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# 2020 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 2020 official Midpoint Exchange Rate of the Croatian National Bank: €1 = 7,533080 HRK

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- c / Employment
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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 household's 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 2020 amounted to **€1,574 million** and accounted for 25.0% of total capital sources

Gross premium written by insurance companies in the Republic of Croatia in 2020 amounted to **€1,391 million**.

Claims paid by insurance companies in the Republic of Croatia in 2020 amounted to **€869 million**.

The number of policies at the end of 2020 was **9,615.813 non-life policies** and **1,406.382 life policies**.

At the end of 2020 insurance companies employed **7,806** individuals.

Assets of the insurance companies in the Republic of Croatia at the end of 2020 amounted to **€6,303 million**.

Table 1.  
KEY FACTS FOR 2020



KEY FACTS	TOTAL	Change	NON-LIFE	Change	LIFE	Change	Period
Gross premiums written (€)	1390.542.829	-1,6%	1039.099.178	+3,9%	351.443.651	-15,0%	2020
Number of policies issued	11022.195	+2,1%	9615.813	+2,9%	1406.382	-3,0%	2020
Claims paid, gross amount (€)	869.334.599	+7,8%	499.765.407	+2,2%	369.569.192	+16,5%	2020
Number of claims paid	4.941.487	-0,3%	4.873.791	-0,3%	67.696	+1,9%	2020
Total Assets <sup>1</sup> (€)	6.303.159.546	+2,9%	2.963.354.951	+7,8%	3.339.804.596	-1,2%	31 2 2020
Capital and Reserves <sup>1</sup> (€)	1573.718.387	+3,2%	1.028.183.982	+5,1%	545.534.404	-0,3%	31 2 2020
Equity Ratio (%)	25,0	-	34,7	-	16,3	-	31 2 2020
Total Investments <sup>1</sup> (€)	5.006.743.663	-15%	1.813.240.720	-0,4%	3.193.502.943	-2,0%	31 2 2020
Total Provisions <sup>1</sup> (€)	4.205.393.349	+2,5%	1.517.117.202	+10,2%	2.688.276.147	-1,4%	31 2 2020
Operating Result <sup>2</sup> (€)	90.287.354	-29,0%	68.168.434	-27,5%	22.118.920	-33,3%	31 2 2020
Number of employees <sup>2</sup>	7.806	-2,6%	-	-	-	-	2020
- sales <sup>2</sup>	5.605	+6,2%	-	-	-	-	2020
- claims handling <sup>2</sup>	759	-0,4%	-	-	-	-	2020

Source: Croatian Insurance Bureau (hereinafter HUO)

<sup>1</sup> Source: Croatian Financial Services Supervisory Agency (hereinafter HANFA). Unaudited individual data for 31|2|2020

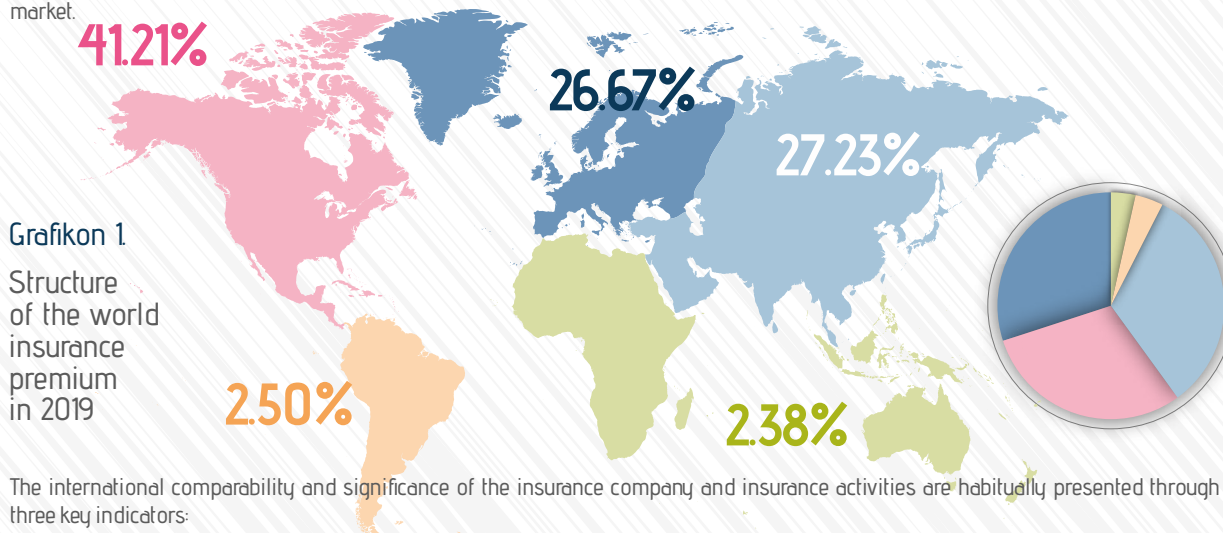
<sup>2</sup> Source: Statistics for 2020 [SP23, RDG-0\_628]

