



2019

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 2019 official Midpoint Exchange Rate of the Croatian National Bank: €1 = 7,413605 HRK

C O N T E N T S

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

Position of the Insurance companies 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 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.

Assets of the insurance companies in the Republic of Croatia at the end of 2019 amounted to **€6,127 million**

Own means – capital and provisions of insurance companies at the end of 2019 amounted to **€1,525 million** and accounted for 23.4% of total capital sources

Gross premium written by insurance companies in the Republic of Croatia in 2019 amounted to **€1,414 million**

INSURANCE KEY-FACTS IN THE REPUBLIC OF CROATIA

At the end of 2019 insurance companies employed **8,018** individuals

Claims paid by insurance companies in the Republic of Croatia in 2019 amounted to **€806 million**

The number of policies at the end of 2019 was **9,342,254 non-life policies** and **1,450,307 life policies**

Table 1
Key facts for 2019



Key Facts	Total	Change	Non-Life	Change	Life	Change	Period
Gross premiums written (€)	1,413,798,395	+6.4%	1,000,175,964	+10.3%	413,622,431	-2.2%	2019
Number of policies issued	10,792,561	+4.0%	9,342,254	+5.1%	1,450,307	-2.6%	2019
Claims paid, gross amount (€)	806,123,161	+7.6%	488,793,552	+11.8%	317,329,608	+1.7%	2019
Number of claims paid	4,953,962	+15.7%	4,887,511	+15.9%	66,451	+0.7%	2019
Total Assets ¹ (€)	6,126,848,059	+8.3%	2,747,796,417	+9.4%	3,379,051,641	+7.5%	31.12.2019
Capital and Reserves ¹ (€)	1,525,182,749	+14.7%	978,042,136	+10.6%	547,140,613	+22.7%	31.12.2019
Equity Ratio (%)	24.9	-	35.6	-	16.2	-	31.12.2019
Total Investments ¹ (€)	5,080,466,231	+7.4%	1,820,998,092	+7.5%	3,259,468,139	+7.4%	31.12.2019
Total Provisions ¹ (€)	4,104,267,584	+4.2%	1,376,529,569	+4.2%	2,727,738,015	+4.2%	31.12.2019
Operating Result ² (€)	127,171,633	+3.0%	94,013,338	+1.0%	33,158,295	+9.1%	31.12.2019
Number of employees ²	8,018	-2.7%	-	-	-	-	2019
- sales ²	5,278	-8.3%	-	-	-	-	2019
- claims handling ²	762	-2.3%	-	-	-	-	2019

Source: Croatian Insurance Bureau (hereinafter HUO)

¹ Source: Croatian Financial Services Supervisory Agency (hereinafter HANFA); Unaudited individual data for 31.12.2019

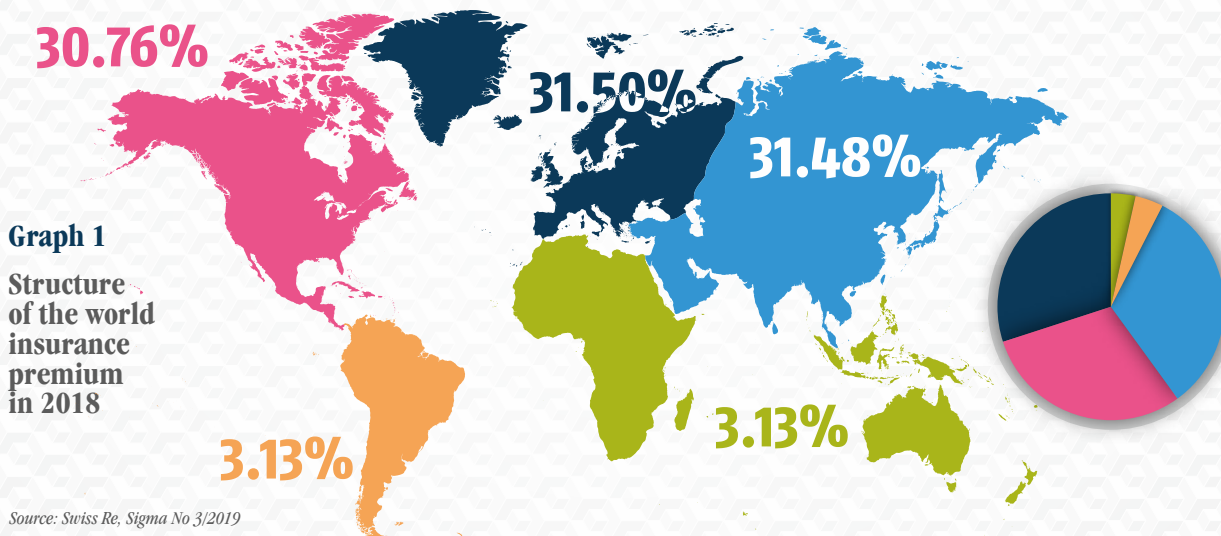
² Source: Statistics for 2019 (SP23; RDG-O_628)

