



LIETUVOS BANKAS

Review of Lithuania's Insurance Market

2nd Quarter of 2013

ISSN 2335-8343 (ONLINE)

© Lietuvos bankas, 2013

Reproduction for educational and non-commercial purposes
is permitted provided that the source is acknowledgedGedimino pr. 6, LT-01103 Vilnius, Lithuania
Tel. +370 (5) 268 0029, fax +370 (5) 268 0038www.lb.lt
info@lb.lt

Contents

I. GENERAL INSURANCE MARKET DATA	3
II. LIFE ASSURANCE	4
CONTRACTS CONCLUDED	4
PREMIUMS WRITTEN	5
CLAIMS PAID	5
III. NON-LIFE INSURANCE	6
CONTRACTS CONCLUDED	6
PREMIUMS WRITTEN	7
CLAIMS PAID	8

List of tables

Table 1. Premiums written	3
Table 2. Contracts concluded	3
Table 3. Contracts in force.....	3
Table 4. Claims paid	4
Table 5. Life assurance contracts concluded	4
Table 6. Life assurance premiums written	5
Table 7. Life assurance claims paid	6
Table 8. Non-life insurance contracts concluded.....	6
Table 9. Non-life insurance premiums written	7
Table 10. Non-life insurance claims paid.....	8

List of charts

Chart 1. Dynamics and growth rate of premiums written	3
Chart 2. Dynamics of life assurance and non-life insurance premiums written	3
Chart 3. Dynamics of life assurance and non-life insurance contracts concluded	3
Chart 4. Dynamics of life assurance and non-life insurance contracts in force.....	3
Chart 5. Dynamics of life assurance and non-life insurance claims paid	4
Chart 6. Life assurance contracts concluded	4
Chart 7. Portfolio of life assurance contracts concluded	4
Chart 8. Portfolios of contracts of life assurers.....	4
Chart 9. Dynamics of life assurance premiums written	5
Chart 10. Life assurance portfolio in terms of premiums written	5
Chart 11. Concentration in the life assurance market in terms of premiums written	5
Chart 12. Portfolio of life assurance claims paid	5
Chart 13. Concentration in the life assurance market in terms of claims paid	6
Chart 14. Portfolio of non-life insurance contracts concluded	6
Chart 15. Portfolio of non-life insurance contracts in force	6
Chart 16. Dynamics of suretyship insurance contracts concluded.....	7
Chart 17. Dynamics of Casco insurance contracts concluded	7
Chart 18. Dynamics and growth rates of premiums written in the non-life insurance market	7
Chart 19. Portfolio of non-life insurance premiums written.....	7
Chart 20. Dynamics of Casco insurance premiums written.....	8
Chart 21. Concentration in the non-life insurance market in terms of premiums written	8
Chart 22. Dynamics and growth rates of non-life insurance claims paid.....	8
Chart 23. Portfolio of non-life insurance claims paid	8

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

In the second half year 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 940.1million, a year-on-year increase of even 9.9 per cent. The life assurance market expanded by 9.8 per cent — to LTL 279.7 million and the non-life insurance market by 9.9 per cent — to LTL 660.4 million.

Table 1. Premiums written

Branches of insurance	Amount (LTL million)	Growth rate	
		1 st half of 2013 (%)	1 st half of 2012 (%)
Life assurance	279.7	▲9.8	▼11.2
Non-life insurance	660.4	▲9.9	▲3.8
Total	940.1	▲9.9	▼1.2

According to Statistics Lithuania, in the first half of 2013 the country's GDP grew by 4.2 per cent year on year (less seasonal and working day contributions). In the second quarter of 2013, the GDP grew by 4.1 per cent year on year. In the previous periods, GDP growth was associated with export growth, while from the second quarter of 2013, greater contribution to GDP growth came also from domestic consumption. The consumer confidence indicator, which increased by 9 percentage points over the year (July 2012–July 2013), encourages optimism as well.

