Q2 2018 overview of non-life insurance sector

The number of insurance companies operating on the Estonian market as at Q2 2018 was seven, six of which are branches of foreign insurers.

Key indicators	Q1 2018	Change	Q2 2018
Volume of insurance premiums	151 mln €	?	139 mln €
Volume of claims	74 mln €	?	77 mln €
Volume of assets of insurance companies	769 mln €	?	798 mln €
Net combined ratio	90,4%	?	88%
Profit	8,7 mln €	?	14,8 mln €
Solvency Capital Requirement coverage	209%	?	203%

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The volume of claims in the first half of the year was 150 million euros, i.e. 16% more than in the first half of the previous year.

The volume of the Estonian non-life insurance market including the foreign branches operating here was 198 million euros by the end of the year. The increase here was also 20%, but if the impact of the recognition of the premiums of If P&C Insurance is not considered, the increase was about 12%. The share of branches in the Estonian non-life insurance market was 27%.

The combined ratio (claims ratio + expense ratio) of non-life insurance companies dropped to 89.1% in six months. The claims ratio and the cost ratio have both decreased in comparison with the same period last year. The market as a whole continued to earn a technical profit. Property insurance is still the most profitable class of insurance. It was somewhat exceptional that the profit of motor insurance exceeded the profit earned from comprehensive insurance, making it the biggest source of profit in Q2.

Non-life insurance companies earned profits in the amount of 23.5 million euros in the first half of the year. Only two of the seven non-life insurance companies ended the half-year with a small loss.

The volume of own funds in the non-life insurance sector increased, but the size of the solvency capital requirement also increased due to the increase in volumes, which is why the solvency margin decreased to 203% by the end of six months in 2018. All non-life insurance companies comply with capital requirements.

Main developments and risks

- Motor insurance achieved a profit for the first time in the last six years. Non-life insurance companies in Estonia earned over 4 million euros of profit in motor insurance in six months and the Estonian motor insurance market also achieved a profit of 400,000 euros. This was caused by the effect of the increase of tariffs, which exceeds the increase in the average loss amount.
- Rapid increase in wages, residential loans and especially car leasing guarantee a potential for growth in the insurance sector also for the next periods.
- The increase in volumes may lead to a decrease of capitalisation in the loss insurance sector, as the increase in equity on the account of earned profit may not be adequate for cover the increase in capital requirement.

Quarterly reviews of the non-life insurance sector

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