

Croatian Insurance Bureau, June 2017

# KEY FACTS

Insurance Market in the Republic of Croatia

# 2016

**GENERAL NOTE:**

All conversions from the national currency HRK to EUR have been made at the 2016 official Midpoint Exchange Rate of the Croatian National Bank: €1 = 7,52938 HRK

This booklet brings key-facts on the insurance market in the Republic of Croatia.

It is intended for a wider range of interested parties as an overview of selected indicators of the importance of insurance companies in the economic and financial environment.

This publication is part of the policy and the efforts of the Croatian Insurance Bureau with the aim of increasing the role of insurance companies and promoting their contribution to the overall economic system.

The publication covers essential facts on the insurance in the Republic of Croatia from its position in the world market and Europe, to its role in the economic and financial system, the premium income and the key indicators of the structure and operations of insurance companies in the Republic of Croatia.

# CONTENTS

1. Importance and role of the insurance industry and of insurance companies
2. Insurance key-facts in the Republic of Croatia
3. Position of the Croatian insurance industry worldwide
4. Insurance companies' position in the financial system
5. Investments of the insurance companies
6. Structure of the premium income and claims paid
7. Features of the insurance market
  - a. / Number of insurance companies
  - b. / Market share and concentration
  - c. / Employment
  - d. / Distribution channels



## Importance and role of the insurance industry and insurance companies

The successful functioning of the overall market economy and individual economic entities cannot exist without the well developed insurance component.

Insurance is a business of providing **economic protection** against certain perils that endanger the property and people.

The role of insurance is that the many perils insured are exposed to are redistributed to all insureds and that the insured damaged person is adequately indemnified pursuant to the concluded insurance contract. No insured person has such financial resources to be able to cover the maximum damage that could possibly occur and for that reason, he or she may transfer risks to the insurer, regarding to the risk of damages beyond his own financial capacity and thereby create security in his/hers business (legal entity) or existence (physical person).

Insurance risk cover is granted under the insurance contract, according to which the insurance company, having collected the insurance premium, shall be liable in case of the occurrence of an insured event, pays compensation to the insured in property insurance i.e. pays the agreed amount of insurance in personal insurance.

Insurance companies have important function and contribute to the development of the **economic and financial system**. They enable the population, enterprises and the State sustainable business activities and savings in a stable environment. Their role is mainly reflected in the functioning of insurance and indemnification, as well as in the collection and mobilization of financial resources and their efficient **allocation and investment**, thus encouraging the growth component of the economy.

Insurance companies play **important social and community roles**. The more developed the insurance sector is, the more unlikely shall the State be obliged to pay compensation and supply financial support to individuals and enterprises in case of the incidents or harmful events.

Life insurance is an important saving instrument for providing an income for old age affecting the increase of standards in the senior years. Long-term savings in life insurance have a beneficial effect on the stability of the financial system and on promoting a long-term development and selection of quality projects of the State, local communities and enterprises.

# INSURANCE KEY-FACTS IN THE REPUBLIC OF CROATIA



Own means – capital and provisions of insurance companies at the end of 2016 amounted to **€1,157 million** and accounted for **22.1%** of total capital sources

The number of policies at the end of 2016 was **8,202,853 non-life policies and 1,510,324 life policies.**

Claims paid by insurance companies in the Republic of Croatia in 2016 amounted to **€631 million.**

Assets of the insurance companies in the Republic of Croatia at the end of 2016 amounted to **€5,237 million.**

Gross premium written by insurance companies in the Republic of Croatia in 2016 amounted to **€1,163 million.**

