



2018

KEY FACTS

Insurance Market in the Republic of Croatia

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.

GENERAL NOTE:

All conversions from the national currency HRK to EUR have been made at the 2018 official Midpoint Exchange Rate of the Croatian National Bank: €1 = 7,414,111 HRK

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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 companies are nowadays recognized as important provider of different lines of health insurance. In developed countries, insurers are also one of the providers of long term care insurance. Through annuities insurers are taking part in paying out to households financial savings in retirement. Therefore, insurers are of great importance in overcoming present challenges of demographic aging of population and the necessity of each individual to take care of his wellbeing and health in future.

INSURANCE KEY-FACTS IN THE REPUBLIC OF CROATIA

Own means – capital and provisions of insurance companies at the end of 2018 amounted to €1.324 million and accounted for 23,4% of total capital sources

Gross premium written by insurance companies in the Republic of Croatia in 2018 amounted to €1.329 million.

At the end of 2018 insurance companies employed 8.238 individuals.

Claims paid by insurance companies in the Republic of Croatia in 2018 amounted to €749 million.

Assets of the insurance companies in the Republic of Croatia at the end of 2018 amounted to €5.656 million.

The number of policies at the end of 2018 was 8.891.017 non-life policies and 1.488.702 life policies.

Table 1. Key facts for 2018

Podatak							Period
	Total	% Change	Non-Life	% Change	Life	% Change	
Gross premiums written (€)	1,329,306,989	+8.8%	906,573,735	+9.9%	422,733,254	+6.6%	2018
Number of policies issued	10,379,719	+4.6%	8,891,017	+5.5%	1,488,702	-0.3%	2018
Claims paid, gross amount (€)	748,992,857	+8.8%	437,032,059	+6.1%	311,960,798	+12.6%	2018
Number of claims paid	4,282,987	+25.7%	4,217,021	+26.0%	65,966	+5.6%	2018
Total Assets ¹ (€)	5,656,240,942	+3.3%	2,511,642,429	+5.0%	3,144,598,513	+2.0%	31.12.2018
Capital and Reserves ¹ (€)	1,324,306,854	+3.0%	879,169,785	+5.9%	445,137,069	-2.4%	31.12.2018
Equity Ratio (%)	23.4	-	35.0	-	14.2	-	31.12.2018
Total Investments ¹ (€)	4,723,828,328	+1.0%	1,688,713,346	+0.3%	3,035,114,982	+1.3%	31.12.2018
Total Provisions ¹ (€)	3,938,594,640	+3.2%	1,321,112,494	+3.3%	2,617,482,145	+3.2%	31.12.2018
Operating Result ² (€)	122,994,273	+28.2%	93,339,214	+58.1%	29,655,059	-19.6%	31.12.2018
Number of employees ²	8,238	-6.4%	-	-	-	-	2018
- sales ²	5,757	+3.0%	-	-	-	-	2018
- claims handling ²	780	+1.7%	-	-	-	-	2018

Source: Croatian Insurance Bureau (hereinafter HUO)

¹ Source: Croatian Financial Services Supervisory Agency (hereinafter HANFA); Unaudited individual data for 31.12.2018

² Source: Statistics for 2018 (SP23; RDG-O_628)

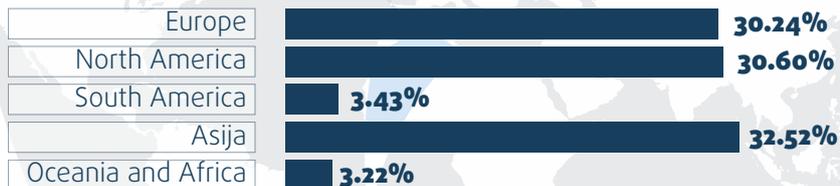
POSITION OF THE CROATIAN INSURANCE INDUSTRY WORLDWIDE

The structure of worldwide premium income shows that the Asian Insurance Market is the largest world insurance market with a share of 32,52% in the global insurance premium, North America holds 30.60%, Europe 30.24%, and 6.55% falls to South America, Oceania and Africa.

Croatia's insurance industry shared in the total world insurance premium in 2017 stood at 0.03% and in view to the amount of insurance premiums the Republic of Croatia is ranked 65th in the world. On the other hand, the Croatian insurance market has a 0.11% 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 second largest world market.

