dynamics of life assurance and non-life insurance premiums written

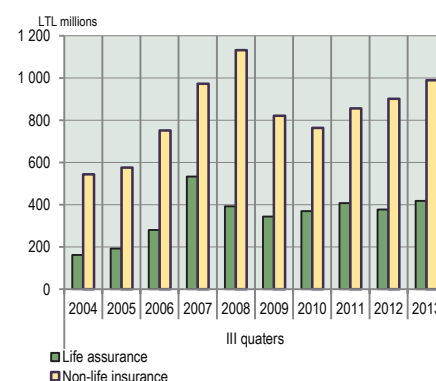


Chart 3. Dynamics of life assurance contracts (left-hand scale) and non-life insurance contracts concluded (right-hand scale)

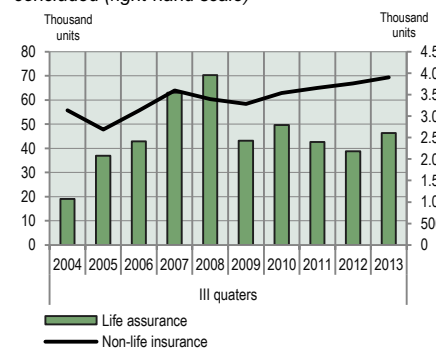


Chart 4. Dynamics of life assurance contracts (left-hand scale) and non-life insurance contracts in force (right-hand scale)

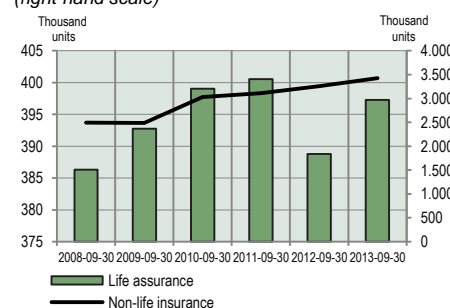


Chart 5. Dynamics and growth rate of insurance claims paid

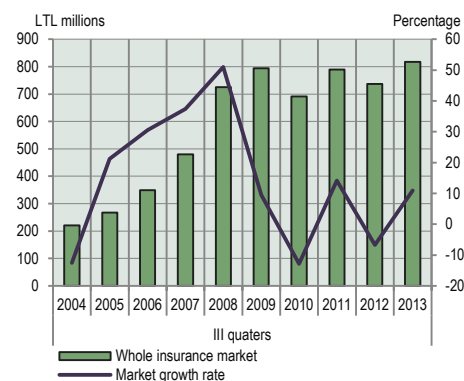


Chart 6. Dynamics of life assurance and non-life insurance claims paid

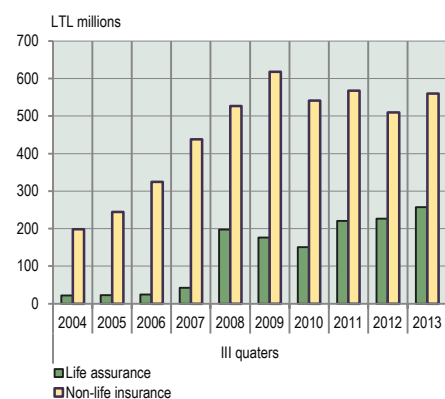
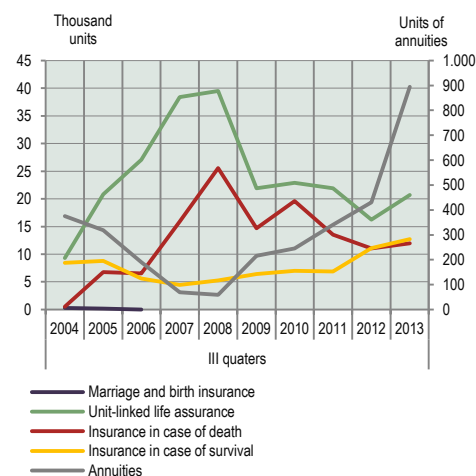


Chart 7. Life assurance contracts concluded



A large number of insurance contracts concluded led to an increase in life assurance volumes — at the end of the third quarter of 2013, 2.2 per cent more contracts were in force year on year. The growth rates of insurance in the case of survival and unit-linked insurance contracts in force were highly similar — 4.9 per cent and 4.7 per cent respectively. Within non-life insurance, property insurance contracts recorded the highest growth over the year (from 30 September 2012), increasing by 49.4 thousand units — to 1.1 million units; the largest decrease was recorded in the number of credit insurance contracts in force (by 1,678 units) — to 33.2 thousand units.