Considering the country's economic indicators and insurance market performance for the first half-year, towards the end of the year insurance market growth is likely to reach volumes beyond expectations — 5–6 per cent (the forecast for the life assurance market was 3%, for the non-life insurance market — 7%). Under a revised forecast, the insurance market is to grow by 6–9 per cent, the life assurance market — 5–7 per cent, the non-life insurance market — 7–9 per cent.

Table 2. Contracts concluded

Branches of insurance	Number (thousand units)	Growth rate	
		1 st half of 2013 (%)	1 st half of 2012 (%)
Life assurance	30.6	▲17.2	▼9.6
Non-life insurance	2, 556.9	▲2.5	▲2.6
Total	2, 587.6	▲2.7	▲2.4

Table 3. Contracts in force

Branches of insurance	Number (thousand units)	Growth rate	
		1 st half of 2013 (%)	1 st half of 2012 (%)
Life assurance	393.2	▲0.8	▼1.8
Non-life insurance	3, 350.4	▲3.8	▲8.9
Total	3, 743.6	▲3.5	▲7.7

The number of non-life insurance contracts concluded increased by 2.6 per cent (to LTL 2.6 million), that of contracts in force by 3.8 per cent (to LTL 3.4 million). The volume of non-life insurance contracts concluded already exceeds the pre-crisis levels.

While the number of life assurance contracts grew by as much as 17.2 per cent (LTL 30.6 thousand units), given the large number of terminated and expired contracts, however, life assurance market volumes, in terms of contracts in force, expanded by a mere 0.8 per cent, or 2,982 contracts (to 393.2 thousand units).

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

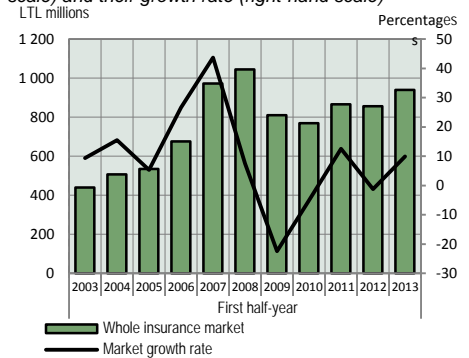


Chart 2. Dynamics of life assurance and non-life insurance premiums written

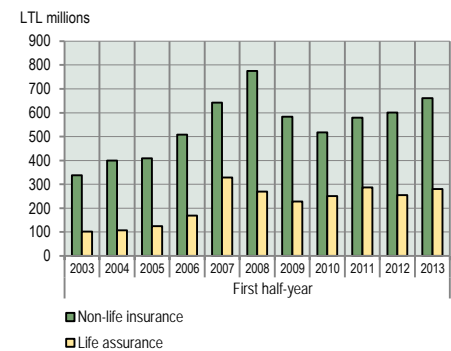


Chart 3. Dynamics of life assurance contracts (right-hand scale) and non-life insurance contracts concluded (left-hand scale)

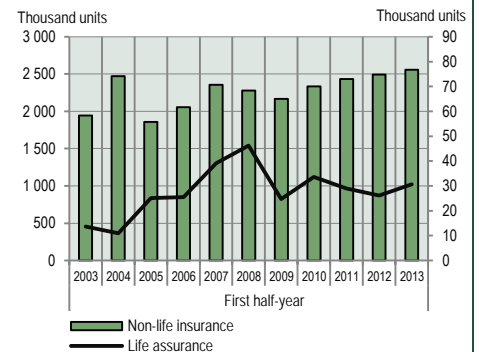


Chart 4. Dynamics of life assurance contracts (right-hand scale) and non-life insurance contracts in force (left-hand scale)

