

Q2 2018 overview of life insurance sector

The number of life insurance companies operating on the Estonian market as at Q2 2018 was three, two of which also have branches in Lithuania and Latvia.

The insurance premiums raised by Estonian life insurance companies in Q2 2018 amounted to 56.1 million euros, which is 5% less than in the Q1 2018. Premiums have increased by 6% comparison with Q2 of the previous year if the insurance premiums of Mandatum Life are excluded (the company merged with its parent company in Q4 2017 and operates in the Baltic States via its Finnish branches). Sixty-seven percent of insurance premiums were raised in the Latvian and Lithuanian branches of Estonian life insurers.

Key indicators	Q1 2018	Change	Q2 2018
Volume of insurance premiums	59 mln €	?	56 mln €
Volume of claims	28 mln €	?	30 mln €
Volume of assets of insurance companies	1,02 bln €	?	1,05 bln €
Volume of insurance obligations	717 mln €	?	735 mln €
Costs to net premiums ratio (cumulative)	14,2%	?	15,2 %
Profit	5,4 mln €	?	5,8 mln €
Solvency Capital Requirement coverage	178 %	?	176 %

Unit-linked life insurance products, products with profit-sharing and other life insurance still comprise the majority of the volume of life insurance premiums.

The claims submitted to life insurance companies in Q2 amounted to 30.1 million euros. Similar to insurance premiums raised, the number of claims submitted was also the highest in unit-linked life insurance – they amounted to 14.9 million euros, i.e. half of all claims, followed by products with profit-sharing and insurance of medical expenses.

No significant changes occurred in the technical sizes and risks of the technical sizes and risks of life insurance companies in Q2. The obligations arising from mandatory funded pension contracts already comprise a significant share (27%) of life insurance obligations with profit-sharing, although

the number of contracts comprised 7% of the life insurance contracts with profit sharing of the companies that sell mandatory pension contracts.

The legislative amendment passed in 2017, which allows for mandatory pension contracts to be sold by the principle of unit-linked life insurance products has not yet brought any products with such possibility to the market.

The volume of assets in the life insurance sector increased by 2% in Q2, i.e. from 1.02 billion euros to 1.05 billion euros. The growth is the result of the increase in the assets of a market participant held in demand deposits, in assets of unit-linked life insurance and in bonds. The underlying assets of the unit-linked life insurance of life insurers comprises 52% of assets. The majority of investments to cover the obligations arising from other life insurance contracts have been made in fixed interest securities, which comprise 43% of assets. The surplus of assets from obligations is still 26.8%.

The Solvency Capital Requirement coverage in the life insurance sector decreased somewhat as a result of the increase in life insurance risk. The Solvency Capital Requirement coverage of insurance companies with suitable own funds was 176% by the end of Q2 2018. All insurance companies comply with the requirement.

Main developments and risks

- There have been no significant changes in the financial indicators of the life insurance sector.
- The owner of SEB Elu- ja Pensionikindlustus launched the process of merging its Baltic subsidiaries.

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