During nine months of 2013 insurers paid LTL 817.1 million in claims, an increase of 11 per cent year on year.

Table 4. Claims paid

Branches of insurance	Amount (LTL million)	Growth rate	
		Q3 2013 (%)	Q3 2012 (%)
Life assurance	256.9	▲ 13.3	▲ 2.6
Non-life insurance	560.2	▲ 10.0	▼ 10.3
Total	817.1	▲ 11.0	▼ 6.7

The amounts of life assurance claims paid, similar to previous periods, were record large, making LTL 256.9 million. The growth in the amounts of insurance claims paid within the latter branch of insurance was driven by large amounts of insurance claims paid within the unit-linked class of insurance. 10 per cent more non-life insurance claims were paid year on year and just 9 per cent less than over nine months of 2009, when the amounts of claims paid amounted to LTL 618 million. The growth in the claims paid within this branch of insurance was driven both by an increase in MTPL and Casco insurance claims paid, whereas the shrinking amounts of property insurance claims paid did not have a crucial impact on the entire volume of non-life insurance.

II. LIFE ASSURANCE

CONTRACTS CONCLUDED

The period of January–September 2013 was favourable for the life assurance market: 46.3 thousand contracts were concluded, 19.2 per cent above the figure for the same period last year. Over three quarters the number of contracts grew across all classes of insurance, mainly — unit-linked life assurance, despite the stronger growth rate of traditional life assurance products at the beginning of the year.

Table 5. Life assurance contracts concluded

Classes of insurance	Number (units)	Growth rate		
		Q3 2013		Q3 2012 (%)
		units	%	
Marriage and birth insurance	–	–	–	–
Unit-linked life assurance	20,715	+4,475	▲ 27.6	▼ 15.8
Traditional life assurance	25,591	+2,985	▲ 13.2	▲ 9.1
Insurance in case of death	11,950	+889	▲ 8.0	▼ 18.1
Insurance in case of survival	12,747	+1,632	▲ 14.7	▲ 61.9
Annuities	894	+464	▲ 107.9	▲ 26.5
Total	46,306	+7,460	▲ 19.2	▼ 8.8

The portfolio of contracts concluded remained basically unchanged, with unit-linked life assurance representing the largest portfolio share (44.7%); the life assurance in the case of death and in the case of survival products accounted respectively for 25.8 per cent and 27.5 per cent of the contracts portfolio. Assessing assurer portfolios on an individual basis, the unit-linked life assurance portfolio share of four assurers expanded, of three — contracted.

After the end of the third quarter, life assurers administered 397.3 thousand contracts in force. Despite mass expiration or termination of contracts at the end of 2012 and in the first month of this year, the number of contracts in force grew by almost 2.2 per cent, i.e. the number of contracts concluded outweighed that of insurance contracts terminated or expired. The market has a considerable potential for growth, as currently only every seventh or eighth resident of the country has assured his/her life.

PREMIUMS WRITTEN

Life assurers wrote LTL 418.5 million insurance premiums over three quarters of 2013, which is 10.7 per cent more year on year.

Table 6. Life assurance premiums written

Classes of insurance	Amount (LTL million)	Growth rate		
		Q3 2013		Q3 2012 (%)
		LTL million	%	
Marriage and birth insurance	3.4	-1.1	▼ 25.1	▼ 21.2
Unit-linked life assurance	286.5	+29.9	▲ 11.7	▼ 12.5
Traditional life assurance	128.6	+11.6	▲ 9.9	▲ 7.2
Insurance in case of death	20.4	+3.4	▲ 20.2	▲ 16.4
Insurance in case of survival	101.3	+7.5	▲ 8.0	▲ 5.1
Annuities	6.9	+0.6	▲ 10.0	▲ 18.5
Total	418.5	+40.4	▲ 10.7	▼ 7.4

The growth rate of unit-linked life assurance premiums written, with unit-linked life assurance representing the major market share, was 11.7 per cent, or LTL 29.9 million. Major contribution to growth in the volume of premiums written within the class of traditional life assurance stemmed from an increase of LTL 7.5 million in insurance in the case of survival premiums written, although, as a percentage, the volume of insurance in the case of death grew faster — by 20.2 per cent. Due to non-conclusion of new contracts, the premiums within the marriage and birth insurance class have been constantly decreasing; they have decreased by 25.1 per cent over three quarters of this year.