At the end of 2016 insurance companies employed **9,130 individuals.**

**Table 1. Key facts for 2016**



<b>Key Facts</b>	<b>Total</b>	<b>% Change</b>	<b>NON-LIFE</b>	<b>% Change</b>	<b>LIFE</b>	<b>% Change</b>
Gross premiums written (€)	1,163,592,509	-86.7%	775,985,421	-86.6%	387,607,088	-86.8%
Number of policies issued	9,713,177	+3.9%	8,202,853	+4.5%	1,510,324	+0.6%
Claims paid, gross amount (€)	631,509,392	-86.2%	388,659,252	-86.8%	242,850,140	-85.3%
Number of claims paid	3,196,923	+46.9%	3,133,589	+48.2%	63,334	+3.2%
Total Assets <sup>1</sup> (€)	5,237,587,564	-86.2%	2,265,762,880	-86.6%	2,971,824,684	-85.8%
Capital and Reserves <sup>1</sup> (€)	1,157,720,545	-85.7%	748,759,483	-86.2%	408,961,062	-84.5%
Equity Ratio (%)	22.1	-	33.0	-	13.8	-
Total Investments <sup>1</sup> (€)	4,398,288,403	-85.8%	1,579,177,850	-86.3%	21,226,154,619	+8.5%
Total Provisions <sup>1</sup> (€)	3,654,937,923	-86.3%	1,233,557,961	-86.8%	18,231,489,860	+4.7%
Operating Result <sup>2</sup> (€)	90,200,118	-86.1%	57,310,208	-85.1%	247,640,628	-5.2%
Number of employees <sup>3</sup>	9,130	-10.9%	-	-	-	-
- sales <sup>3</sup>	5,719	-17.1%	-	-	-	-
- claims handling <sup>3</sup>	770	-1.2%	-	-	-	-

**Source: Croatian Insurance Bureau (hereinafter HUO)**

<sup>1</sup> Source: Croatian Financial Services Supervisory Agency (hereinafter HANFA); Unaudited individual data for 31.12.2016

<sup>2</sup> Source: Croatian Financial Services Supervisory Agency; A-2 Insurance Companies Aggregate Balance Sheet

<sup>3</sup> Source: Croatian Financial Services Supervisory Agency; Statistics for 2016 (SP23)

# POSITION OF THE CROATIAN INSURANCE INDUSTRY WORLDWIDE

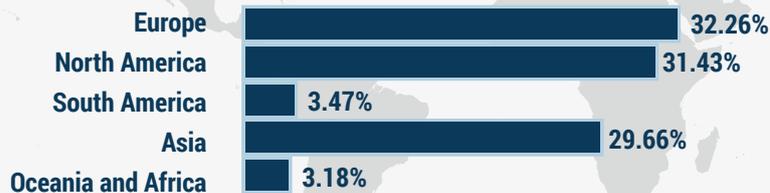


The structure of worldwide premium income shows that the European Insurance Market is the largest world insurance market with a share of 32.26% in the global insurance premium, North America holds 31.43%, Asia 29.66%, and 6.65% falls to South America, Oceania and Africa.

Croatia's insurance industry share in the total world insurance premium in 2015 stood at 0.03% and in view to the amount of insurance premiums the Republic of Croatia is ranked 67th in the world. On the other hand, the Croatian insurance market has a 0.9% share in the European Insurance Market.

It has to be highlighted that with the admittance of the Republic of Croatia to the European Union, the Croatian insurance market became part of a unique financial services market in the European Union which, relating to insurance, represents the largest world market.

**Graph 1. Structure of the world insurance premium in 2015**



Source: Swiss Re, Sigma No 3/2016

The international comparability and significance of the insurance company and insurance activities are habitually presented through three key indicators:

- Insurance premium share in the Gross domestic product or insurance penetration?
- Insurance premium per inhabitant or insurance density,
- Life premium share in total premiums.

According to these indicators, it is clear that developed countries and developed insurance markets are characterized by a share of insurance premiums in the GDP above 7%, annual investments in insurance per inhabitant of more than 2,000 USD and a share of life insurance premium in total premiums exceeding 45%.

## INDICATORS OF THE SIGNIFICANCE OF INSURANCE COMPANIES - 2016

The following indicators for Croatian Insurance Market stood at: 2.6% premium share in the GDP 2.6%, 299 USD or €278 insurance premium per inhabitant and life insurance premium share of 30.8% in total premiums.

All indicators show a significant growth area for insurance premiums in the Republic of Croatia, particularly if compared to EU member countries and the Eurozone.