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 31.50% in the global insurance premium, Asia holds 31.48%, North America 30.76%, and 6.26% falls to South America, Oceania and Africa.

Croatia's insurance industry shared in the total world insurance premium in 2018 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 0.11% 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.



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 - 2018

The following indicators for Croatian Insurance Market stood at: 2.6% premium share in the GDP, 383 USD or €296 insurance premium per inhabitant and life insurance premium share of 31,9% 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 2018

Country	Total premium in % of GDP	Total premium per capita in USD	Life premium in % of Total premium
USA	7.14	4,481	40.4
Japan	8.9	3,466	75.9
United Kingdom	10.6	4,503	78.4
France	8.9	3,667	64.6
Germany	6.0	2,908	39.9
Euro area	7.0	2,798	56.2
European Union	7.3	2,655	59.6
Bulgaria	2.3	213	13.6
Croatia	2.6	383	31.9
Czech Republic	2.8	666	36.6
Hungary	2.4	388	31.4
Poland	2.8	436	26.4
Romania	1.1	129	20.2
Slovenia	4.9	1,336	30.6

Source: Swiss Re, Sigma No 3/2019

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, 2019

Absolute value in million EUR

Financijski posrednik	Imovina, prosinac	Udio
Commercial Banks	55,325	65.34%
Mandatory Pension Funds	14,947	17.65%
Insurance and Reinsurance Companies	6,030	7.12%
UCITS Investment Funds	2,997	3.54%
Leasing Companies	2,869	3.39%
Housing Savings Banks	699	0.83%
Voluntary Pension Funds	826	0.98%
Alternative Investment Funds	562	0.66%
Factoring	180	0.21%
Investment Funds established under special legal act	126	0.15%
Pension Insurance Company	116	0.14%
TOTAL*	84,677	100.00%

** Data from the end of June 2019*

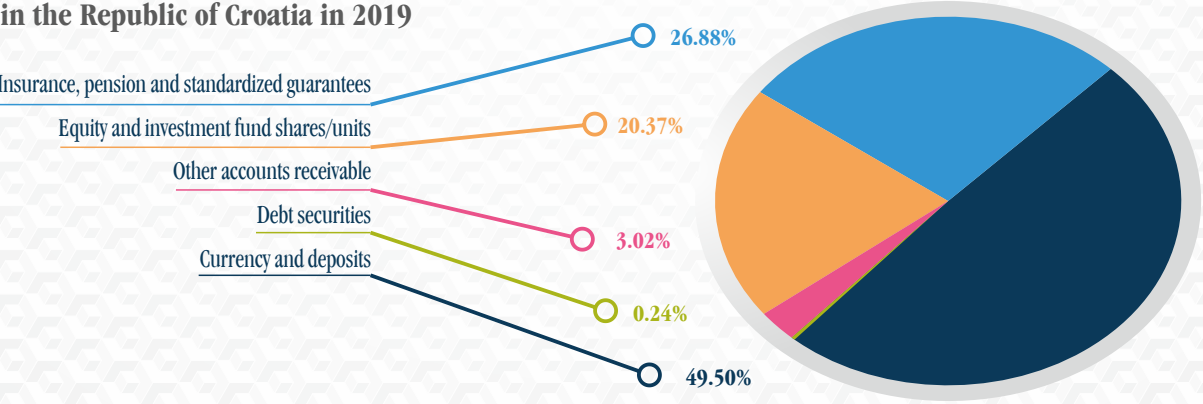
Source: Croatian National Bank (HNB), Croatian Financial Services Supervisory Agency (HANFA)