## POSITION OF THE CROATIAN INSURANCE INDUSTRY WORLDWIDE

The structure of worldwide premium income shows that the North American Insurance Market is the largest world insurance market with a share of 41.21% in the global insurance premium, Asia holds 27.23%, Europe 26.67%, and 4.88% falls to South America, Oceania and Africa.

Croatia's insurance industry share in the total world insurance premium in 2019 stood at 0.03% and in view to the amount of insurance premiums the Republic of Croatia is ranked 64th 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 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.



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 6%, annual investments in insurance per inhabitant of more than 2,000 USD and a share of life insurance premium in total premiums exceeding 45%.

Source: Swiss Re, Sigma No 4/2020

Table 2

## INDICATORS OF THE SIGNIFICANCE OF INSURANCE COMPANIES FOR 2019

Country	Total premium in % of GDP	Total premium per capita in USD	Life premium in % of Total premium
USA	11,43	7.495	25,6
United Kingdom	10,3	4.362	77,6
Japan	9,0	3.621	74,3
France	9,2	3.719	64,9
Germany	6,3	2.934	41,6
Euro area	7,2	2.784	37,9
European Union	6,8	2.374	54,8
Slovenia	5,1	1.354	29,9
Czech Republic	2,8	677	32,1
Poland	2,7	418	24,6
Hungary	2,4	401	44,6
Croatia	2,6	391	29,2
Bulgaria	2,4	236	12,3
Romania	1,2	135	18,5

Source: Swiss Re, Sigma No 4/2020

The following indicators for Croatian Insurance Market stood at: 26% premium share in the GDP, 391 USD or €343 insurance premium per inhabitant and life insurance premium share of 29,2% 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.



## 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, 2020

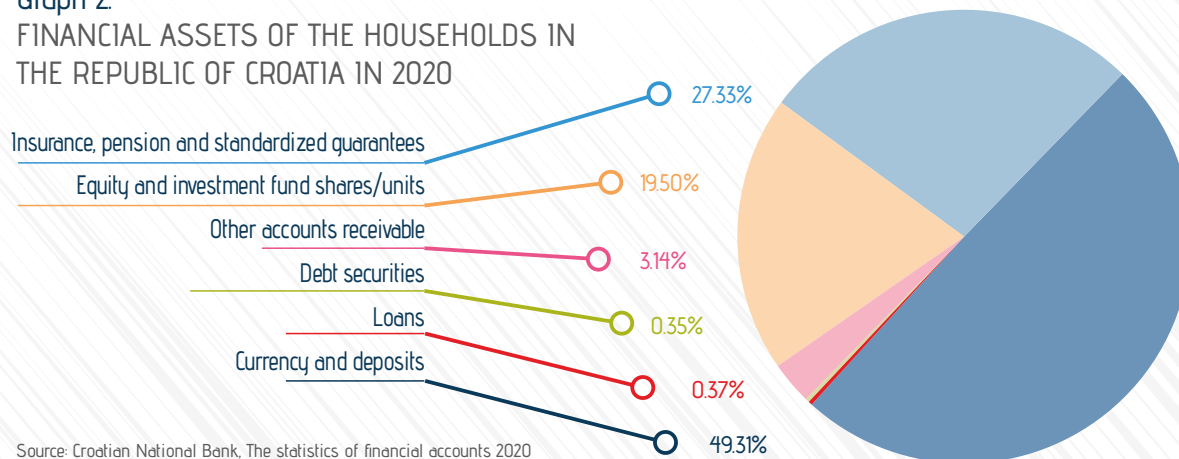
apsolutne vrijednosti u mil. kn, udjel u %

