

Croatian Insurance Bureau, June 2016

KEY FACTS

Insurance Market in the Republic of Croatia

2015

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 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.

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IMPORTANCE AND ROLE OF THE INSURANCE INDUSTRY AND INSURANCE COMPANIES

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

The task of insurance is that the many perils insureds are exposed to are redistributed to all insureds and that the insured damaged person is adequately indemnified pursuant to the concluded insurance contract.

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 functions 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 function 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 the event of the occurrence of a case of damage.

Life insurance is an important saving instrument for providing an income for old age affecting the increase of standards in old age. 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 2015 amounted to **€1,060 million** and accounted for **21.3%** of total capital sources

Assets of insurance companies in the Republic of Croatia at the end of 2015 amounted to **€4,980 million**

Gross premium written by insurance companies in the Republic of Croatia in 2015 amounted to **€1,146 million**

The number of policies at the end of 2015 was **7,848,841 non-life policies and 1,500,621 life policies.**

Claims paid by insurance companies in the Republic of Croatia in 2015 amounted to **€603 million**

At the end of 2016 insurance companies employed **11,384 individuals**

KEY FACTS FOR 2015



Key Facts	Total	Change	Non-Life	Change	Life	Change
Gross premiums written (€)	1,146,534,607	+1.9%	760,913,718	-2.3%	385,620,889	+11.2%
Number of policies issued	9,349,462	+8.4%	7,848,841	+9.9%	1,500,621	+1.1%
Claims paid, gross amount (€)	603,343,153	+4.1%	386,536,854	+2.0%	216,806,299	+7.9%
Number of claims paid	2,176,493	+62.3%	2,115,096	+65.3%	61,397	+0.1%
Total Assets ¹ (€)	4,980,116,469	+3.4%	2,231,698,142	+0.9%	2,748,418,326	+5.6%
Capital and Reserves ² (€)	1,060,127,339	+3.0%	713,566,743	+4.3%	346,560,596	+0.6%
Equity Ratio (%)	21,3	-	32,0	-	12,6	-
Total Investments ² (€)	4,077,633,374	+3.6%	1,507,113,993	+1.7%	2,570,519,382	+4.7%
Total Provisions ² (€)	3,518,614,599	+3.2%	1,230,146,318	-2.1%	2,288,468,281	+6.3%
Operating Result ¹ (€)	85,018,298	+2768.3%	50,699,623	+331.8%	34,318,675	+83.6%
Number of employees ³	10,246	-10.0%	-	-	-	-
- sales	6,896	-3.0%	-	-	-	-
- claims handling	779	-18.9%	-	-	-	-

Source: Croatian Insurance Bureau (hereinafter HUO)

¹ Source: Croatian Financial Services Supervisory Agency (hereinafter HANFA); Unaudited individual data for 31.12.2015

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

³ Source: Croatian Financial Services Supervisory Agency; Statistics for 2014 (SP23)

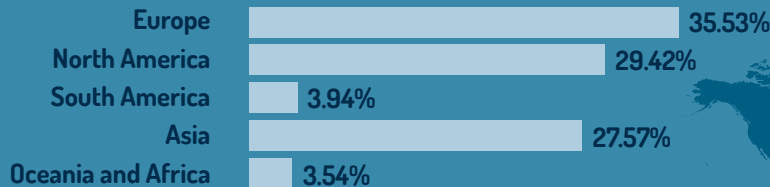
POSITION OF THE CROATIAN INSURANCE INDUSTRY WORLDWIDE

The structure of worldwide premium income shows that the European insurance market is the largest world insurance market with a share of 33.5% in the total world insurance premium, North America achieved 29.4%, Asia 27.6% and 7.5% falls to South America, Oceania and Africa.

Croatia's insurance industry share in the total world insurance premium in 2014 stood at 0.03% and in view to the amount of insurance premiums the Republic of Croatia is ranked 66th in the world. On the other hand, the Croatian insurance market has a 0.10% share in the European insurance market.

It has to be stressed 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.

Structure of the world insurance premium in 2014



Source: Swiss Re, Sigma No 4/2015.