Both single and periodic premiums grew in January–September 2013 — by LTL 16.3 million and LTL 24.1 million; the growth rate of single premiums was stronger, though, at 46.6 per cent, while periodic premiums grew by a mere 7 per cent year on year.

The market share held by the three largest life assurers contracted by 2.1 percentage points over the year — to 61.1 per cent. The leader in the market — *Swedbank Life Insurance SE* Lithuania branch — retained the best positions, despite losing 2.3 per cent of the market. The market share of *Compensa Life Vienna Insurance Group SE* Lithuania branch expanded most over the year — by 2.2 percentage points (to 8.9%).

Chart 8. Dynamics of unit-linked insurance contracts and insurance in the case of survival contracts in force

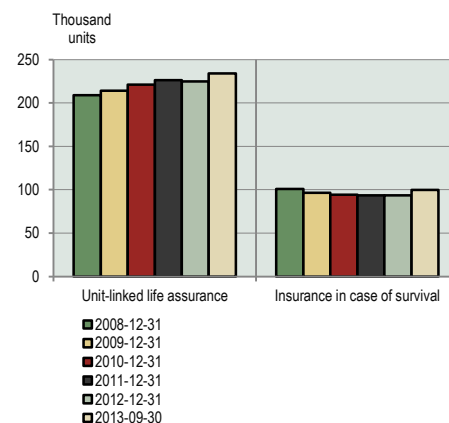


Chart 9. Dynamics of life assurance premiums written

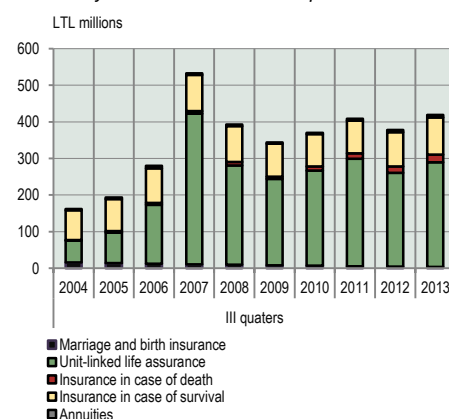


Chart 10. Concentration in the life assurance market in terms of premiums written

