

Q3 2020 overview of non-life insurance sector

Both Estonian and foreign insurance companies operate in the Estonian non-life insurance market. Estonian non-life insurers also operate in neighbouring countries as well as in the domestic market. The figure below shows the division of the market for Estonian non-life insurers by insurance premiums covering only data from Estonian non-life insurers and their branches abroad.

| Key indicators | Q2 2020 | Change | Q3 2020 |
|---|------------|--------|------------|
| Value of insurance premiums | 144 mln € | ? | 124 mln € |
| Value of claims submitted | 77 mln € | ? | 73 mln € |
| Value of assets of insurance companies | 957 mln € | ? | 834 mln € |
| Net combined ratio | 83.5% | ? | 87.3% |
| Profit* | 43.7 mln € | ? | 20.6 mln € |
| Solvency capital requirement coverage ratio | 202.8% | ? | 211.4% |

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

The Covid-19 crisis in the spring meant that the volumes of Estonian non-life insurers were down in the first half of the year, but over the whole of the first three quarters the total of premiums received was the same as in the same period of last year. Non-life insurance companies licensed in Estonia received 381 million euros in insurance premiums in the first nine months of the year, which was 0.3% more than in the same period of 2019. After Seesam Insurance AS merged with Compensa Vienna Insurance Group, the insurance premiums received by Seesam are no longer counted in the financial indicators for Estonian non-life insurers, as the company has been operating as an Estonian branch from the second half of the year.

Volumes of premiums have fallen for third-party motor liability insurance, primarily because tariffs have been reduced. The share of insurance for medical costs within travel insurance has also fallen. There has been growth in premiums for property insurance, transport insurance, and credit and

guarantee insurance.

Claims of 213 million euros were incurred in the first nine months of 2020, which was 2.9% less than in the same period of 2019. The statistics for damages returned to their usual level in the third quarter after the restrictions were removed. Damages covered by property insurance have increased a little. The expenses of non-life insurers in the first nine months of the year were 96 million euros.

Insurers operating in the Estonian non-life insurance market, including branches of foreign non-life insurers, received 287 million euros in insurance premiums in the first nine months of 2020, which is 4.3% less than in the same period of last year.

The technical insurance indicators of non-life insurers returned to their previous levels in the third quarter. The combined ratio for the nine months was 85.5%, as the positive results from the second quarter meant it was a little better than the 86.9% for the same period of 2019. Within this, the loss ratio was 57.8% and the expense ratio was 27.7%.

Estonian non-life insurers earned profit of 20.6 million euros in the third quarter.

Coverage of the capital requirements by the larger companies has increased a little, but it has fallen somewhat for the smaller companies. The capitalisation of the whole market has increased to 211%, primarily because Seesam Insurance AS, which had lower coverage than the total market, became a branch and so is no longer included in the capital calculation from the second half of the year.

Although Estonian insurers as a whole received 0.3% more in insurance premiums in the first nine months of the year than in the same period of last year, the changes in volumes of insurance premiums varied between companies. While the larger non-life insurers managed to maintain the size of their portfolio, the smaller insurers have seen their volumes decline substantially.

Main development trends and risks

- The impact of the Covid-19 the crisis on the economy clearly also affected the cost base of the non-life insurance sector. The restrictions introduced by the government and the general drop in the economy caused by the Covid-19 crisis have affected demand for the services and goods that non-life insurance companies provide insurance cover for. There remains great uncertainty about growth in the economy, which will depend on the extent of the second wave of the virus and the restrictions and measures taken against it, as these may affect demand for insurance products.
- The experience of the spring showed that the drop in damages paid out by the non-life insurance sector means it could even earn some short-term profit from the restrictions. The results of the sector have also been aided at least so far by the favourable weather conditions at the end of the year.
- The lower cost base encourages competition, and so prices have fallen in the non-life insurance sector, especially for third-party motor liability insurance.

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