Graph 1. Structure of the world insurance premium in 2017



Source: Swiss Re, Sigma No 3/2018

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 - 2017

The following indicators for Croatian Insurance Market stood at: 2.5% premium share in the GDP, 333USD or €296 insurance premium per inhabitant and life insurance premium share of 32.4% 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 2017

Country	Total premium in % of GDP	Total premium per capita in USD	Life premium in % of Total premium
USA	7.2	4,216	39.7
Japan	8.6	3,312	72.8
United Kingdom	9.6	3,810	75.4
France	9.0	3,446	64.5
Germany	6.0	2,687	43.5
Euro area	7.6	2,614	0.0
European Union	7.1	2,429	0.0
Bulgaria	2.2	175	17.1
Croatia	2.5	333	32.4
Czech Republic	2.9	609	38.1
Hungary	2.5	348	48.9
Poland	3.0	421	31.6
Romania	1.2	125	20.8
Slovenia	4.9	1,184	30.0

Source: Swiss Re, Sigma No 3/2018

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, 2018
Absolute value in million EUR

Financial Intermediary	Assets	Share
Commercial Banks	55,120	67.62%
Mandatory Pension Funds	13,235	16.24%
Insurance and Reinsurance Companies	5,656	6.94%
UCITS Investment Funds	2,578	3.16%
Leasing Companies	2,634	3.23%
Housing Savings Banks	736	0.90%
Voluntary Pension Funds	693	0.85%
Alternative Investment Funds	503	0.62%
Factoring	190	0.23%
Investment Funds established under special legal act	94	0.12%
Pension Insurance Company	75	0.09%
TOTAL*	81,515	100.00%

* Data from the end of June 2018 / 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 67.6% share in the total assets of all financial institutions. Insurance companies take a share of 6.9% and together with the obligatory pension funds with a share of 16.2% 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 2017 it was €5.5 billion or 7.0% 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 25.9%. This would indicate that of 100 Kuna (€13.5) of financial assets of the average inhabitant of the Republic of Croatia 26 kunas (€3.5) 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 2018



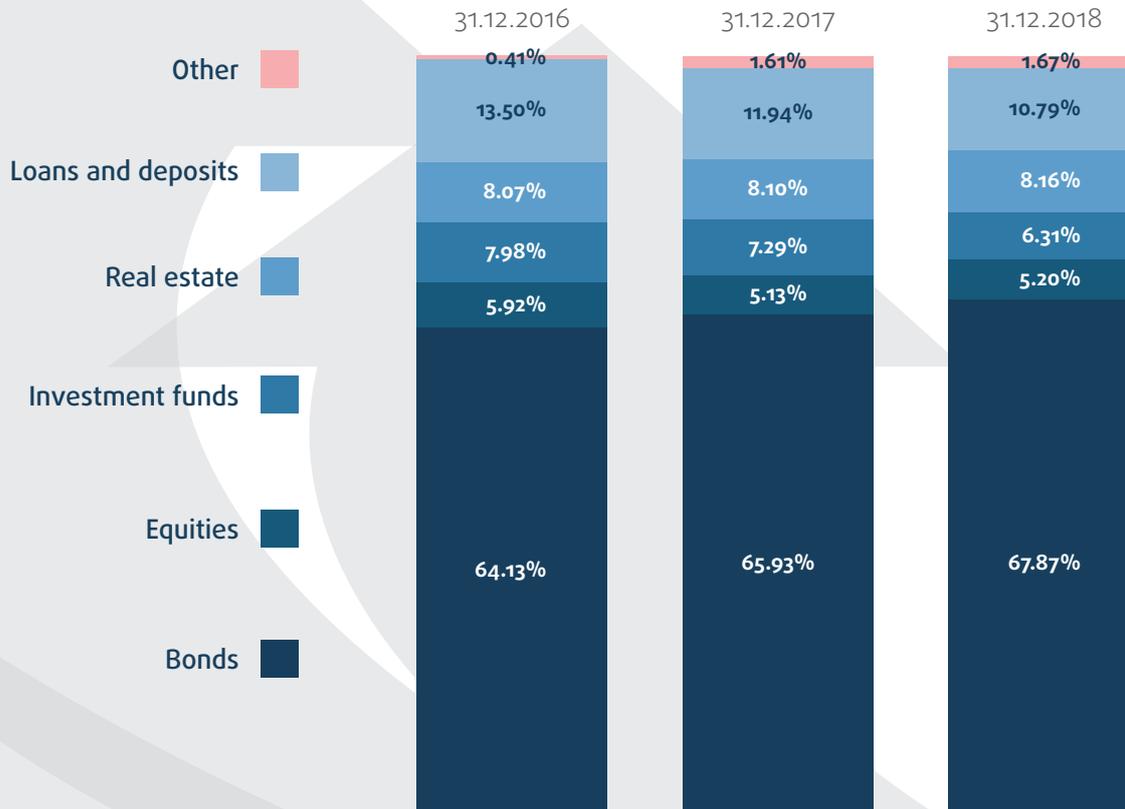
Source: Croatian National Bank, The statistics of financial accounts 2018