The Croatian financial system is bank-centric and characterized by the dominant position of banks with a 65.3% 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 17.7% 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 2018 it was €6,0 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 26.9%. 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.

Graph 2
Financial assets of the households
in the Republic of Croatia in 2019

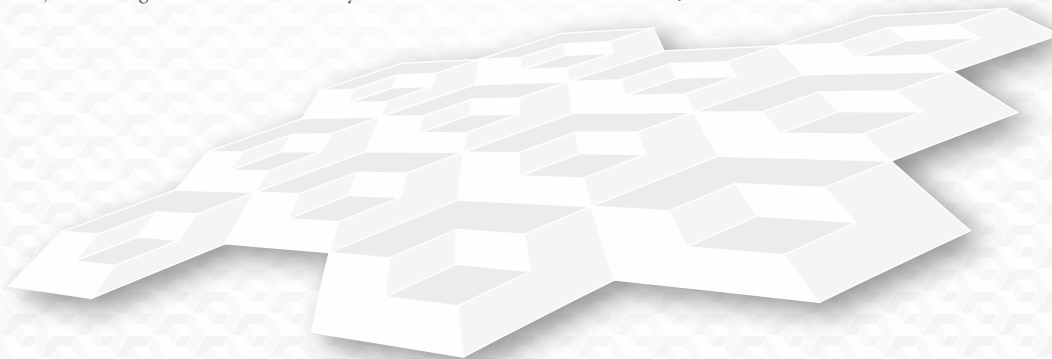


Source: Croatian National Bank, The statistics of financial accounts 2019

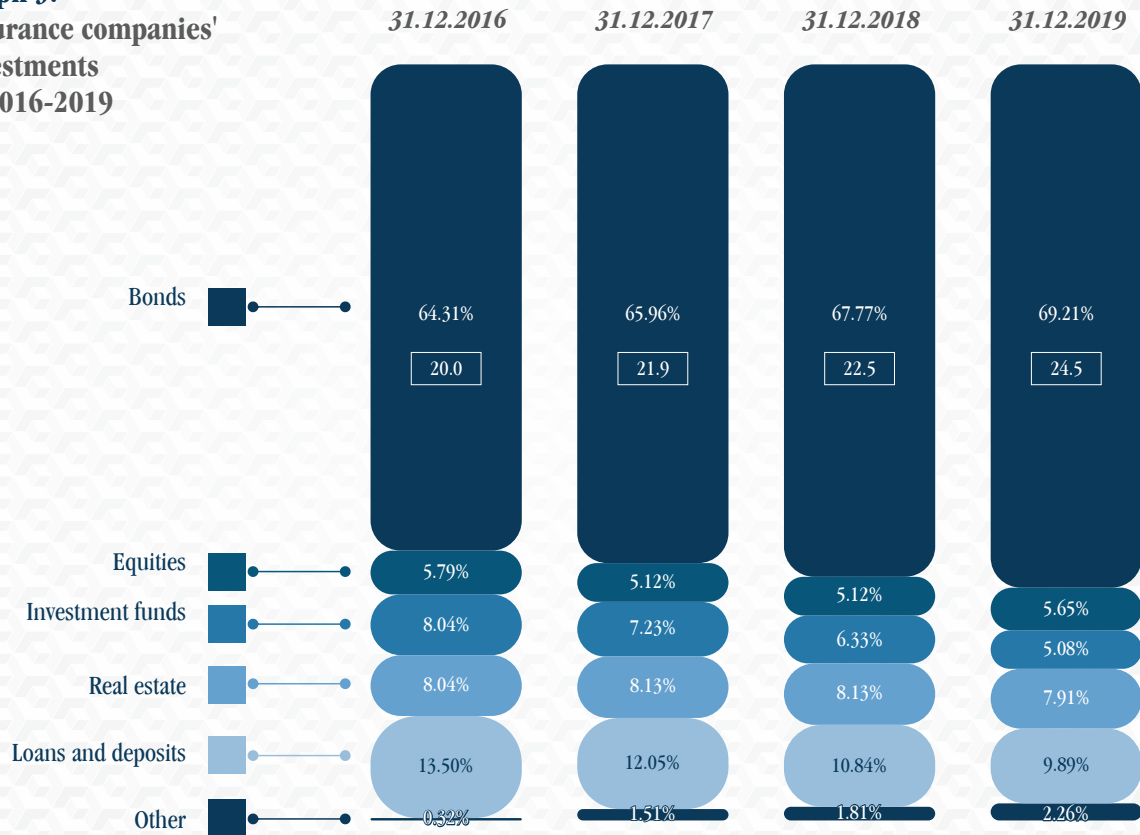
POSITION OF THE INSURANCE COMPANIES IN THE FINANCIAL SYSTEM

Investments are the key asset of insurance companies with a share of 82,9% (79.1% at the end of 2018) and an amount of €5.000 million at the end of 2019 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 69.2% in 2019. Most of these investments was in Croatian government bonds. Insurers also invest in equities and other