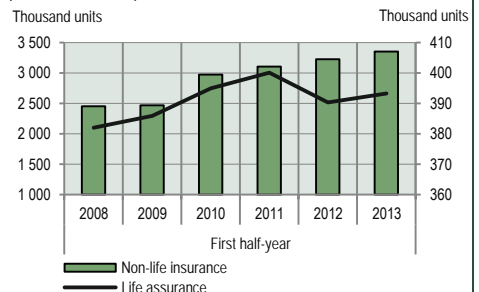


Chart 5. Dynamics of life assurance and non-life insurance claims paid

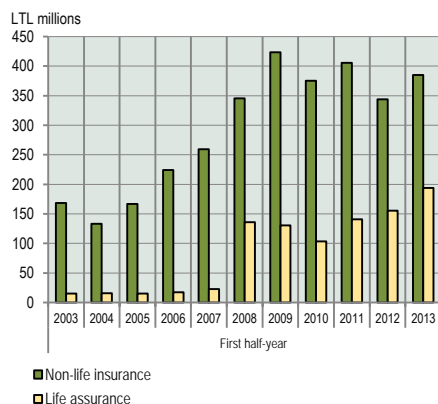


Chart 6. Life assurance contracts concluded

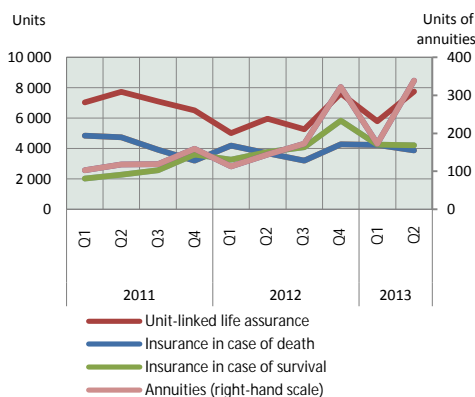


Chart 7. Portfolio of life assurance contracts concluded

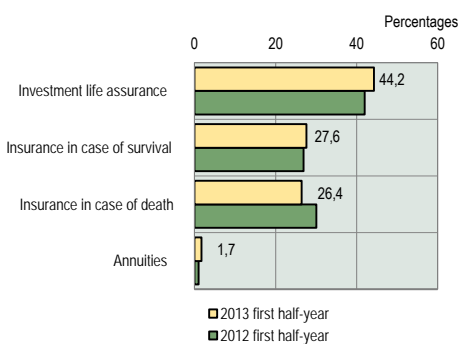


Chart 8. Portfolios of contracts of life assurers

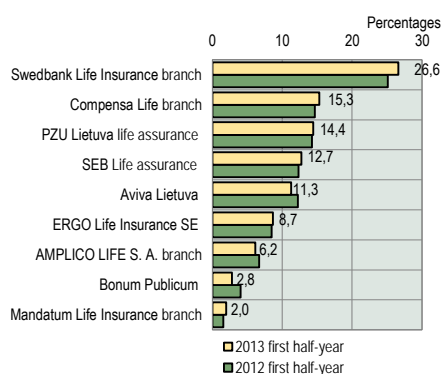


Table 4. Claims paid

Branches of insurance	Amount (LTL million)	Growth rate	
		1 st half of 2013 (%)	1 st half of 2012 (%)
Life assurance	193.9	▲ 24.9	▲ 10.1
Non-life insurance	385.0	▲ 11.9	▼ 15.2
Total	578.9	▲ 15.9	▼ 8.6

The first half of 2013 was characterised by not only a fairly large increase in income, but the amount of claims paid increased still more. Due to the large number of terminated and expired life assurance contracts, the amount of claims paid grew by 24.9 per cent (to LTL 193.9 million). The amount of non-life insurance claims paid rose by 11.9 per cent — to LTL 385 million.

II. LIFE ASSURANCE

CONTRACTS CONCLUDED

The first half-year was favourable for the life assurance market: 30.6 thousand contracts were concluded, 17.2 per cent above the figure for the same period last year. The number of contracts concluded this half-year is still lagging behind the best market result, recorded in 2008, by almost 34 per cent. In January–June 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 in the first quarter. This choice enables to attest that the population, which concluded nearly 94 per cent of traditional unit-linked insurance contracts, is more boldly risking investing its funds.