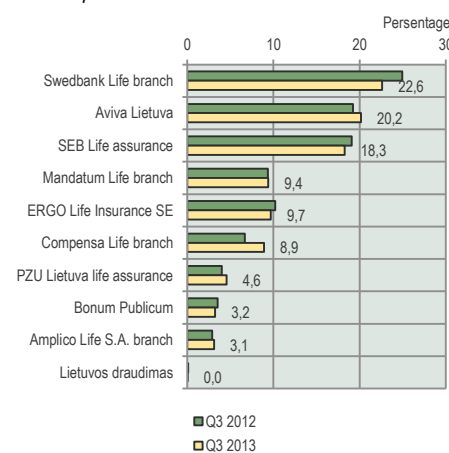


Chart 11. Dynamics of life assurance claims paid

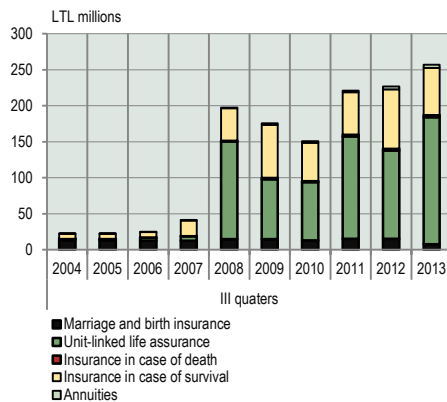


Chart 12. Life assurance portfolio in terms of the amounts of claims paid

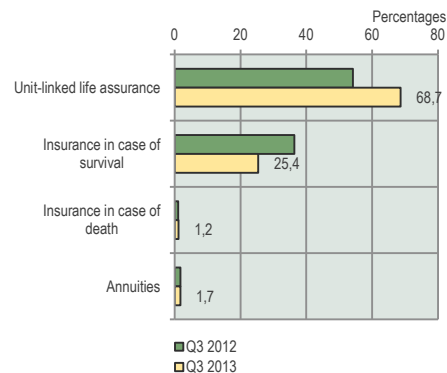
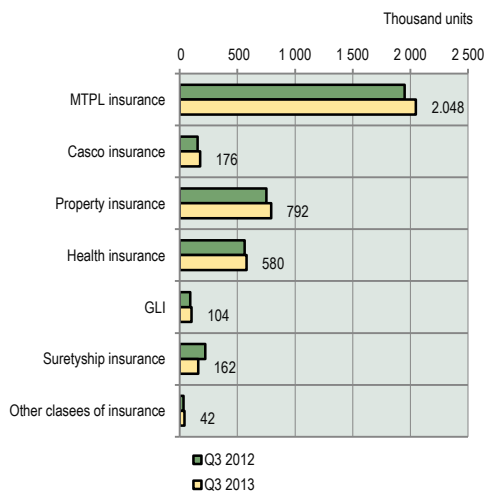


Chart 13. Dynamics of non-life insurance contracts concluded



CLAIMS PAID

During the first half-year of 2013 life insurers paid LTL 256.9 million in claims, an increase of 13.3 per cent year on year. The amount paid under unit-linked life assurance contracts represented the biggest proportion of claims paid — 68.7 per cent of total claims paid, or LTL 176.4 million. The amount of claims paid under insurance in the case of survival contracts represented a significant proportion of claims paid — LTL 65.3 million; however, the volume of claims paid within this class of insurance was 20.9 per cent lower than a year ago.

The influence of claims payable because of the expiration of numerous insurance contracts, which had lasted for 10 years, has been weakening for all claims paid. LTL 62.1 million was paid in claims in January 2013, but in subsequent months their volume contracted and, in September, only LTL 19.4 million were paid.

Table 7. Life assurance claims paid

Classes of insurance	Amount (LTL million)	Growth rate		
		Q3 2013		Q3 2012 (%)
		LTL million	%	
Marriage and birth insurance	7.8	-7.3	▼ 48.3	▼ 1.2
Unit-linked life assurance	176.4	+53.5	▲ 43.5	▼ 13.6
Traditional life assurance	72.7	-16.1	▼ 18.2	▲ 40.1
Insurance in case of death	3.0	+0.6	▲ 25.4	▼ 9.7
Insurance in case of survival	65.3	-17.2	▼ 20.9	▲ 41.1
Annuities	4.4	+0.5	▲ 12.4	▲ 69.9
Total	256.9	+30.1	▲ 13.3	▲ 2.6

The three largest life insurers paid 69.5 per cent of total claims paid, their share decreased by 1.2 percentage points. Considering the amounts of claims paid by insurers on an individual basis, one can see that their dynamics was not uniform: the claims paid by *Swedbank Life Insurance SE* Lithuania branch shrank from 42.2 per cent to 29.1 per cent of total claims paid, whereas those paid by *UAB SEB gyvybės draudimas* increased from 18.1 per cent to 24.7 per cent, by *Aviva Lietuva* — from 10.4 per cent to 15.8 per cent.

III. NON-LIFE INSURANCE

CONTRACTS CONCLUDED

During nine months of 2013, 3.9 million insurance contracts were concluded in Lithuania's non-life insurance market. Their growth rate has been similar for a few consecutive years; the number of contracts concluded in January–September 2013 rose by 3.7 per cent year on year, from 3.0 per cent one more year ago.

Table 8. Non-life insurance contracts concluded

Classes of insurance	Number (thousand units)	Growth rate		
		Q3 2013		Q3 2012 (%)
		thousand units	%	
MTPL insurance	2,047.7	+98.8	▲ 5.1	▲ 1.7
Casco insurance	176.3	+21.0	▲ 13.5	▲ 18.9
Property insurance	792.4	+41.9	▲ 5.6	▲ 4.1
Health insurance	580.2	+16.6	▲ 3.0	▲ 3.8
GLI	103.8	+13.2	▲ 14.6	▲ 7.4
Suretyship insurance	161.5	-59.6	▼ 26.9	▼ 4.9
Other classes of insurance	42.0	+7.4	▲ 21.6	▲ 16.7
Total	3,903.9	+139.3	▲ 3.7	▲ 3.0

The volumes of contracts concluded expanded across all classes of insurance, except for suretyship insurance.