POSITION OF THE INSURANCE COMPANIES IN THE FINANCIAL SYSTEM

Investments are the key asset of insurance companies with a share of 79.1% (85.6% at the end of 2017) and an amount of €4.476 million at the end of 2018 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, 112/18), 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 are very conservative long term investors. In their asset structure, the largest share consists of investments in bonds whose share amounted to 67.9% in 2018. Most of these investments was in Croatian government bonds. Insurers also invest in equities and other securities (5.2%) and investment funds (6.3%). Investments in deposits and loans (10.8%) are also a significant part of the investments, and a part of the assets is invested in the real estates (8.2%). With such investment policy, the insurance company become a key investor in the Croatian financial market, which strongly contributes to the development function of Croatian economy, and due to the long-term financial investments, makes a significant factor of stability of the financial sector and market.

Graph 3. Insurance companies' investments in 2016-2018

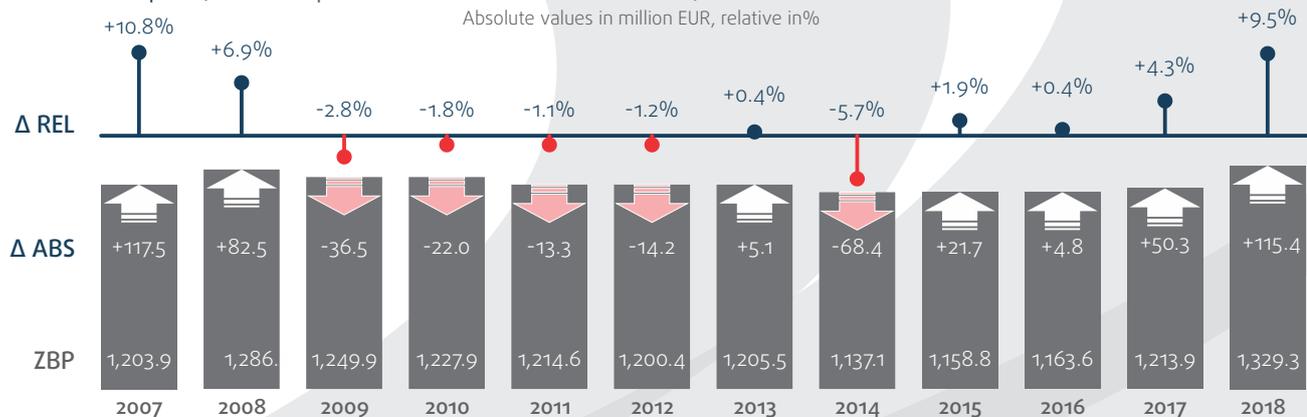


Source: HANFA, Report Financial indicators of non-banking financial sector, april 2018

STRUCTURE OF THE PREMIUM INCOME AND CLAIMS PAID

Gross written premium of insurance companies in the Republic of Croatia at the end of 2018 amounted to €1,329,306,989, of which non-life insurance premiums accounted for €906,573,735 or 68.2%, while life insurance premium was €422,733,254 or 31.8%. 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%. In 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%. By the end of 2017, total premium growth rose up by 4.3%, but this time due to positive developments in the non-life insurance market (+ 5.6%) and in the life insurance market by 1.6%. Positive trend continued in 2018, with total premium growth by 9.5% influenced by both non-life (+9.9%) by and life (6.6%) premium growth.

Graph 4. Gross premium written from 2007 to 2018



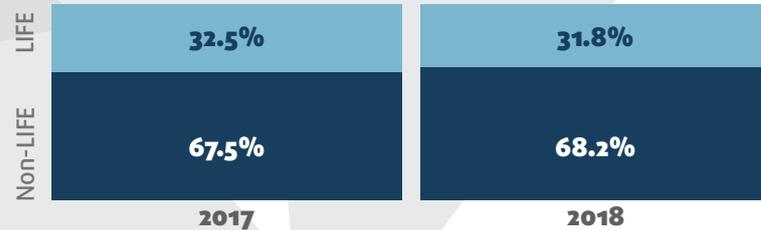
Source: HUO, Statistical insurance data

Graph 5. Premium structure by insurance classes in 2018

There were no significant changes in the structure of the premium income of insurance companies in the Republic of Croatia by the end of 2018. Still the largest share attributes on life insurance which was 25.7% and is slightly lower than in the previous year (24.5%). 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 10.7%, followed by other property insurance with 7.0% and fire and elementary damage insurance with 6.6%. Other types of insurance have a share of 6% or less, with health insurance of 5.3% and accidents insurance with 4.9% of total premium income.