Table 5. Life assurance contracts concluded

Classes of insurance	Number (units)	Growth rate		
		1 st half of 2013		1 st half of 2012 (%)
		units	%	
Marriage and birth insurance	—	—	—	—
Unit-linked life assurance	13,552	+2,572	▲ 23.4	▼ 25.7
Traditional life assurance	17,077	+1,920	▲ 12.7	▲ 7.3
Insurance in case of death	8,097	+232	▲ 2.9	▼ 18.0
Insurance in case of survival	8,468	+1,433	▲ 20.4	▲ 63.5
Annuities	512	+255	▲ 99.2	▲ 16.3
Total	30,629	+4,492	▲ 17.2	▼ 9.6

The portfolio of contracts concluded remained basically unchanged, with unit-linked life assurance representing the largest portfolio share (44.2%); the products of life assurance in the case of survival and in the case of death accounted respectively for 27.6 per cent and 26.4 per cent of the contracts portfolio. Assessing assurer portfolios on an individual basis, the unit-linked life assurance portfolio share of four assurers contracted, of three — expanded.

After the end of the first half-year, life assurers administered 393.2 thousand contracts in force. Despite mass expiration or termination of contracts at the end of 2012 and the first month of this year, the number of contracts in force grew by almost 1 per cent, i.e. the number of contracts concluded outweighed the number 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 279.7 million insurance premiums over the half-year, which is 9.8 per cent more year on year. The volume of premiums written this year is lagging behind the best market result achieved in 2007 by almost 15 per cent. The life assurance market share shrank to 29.8 per cent of the total volume of insurance premiums. This was driven by faster growth in the non-life insurance market in the recent half-year.

The growth rate of unit-linked life assurance premiums written, with unit-linked life assurance representing major market share, was 10.9 per cent, or LTL 19.0 million. Major contribution to growth in the volume of premiums written within the class of traditional life assurance stemmed from an increase of LTL 5.0 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 17.1 per cent. Due to non-conclusion of new contracts within the marriage and birth insurance class, the premiums have been constantly decreasing; they have decreased by 26.2 per cent over this half-year.

Both single and periodic premiums grew by LTL 12.5 million over the half-year; the growth rate of single premiums was stronger, though, at 47.9 per cent, while periodic premiums grew by a mere 5.5 per cent as compared with the first half of 2012. Traditionally, most life assurance premiums were written by individuals — 88.5 per cent; however, their share relative to the total volume of premiums contracted by 4.3 per cent.

Table 6. Life assurance premiums written

Classes of insurance	Amount (LTL million)	Growth rate		
		1 st half of 2013		1 st half of 2012 (%)
		LTL million	%	
Marriage and birth insurance	2.3	-0.8	▼ 26.2	▼ 19.9
Unit-linked life assurance	192.7	+19.0	▲ 10.9	▼ 18.0
Traditional life assurance	84.7	+6.9	▲ 8.9	▲ 9.3
Insurance in case of death	13.3	+1.9	▲ 17.1	▲ 22.3
Insurance in case of survival	67.0	+5.0	▲ 7.8	▲ 6.9
Annuities	4.5	+0.1	▲ 2.7	▲ 14.8
Total	279.7	+25.1	▲ 9.8	▼ 11.2

The distribution of the insurance market among the three largest life assurers remained unchanged over the year; however, their market share contracted by 3.1 percentage points — to 59.7 per cent. While the leader in the market, *Swedbank Life Insurance SE* Lithuania branch, lost 3.2 per cent of the market, it retained the highest positions. The market share of *Compensa Life Vienna Insurance Group SE* Lithuania branch expanded most over the year — by 2.4 percentage points.

CLAIMS PAID

Claims paid by life assurers in the first half of 2013 amounted to LTL 193.9 million, a year-on-year increase of 24.9 per cent — which is the largest amount ever paid to insurance policy holders in this market. The amount paid under unit-linked life assurance contracts represented the most significant proportion of claims paid — 69.3 per cent, or LTL 134.3 million. The amount of claims paid within this class expanded by as much as 57.9 per cent. The amount of claims paid under insurance in the case of survival contracts represented a significant proportion of claims paid — LTL 49.1 million, which represented a year-on-year decline of 12.3 per cent, though.