securities (5.7%) and investment funds (5.1%). Investments in deposits and loans (9.9%) are also a significant part of the investments, and a part of the assets is invested in the real estates (7.9%). 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 2019.



Graph 3.
Insurance companies'
investments
in 2016-2019

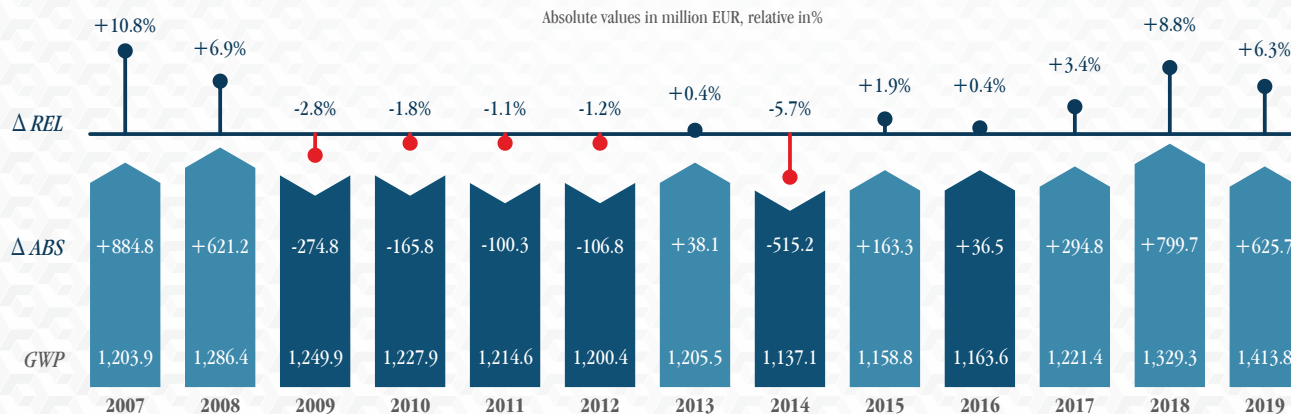


Source: HANFA, Report Financial indicators of non-banking financial sector, April 2019

STRUCTURE OF THE PREMIUM INCOME AND CLAIMS PAID

Gross written premium of insurance companies in the Republic of Croatia at the end of 2019 amounted to €1.413.798.395, of which non-life insurance premiums accounted for €1.000.175.964 or 70.7%, while life insurance premium was €413.622.431 or 29.3%. 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%. 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 3.4%, 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 8.8% 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%.