FINANCIAL INTERMEDIARY	Assets	Share
Commercial Banks	61781	68,10%
Mandatory Pension Funds	15806	17,42%
Insurance and Reinsurance Companies	6303	6,95%
Leasing Companies	2626	2,89%
UCITS Investment Funds	2418	2,67%
Housing Savings Banks	692	0,76%
Voluntary Pension Funds	159	0,18%
Alternative Investment Funds	584	0,64%
Pension Insurance Company	184	0,20%
Investment Funds established under special legal act	128	0,14%
Factoring	43	0,05%
<b>TOTAL*</b>	<b>90.726</b>	<b>100,00%</b>

\* Data from the end of June 2020

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

Graph 2  
FINANCIAL ASSETS OF THE HOUSEHOLDS IN  
THE REPUBLIC OF CROATIA IN 2020



Source: Croatian National Bank, The statistics of financial accounts 2020

The Croatian financial system is bank-centric and characterized by the dominant position of banks with a 68.10% share in the total assets of all financial institutions. Insurance companies take a share of 6.95% and together with the obligatory pension funds with a share of 17.42% 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 2020 it was €6.3 billion or 6.95% 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 27.33%. This would indicate that of 100 Kuna (€13.3) of financial assets of the average inhabitant of the Republic of Croatia 27 kunas (€3.6) 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.