Chart 9. Dynamics of life assurance premiums written

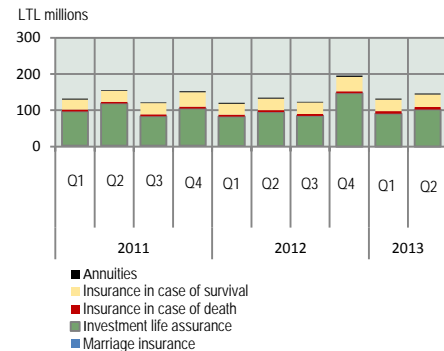


Chart 10. Life assurance portfolio in terms of premiums written

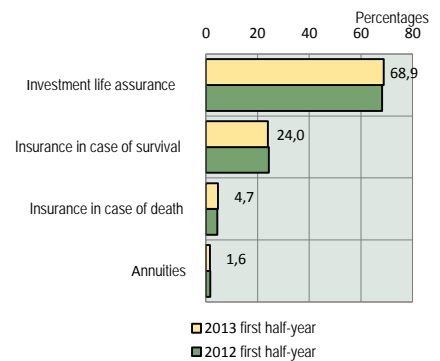


Chart 11. Concentration in the life assurance market in terms of premiums written

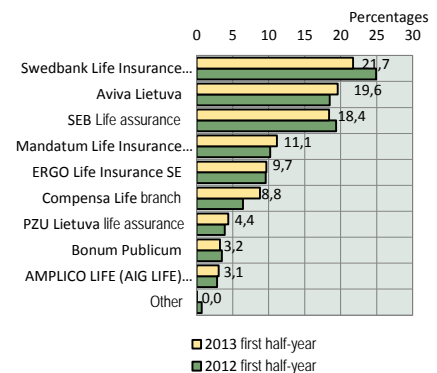


Chart 12. Portfolio of life assurance claims paid

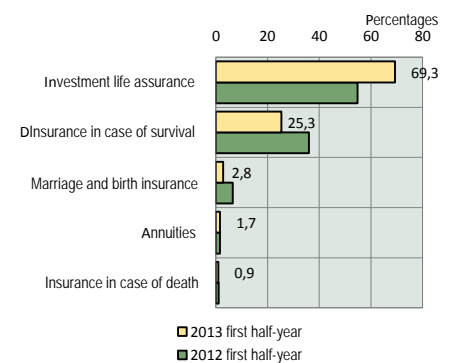


Chart 13. Concentration in the life assurance market in terms of claims paid

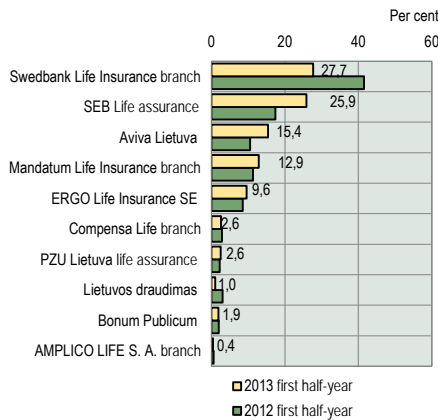


Chart 14. Portfolio of non-life insurance contracts concluded

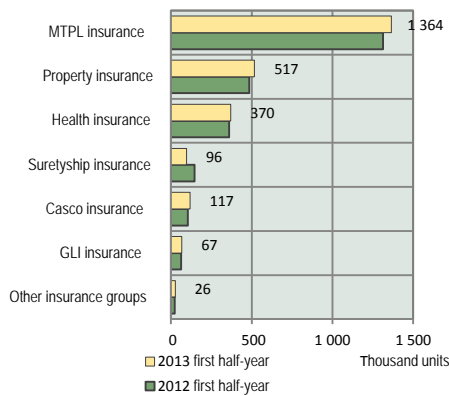
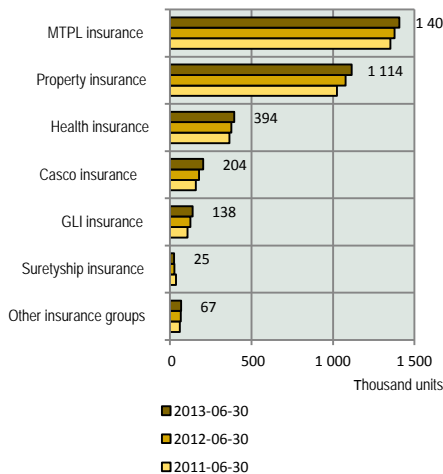


Chart 15. Portfolio of non-life insurance contracts in force



Record claims paid in the first half of 2013, as compared with the respective period in the previous year, resulted from continued payment of claims owing to a great number of expired insurance contracts, which had been in force for 10 years, at the end of 2012. This applies particularly to January 2013, when then the largest amount of claims was paid — LTL 62.1 million. In subsequent months the amount of claims paid was contracting, and in June only LTL 18.9 million were paid.