Regulations amending the enforcement of the Law on VAT, approved by Government of the Republic of Lithuania Resolution No. 1205, came into force as of 1 March 2013, according to which VAT payers in Lithuania will not have to pay the calculated import VAT on goods imported into Lithuania to the Customs' collection account and no guarantee (contract on liability in executing customs procedures) will be required to be presented, as this calculated import VAT will be debited (paid) at the State Tax Inspectorate. Due to this, even 29.6 per cent less contracts within the suretyship insurance sub-class, to which liability in executing customs procedures is assigned, were concluded during three quarters of 2013, and 26.9 per cent less contracts within the suretyship insurance class as a whole.

The number of contracts concluded within the largest class of insurance — MTPL — grew by 5.1 per cent and amounted to 2,047.7 thousand, and the number of MTPL insurance contracts in force was by 3.1 per cent larger on 30 September 2013 year on year.

In terms of contracts concluded, the second largest is the property insurance class. During nine months of 2013, 792.4 thousand contracts were concluded. Most of the contracts represent insurance of property owned by natural persons — as much as 92.5 per cent. As compared with January–September 2012, 4.5 per cent more individual property insurance contracts and 20.5 per cent more commercial property insurance contracts were concluded.

PREMIUMS WRITTEN

The non-life insurance premiums written in January–September of 2013 amounted to LTL 989.7 million, a year-on-year increase of even 9.7 per cent.

Table 9. Non-life insurance premiums written

Classes of insurance	Amount (LTL million)	Growth rate		
		Q3 2013		2012 Q3 (%)
		LTL million	%	
MTPL insurance	357.8	+34.9	▲ 10.8	▲ 8.0
Casco insurance	226.8	+18.4	▲ 8.8	▲ 12.6
Property insurance	193.5	+15.5	▲ 8.7	▼ 6.9
Health insurance	90.8	+8.2	▲ 10.0	▲ 7.3
GLI	58.9	+9.0	▲ 17.9	▲ 5.7
Suretyship insurance	28.4	-2.8	▼ 8.9	▲ 6.7
Other classes of insurance	33.5	+4.1	▲ 13.9	▲ 8.3
Total	989.7	+87.2	▲ 9.7	▲ 5.4

Growth in premiums written has been much stronger than in contracts concluded within most of the largest classes (MTPL insurance, health insurance, insurance of property and GLI). The main reason for that have been the rising prices and/or the rising levels of insurance coverage.

Growth in MTPL insurance premiums written was also driven by the changed amount of insurance due to one traffic event in the territory of the Republic of Lithuania and, also, mounting losses on account of damages abroad. In January–September 2013, LTL 357.8 million of MTPL insurance premiums were written, an increase of 10.8 per cent year on year.

Chart 14. Dynamics of suretyship insurance contracts concluded

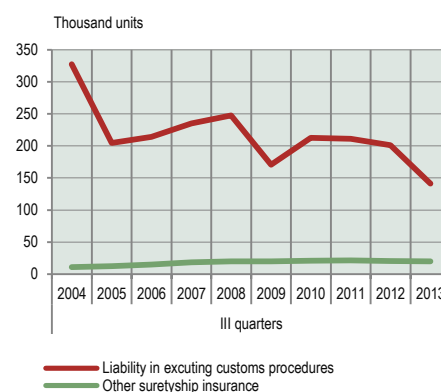


Chart 15. Dynamics of non-life insurance premiums written

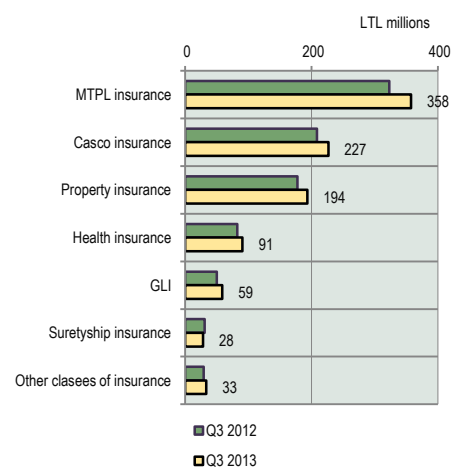


Chart 16. Concentration in the non-life insurance market in terms of premiums written