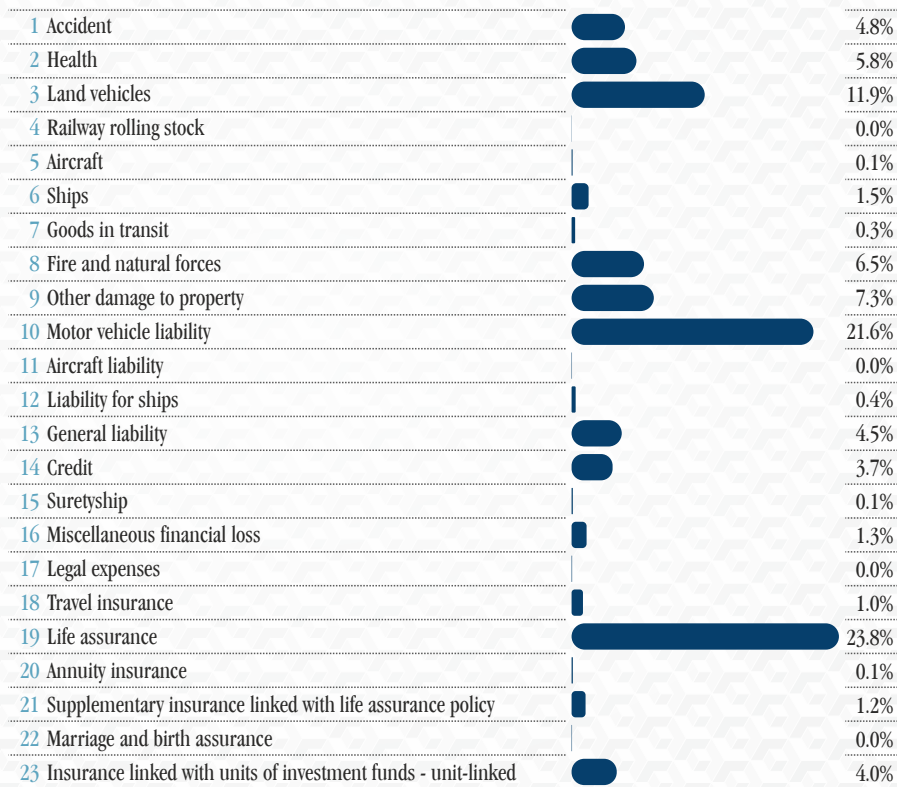
Graph 4
Gross premium written from 2007 to 2019



Source: HVO, Statistical insurance data

Graph 5 Premium structure by insurance classes in 2019

There were no significant changes in the structure of the premium income of insurance companies in the Republic of Croatia by the end of 2019. Still the largest share attributes on life insurance which was 23.8% and is lower than in the previous year (25.7%). The share of motor TPL (21.6%) continues to fall, which is primarily a result of the market liberalization process. The third position still holds casualty insurance for road vehicles with 11.9%, followed by other property insurance with 7.3% and fire and elementary damage insurance with 6.5%. Other types of insurance have a share of 6% or less, with health insurance of 5.8% and accidents insurance with 4.8% of total premium income.



