

Q2 2020 overview of non-life insurance sector

The coronavirus crisis in the spring affected the business volumes at Estonian non-life insurance companies less than had been feared. Non-life insurance companies licensed in Estonia received 298 million euros in insurance premiums in the first half of 2020, which is 2.1% less than in the first half of the previous year. The lowest point of the decline in insurance premiums came in April, and volumes started to recover in the following months. Premiums declined most for vehicle insurance, both motor third-party liability insurance and comprehensive vehicle insurance. Premiums fell for motor third-party liability insurance during the coronavirus crisis because tariffs were reduced, which started to have an impact in the second quarter. There was also a drop in demand for travel insurance, as national borders were closed at the peak of the crisis, and this reduced travel insurance premiums by about half.

Key indicators	Q1 2020	Change	Q2 2020
Value of insurance premiums	154 mln €	?	144 mln €
Value of claims submitted	84 mln €	?	77 mln €
Value of assets of insurance companies	910 mln €	?	957 mln €
Net combined ratio	88.6%	?	83.5%
Profit*	- 13.2 mln €	?	43.7 mln €
Solvency capital requirement coverage ratio	195.8%	?	202.8%

* The profit of the sector is calculated from the public reports of insurance companies, not the supervisory reports submitted to Finantsinspektsioon.

Claims of 162 million euros were incurred in the first half of 2020, which was 4.6% less than in the second half of 2019. The coronavirus crisis had more of a positive impact on statistics for losses. Although claims increased at the start of the crisis for travel insurance and financial loss insurance, the total amount of losses from motor third party liability insurance and comprehensive vehicle insurance was down. The main reason for this was the sharp drop in traffic volumes during the crisis, which also reduced the number of accidents.

The expenses of non-life insurers were reduced by the same amount as insurance premiums and

were 75 million euros in the first of the year.

Insurers operating in the Estonian non-life insurance market, including branches of foreign non-life insurers, received 194 million euros in insurance premiums in the first half of 2020, which is 4.2% less than in the first half of last year. The impact of the crisis on the volumes of insurance premiums was felt more by foreign branches. The insurance premiums taken in by Estonian non-life insurers fell by 2.4% over the six months, while those of branches were down 8.5% at the same time. This meant the market share of branches fell to 27.3%.

The combined ratio of non-life insurers was 86% in the first half of 2020, which is a much better figure than in previous periods. The lower figure for losses improved the results for comprehensive vehicle insurance above all. The figure for losses was also lower in motor third-party liability insurance, but the fall in claims was offset by the decline in premiums caused by the reduction in tariffs for this type of insurance. The loss ratio was 57.5% in the first half of the year, and the expense ratio was 28.5%.

Non-life insurance companies earned a profit of 30.5 million euros in the first half of 2020. A large part of this came as the value of investments rebounded in the second quarter from its lowest point during the crisis. The recovery has still not seen the market return to its position at the start of the year. The volume of investment of the non-life insurance sector including cash on bank accounts stood at 845 million euros at the end of the first half of the year.

Main development trends and risks

- The coronavirus crisis in the spring did not seriously impact the non-life insurance sector. The biggest risk was a fall in the value of investments, which hurt the financial positions of insurers, though they recovered quite quickly. The forecast drop in insurance premiums did not happen, and the impact on statistics for losses was generally positive. Capitalisation even improved, and the insurance companies were able to manage well with remote working.
- The experience of the spring showed that if the coronavirus crisis does not extend to become a direct financial crisis and banking sector crisis, the non-life insurance sector is able to cope with its impact. The decline in the economy will certainly affect the revenues of insurers, though losses will also fall by the same amount.

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