**Table 2.** Indicators of the significance of insurance companies for 2016

Country	Total premium in % of GDP	Total premium per capita in USD	Life premium in % of Total premium
USA	7.3	4,096	42.0
Japan	10.8	3,554	76.5
United Kingdom	10.0	4,359	67.0
France	9.3	3,392	65.1
Germany	6.2	2,563	45.4
Euro area	7.4	2,523	58.5
European Union	7.6	2,412	60.6
Bulgaria	2.2	149	17.6
<b>Croatia</b>	<b>2.6</b>	<b>299</b>	<b>33.3</b>
Czech Republic	3.3	592	40.7
Hungary	2.5	303	53.7
Poland	2.9	372	41.4
Romania	1.3	107	20.0
Slovenia	5.0	1,058	28.6

Source: Swiss Re, Sigma No 3/2016

## INSURANCE COMPANIES' POSITION IN THE FINANCIAL SYSTEM

The insurance companies are part of the financial system and represent significant financial institutions and institutional investors. As a part of life insurance, they are contractual savings that financial institutions provide in the form of long-term savings for consumers and for businesses.

The importance of insurance companies in the financial system is shown through the share of assets of insurance companies in total assets of all financial institutions and the share of insurance savings in the household sector, as the sector which has a surplus of funds.

Accumulated assets with the insurer guarantee the fulfillment of their current and future liabilities.

**Table 3. Structure and the relative importance of financial institutions in the Republic of Croatia, 2016 (September 2016)**

*Absolute value in million EUR*

<b>Financial Intermediary</b>	<b>Assets</b>	<b>Share</b>
Commercial Banks	51,974	69.62%
Mandatory Pension Funds	10,775	14.43%
Insurance and Reinsurance Companies	5,265	7.05%
Leasing Companies	2,453	3.29%
UCITS Investment Funds	2,241	3.00%
Housing Savings Banks	1,026	1.38%
Voluntary Pension Funds	539	0.72%
Alternative Investment Funds*	384	0.51%
<b>TOTAL</b>	<b>74,658</b>	<b>100.00%</b>

\* Data from the end of June 2016.

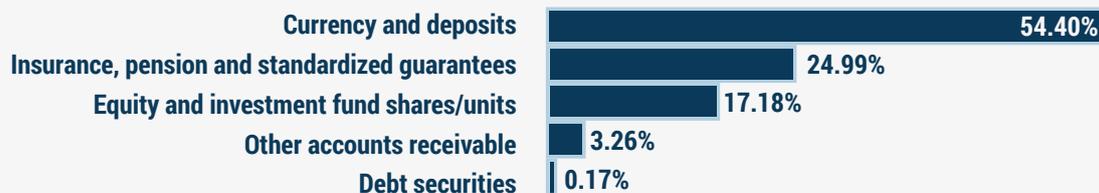
Source: Croatian National Bank (HNB), Croatian Financial Services Supervisory Agency (HANFA)

The Croatian financial system is bank-centric and characterized by the dominant position of banks with a 69.6% share in the total assets of all financial institutions. Insurance companies take a share of 7.1% and together with the obligatory pension funds with a share of 14.4% represent the most important institutional investors in the Croatian financial system. However, the assets of insurers in the financial sector are slow but steadily increasing. The assets of Croatian insurers in 2007 amounted to €2.9 billion or 5.1% of total assets of financial institutions, while at the end of 2016 it was €5.2 billion or 7.1% of total assets of financial institutions.

Within the structure of savings of the household sector, as another indicator of development and representation of insurance companies in the financial system, insurance companies and assets in the pension funds have a share of 24.99%. This would indicate that of 100 kuna (€13.2) of financial assets of the average inhabitant of the Republic of Croatia 25 kunas (€3.3) has been invested in insurance and pension funds.

The structure of financial assets of the household sector indicates the need of encouraging the development of long-term voluntary purpose savings. Without the assets of mandatory pension funds, voluntary pension savings and even long-term purpose savings of the household is underrepresented. A future key role in this part of savings, as well as everywhere in the world, should be played by insurance companies.