Table 7. Life assurance claims paid

Classes of insurance	Amount (LTL million)	Growth rate		
		1 st half of 2013		1 st half of 2012 (%)
		LTL million	%	
Marriage and birth insurance	5.4	-4.7	▼ 46.3	▼ 1.5
Unit-linked life assurance	134.3	+49.3	▲ 57.9	▼ 4.4
Traditional life assurance	54.1	-5.9	▼ 9.9	▲ 43.9
Insurance in case of death	1.8	+0.1	▲ 7.9	▲ 11.6
Insurance in case of survival	49.1	-6.9	▼ 12.3	▲ 46.7
Annuities	3.2	+0.8	▲ 32.3	▲ 42.9
Total	193.9	+38.6	▲ 24.9	▲ 10.1

The three largest life insurers paid 69.0 per cent of the amount of all claims paid, their share decreased by 0.5 percentage point. Considering the amounts of claims paid by insurers on an individual basis, one can see that their dynamics were not uniform: the claims paid by *Swedbank Life Insurance SE* Lithuania branch shrank from 41.6 per cent to 27.7 per cent of the amount of total claims paid, whereas those paid by *UAB SEB gyvybės draudimas* increased from 17.4 per cent to 25.9 per cent.

III. NON-LIFE INSURANCE

CONTRACTS CONCLUDED

During six months of 2013, 2.6 million insurance contracts were concluded in Lithuania's non-life insurance market. Their growth rate has remained unchanged for the second consecutive year; the number of contracts concluded in the first half of 2013 rose by 2.5 per cent year on year, from 2.6 per cent one more year ago.

Table 8. Non-life insurance contracts concluded

Classes of insurance	Number (thousand units)	Growth rate		
		1 st half of 2013		1 st half of 2012 (%)
		thousand units	%	
MTPL insurance	1,363.8	+50.7	▲ 3.9	▼ 0.6
Property insurance	517.2	+32.3	▲ 6.7	▲ 6.2
Health insurance	369.6	+9.3	▲ 2.6	▲ 5.1
Casco insurance	117.2	+13.8	▲ 13.3	▲ 21.5
Suretyship insurance	95.9	-50.8	▼ 34.6	▼ 4.9
GLI	67.1	+4.1	▲ 6.5	▲ 17.6
Other classes of insurance	26.2	+3.0	▲ 13.2	▲ 20.3
Total	2,556.9	+62.4	▲ 2.5	▲ 2.6

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

Regulations amending the implementation of the Law on VAT, approved by the 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 38.0 per cent less of contracts within the suretyship insurance sub-class, to which liability in executing customs procedures is assigned, were concluded during the first half of 2013, and 34.6 per cent less of contracts within the suretyship insurance class as a whole.

The number of Casco insurance contracts concluded has been growing for the third consecutive year, increasing by 13.3 per cent in the first half of 2013 year on year. Conclusion of Casco insurance contracts increased on account of individuals as compared with the volume recorded in the first half of 2008, natural entities concluded even 52.8 per cent more of Casco insurance contracts. The Casco insurance situation of legal entities is different — as compared with the first half of 2008, 5.1 per cent less of contracts were concluded. Such a situation resulted from the 2008 tax reform, which eliminated the VAT relief when acquiring new cars.

The number of contracts concluded within the largest class of insurance — MTPL — grew by 3.9 per cent and amounted to 1,363.8 thousand, and the number of MTPL insurance contracts in force was by 6.2 per cent larger on 30 June 2013 year on year.