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

- o insurance premium share in the Gross domestic product or insurance penetration,
- o insurance premium per inhabitant or insurance density,
- o 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 IN 2014

The indicators for the Croatian insurance market stood at: 2.6% premium share in the GDP, 352 USD or 2,021 kuna 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.

Country	Total premium in % of GDP	Total premium per capita in USD	Life premium in % of Total premium
USA	7.3	4,017	41.3
Japan	10.8	3,778	77.5
Great Britain	10.6	4,823	67.0
France	9.1	3,902	63.9
Germany	6.5	3,054	46.5
Euro area	7.5	2,964	58.4
European Union	7.7	2,791	60.5
Bulgaria	2.1	164	16.6
Croatia	2.6	352	30.8
Czech Republic	3.5	721	45.1
Hungary	2.5	353	56.0
Poland	3.1	447	43.1
Romania	1.2	119	19.2
Slovenia	5.0	1,246	27.6

Source: Swiss Re, Sigma No 4/2015.

INSURANCE COMPANIES' POSITION IN THE FINANCIAL SYSTEM

Insurance companies are part of the financial system and represent significant financial institutions and institutional investors. In life insurance they are contractual savings financial institutions that provide 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.

Structure and the relative importance of financial institutions in the Republic of Croatia, 2015

Absolute values in million EUR

Financial Intermediary	Assets in 2015	Share
Commercial Banks	52,137	71.56%
Mandatory Pension Funds	9,725	13.35%
Insurance and Reinsurance Companies	4,980	6.84%
Leasing Companies	2,318	3.18%
UCITS Investment Funds	1,821	2.50%
Housing Savings Banks	1,021	1.40%
Voluntary Pension Funds	490	0.67%
Alternative Investment Funds*	363	0.50%
TOTAL	72,856	100.00%

* Data for end of June 2015

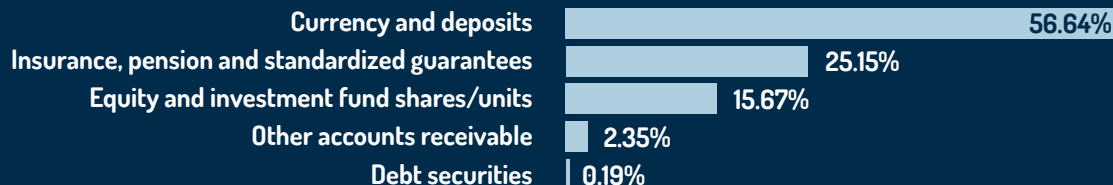
Source: Croatian National Bank (HNB), Croatian Financial Services Supervisory Agency (HANFA)

Financial assets of households, 2015

The Croatian financial system is bank-centric and characterized by the dominant position of banks with a 71.6% share in the total assets of all financial institutions. Insurance companies take a share of 6.8% and with the obligatory pension funds with a share of 13.4% represent the most important institutional investors in the Croatian financial system.

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%. This would mean that as of **100 kuna of financial assets of the average inhabitant of the Republic of Croatia 25 kuna 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 under represented. A future key role in this part of savings, as well as everywhere in the world, should be played by insurance companies.