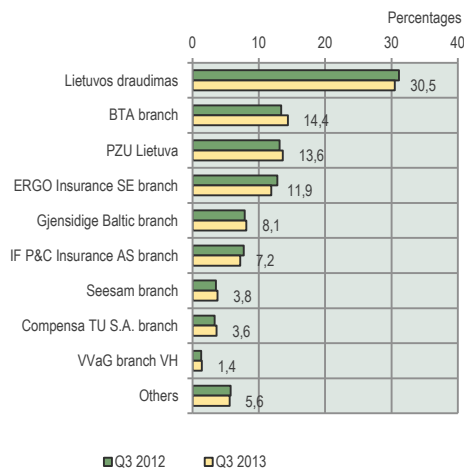
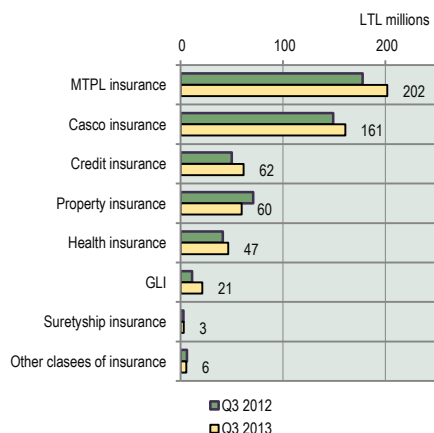


Chart 17. Dynamics of non-life insurance claims paid



LTL 226.8 million of Casco insurance premiums were written during nine months of 2013. Unlike in the analysis of the number of contracts, more premiums were written in the commercial insurance segment.

During three quarters of 2013, 8.7 per cent more property insurance premiums were written year on year. Both commercial insurance premiums and individuals' property insurance premiums recorded growth — of 8.9 per cent and 8.6 per cent respectively.

As was already mentioned, the legal regulation of import procedures was subject to changes; as a result, the number of liability in executing customs procedures insurance contracts concluded declined by 29.6 per cent, which represented a 27.6 per cent decline in premiums written.

The four largest non-life insurance market participants retained the highest positions in the market in the first half of 2013, with the *Gjensidige Baltic Lithuania* branch holding the fifth position.

CLAIMS PAID

The amount of claims paid in the non-life insurance market over nine months of 2013 totalled LTL 560.2 million, a year-on-year increase of 10 per cent. Claims paid increased within all largest non-life insurance classes, except for the property insurance class.

Table 10. Non-life insurance claims paid

Classes of insurance	Amount (LTL million)	Growth rate		
		Q3 2013		Q3 2012 (%)
		LTL million	%	
MTPL insurance	201.9	+24.1	▲ 13.5	▲ 1.0
Casco insurance	160.8	+11.7	▲ 7.8	▼ 7.2
Credit insurance	61.6	+11.6	▲ 23.3	▲ 24.3
Property insurance	59.7	-11.3	▼ 15.9	▼ 49.1
Health insurance	46.6	+5.4	▲ 13.2	▲ 25.9
GLI	21.1	+9.9	▲ 88.1	▲ 38.7
Other classes of insurance	8.6	-0.7	▼ 7.9	▼ 15.6

MTPL insurance claims reached record heights in Lithuania. During nine months of 2013 LTL 201.9 million of claims were paid in the MTPL market. Year on year, the amount of claims paid grew by 13.5 per cent.

The third in terms of the amounts paid is the credit insurance class, which is not among major insurance classes either in terms of contracts concluded or premiums written. Housing loan insurance claims paid to banks for the default in liabilities by insurance policy holders dominated the credit insurance class. They amounted to LTL 58.7 million.

Within the property insurance class, only the amount of commercial property insurance claims was decreasing. In January–September 2013, 37.2 per cent less commercial property insurance claims were paid year on year. Individuals' property insurance, on the contrary, recorded an increase of 12.9 per cent in claims paid year on year.