

Q3 2018 overview of non-life insurance sector

As at the end of Q2 2018, seven non-life insurance companies and six branches of foreign insurers operated on the Estonian market.

Key indicators	Q2 2018	Change	Q3 2018
Volume of insurance premiums	139 mln €	?	138 mln €
Volume of claims	77 mln €	?	87 mln €
Volume of assets of insurance companies	784 mln €	?	818 mln €
Net combined ratio	88%	?	86,8%
Profit	14,8 mln €	?	16,4 mln €
Solvency Capital Requirement coverage	203%	?	202%

Estonian non-life insurance companies and the branches thereof collected insurance premiums in the amount of 427 million euros in the first nine months of 2018 – 17.6% more compared to the same time the year before. Almost half of the insurance premiums collected by Estonian non-life insurance companies came from Latvia and Lithuania.

The volume of the Estonian non-life insurance market with the foreign branches operating here amounted to 290 million euros in the first nine months of 2018, with a growth of 16.5% year-on-year. Comparison of the volume of insurance with that of the year before is complicated because some insurance companies changed their written premium recognition method in 2018.

The largest class of insurance in 9 month was MTPL (30%), followed by MOD (28%) and property insurance (24%).

The technical profitability of insurance companies improved. The net combined ratio (claims ratio + expense ratio) of non-life insurance companies decreased considerably in the first nine months of 2018 – to 88.3%. While the claims ratio has remained at the same level in the last two years, at 59%, the expense ratio dropped under 30% for the first time. By classes of insurance, there was a large jump in the combined ratio – by 12% – in MTPL. MOD also experienced moderate improvement. However, the results of some other larger classes of insurance, such as property insurance and liability insurance, have declined.

Non-life insurance companies earned 40 million euros of profit in the first nine months of the year, almost 7.6 million euros more than in the same period of the year before. The profit for Q3 formed

16.4 million euros of the total profit. Only one insurance undertaking was earning a small loss as at nine months.

The capitalisation of the non-life insurance sector was good. The solvency ratio of insurance companies remained almost at the level of Q2, dropping from 203% to 202%. All non-life insurance companies complied with the requirement.

Main developments and risks

- The non-life insurance sector is well-capitalised. All insurance companies met the solvency and minimum capital requirements.
- The efficiency of the non-life insurance sector has increased. While the expense ratio (with the claims handling costs) was 30.9% as at the first nine months of 2017, the expense ratio dropped to 29.3% in the first nine months of 2018. The claims ratio remained virtually unchanged in the comparison of the same periods.
- The investment strategy of non-life insurance companies was mainly conservative. The investments are largely of a high rating, as a result of which, return on investments has been low or even negative.
- The profit of the non-life insurance sector was almost exclusively earned from insurance operations. As the amount of insurance premiums increased, the profitability of the sector improved as well.

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