Accident	4.91
Health	5.28
Land vehicles	10.65
Railway rolling stock	0.07
Aircraft	0.10
Ships	1.51
Goods in transit	0.32
Fire and natural forces	6.55
Other damage to property	7.02
Motor vehicle liability	22.11
Aircraft liability	0.05
Liability for ships	0.40
General liability	4.20
Credit	2.64
Suretyship	0.09
Miscellaneous financial loss	1.28
Legal expenses	0.06
Travel insurance	0.98
Life assurance	25.70
Annuity insurance	0.17
Supplementary insurance linked with life assurance policy	1.34
Marriage and birth assurance	0.05
Insurance linked with units of investment funds - unit-linked	4.55

Graph 6.
Insurance premium structure
– by insurance classes



Source: HUO, Statistical insurance data

Graph 7. Non-life premium – by insurance classes in 2018

absolute values in million EUR, relative values in %

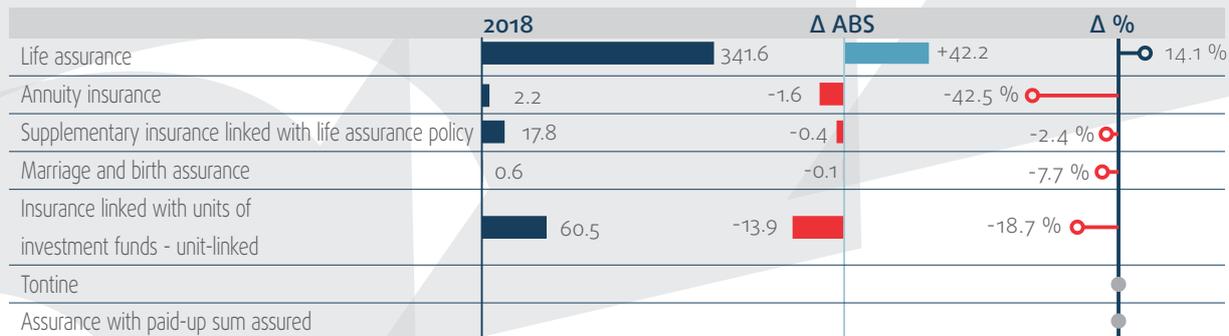
	2018.	Δ ABS	Δ %
Accident	65.2	+3.8	+6.1%
Health	70.1	+4.3	+6.6%
Land vehicles	141.5	+22.3	+18.7%
Railway rolling stock	0.9	-0.1	-12.7%
Aircraft	1.3	-0.1	-5.4%
Ships	20.1	+0.0	+0.0%
Goods in transit	4.3	-0.1	-2.1%
Fire and natural forces	87.1	+3.9	+4.7%
Other damage to property	93.3	+13.5	+16.9%
Motor vehicle liability	293.9	+17.5	+6.3%
Aircraft liability	0.7	-0.1	-8.5%
Liability for ships	5.3	+0.1	+1.9%
General liability	55.8	+5.6	+11.2%
Credit	35.1	+8.9	+34.0%
Suretyship	1.2	+0.3	+27.2%
Miscellaneous financial loss	17.0	+1.6	+10.7%
Legal expenses	0.7	+0.1	+16.7%
Travel insurance	13.0	+0.2	+1.2%

Source: HUO, 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 80.8% (in 2017 75.5%). Investment life insurance has gained in importance again and make up 14.3% (in 2017 18.8%) of life insurance premiums. Additional insurance linked to life assurance represent 4.2%, where annuity insurance has a share of 0.5%, and marriage and birth assurance have a share of less than 1%.