The second by size, in terms of contracts concluded, is the property insurance class. In the first half of 2013, 517.2 million contracts were concluded. Most of the contracts represent insurance of property owned by natural persons — as much as 92.2 per cent. As compared with the first half of 2012, 5.7 per cent more individual property insurance contracts were concluded.

PREMIUMS WRITTEN

The non-life insurance premiums written in the first half of 2013 amounted to LTL 660.4 million, a year-on-year increase of 9.9 per cent.

Table 9. Non-life insurance premiums written

Classes of insurance	Amount (LTL million)	Growth rate		
		1 st half of 2013		2012 1 st half (%)
		LTL million	%	
MTPL insurance	235.7	+22.6	▲10.6	▲4.5
Casco insurance	152.4	+13.8	▲10.0	▲14.6
Property insurance	130.2	+11.8	▲9.9	▼11.4
Health insurance	64.0	+6.6	▲11.4	▲12.9
GLI	38.9	+5.1	▲15.0	▲3.0
Suretyship insurance	18.9	-1.7	▼8.4	▲7.2
Other classes of insurance	20.2	+1.5	▲8.3	▲7.1
Total	660.4	+59.7	▲9,9	▲3.8

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 increasing 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

Chart 16. Dynamics of suretyship insurance contracts concluded



Chart 17. Dynamics of Casco insurance contracts concluded

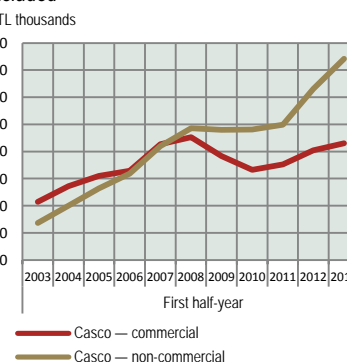


Chart 18. Dynamics of non-life insurance premiums written (left-hand scale) and their growth rate (right-hand scale)

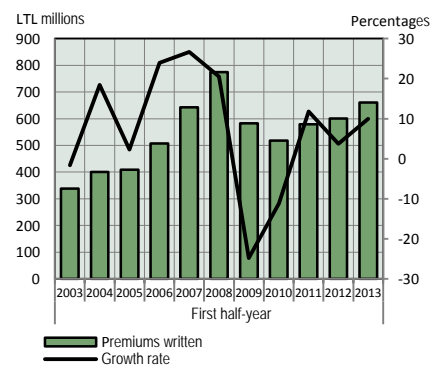


Chart 19. Portfolio of non-life insurance premiums written

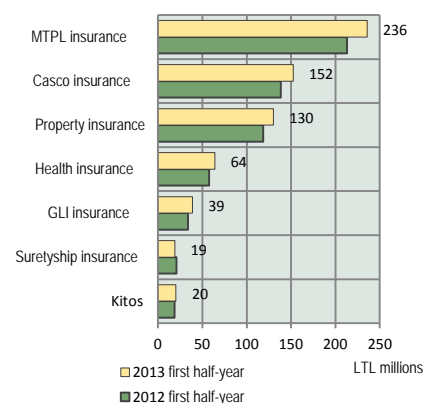


Chart 20. Dynamics of Casco insurance premiums written

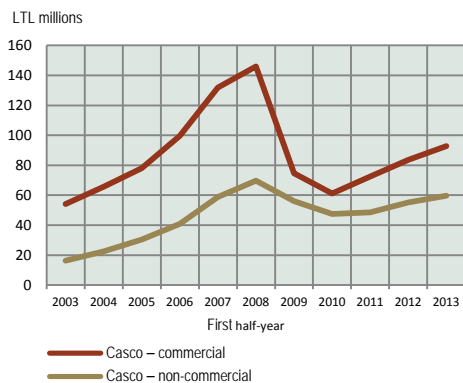


Chart 21. Concentration in the non-life insurance market in terms of premiums written