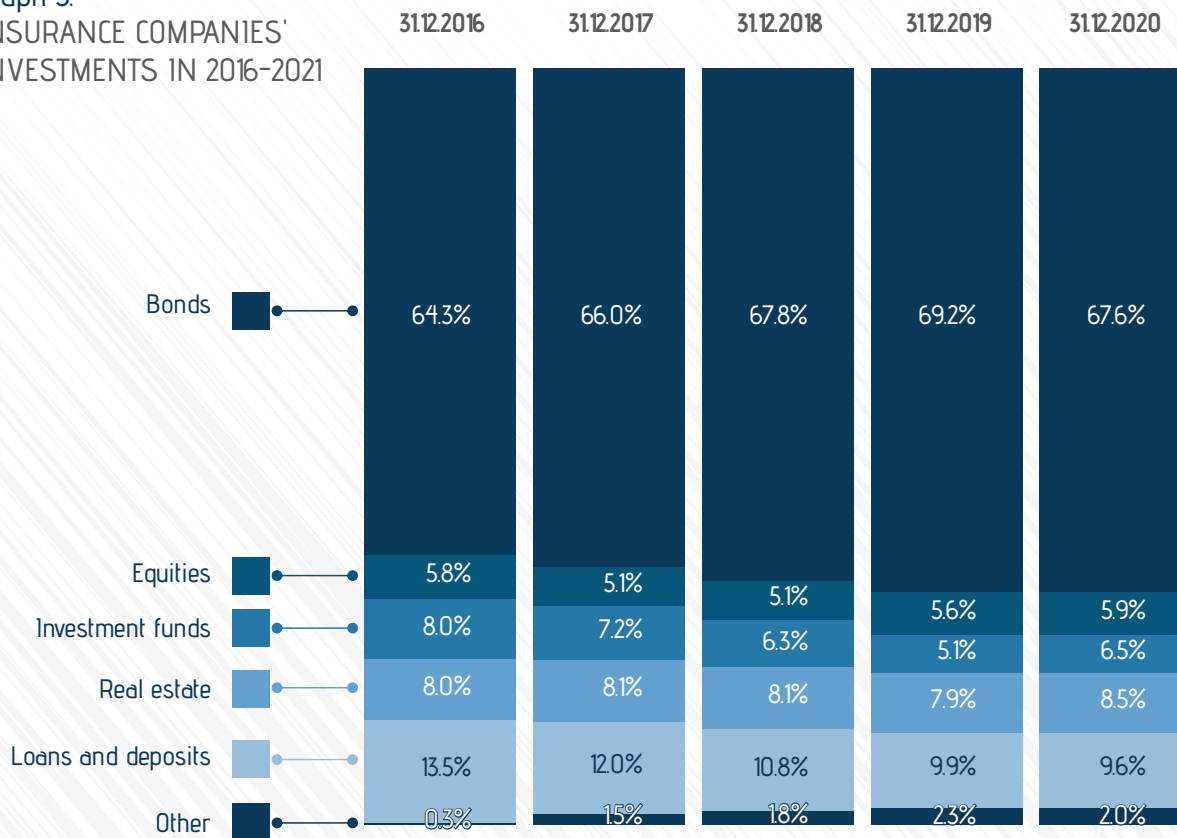
# POSITION OF THE INSURANCE COMPANIES IN THE FINANCIAL SYSTEM



Investments are the key asset of insurance companies with a share of 79.4% (82.9% at the end of 2019) and an amount of €5.007 million at the end of 2020. 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 67.6% in 2020. Most of these investments was in Croatian government bonds. Insurers also invest investment funds (6.5%), in equities and other securities (5.9%) and Investments in deposits and loans (9.6%) are also a significant part of the investments, and a part of the assets is invested in the real estates (8.5%). 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.2020.

Graph 3.  
INSURANCE COMPANIES'  
INVESTMENTS IN 2016-2021



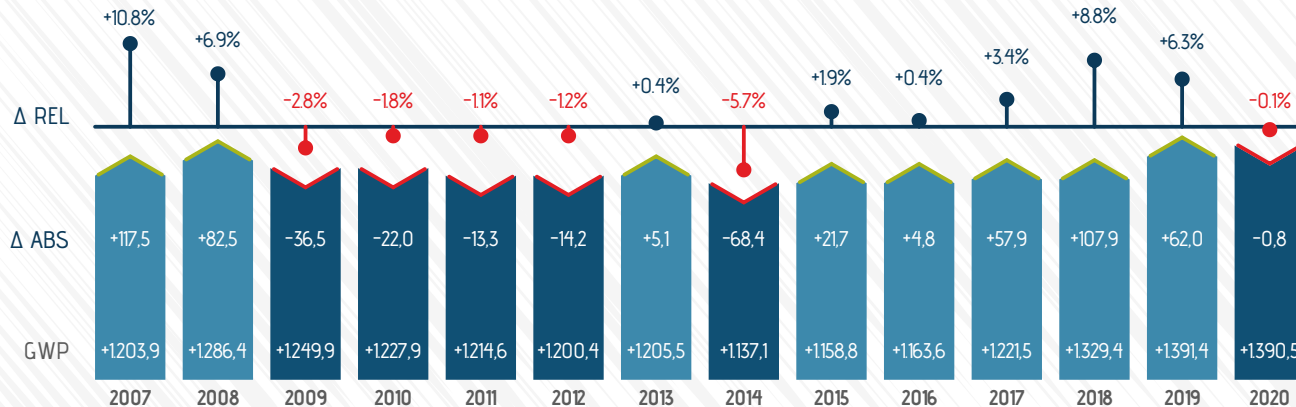
Source: HANFA, Report Financial indicators of non-banking financial sector, April 2020

# STRUCTURE OF THE PREMIUM INCOME AND CLAIMS PAID

Gross written premium of insurance companies in the Republic of Croatia at the end of 2020 amounted to € 1390.542829, of which non-life insurance premiums accounted for € 1039.099.178 or 74.7%, while life insurance premium was € 351443.651 or 25.3%. 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 19%. 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 16%. 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. In 2019. Total premium continued to grow 6.4% driven by non-life growth (+10.3%), while life felt by 2.2%. In 2020, as result of COVID, total premium failed 0.1% mostly due to life premium fall by -13.7% no matter that non-life premium has growth of 5.6%.