Graph 8. Life insurance premium – by insurance classes in 2018

absolute values in million EUR, relative values in %



Source: HUU, Statistical insurance data

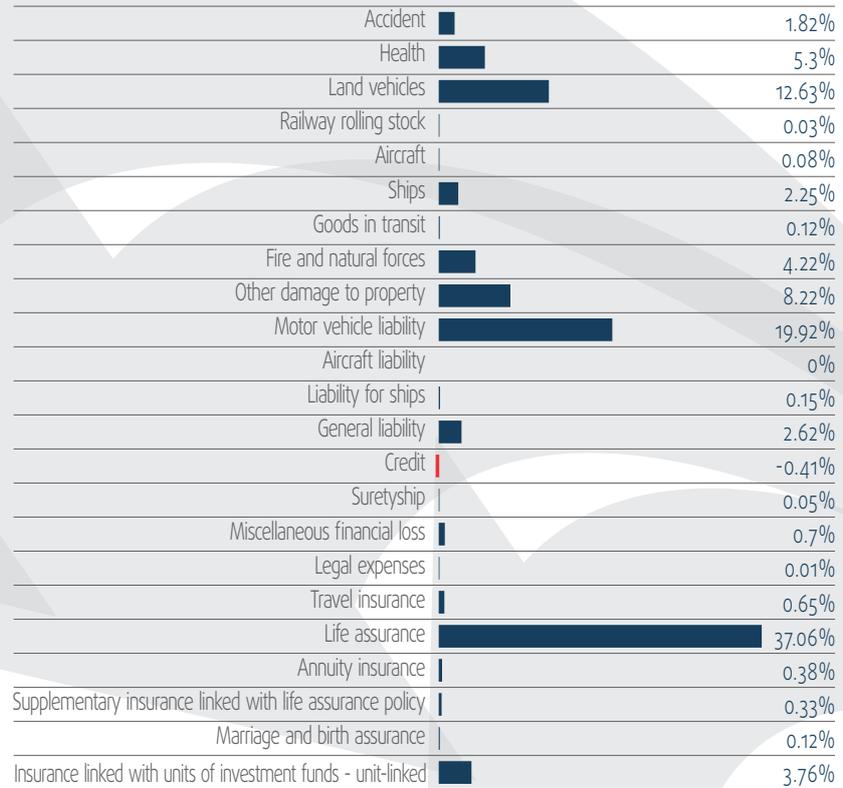
CLAIMS PAID

In the structure of claims paid per amount the leading classes are life assurance that stands by 37.1% (in 2017 36.3%), motor TPL insurance by 19.9% (in 2017 21.7%), land vehicles insurance by 12.6% (in 2017 11.7%), other property insurance by 8.2% (in 2017 7.8%), health insurance 5.3% (in 2017 4.9%), insurance against fire and natural disasters by 4.2% (in 2017 4.1%), 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 2018



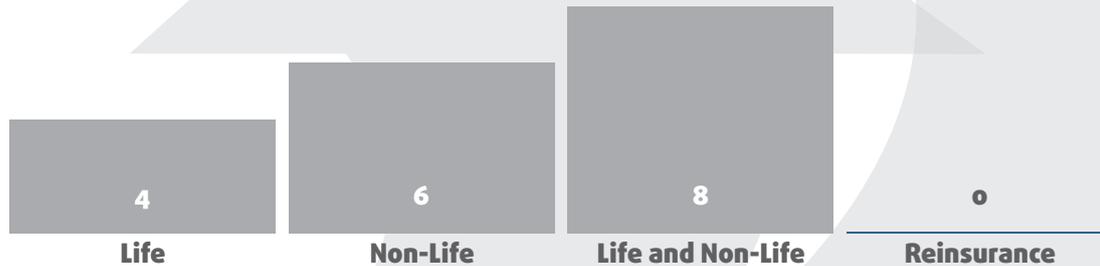
Source: HUU, Statistical insurance data

FEATURES OF THE INSURANCE MARKET

a / Number of insurance companies

At the end of the 2018 there were a total of 18 insurance companies transacting business in the insurance market based in the Republic of Croatia. Among these companies, 4 companies transacted life assurance, 6 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 2018



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 2018 was Croatia osiguranje d.d. with a share of 27.9%, the second place took Allianz Zagreb d.d. with 11.8%, followed by Euroherc osiguranje d.d. with 11.4%, Wiener osiguranje Vienna Insurance Group d.d. with 9.1%, Generali osiguranje d.d. with 7.3%, Adriatic osiguranje d.d. with 6.7%, and Uniqa osiguranje d.d. with 5.9% market share. Five 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 2018