## Graph 2. Financial assets of the households in the Republic of Croatia in 2016



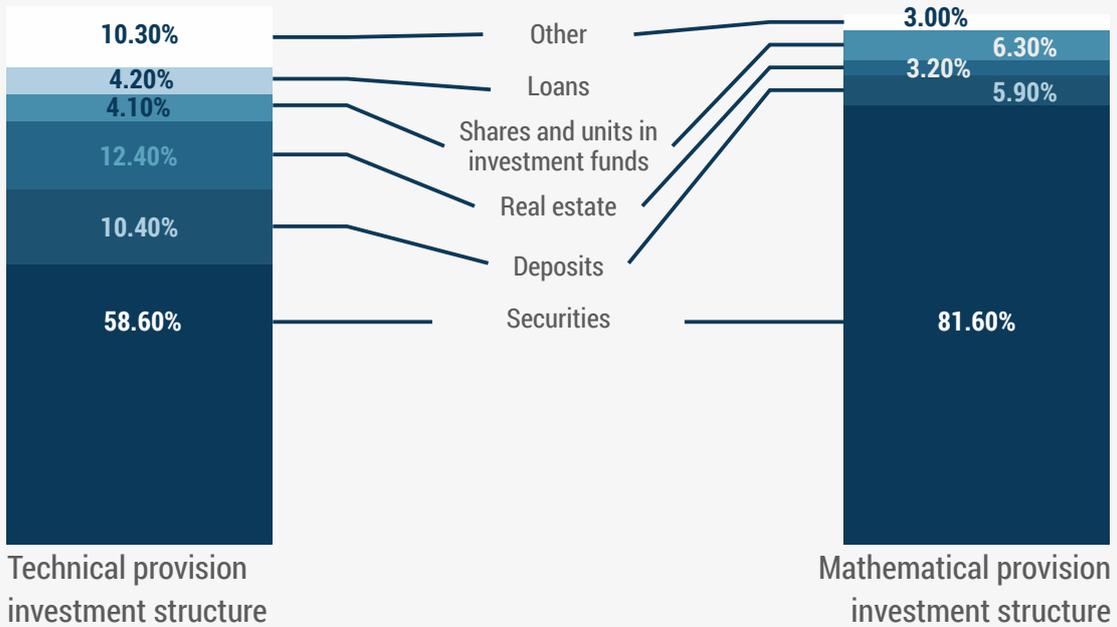
Source: Croatian National Bank, *The statistics of financial accounts 2016*

## INSURANCE COMPANIES' INVESTMENTS

Investments are the key asset of insurance companies with a share of 84.0% (81.9% at the end of 2015) and an amount of €4,398 million at the end of 2016. The investments of insurance companies in the Republic of Croatia consist of investments from technical reserve assets and investments from mathematical reserve assets. Insurance companies' investments are governed by regulations, and under the new regulatory framework Solvency II according to which the Insurance Act has been adjusted (Official Gazette NN 30/15), risk exposure is included in the calculation of the capital requirements. Investment management represents an important part of risk management in the insurance companies.

Insurance companies invest a great portion of assets into the state bonds. In the structure of assets investing to cover technical reserves, the largest share consists of investments in securities issued by the Republic of Croatia, whose share in total investments amounted to 48.5% in 2015. Most of the assets used to cover the mathematical reserve were also invested in securities issued by the Republic of Croatia, which accounted for 66.0% of the assets invested in mathematical provisions, while securities issued by the other EU Member States accounted for 9.3% of total assets to cover mathematical reserves. Insurers also invest in municipal and corporate bonds, shares and other securities. Investments in deposits with banks are also a significant part of the investment, and part of the assets is invested in the real estates and loans. With such investment policy, the insurance company becomes a key investor in the financial market in the Republic of Croatia, which strongly contributes to the development of functional economy, and due to the long-term financial resources, makes a significant factor of stability of the financial sector and market.

Graph 3. Insurance companies' investments in 2015



Source: HANFA, Annual report 2015

## STRUCTURE OF THE PREMIUM INCOME AND CLAIMS PAID

Gross written premium of insurance companies in the Republic of Croatia at the end of 2016 amounted to €1,163,592,509, of which non-life insurance premiums accounted for €775,985,421 or 66.7%, while life insurance premium was €387,607,088 or 33.3%. In the period from 2009 to 2014 the total insurance market, due to the financial and economic crisis and the liberalization of the motor TPL market in 2014 recorded negative growth rates or stagnation. In the period up to the financial crisis, the growth rates of the insurance market were double-digit. In 2015, the positive trends in the life insurance market raised the total insurance premium, which compared to the previous year, grew by 1.9%. By the end of 2016, total premium growth rose up by 0.4%, but this time due to positive developments in the non-life insurance market (+0.9%), while life insurance dropped by 0.5%.