Source: HVO, Statistical insurance data

Graph 6
Insurance premium structure
– by insurance classes



Source: HVO, Statistical insurance data

Graph 7 Non-life premium – by insurance classes in 2019

absolute values in million EUR, relative values in %

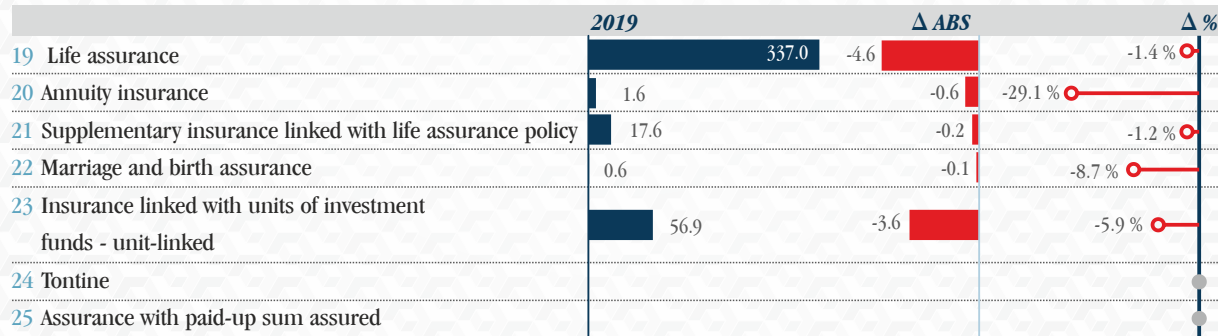
	2019	Δ ABS	Δ %
01 Accident	65.2	+2.1	+3.2%
02 Health	70.1	+11.6	+16.6%
03 Land vehicles	141.5	+26.3	+18.6%
04 Railway rolling stock	0.9	-0.7	-72.1%
05 Aircraft	1.3	+0.0	-0.8%
06 Ships	20.1	+1.4	+6.8%
07 Goods in transit	4.3	+0.2	+4.5%
08 Fire and natural forces	87.1	+4.2	+4.9%
09 Other damage to property	93.3	+10.4	+11.1%
10 Motor vehicle liability	293.9	+11.0	+3.7%
11 Aircraft liability	0.7	-0.1	-17.6%
12 Liability for ships	5.3	-0.2	-3.0%
13 General liability	55.8	+7.4	+13.3%
14 Credit	35.1	+16.6	+47.2%
15 Suretyship	1.2	+0.3	+24.7%
16 Miscellaneous financial loss	17.0	+1.9	+11.2%
17 Legal expenses	0.7	+0.0	-6.1%
18 Travel insurance	13.0	+1.3	+10.0%

Source: HVO, 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 81.5% (in 2018 80.8%). Investment life insurance has gained in importance again and make up 13.8% (in 2018 14.3%) of life insurance premiums. Additional insurance linked to life assurance represent 4.3%, where annuity insurance has a share of 0.4%, and marriage and birth assurance have a share of 0.1%.

