

Q2 2021 overview of the non-life insurance sector

The total volume of insurance premiums written by Estonian non-life insurers in the second quarter was 6.9% more than in the same period a year earlier. The growth was mainly a result of the loan comparison reference base, as it was in the second quarter of last year that the non-life insurance sector was hit by the reduction in volumes caused by the Covid-19 pandemic and the restrictions. Insurance premiums received increased for all the major forms of insurance. The volume was only smaller than in the first half of last year for insurance for legal costs and support costs, which are less than 1% of the insurance portfolio.

Key indicators	Q1 2021	Change	Q2 2021
Value of insurance premiums	133 mln €	?	133 mln €
Value of claims submitted	77 mln €	?	81 mln €
Value of assets of insurance companies	817 mln €	?	839 mln €
Net combined ratio	89.1%	?	87.9%
Profit*	4.1 mln €	?	15 mln €
Solvency capital requirement coverage ratio	201.4%	?	203.5%

The growth in claims submitted in the second quarter was even higher, at 23.2% in gross terms and 13.1% in net terms. This was again because of the low reference base, as the restrictions last year meant that the number of claims and the amount paid out for them were small. The growth in expenses in the second quarter also exceeded the growth in insurance premiums, as the volume of expenses was 34 million euros, and the growth in it was 10.8%.

The combination of changes in the different indicators meant that the combined ratio for non-life insurers in the second quarter was higher than a year earlier at 87.9%. The loss ratio of the non-life insurance sector was 58.9%, which was higher than it has ever been in the second quarter of any previous year. The trend in the expense ratio was not downwards for the first time, and the ratio was at 29% in second quarter.

Non-life insurers earned 15 million euros in profit in the second quarter, the majority of which came from insurance activities. The return on investment was quite modest. A little more than 400,000 euros was earned from investment, giving a return of 0.2%. The structure of investment has remained unchanged in recent times, with a little over 80% of investment in bonds and around 20% held on bank accounts or in deposits. Other instruments account for less than 1%.

The non-life insurance market in Estonia is growing, as over 200 million euros in insurance premiums were received in the first half of the year, meaning that quarterly premium volumes of over 100 million euros can be expected in future for several years. Sales of travel insurance have improved in recent months, but they remain a third below where they were before the pandemic. Volumes in motor third-party liability insurance have remained at the same level after tariffs were cut last spring. The trend for other types of insurances is upwards.

All the non-life insurers met the capital requirements at the end of the second quarter. Profitability meant that the capitalisation of the sector increased to 203.5%.

Main development trends and risks

- The insurance premiums of non-life insurers grew.
- The capitalisation of non-life insurers will increase in the near future because of their profitability, but in the longer term the coverage of the capital requirement by the sector will decline because of the dividend policy of well-capitalised insurers.

¹ The profit of the sector is calculated from the public reports of insurance companies, not the supervisory reports submitted to Finantsinspektsioon.

[Quarterly reviews of the non-life insurance sector](#)