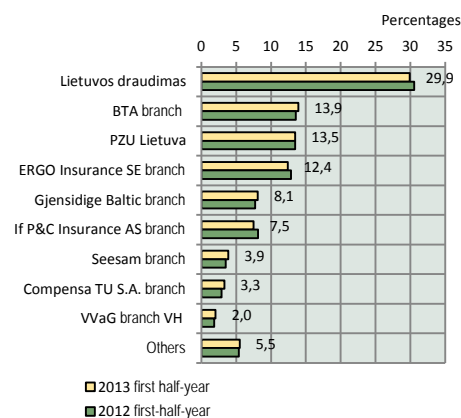


Chart 22. Dynamics of non-life insurance claims paid (left-hand scale) and their growth rate (right-hand scale)

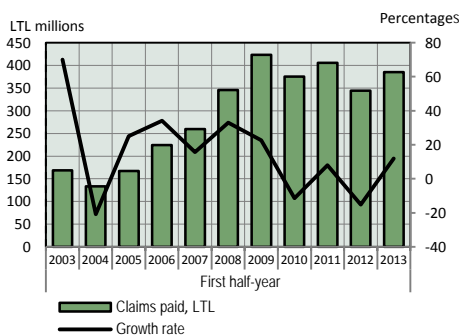
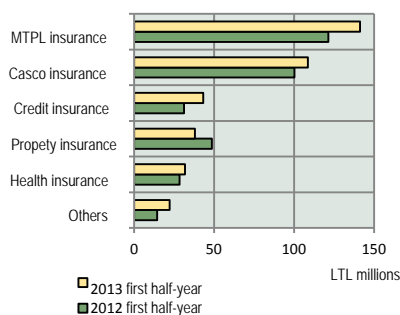


Chart 23. Portfolio of non-life insurance claims paid



Lithuania and, also, mounting losses on account of damages abroad. In the first half of 2013 nearly a quarter of a billion litas of MTPL insurance premiums were written, an increase of 10.6 per cent year on year.

LTL 152.4 million Casco insurance premiums were written in the first half of 2013. Unlike in the analysis of the number of contracts, more premiums were written in the segment of commercial insurance.

In addition, 9.9 per cent more of property insurance premiums were written. The segment of commercial property has been very volatile. Crop insurance had a great influence on that in the recent few years. Crops are insured by the branch of *Vereinigte Hagel*. Having substantially increased the tariffs on crop insurance in 2012, crop insurance premiums written dropped dramatically. In the first half of 2013, crop insurance premiums accounted for 10.3 per cent of the premiums written within the property insurance class and 20.2 per cent of commercial property insurance premiums written. Apart from crop insurance, a recovery has been observed in the commercial property segment, which expanded by 6.7 per cent in the first half of 2013 year on year. The commercial property insurance premiums written of *PZU Lietuva* and *Seesam Insurance AS Lithuania* branch recorded fairly large increases.

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 38.0 per cent — 26.8 per cent less of premiums were 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 in the first half of 2013 totalled LTL 385.0 million, a year-on-year increase of 11.9 per cent.

Table 10. Non-life insurance claims paid

Classes of insurance	Amount (LTL million)	Growth rate		
		1st half of 2013		1st half of 2012 (%)
		LTL million	%	
MTPL insurance	141.2	+19.7	▲16.2	▲2.6
Casco insurance	108.6	+8.4	▲8.4	▼10.0
Credit insurance	43.3	+12.2	▲39.1	▲15.0
Property insurance	38.0	-10.6	▼21.8	▼56.8
Health insurance	31.8	+3.3	▲11.6	▲31.3
Other classes of insurance	22.2	+7.9	▲55.0	▼3.3
Total	385.0	+40.9	▲11.9	▼15.2

Comparing the first halves of 2013 and 2012 with their initial quarters, the trends remained unchanged — claims paid both increased and decreased within the same classes. Claims paid increased within all largest non-life insurance classes, except for the property insurance class.

The amount of individuals' property insurance claims paid has remained similar in the last few years. In the first half of 2013, the amount of LTL 22.1 million was paid. The commercial property insurance segment recorded a decrease of even 44.0 per cent in claims paid year on year.

MTPL insurance claims paid reached new record heights in Lithuania's insurance market, with LTL 141.2 million claims paid in the first half-year.

Year on year, the amount of claims paid grew by as much as 16.2 per cent. One of the reasons for that was the unusually long winter this year.

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 40.8 million.