
Q3 2021 overview of the non-life insurance sector

Estonian non-life insurers received 131 million euros in insurance premiums in the third quarter. The value of premiums in the first nine months of 2021 was 4.3% more than in the same period the previous year. Motor third-party liability insurance was the only major line of insurance that did not see growth.

Key indicators	Q2 2021	Change	Q3 2021
Value of insurance premiums	134 mln €	?	131 mln €
Value of claims incurred	81 mln €	?	90 mln €
Value of assets of insurance companies	839 mln €	?	864 mln €
Net combined ratio	87,9%	?	95,9%
Profit*	15 mln €	?	6,1 mln €
Net combined ratio	203,5%	?	200,6%

The growth in claims incurred was substantially more than the growth in insurance premiums for the second consecutive quarter, as the gross growth in claims in the third quarter was 23.5%, and the growth net of reinsurance was even faster than in the previous quarter at 17.6%. Unlike the figures for insurance premiums, the amounts incurred in claims increased for all the major business lines.

The faster growth in claims incurred than in premiums received took the loss ratio to 66.5% in the third quarter, its highest level since Solvency II was introduced in 2016. The usual fall in the expense ratio was also replaced by a slight rise for a second consecutive quarter, and the expense ratio stood at 29.4% in the third quarter. In sum the net combined ratio, which shows the profitability of insurance activities, was 95.9%, which it has only exceeded under Solvency II at the very beginning in the first quarter of 2016. The results for the current year are weaker for all the major insurance lines. Only in the smaller business lines that have a total share of around 5% is the combined result lower than it was in the first nine months of 2020.

As the non-life insurance sector earns most of its profit from insurance activities, the worse figures in the third quarter affected the profit of the sector, which remained substantially below that of previous quarters.

The total capital requirement of the non-life insurance sector grew by more in the third quarter than

the volume of funds available to cover it, meaning that capitalisation fell. The total capital requirement of the non-life insurance sector was 180 million euros at the end of September 2021, and there were 361 million euros in eligible funds to cover the capital requirement at that time. This meant that the ratio of own funds to capital remained a little over 200%.

The Estonian non-life insurance market remained below 100 million euros in size in the third quarter. In the first nine months of the year, 299 million euros were received in insurance premiums, representing growth of 4%. Not all of the insurance service providers operating in Estonia gained from the growth in the market. There were some companies with growth of over 20%, and other insurers that continued to see declines. Branches have 36% of the non-life insurance market in Estonia.

The third quarter of 2021 gave the sector a strong signal about the sufficiency of the level of insurance premiums in the largest insurance lines. Claims may continue to grow in the coming quarters when seasonal risks are higher, increasing the pressure to raise tariffs. The weather conditions up to the end of the third quarter helped keep down claims for insurance lines covering vehicles, but they were set to change in the fourth quarter.

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