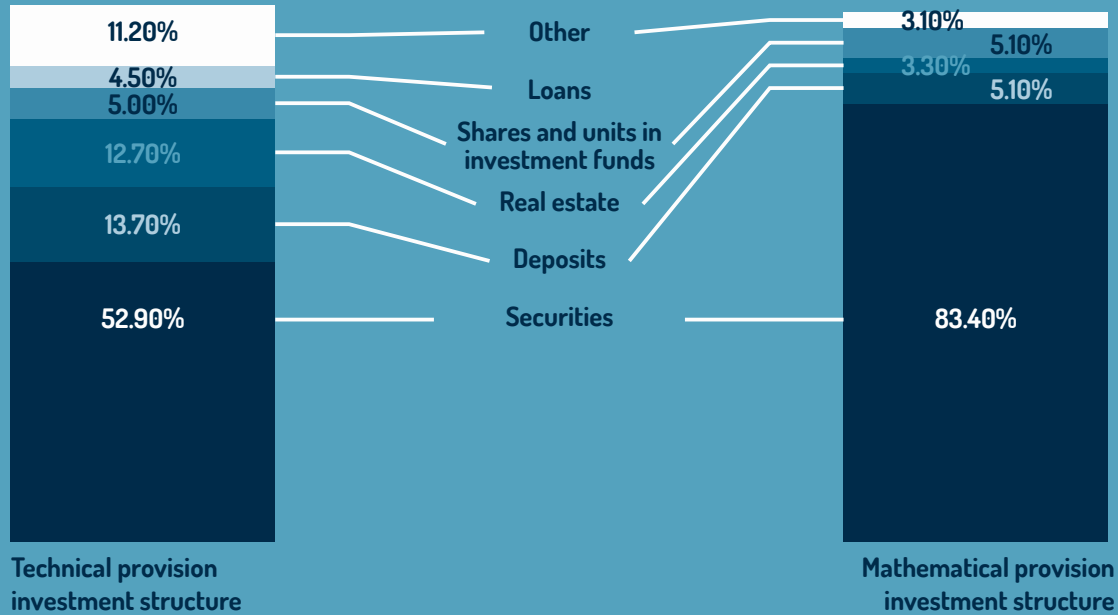
INSURANCE COMPANIES' INVESTMENTS

Investments are the key asset of insurance companies with a share of 81.9% and an amount of €4,077 million at the end of 2015.

Insurance and reinsurance companies are obliged to invest assets for covering technical provisions and life assurance mathematical provisions in accordance with the relevant regulatory provisions and standards. Insurance companies invest a great portion of assets into government bonds (72% of investment funds from mathematical provisions and 43.7% of investments from technical reserves were invested in securities issued by the Republic of Croatia, the Croatian National Bank and HBOR), municipal and corporate bonds, shares and other securities. A significant part of the investment make investments in bank deposits, and part of the funds were invested in real estate and loans. By such an investment policy insurance companies are the key investors in the financial market of the Republic of Croatia which strongly contributes to the developmental function of the economy, and because of the long-term nature of financial resources they are an important factor in the stability of the financial sector and markets.

Investments of insurance companies in the Republic of Croatia consist of investments from technical reserve funds and investments from mathematical provisions. 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 capital requirements. Investment management represents an important part of risk management in insurance companies.

Insurance companies' investments in 2014



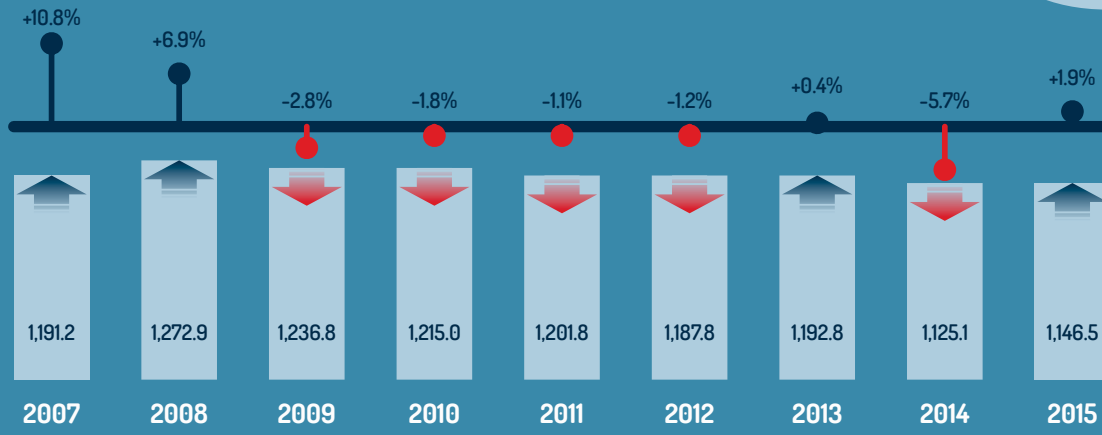
Source: HANFA, Annual report 2014

STRUCTURE OF PREMIUM INCOME AND CLAIMS PAID

Gross written premium of insurance companies in the Republic of Croatia at the end of 2015 amounted to €1,146 million, of which non-life insurance premiums accounted for €760 million, or 66.4%, while life insurance premium €385 million or 33.6%.