**Graph 4. GROSS PREMIUM WRITTEN FROM 2007 TO 2020**

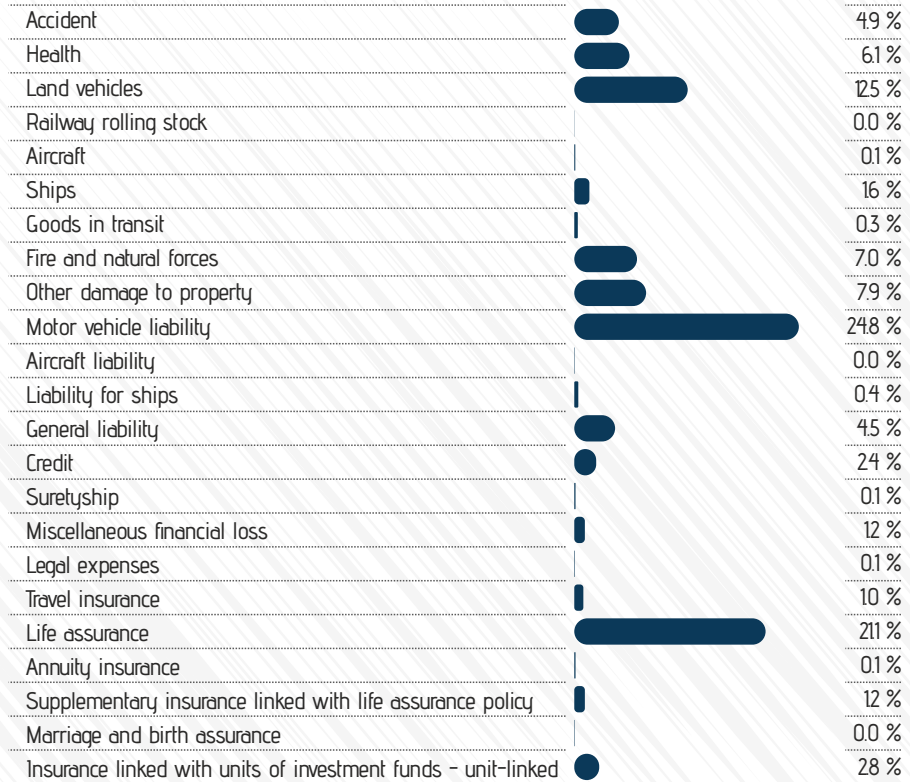
Absolute values in million EUR, relative in%



Source: HUU, Statistical insurance data

**Graph 5.**  
**PREMIUM STRUCTURE BY INSURANCE CLASSES IN 2020**

There were significant change in the structure of the premium income of insurance companies in the Republic of Croatia by the end of 2020. Now the largest share attributes on motor TPL (24.8%) and is higher than in the previous year (21.8%). The share of life insurance continues to fall. The third position still holds casualty insurance for road vehicles with 12.5%, followed by other property insurance with 7.9%, fire and elementary damage insurance with 6.9% and health insurance with 6.1%. Other types of insurance have a share of 5% or less, with accidents insurance with 4.9% and general liability insurance with 4.5% of total premium income



