

IMIA 2013 Country Analysis

Country	Premium Development	Claims Development	Underwriting Profitability	Business Outlook
<p>Russia National Report 2013</p>	<p>Engineering insurance premium slightly declined by 3.9% to 27.77 billion roubles (835 USD Mio), after several years of significant growth. In 2013 Russian economy shifted into low gear, with just 1.3% increase of GDP, and investments in large infrastructure and energy projects did not grow like in previous years. This affected the civil and industrial construction market and caused reduction of engineering insurance premiums.</p> <p>Nearly 94% of all engineering premiums are comprised by CAR/EAR. Other engineering covers such as Machinery Breakdown insurance or Electronic Equipment insurance are rarely provided on a stand-alone basis but normally are included in Property All Risks policies. ALOP/DSU covers are not widely spread and their contribution in total CAR/EAR premiums is less than 1%.</p>	<p>Engineering claims paid in 2013 declined by 15.9% to 1,990 million roubles (60 USD Mio).</p> <p>In September 2013 the potentially largest engineering loss occurred at the construction site of a new Pumped Storage Hydroelectric Power Plant near Zagorsk, Moscow region.</p> <p>It is believed that the soil under the plant's foundation was washed resulting in sagging which led to a displacement and damage to the integrity of reinforced concrete structures of the plant building and a bulkhead, opening of expansion joints and tail-water flooding of the turbine hall and the plant plot.</p> <p>The works were about 90% completed by the time of the accident and most of machinery and equipment got flooded and damaged by water. The loss was covered by a number of policies issued by 3 Russian insurers and according to some estimation total claims can reach 10 billion roubles (300 USD Mio).</p>	<p>Formally the loss ratio in 2013 was extremely low, however it does not take into account claims reserves, nor acquisition and administrative costs. The loss at Zagorskaya Pump Storage HPP alone can deteriorate the loss ratio dramatically.</p> <p>Acquisition costs data are not available across the whole market but these costs can be rather high especially in CAR/EAR insurance, sometimes reaching 50% of gross premium.</p> <p>The engineering insurance market remained soft, with strong competition and continuous trend towards reduction of premium rates and widening a scope of cover.</p>	<p>The state of Russian economy continues to worsen and some experts consider it being in recession. This has already affected the insurance market which rate of growth reduced to 6-8% per annum. Premiums in commercial P&C segment are expected to show a very little growth or stay at the level of the previous year.</p> <p>Motor insurance and especially Compulsory Motor TPL (CMTPL) remains a major headache of Russian insurers. The rates approved by the government have not changed for several years while a loss ratio has been steadily increasing and now reached a critical level in a few provinces. The leading insurers with a big motor insurance portfolio are sustaining significant losses and are concerned about new CMTPL rules coming into force from 1st October.</p> <p>Recent decision of the authorities to exclude insurance expenses from construction budgets may cause contractors not to take up insurance policies for projects financed by the state budget. This may lead to a sharp drop of CAR/EAR premiums by the end of this year.</p>