Graph 8 Life insurance premium – by insurance classes in 2019

absolute values in million EUR, relative values in %

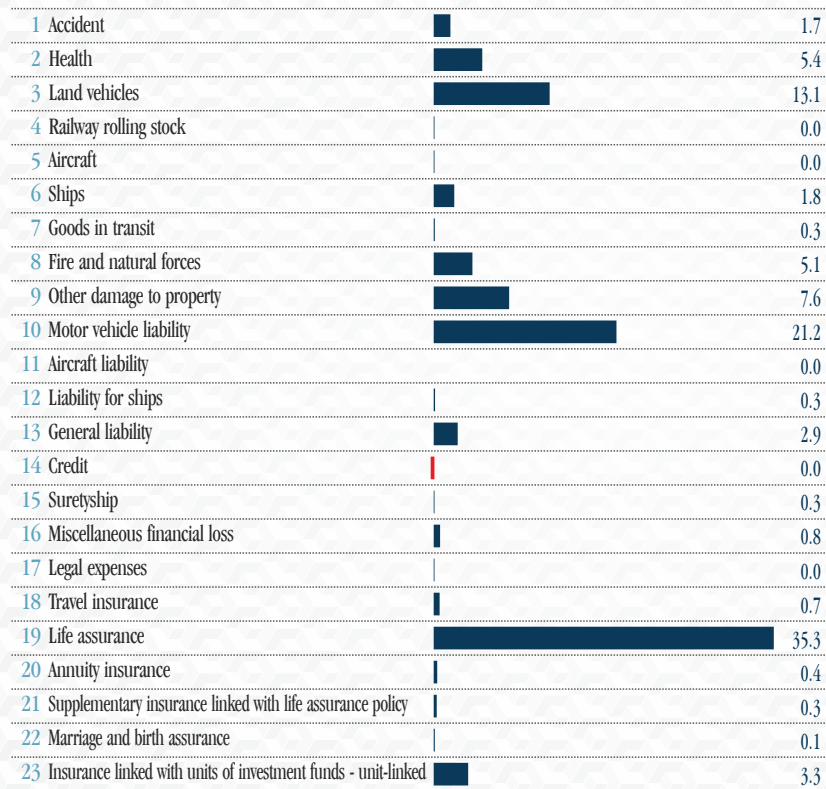


Source: HUQ, Statistical insurance data

CLAIMS PAID

Graph 9

Structure of claims paid by insurance classes in 2019

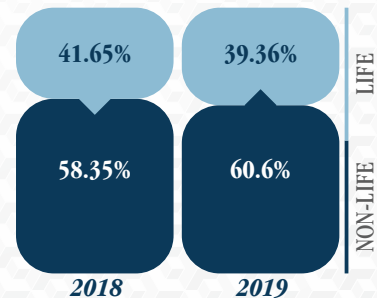


Source: HÚO, Statistical insurance data

In the structure of claims paid per amount the leading classes are life assurance that stands by 35.3% (in 2018 37.1%), motor TPL insurance by 21.2% (in 2018 19.9%), land vehicles insurance by 13.1% (in 2018 12.6%), other property insurance by 7.6% (in 2018 8.2%), health insurance 5.4% (in 2018 5.3%), insurance against fire and natural disasters by 5.1% (in 2018 4.2%), while other insurance classes have a lower share.

Graph 10

Structure of claims paid – by insurance classes

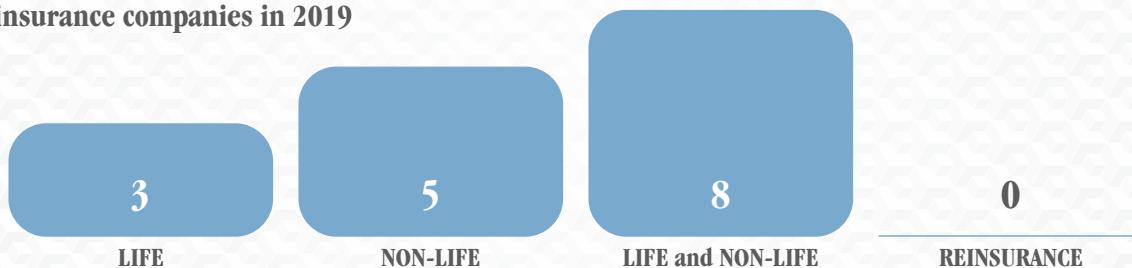


FEATURES OF THE INSURANCE MARKET

a / Number of insurance companies

At the end of the 2019 there were a total of 16 insurance companies transacting business in the insurance market based in the Republic of Croatia. Among these companies, 3 companies transacted life assurance, 5 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 2019



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 2019 was Croatia osiguranje d.d. with a share of 25.9%, the second place took Allianz Zagreb d.d. with 13.0%, followed by Euroherc osiguranje d.d. with 12.2%, Wiener osiguranje Vienna Insurance Group d.d. with 8.9%, Generali osiguranje d.d. with 7.7%, Adriatic osiguranje d.d. with 7.2%, and Uniqa osiguranje d.d. with 6.1% market share. Four 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 2019