**Graph 4. Gross premium written from 2007 to 2016**

*Absolute values in million EUR, relative in %*



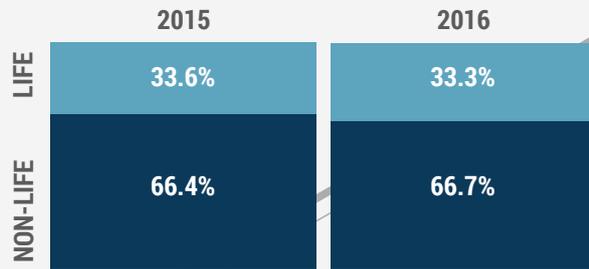
Source: HUG, Statistical insurance data

## Graph 5. Premium structure by insurance classes in 2016

There were no significant changes in the structure of the premium income of insurance companies in the Republic of Croatia by the end of 2016. Still the largest share attributes on life insurance which was 33.3% and is slightly lower than in the previous year (33.6%). The share of motor TPL continues to fall, which is primarily a result of the market liberalization process. The third position still holds casualty insurance for road vehicles with 9.2%, followed by other property insurance with 6.7% and fire and elementary damage insurance with 6.6%. Other types of insurance have a share of 5% or less, with accidents insurance of 5.4% and health insurance with 4.7% of total premium income.

Accident	5.42 %
Health	4.67 %
Land vehicles	9.17 %
Railway rolling stock	0.05 %
Aircraft	0.12 %
Ships	1.61 %
Goods in transit	0.39 %
Fire and natural forces	6.57 %
Other damage to property	6.70 %
Motor vehicle liability	23.32 %
Aircraft liability	0.08 %
Liability for ships	0.50 %
General liability	3.95 %
Credit	1.74 %
Suretyship	0.07 %
Miscellaneous financial loss	1.40 %
Legal expenses	0.04 %
Travel insurance	0.88 %
Life assurance	25.61 %
Annuity insurance	0.49 %
Supplementary insurance linked with life assurance policy	1.62 %
Marriage and birth assurance	0.06 %
Insurance linked with units of investment funds - unit-linked	5.54 %