Source: HUU, Statistical insurance data

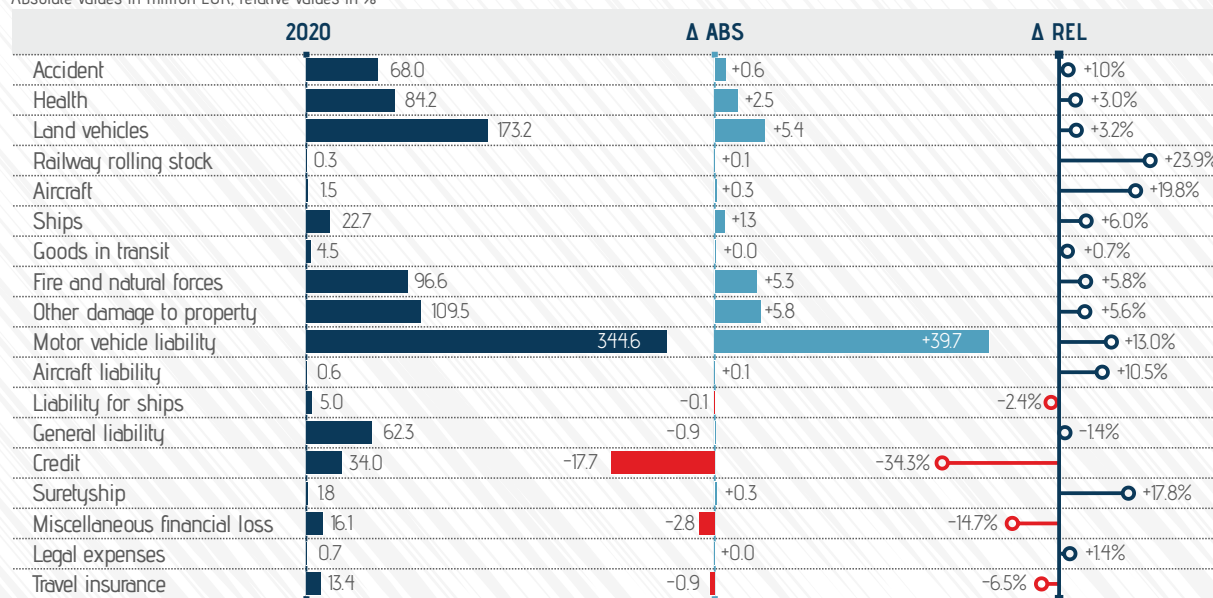
## Graph 6. INSURANCE PREMIUM STRUCTURE – BY INSURANCE CLASSES



Source: HUU, Statistical insurance data

## Graph 7. NON-LIFE PREMIUM – BY INSURANCE CLASSES IN 2020

Absolute values in million EUR, relative values in %

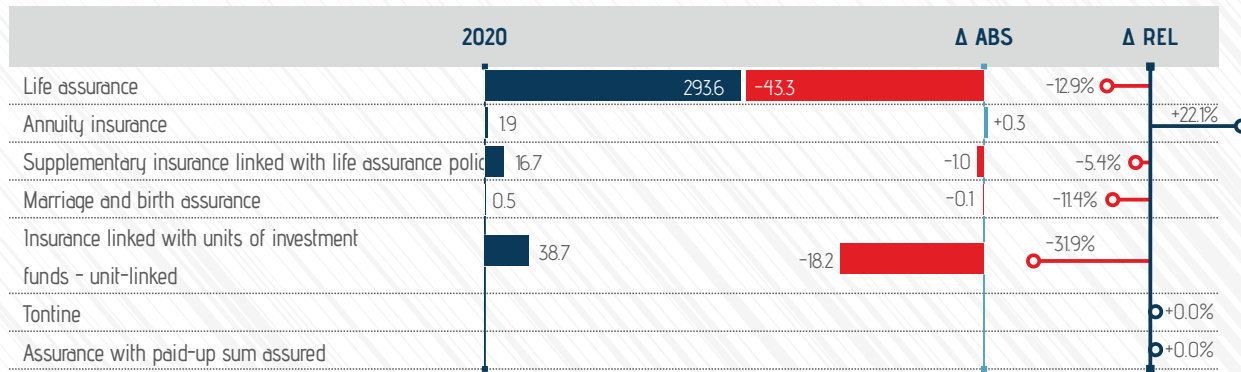


Source: HUU, Statistical insurance data

## Graph 8.

### LIFE INSURANCE PREMIUM – BY INSURANCE CLASSES IN 2020

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 83.5% (in 2019 81.5%). Investment life insurance felt and make up 11.0% (in 2019 13.8%) of life insurance premiums. Additional insurance linked to life assurance represent 4.7%, where annuity insurance has a share of 0.6%, and marriage and birth assurance have a share of 0.2%.