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%.

Gross premium written, 2007-2015



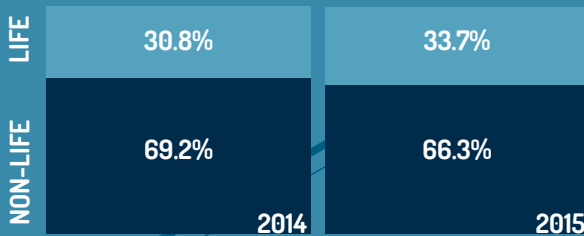
Source: HUO, Statistical insurance data

Premium structure by insurance classes in 2015

The structure of the premium income of insurance companies in the Republic of Croatia at the end of 2015 is characterized by a dominant share of life insurance by 34%. This change is primarily the result of the liberalization process in motor TPL insurance and the growth of life insurance premiums in 2015. Compulsory motor insurance takes the second place with a share of 24%, while 8% fall to comprehensive land vehicles insurance, a 7% share falls to insurance against fire and natural disasters and other property insurance. Other types of insurance take a share of 5% or lower, and a distinguished class is accident insurance with 5%, and health and other liability insurance with 4%.

Personal accident insurance	5.47 %
Health insurance	3.77 %
Insurance of land motor vehicles	8.19 %
Insurance of railway locomotives and rolling stock	0.08 %
Insurance of aircrafts	0.13 %
Insurance of vessels	1.85 %
Insurance of goods in transit	0.45 %
Insurance against fire and natural disasters	6.50 %
Other property insurance lines	6.85 %
Motor vehicle liability insurance	24.09 %
Aircraft liability insurance	0.09 %
Insurance of liability arising out of use of vessels	0.52 %
Other liability insurance lines	4.32 %
Credit insurance	1.83 %
Suretyship insurance	0.05 %
Insurance of miscellaneous financial losses	1.36 %
Insurance of legal protection	0.03 %
Travel insurance	0.79 %
Life assurance	28.41 %
Annuity insurance	0.70 %
Supplementary insurance linked with life assurance policy	1.69 %
Marriage and birth assurance	0.07 %
Assurance/insurance linked with units of investment funds - unit-linked	2.77 %

Insurance premium structure – by insurance classes



Source: HUU, Statistical insurance data

Non-life premium – by insurance classes in 2015

absolute values in million EUR, relative values in %

	2015	Δ ABS	Δ %
Personal accident insurance	62.7	0.6	0.9 %
Health insurance	43.3	6.7	18.3 %
Insurance of land motor vehicles	93.9	9.0	10.6 %
Insurance of railway locomotives and rolling stock	0.9	0.0	0.0 %
Insurance of aircrafts	1.5	0.4	33.4 %
Insurance of vessels	21.2	-0.4	-1.8 %
Insurance of goods in transit	5.2	-0.8	-13.2 %
Insurance against fire and natural disasters	74.5	1.5	2.1 %
Other property insurance lines	78.6	1.3	1.7 %
Motor vehicle liability insurance	276.2	-43.7	-13.7 %
Aircraft liability insurance	1.0	0.2	29.7 %
Insurance of liability arising out of use of vessels	5.9	0.4	8.0 %
Other liability insurance lines	49.6	9.9	25.0 %
Credit insurance	21.0	-4.6	-17.9 %
Suretyship insurance	0.6	-0.2	-26.5 %
Insurance of miscellaneous financial losses	15.6	0.3	2.3 %
Insurance of legal protection	0.3	-0.0	-5.4 %
Travel insurance	9.1	1.8	24.9 %

Source: HUU, Statistical insurance data

Life insurance is a specific insurance product that incorporates an insurance and a savings and investment component. In the life premium structure the most common is the traditional life assurance with a share of 84.5%. Investment life insurance have again gained in importance and make up 8.2% of life insurance premiums. Additional insurance linked to life assurance represent 5.0%, annuity insurance has a share of 2.1%, and marriage and birth assurance have a share of less than 1%.

Life insurance premium – by insurance classes in 2015.