Source: HUU, Statistical insurance data

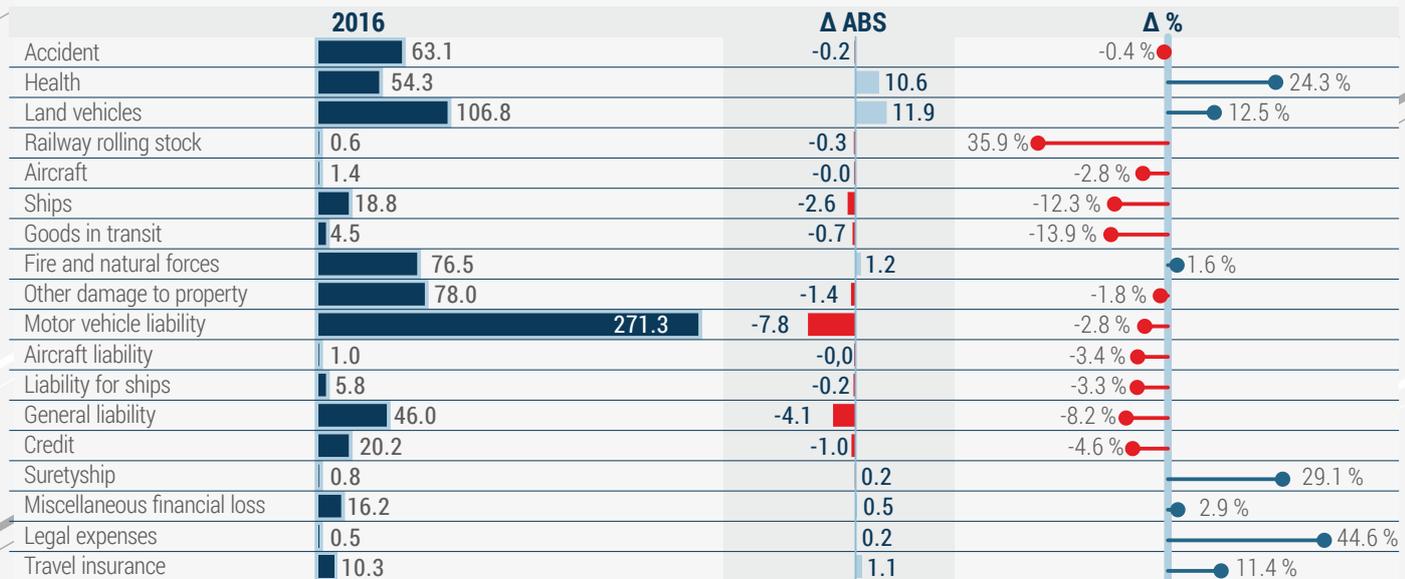


Graph 6. Insurance premium structure – by insurance classes

Source: HUU, Statistical insurance data

Graph 7. Non-life premium – by insurance classes in 2016

absolute values in million EUR, relative values in %



Source: HUU, Statistical insurance data

Life insurance is a specific insurance product that incorporates insurance and a savings and investment component. In the life premium structure the most common is the traditional life assurance with a share of 76.9% (in 2015 84.5%). Investment life insurance has gained in importance again and make up 16.6% (in 2015 8.2%) of life insurance premiums. Additional insurance linked to life assurance represent 4.9%, where annuity insurance has a share of 1.5%, and marriage and birth assurance have a share of less than 1%.

### Graph 8. Life insurance premium – by insurance classes in 2016

*absolute values in million EUR, relative values in %*

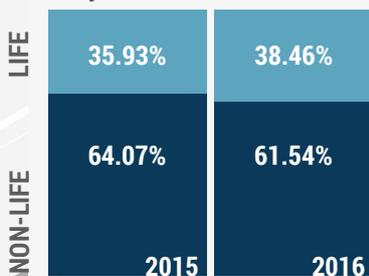
	2016	Δ ABS	Δ %
Life assurance	298.0	-31.2	-9.5 %
Annuity insurance	5.7	-2.4	29.7 %
Supplementary insurance linked with life assurance policy	18.8	-0.8	-4.1 %
Marriage and birth assurance	0.8	-0.1	-10.0 %
Insurance linked with units of investment funds - unit-linked	64.4	32.4	101.0 %
Tontine			
Assurance with paid-up sum assured			