# CLAIMS PAID

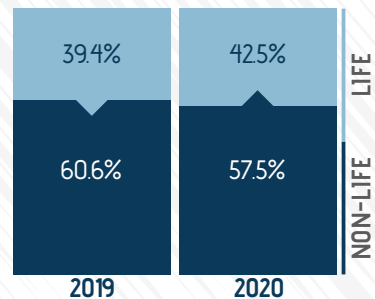
Graph 9.  
STRUCTURE OF CLAIMS PAID BY INSURANCE CLASSES IN 2020

Accident	15%
Health	4.8%
Land vehicles	11.5%
Railway rolling stock	0.0%
Aircraft	0.1%
Ships	1.2%
Goods in transit	0.1%
Fire and natural forces	7.9%
Other damage to property	7.1%
Motor vehicle liability	19.4%
Aircraft liability	0.0%
Liability for ships	0.2%
General liability	2.8%
Credit	-0.3%
Suretyship	0.0%
Miscellaneous financial loss	0.6%
Legal expenses	0.0%
Travel insurance	0.7%
Life assurance	37.2%
Annuity insurance	0.4%
Supplementary insurance linked with life assurance policy	0.2%
Marriage and birth assurance	0.1%
Insurance linked with units of investment funds - unit-linked	4.6%

Source: HUU, Statistical insurance data

In the structure of claims paid per amount the leading classes are life assurance that stands by 37.2% (in 2019 35.3%), motor TPL insurance by 19.4% (in 2019 21.2%), land vehicles insurance by 11.5% (in 2019 13.1%), insurance against fire and natural disasters by 7.9% (in 2019 5.4 %), other property insurance by 7.1% (in 2019 7.6%), health insurance 4.8% (in 2019 5.4%), while other insurance classes have a lower share.

Graph 10.  
STRUCTURE OF CLAIMS PAID  
- BY INSURANCE CLASSES



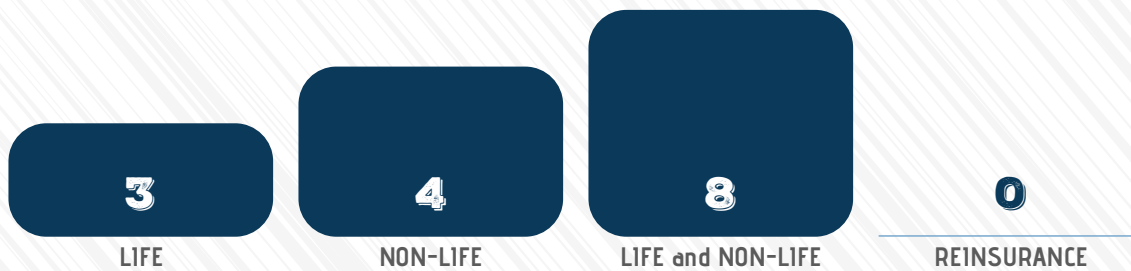
# FEATURES OF THE INSURANCE MARKET

## a / Number of insurance companies

At the end of the 2020 there were a total of 15 insurance companies transacting business in the insurance market based in the Republic of Croatia. Among these companies, 3 companies transacted life assurance, 4 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 2020



Source: HANFA

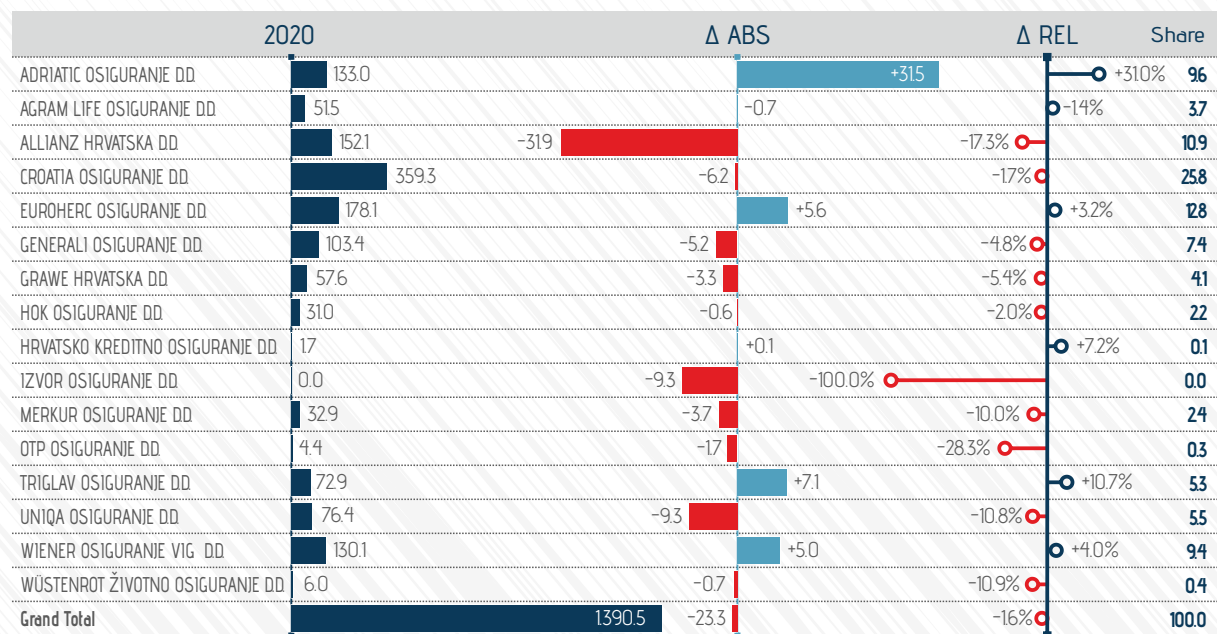
## b / Insurance companies and market share