absolute values in million EUR, relative values in %

	2018	Δ ABS	Δ %	Share
ADRIATIC OSIGURANJE D.D.	89.4	+9.9	+12.4%	6.72
AGRAM LIFE OSIGURANJE DD	47.4	+3.2	+7.2%	3.57
ALLIANZ ZAGREB D.D	157.2	+3.6	+2.3%	11.83
CROATIA OSIGURANJE D.D.	371.4	+20.5	+5.8%	27.94
CROATIA OSIGURANJE KREDITA D.D.	0.0	-1.1	-100.0%	0.00
ERGO OSIGURANJE D.D.	14.2	+1.4	+10.6%	1.07
ERGO ŽIVOTNO OSIGURANJE D.D.	0.1	-0.2	-67.0%	0.01
ERSTE OSIGURANJE VIG D.D.	0.0	-24.4	-100.0%	0.00
EUROHERC OSIGURANJE D.D.	150.9	+28.2	+23.0%	11.35
GENERALI OSIGURANJE D.D.	96.6	+20.5	+26.9%	7.26
GRAWE HRVATSKA D.D.	58.2	+2.8	+5.1%	4.38
HOK OSIGURANJE D.D.	28.2	+1.3	+4.7%	2.12
HRVATSKO KREDITNO OSIGURANJE D.D.	1.4	-0.0	-0.6%	0.11
IZVOR OSIGURANJE D.D.	8.4	+1.2	+16.6%	0.63
MERKUR OSIGURANJE D.D.	37.6	+0.1	+0.3%	2.83
OTP OSIGURANJE D.D.	5.9	-0.2	-2.7%	0.44
TRIGLAV OSIGURANJE D.D.	57.9	+4.2	+7.8%	4.36
UNIQA OSIGURANJE D.D.	78.7	+3.6	+4.8%	5.92
WIENER OSIGURANJE VIG D.D.	120.2	+40.8	+51.3%	9.05
WÜSTENROT ŽIVOTNO OSIGURANJE D.D.	5.5	+0.2	+3.4%	0.41

Note: For company Croatia osiguranje kredita d.d. 2017 data are shown under Croatia osiguranje d.d., due to the merge in 2018.

For company Erste osiguranje VIG d.d. 2017 data are shown under Wiener osiguranje VIG d.d., due to the merge in 2018.

Source: HUO, Statistical insurance data

c / Employment

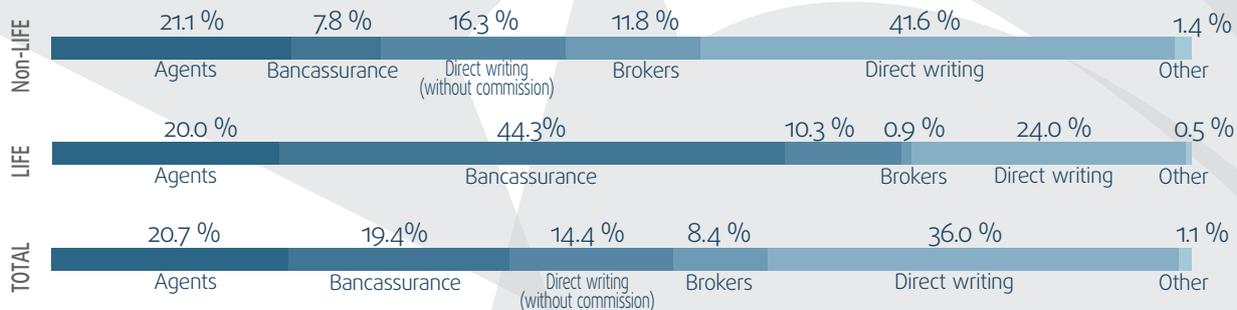
At the end of 2018 there were 8.723 people employed in insurance undertakings (in 2017 there was 8.723 employees). At that time in the financial sector there were 35.609 employees, and employees in insurance companies made 23.1% of a total of employees. Thus, in total of the number of employees in the 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 2017 was most commonly sold through tied agents making a 41.6% (in 2017 40.5%) share in the premium written, agency companies for 21.1% (in 2017 20.6 %) direct employees (without commission) accounted for 16.3% (in 2018 18.9%) and brokers with 11.8% (in 2017 11.0%) and other sales channels had a share lower than 10%. Life insurance was mostly distributed via bancassurance by 44.3% (in 2017 39.1%), tied agents accounted for 24.0% (in 2017 25.8%), agency companies by 20.0% (in 2017 22.1%), and direct employees by 10.3% (in 2017 11.4%) of life insurance premium written in the observed period.

Graph 13. Premium structure according to distribution channels in 2018



Source: HUU, Statistical insurance data

Croatian Insurance Bureau, June 2019

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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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