Source: HUU, Statistical insurance data

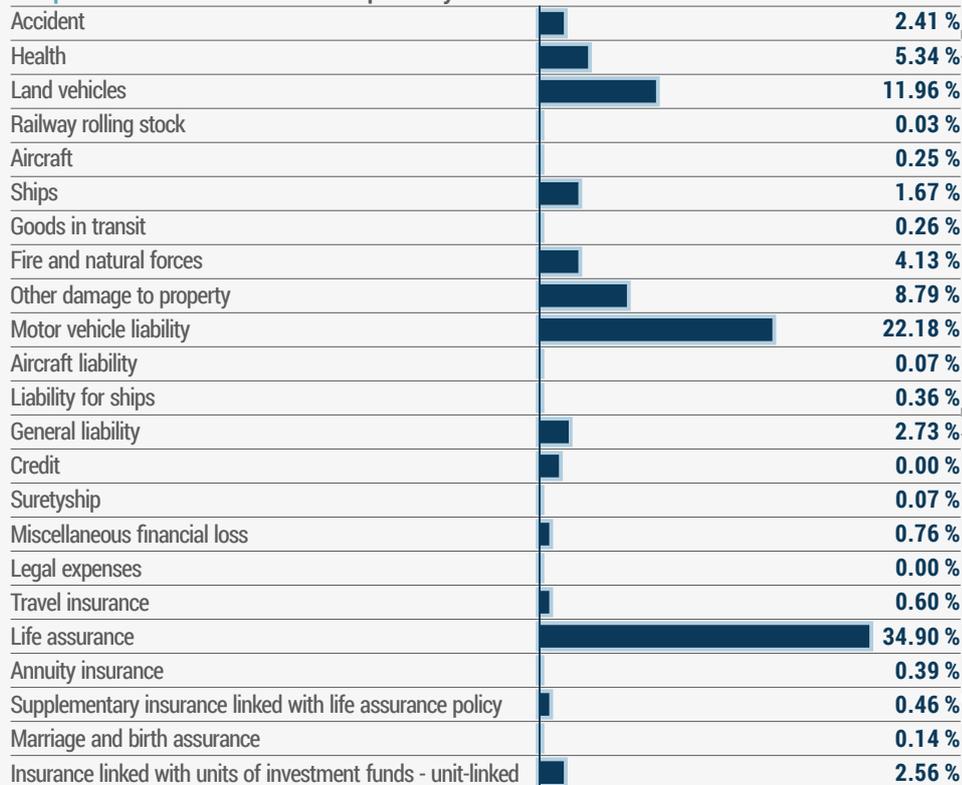
## CLAIMS PAID

In the structure of claims paid per amount the leading classes are life assurance that stands by 38.5% (in 2015 35.9%), motor TPL insurance by 22.2%, land vehicles insurance by 12.0% (in 2015 12.5%), other property insurance by 8.8% (in 2015 8.3%), insurance against fire and natural disasters by 4.1% (in 2015 4.8%), while other insurance classes have a lower share.

**Graph 10.**  
Structure of claims paid  
– by insurance classes



**Graph 9.** Structure of claims paid by insurance classes in 2016



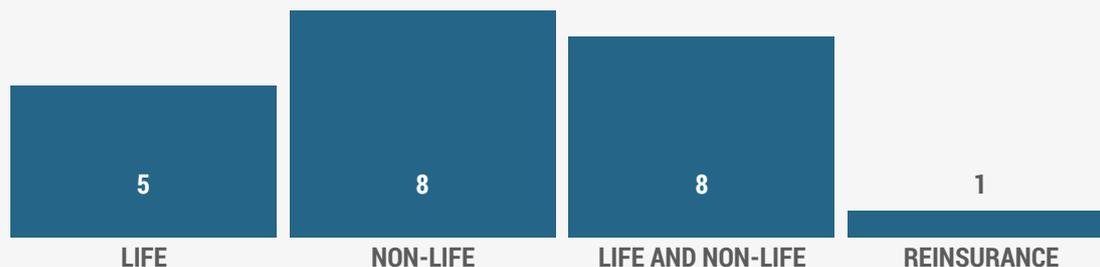
Source: HUU, Statistical insurance data

## FEATURES OF THE INSURANCE MARKET

### a / Number of insurance companies

At the end of the 2016 there were a total of 21 insurance companies transacting business in the insurance market and 1 reinsurance company with their head office in the Republic of Croatia. Among these companies, 5 companies transacted life assurance, 8 companies exclusively non-life insurance, while the remaining 8 insurance companies transacted life and non-life insurance.

Graph 11. Number of insurance and reinsurance companies in 2016



Source: HANFA

### b / Insurance companies and market share

The insurance company with the highest market share in the total gross premium written at the end of 2016 was Croatia osiguranje d.d. with a share of 25.9%, the second place took Allianz Zagreb d.d. with 9.6%, followed by Euroherc osiguranje d.d. with 9.4%, Wiener osiguranje Vienna Insurance Group d.d with 6.8%, and Uniqa osiguranje d.d. with 6.6% market share. Ten insurance companies recorded an individual market share in the total premium by less than 1%.

