

# Analysis Report 2017

## RUSSIA

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### Overview

In spite of the negative dynamics of the Russian economy, the country's insurance market grew in 2017, the premiums of Russian insurers totaled RUB 1 279,00 billion, increased by 8,3%, while claims (paid) is RUB 509,72 billion, according to the figures released by The Bank of Russia.

The number of companies operating on the market continued to reduce: in the unified state register of insurance entities as of December 31, 2017, 226 insurance companies were registered, while 12 months ago this number was 251.

The concentration of insurance business is not changed. Top 10 companies in 2017 charged 65% premiums in total (without CHI), the same as in 2016.

### (A) Premium Development

Engineering insurance premium increased by 15.5% in 2017, and totaled premium in this line of business is RUB 28.81 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%.

### (B) Claims Development

Engineering claims paid in 2017 declined by 6.6% to 4,597 million rubles. The share of MB, Boiler and others increased by 13.3% to 3 014 million rubels, whereas the share for CAR/EAR fell by 29.5% to 1 583 million rubels.

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

### (C) Underwriting Profitability

Formally the loss ratio in Engineering insurance in 2017 was decrease slightly, however it does not take into account claims reserves, nor acquisition and administrative costs.

In 2017 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**

The total volume of insurance premiums in 2017 has increased by 8.3%, equal to the level of 2014. The volume of insurance payments has not changed. This positive dynamics of the volume of premiums in 2017 is secured by life insurance.

In General, the growth rate of premiums in the market exceeds the growth rate of payments, but most non-life companies show the opposite trend.

The segment of voluntary non-life insurance, which revived last year, showed a negative trend: the volume of premiums decreased by 5.8 billion rubles for the year.

Premiums on property insurance of legal entities compared to 2016 year, decreased. In addition, the fall of premiums on insurance of all means of transport, except air, and cargo insurance continued. One of the largest segments of voluntary insurance showed a serious negative trend in terms of premiums (–10.5%). It decreased to 96 billion rubles, reaching a minimum for the last 5 years.

In General, the property insurance segment is one of the most profitable in the market, and competition leads not only to the gradual displacement of small players, but also to a serious redistribution of premiums among market leaders.