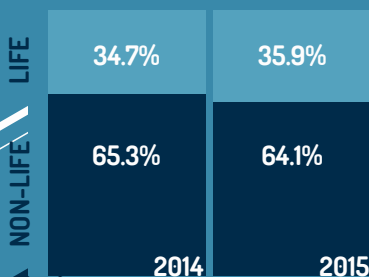
absolute values in million EUR, relative values in %

	2015	Δ ABS	Δ %
Life assurance	325.7	20.4	6.7 %
Annuity insurance	8.0	5.4	203.2 %
Supplementary insurance linked with life assurance policy	19.4	-0.5	-2.6 %
Marriage and birth assurance	0.8	-0.1	-7.2 %
Assurance/insurance linked with units of investment funds - unit-linked	31.7	13.8	77.1 %
Tontine			0.0 %
Assurance with paid-up sum assured			0.0 %

Structure of claims paid by insurance classes in 2015.

In the structure of claims paid per amount the leading classes are life assurance that stands by 36%, motor TPL insurance by 22%, land vehicles insurance by 13%, other property insurance by 8%, insurance against fire and natural disasters by 5%, while other insurance classes have a smaller share.

Structure of claims paid – by insurance classes



Personal accident insurance	1.25 %
Health insurance	2.29 %
Insurance of land motor vehicles	6.56 %
Insurance of railway locomotives and rolling stock	0.01 %
Insurance of aircrafts	0.06 %
Insurance of vessels	1.95 %
Insurance of goods in transit	0.23 %
Insurance against fire and natural disasters	2.52 %
Other property insurance lines	4.35 %
Motor vehicle liability insurance	11.54 %
Aircraft liability insurance	0.00 %
Insurance of liability arising out of use of vessels	0.14 %
Other liability insurance lines	1.39 %
Credit insurance	0.83 %
Suretyship insurance	0.04 %
Insurance of miscellaneous financial losses	0.31 %
Insurance of legal protection	0.00 %
Travel insurance	0.27 %
Life assurance	16.44 %
Annuity insurance	0.15 %
Supplementary insurance linked with life assurance policy	0.25 %
Marriage and birth assurance	0.08 %
Assurance/insurance linked with units of invest. funds – unit-linked	1.99 %

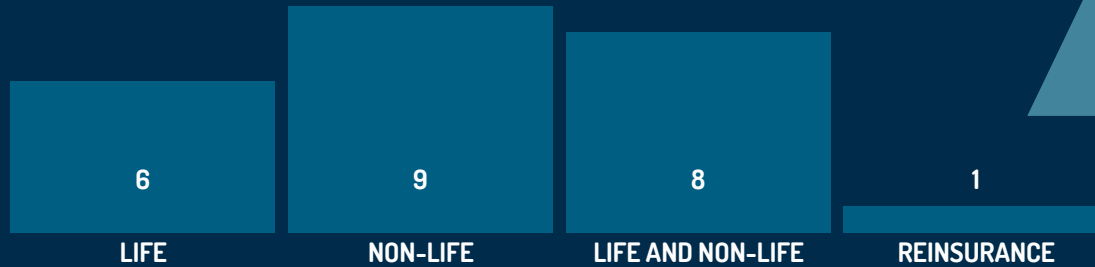
Source: HUO, Statistical insurance data

FEATURES OF THE INSURANCE MARKET

a. Number of insurance companies

At the end of 2015 there was a total of 24 insurance companies transacting business in the insurance market. Among these one reinsurance company and 23 insurance companies, of which 6 companies transacted life assurance, 9 companies exclusively non-life insurance, while the remaining 8 insurance companies transacted life and non-life insurance.

Number of insurance and reinsurance companies in 2015



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 2015 was Croatia osiguranje d.d. with a share of 26.5%, the second place took Allianz Zagreb d.d. with 13.7%, followed by Euroherc osiguranje d.d. with 9.4%, Uniqa osiguranje d.d. with 7.7%, Wiener osiguranje Vienna Insurance Group d.d. with a 6.3% market share. Ten insurance companies recorded an individual market share in the total premium by less than 1%.