The insurance company with the highest market share in the total gross premium written at the end of 2020 was Croatia osiguranje d.d. with a share of 25.8%, the second place took Euroherc osiguranje d.d. with 12.8%, followed by Allianz Hrvatska d.d. with 10.9%, Adriatic osiguranje d.d. with 9.6%, Wiener osiguranje Vienna Insurance Group d.d. with 9.4%, Generali osiguranje d.d. with 7.4%, Uniqa osiguranje d.d. with 5.5 % and Triglav osiguranje d.d. with 5.3% market share. Three 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 2020

Absolute values in million EUR, relative values in %



Note:

For companies izvor osiguranje d.d. results for 2020. are not shown due to the merge to Generali osiguranje d.d.

Source: HUO, Statistical insurance data

## c / Employment

At the end of 2020 there were 7.806 people employed in insurance undertakings (in 2019 there was 8.018 employees). At that time in the financial sector there were 37.496 employees, and employees in insurance companies made 20.8% 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

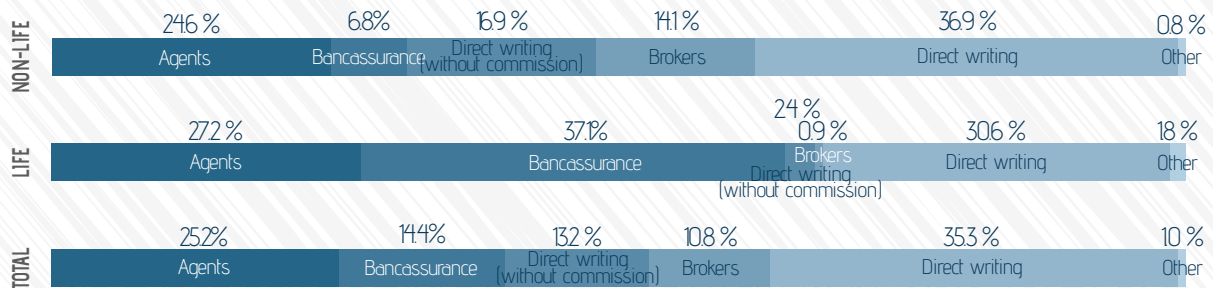
## d / Distribution channels

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 2020 was most commonly sold through tied agents making a 36.9% (in 2019 43.1%) share in the premium written, agency companies for 24.6% (in 2019 21.6%), direct employees (without commission) accounted for 16.9% (in 2019 12.7%) and brokers with 14.1% (in 2019 13.1%). Other sales channels had a share lower than 8%. Life insurance was mostly distributed via bancassurance by 37.1% (in 2019 43.9%), tied agents accounted for 30.6% (in 2019 25.3%), agency companies by 27.2% (in 2019 20.4%), and direct employees by 2.4% (in 2019 9.3%) of life insurance premium written in the observed period.

### Graph 13.

#### PREMIUM STRUCTURE ACCORDING TO DISTRIBUTION CHANNELS IN 2020



Source: HUU, Statistical insurance data



## **Croatian Insurance Bureau, May 2021**

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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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