

# National Report 2016

## RUSSIA

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### Overview

In spite of the negative dynamics of the Russian economy in 2016, the country's insurance market grew by 15.3% compared to the annual GWP.

In 2016, the premiums of Russian insurers totaled RUB 1 181,00 billion, increased by 15,3%, while claims (paid) is RUB 505,79 billion, according to the figures released by The Bank of Russia. It's a maximum growth of insurance market for the last four years

The number of companies operating on the market continued to reduce: in the unified state register of insurance entities as of December 31, 2016, 251 insurance companies were registered, while 12 months ago this number was 330.

The concentration of insurance business slightly increased. Top 10 companies in 2016 charged 65% premiums in total (without CHI), while in 2015 Top 10 companies charged 66% ones

### (A) Premium Development

In 2016, the Russian economy continued to recover, while the fall was only 0.2% of GDP. But in spite of decrease in Russian economy Engineering insurance premium increased by 20.4% in 2016, and totaled premium in this line of business is RUB 24.94 billion. The main factors of increase totaled premium were stabilization of currency fluctuations and involvement of alternative sources of funding for projects

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%.

Note: Figures for CAR/EAR represent about 90% of the market, the rest is our estimation based on available information from various sources

### (B) Claims Development

Engineering claims paid in 2016 declined by 19.7% to 8,543 million rubles. The main part (5.883 million Rubels) were paid in EAR / CAR.

Note: Paid claims only, reserved claims are not reported.

### **(C) Underwriting Profitability**

Formally the loss ratio in Engineering insurance in 2016 was decrease slightly, as well as all the market, however it does not take into account claims reserves, nor acquisition and administrative costs.

In 2016 there were no big losses, which could extremely influence to the loss ratio.

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.

The engineering insurance market continue remained soft, with strong competition and continuous trend towards reduction of premium rates and widening a scope of cover.

### **(D) Business Outlook**

Rosstat estimated the fall in GDP of Russia for 2016 in 0.2%. Which is lower than in 2015, and this indicates a gradual recovery of the Russian economy. The insurance market, despite obvious problems from the demand side, continued to grow.

After a three-year slowdown, the insurance market showed the maximum increase over the past four years (15.3% for 2016). At the same time, without taking into account the segment of life insurance, the growth rate of contributions was only 7.9%. As a result of a two-year drop in premiums, car insurance for 2015-2016 was lost in the aggregate of 50 billion rubles of premium, having fallen into the top 3 segments of the insurance market from the second to the third position. The faster growth of life insurance and the increase in the weight of life insurers in the total volume of premiums influenced the concentration of the insurance market.