Gross premium written, growth rate and market share of insurance companies at the end of 2015

absolute values in millions of euros, relative values in %

	2015		Δ ABS		Δ %	SHARE
AGRAM LIFE OSIGURANJE D.D.	34.8		0.4		1.1	3.04
ALLIANZ ZAGREB D.D.	156.5	-3.6			-2.2	13.65
BNP PARIBAS CARDIF OSIGURANJE D.D.	8.7		1.3		18.2	0.76
CROATIA OSIGURANJE D.D.	303.3		3.7		1.2	26.45
CROATIA ZDRAVSTVENO OSIGURANJE D.D.	29.6		6.8		29.8	2.58
ERGO OSIGURANJE D.D.	5.6		3.2		130.7	0.49
ERGO ŽIVOTNO OSIGURANJE D.D.	0.1	-0.0			-19.1	0.01
ERSTE OSIGURANJE VIG D.D.	22.5		2.6		13.2	1.97
EUROHERC OSIGURANJE D.D.	107.7	-6.8			-5.9	9.39
GENERALI OSIGURANJE D.D.	63.1		13.2		26.4	5.51
GRAWE HRVATSKA D.D.	52.0	-0.3			-0.6	4.54
HOK OSIGURANJE D.D.	23.5	-0.2			-0.7	2.05
HRVATSKO KREDITNO OSIGURANJE D.D.	1.6		0.2		12.3	0.14
IZVOR OSIGURANJE D.D.	6.0		0.6		10.8	0.53
JADRANSKO OSIGURANJE D.D.	68.6	-4.8			-6.5	5.99
KD LIFE OSIGURANJE D.D.	2.1	-0.2			-7.7	0.18
MERKUR OSIGURANJE D.D.	36.6		1.5		4.1	3.19
SOCIETE GENERALE OSIGURANJE D.D.	5.3	-0.1			-2.6	0.46
TRIGLAV OSIGURANJE D.D.	45.2		3.1		7.4	3.94
UNIQA OSIGURANJE D.D.	88.1		2.2		2.6	7.68
VELEBIT OSIGURANJE D.D.	7.0	-0.2			-3.4	0.61
VELEBIT ŽIVOTNO OSIGURANJE D.D.	3.3		0.7		27.2	0.29
WIENER OSIGURANJE VIG D.D.	71.8	-2.3			-3.1	6.26
WÜSTENROT ŽIVOTNO OSIGURANJE D.D.	3.4		0.5		17.4	0.29

Note: Data relating to the company Agram Life d.d. include data relating to the company Suce osiguranje d.d. which merged into AGRAM LIFE osiguranje d.d. on 31.12.2015.

Data relating to the company KD LIFE OSIGURANJE d.d. refer only for the period 01.01.-29.12.2015. On 30.12.2015 KD LIFE OSIGURANJE D.D. merged into the cross border company ADRIATIC SLOVENICA Zavarovalna družba d.d. which shall transact business in the Republic of Croatia through ADRIATIC SLOVENICA d.d. Subsidiary in Zagreb.

Source: HUO, Statistical insurance data

c. Employment

At the end of 2014 there were 11,384 people employed in insurance undertakings. In the financial sector there were at that time 35,800 employees, and employees in insurance companies made 31.8% of a total of employees. Thus in view to the number of employees 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 (no commission), tied agents, agency companies, brokers, bancassurance and other distribution channels.

Non-life insurance in 2014 was most commonly sold through tied agents making a 39.7% share in the premium written, direct employees (without commission) accounted for 23.2%, agency companies for 16.3%, and other sales channels had a share smaller than 10%. Life insurance was mostly distributed via tied agents by 26.6%, agency companies by 22.7%, bancassurance accounted for 35.5%, and direct employees by 11.4% of life insurance premium written in the period of observation.