## Graph 12. Gross premium, growth rate and market share of insurance companies at the end of 2016

absolute values in million EUR, relative values in %

	2016		Δ ABS		Δ %	SHARE
AGRAM LIFE OSIGURANJE D.D.	40.7		5.4		15.5%	3.49
ALLIANZ ZAGREB D.D.	148.2	-9.9		-6.3%		12.74
BNP PARIBAS CARDIF OSIGURANJE D.D.	5.0	-3.7		-42.4%		0.43
CROATIA OSIGURANJE D.D.	301.3	-5.2		-1.7%		25.89
CROATIA ZDRAVSTVENO OSIGURANJE D.D.	38.7		8.8		29.3%	3.32
ERGO OSIGURANJE D.D.	9.0		3.3		57.3%	0.77
ERGO ŽIVOTNO OSIGURANJE D.D.	0.4		0.2		160.8%	0.03
ERSTE OSIGURANJE VIG D.D.	23.2		0.5		2.1%	2.00
EUROHERC OSIGURANJE D.D.	111.9		3.1		2.8%	9.62
GENERALI OSIGURANJE D.D.	66.4		2.6		4.1%	5.71
GRAWE HRVATSKA D.D.	51.0	-1.6		-3.0%		4.38
HOK OSIGURANJE D.D.	24.8		1.1		4.5%	2.13
HRVATSKO KREDITNO OSIGURANJE D.D.	1.6	-0.0		-2.9%		0.13
IZVOR OSIGURANJE D.D.	6.8		0.7		11.1%	0.58
JADRANSKO OSIGURANJE D.D.	72.8		3.4		4.9%	6.25
MERKUR OSIGURANJE D.D.	36.0	-1.1		-2.8%		3.09
SOCIETE GENERALE OSIGURANJE D.D.	5.7		0.3		5.7%	0.49
TRIGLAV OSIGURANJE D.D.	49.0		3.3		7.2%	4.21
UNIQA OSIGURANJE D.D.	76.3	-12.7		-14.3%		6.56
VELEBIT OSIGURANJE D.D.	7.5		0.4		5.2%	0.64
VELEBIT ŽIVOTNO OSIGURANJE D.D.	2.8	-0.5		-15.2%		0.24
WIENER OSIGURANJE VIG D.D.	78.5		6.0		8.2%	6.75
WÜSTENROT ŽIVOTNO OSIGURANJE D.D.	6.2		2.8		82%	0.53

**Note:** For companies Velebit osiguranje d.d. and Velebit Life Insurance d.d. the data for the period from 01.01.-01.11.2016 are shown, with the specificity that as of 02.11.2016 occurred a cross-border merger of both companies with the company ZAVAROVALNICA SAVA d.d. that operates in Croatia through SAVA INSURANCE d.d. Branch Croatia.

Source: HUU, Statistical insurance data

## c / Employment

At the end of 2016 there were 9.130 people employed in insurance undertakings (in 2015 there was 10.246 employees). At that time in the financial sector there were 39.138 employees, and employees in insurance companies made 23.3% of a total of employees. Thus, in total of the number of employees in the insurance companies also represent a significant player in the financial and economic sector.

## d / Distribution channels

Insurance companies used to sale their products and services via their own direct employees (without commission), tied agents, agency companies, brokers, bancassurance and other distribution channels.

Non-life insurance in 2016 was most commonly sold through tied agents making a 39.1% (in 2015 39.7%) share in the premium written, direct employees (without commission) accounted for 21.7% (in 2015 23.2%), agency companies for 19.3% (in 2015 16.3%) and other sales channels had a share lower than 10%. Life insurance was mostly distributed via tied agents by 24.3% (in 2015 26.6%), agency companies by 21.8% (in 2015 22.7%), bancassurance accounted for 36.2% (in 2015 35.5%), and direct employees by 11.1% (in 2015 11.4%) of life insurance premium written in the observed period.

Graph 13. Premium structure according to distribution channels in 2016

	Agents	Bancassurance	Direct writing (without commission)	Brokers	Direct writing	Other
<b>NON-LIFE</b>	<b>19.34 %</b>	<b>6.65%</b>	<b>21.74 %</b>	<b>10.70 %</b>	<b>39.13 %</b>	<b>2.44 %</b>
<b>LIFE</b>	<b>21.77 %</b>	<b>36.21 %</b>	<b>11.14 %</b>	<b>4.91 %</b>	<b>24.29 %</b>	<b>1.68 %</b>
<b>TOTAL</b>	<b>20.15 %</b>	<b>16.49 %</b>	<b>18.21 %</b>	<b>8.77 %</b>	<b>34.19 %</b>	<b>2.19 %</b>

Source: HUQ, Statistical insurance data



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Croatian Insurance Bureau, June 2017

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The Croatian Insurance Bureau is the association of insurance and reinsurance companies in the Republic of Croatia. It is a member of the **Council of Bureaux (CoBx)**, the Managing Organisation of the Green Card System, full member of **Insurance Europe (IE)**, the European (re)insurance federation, full member of **International Union of Marine Insurance (IUMI)** and represents Croatian insurance companies in other international institutions.

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