absolute values in million EUR, relative values in %

	2019	Δ ABS	Δ %	Share
ADRIATIC OSIGURANJE D.D.	101.5	+12.2	+13.6%	7.18
AGRAM LIFE OSIGURANJE D.D.	52.3	+4.9	+10.2%	3.70
ALLIANZ HRVATSKA D.D.	184.0	+26.8	+17.1%	13.02
CROATIA OSIGURANJE D.D.	365.5	-5.9	-1.6%	25.86
ERGO OSIGURANJE D.D.	0.0	-14.2	-100.0%	0.00
ERGO ŽIVOTNO OSIGURANJE D.D.	0.0	-0.1	-100.0%	0.00
EUROHERC OSIGURANJE D.D.	172.5	+21.6	+14.3%	12.20
GENERALI OSIGURANJE D.D.	108.5	+12.0	+12.4%	7.68
GRAWE HRVATSKA D.D.	60.9	+2.7	+4.6%	4.31
HOK OSIGURANJE D.D.	31.6	+3.4	+12.2%	2.24
HRVATSKO KREDITNO OSIGURANJE D.D.	1.6	+0.2	+14.8%	0.11
IZVOR OSIGURANJE D.D.	9.3	+0.8	+9.5%	0.65
MERKUR OSIGURANJE D.D.	36.6	-1.1	-2.9%	2.59
OTP OSIGURANJE D.D.	6.1	+0.3	+5.0%	0.43
TRIGLAV OSIGURANJE D.D.	65.9	+7.9	+13.7%	4.66
UNIQA OSIGURANJE D.D.	85.6	+7.0	+8.9%	6.06
WIENER OSIGURANJE VIG D.D.	125.1	+4.8	+4.0%	8.85
WÜSTENROT ŽIVOTNO OSIGURANJE D.D.	6.7	+1.2	+21.8%	0.47
Grand Total	1,413.8	+84.5	+6.3%	100.00

Note: For companies Ergo osiguranje d.d. and Ergo životno osiguranje d.d. results for 2019 are not shown due to the merge to Sava osiguranje d.d. Podružnica Zagreb.

Source: HVO, Statistical insurance data

c / Employment

At the end of 2019 there were 8.018 people employed in insurance undertakings (in 2018 there was 8.238 employees). At that time in the financial sector there were 37.968 employees, and employees in insurance companies made 21.1% 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.

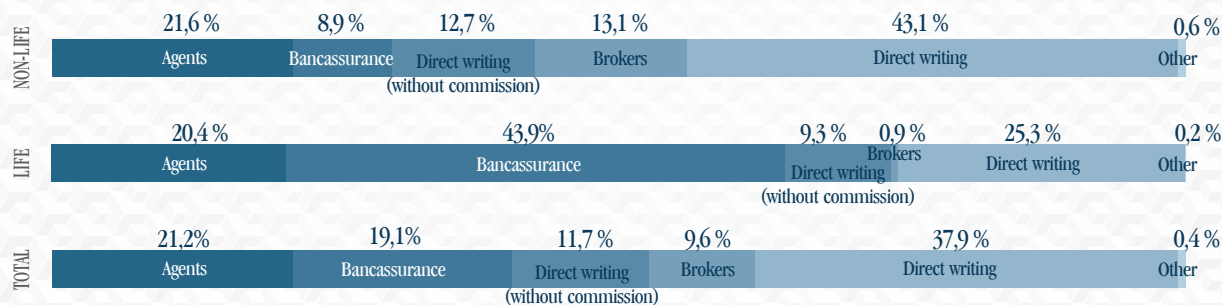
d / Distribution channels

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 2019 was most commonly sold through tied agents making a 43.1% (in 2018 41.6%) share in the premium written, agency companies for 21.6% (in 2018 21.9%), brokers with 13.1% (in 2018 11.8%) and direct employees (without commission) accounted for 12.7% (in 2018 16.3%). Other sales channels had a share lower than 10%. Life insurance was mostly distributed via bancassurance by 43.9% (in 2018 44.3%), tied agents accounted for 25.3% (in 2018 24.0%), agency companies by 20.4% (in 2018 20.0%), and direct employees by 9.3% (in 2018 10.3%) of life insurance premium written in the observed period.

Graph 13

Premium structure according to distribution channels in 2019



Source: HVO, Statistical insurance data



Croatian Insurance Bureau, June 2020

For the Publisher: Hrvoje Pauković, Director

Prepared by: : Jakša Krišto and Nenad Štancl

Contact: buo@buo.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*





**Hrvatski
ured za
osiguranje**

Martićeva 71
10000 Zagreb

T: +385 1 46 96 600

F: +385 1 46 96 660

huo@huo.hr

www.huo.hr

