

National Report 2019

RUSSIA

Overview

The Russian insurance market has entered a stage of stagnation in terms of gross premiums. Also, taking into account inflation and growth in commission fees, the volume of real business of insurers decreased by almost 7%. The share of insurance premiums in GDP decreased from 1.42% to 1.36%.

In 2019, the premiums of Russian insurers totaled RUB 1 480 billion. The growth of the insurance market has not occurred. Claims (paid) in the whole market grew by circa RUB 88 billion. Total insurance Claims (paid) is RUB 609.6 billion, according to the figures released by The Bank of Russia.

The volume of premiums for incoming reinsurance in 2019 amounted to 53.86 billion rubles, an increase of ~ 24% compared with last year.

Total premiums and claims of Russian insurance market in 2019

Line of insurance	Premiums, RUR bl.			Claims, RUR bl.		
	2019	2018	+/-, %	2019	2018	+/-, %
Life insurance	409.1	450.8	-9,25%	154.75	67.07	130,73%
Personal lines (excl. Life)	313.8	321.36	-2,35%	115.45	128.34	-10,04%
Property Insurance, including	395	361.48	9,27%	154.78	154.41	0,24%
<i>Motor Own Damage Insurance</i>	181.7	168,69	7,71%	90.1	83.25	8,23%
<i>Fire Insurance</i>	213.3	153.3	39,14%	64.68	58.29	10,96%
Liability Insurance (voluntary)	51.25	48.63	5,39%	11.1	10.21	8,72%
Compulsory Motor TPL Insurance	213.9	225.97	-5,34%	145.34	137.90	5,40%
Others	96.95	71.26	36,05%	28.18	24.54	14,83%
Total, without CHI*	1480	1479.5	0,03%	609.60	522.47	16,68%

* *Compulsory Health Insurance*

The number of companies operating on the market continued to reduce: in the unified state register of insurance entities as of December 31, 2019, 175 insurance companies were registered, while 12 months ago this number was 190.

The concentration of insurance business in top 20 is increased. Top 10 companies in 2019 charged 67,9% premiums in total (without CHI), 2.9 percentage points more than in the previous year. However top 20 companies in 2018 charged 83,5% premiums in total (without CHI), it was 86% in 2017.

(A) Premium Development

In 2019 Engineering insurance premium decreased by 4,54%, and totaled premium in this line of business is RUB 17.14 billion. The main factors of decreasing of totaled premium were concerns to the risks of renewed financial instability and sanctions impacts. The positive factor was scaling up growth-enhancing infrastructure projects.

Nearly 90% 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%.

Type of insurance	Gross written premiums*					
	2017		2018		2019	
	RUR Mio	+/-	RUR Mio	+/-	RUR Mio	+/-
Machinery Breakdown, Boiler Explosion and other technical insurances	1 677	+19,30%	1 541	-8,11%	1 521	-1,31%
C A R, E A R, Guarantee	27 136	+15,30%	16 416	-39,51%	15 621	-4,84%
T O T A L	28 813	+15,50%	17 957	-37,68%	17 142	-4,54%

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 2019 declined by 8% to 9,219 million rubles.

Over 80% of total losses are events with damage ranging from up to 200 million rubles.

Claims from CAR, EAR, Guarantee make up about 70% of the total number of losses. The lack of increased losses is due to the increasing quality of the insurance portfolio and the level of the underwriting process.

Type of insurance	Claims *					
	2017		2018		2019	
	RUR Mio	+/-	RUR Mio	+/-	RUR Mio	+/-
Machinery Breakdown, Boiler Explosion and other technical insurances	3 014	+13,3%	2 998	-0,53%	2 654	-11%
C A R, E A R, Guarantee	6 995	+18,9%	7 063	+0,97%	6 565	-7%
T O T A L	10 009	+17,1%	10 060	+0,52%	9 219	-8%

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

(C) Underwriting Profitability

Formally the loss ratio in Engineering insurance in 2019 was sliding as well as all the market, however it does not take into account claims reserves, nor acquisition, administrative costs and losses with refusal.

In 2019 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 45-55% 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.

The engineering insurance market have also available capacity. Market penetration is about 65%. The growth of reinsurance coverage in this segment leads to an increase in tariffs. This leads to lower demand in market segments.

(D) Business Outlook

In 2019, the insurance market stopped growing: the volume of premiums collected remained virtually unchanged, and the volume of payments increased significantly. • A change in the long-term trend in the development of the industry is associated with the begun reduction in life insurance premiums (primarily investment life insurance (ILI), which has been a key driver of the market since 2015.

At the end of 2019, the volume of collected insurance premiums amounted to 1,480 billion rubles. For the first time since 2009, the market has not grown. A year earlier, the growth rate of contributions exceeded 15%. The ratio of collected insurance premiums to GDP for 2019 decreased to 1.36%. The average for the market of developed countries - 6%. This is because rising per-capita income have a major impact to increased insurance penetration. This is currently still low in Russian market; however, Russian market offers tremendous catch-up potential in long-term cycle.

The key factors that had a significant and multidirectional impact on the dynamics of the insurance market in 2019 were:

- new requirements for the procedure for disclosing information when concluding life insurance contracts;
- expiration of the ILI policies purchased 3-5 years ago at the beginning of the rapid development phase of this segment;
- high demand for loans from individuals;
- active development of VHI programs;
- decrease in sales of new cars.

The structure of sales of insurance products is stable: insurers receive three-quarters of their contributions from intermediaries, 20% are from direct sales, and another 5% is the share of online sales

The level of digitalization is increased but general level is still not significant. Russian insurance companies try to use digital technologies in their daily work to reduce their administrative costs.