
Q4 2020 overview of non-life insurance sector

For 2020 as a whole, the total impact of the Covid-19 pandemic on the non-life insurance market was smaller than feared. The six non-life insurance companies authorised to operate in Estonia, three of which also have branches in Latvia and Lithuania, took in a total of 504 million euros in premiums in 2020, which was 0.4% less than in 2019. It should be noted that this estimate is affected by the volumes of the large non-life insurers, while the volumes of smaller insurance companies shrank in 2020.

Key indicators	Q3 2020	Change	Q4 2020
Value of insurance premiums	124 million €	?	123 million €
Value of claims submitted	73 million €	?	76 million €
Value of assets of insurance companies	834 million €	?	842 million €
Net combined ratio	87.3%	?	85.5%
Profit*	20.6 million €	?	17.7 million €
Solvency capital requirement coverage ratio	211.4%	?	195.5%

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

The country that provided the largest share of written premiums was Estonia, from which 47.3% were collected. The volume of insurance premiums received from Lithuania increased to stand at 34.4% of the total. This is primarily because the biggest Estonian insurers have done good sales work in Lithuania, as the actual volumes of the non-life insurance markets have shrunk in all three of the Baltic states. Latvia declined as a share of the portfolio of premiums received to 18.3%.

Looking at the dynamics of the business lines for insurance premiums over two years reveals there to be two business lines that were reduced in volume by the pandemic. Travel insurance, which comes under insurance for medical costs, has dropped by over a third because of the reduction in travel. The tariffs for motor third party liability insurance were reduced because of favourable weather conditions and the fall in traffic volumes and the number of accidents that was a result of the restrictions brought in because of the Covid-19 crisis.

The volume of non-life claims in 2020 was 289 million euros, which was 1.5% less than in 2019. The amount of claims incurred for motor third party liability insurance and casco were down, while claims on property insurance were up. The expenses of non-life insurers fell at the same rate as insurance premiums of 0.4%, and were 131 million euros in 2020.

The Estonian non-life insurance market, which is written premiums in Estonia including those from branches of insurers abroad, was 383 million euros in size in 2020, which was 3.7% less than in 2019. The coverage of capital requirements by insurers mainly increased over the quarter.

The non-life insurance sector remains profitable despite the extent of the crisis caused by Covid-19

The combined ratio of non-life insurers, which shows the profitability of insurance activities, was 85.5% in 2020, primarily because of the good results in the second and fourth quarters. The combined ratio has been trending downwards in recent years in both its components, as the net loss ratio was 57.2% and the net expense ratio was 28.3%. Non-life insurers earned 64 million euros in profit in 2020.

Main development trends and risks

- Insurance premiums were down 3-4% in volume in the first month of 2021 from where they were in January 2020, before the coronavirus crisis, but this is primarily because of the cut in tariffs for motor third party liability insurance and the decline in demand for travel insurance.

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