Premium structure according to distribution channels in 2015

	Agents	Bancassurance	Direct writing (without commission)	Brokers	Direct writing	Other
NON-LIFE	16.25 %	8.29 %	23.15 %	9.64 %	39.73 %	2.94 %
LIFE	22.74 %	35.52 %	11.39 %	1.95 %	26.61 %	1.79 %
TOTAL	18.43 %	17.42 %	19.21 %	7.06 %	35.33 %	2.56 %



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For the Publisher: Hrvoje Pauković, Managing Director

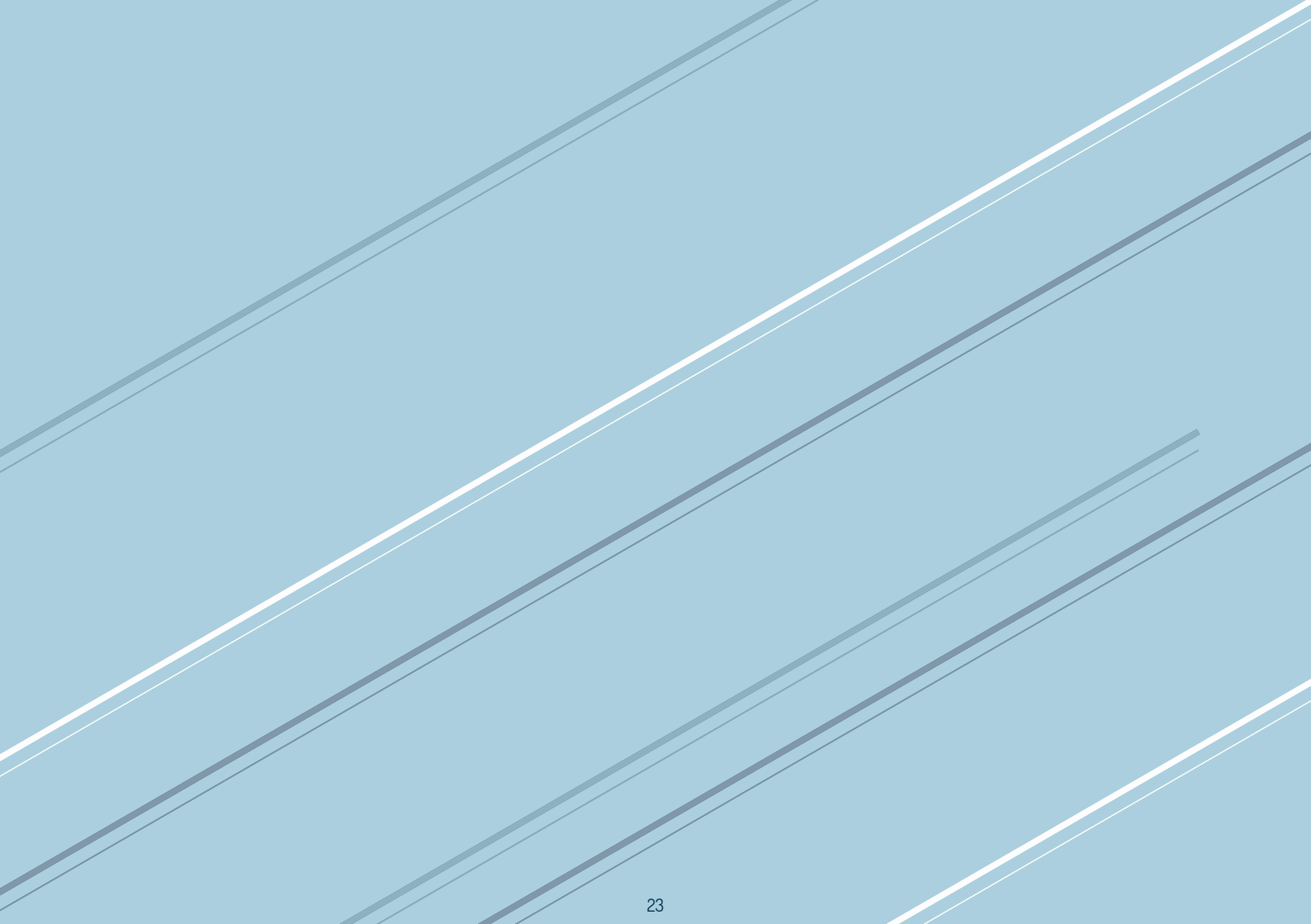
Prepared by: Jakša Krišto and Mihaela Premor Andrijanić

Translation: Ljiljana Petrina Banov

Contact **huo@huo.hr**

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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**Hrvatski
ured za
osiguranje**

Martićeva 73
10000 Zagreb

T: +385 1 46 96 600

F: +385 1 46 96 660

huo@huo.hr

www.huo.hr