

Rise of total gross written premium for five years in a row

Within its regular annual activities, the Croatian Competition Agency carried out a market investigation into the insurance sector in the Republic of Croatia in 2019. The objective of the insurance market investigation was to collect the data and to establish the key indicators on the relevant market by defining the market shares of the undertakings active on the insurance market including the market concentration indicators.

This year's insurance market investigation focused on the insurance distribution channels, particularly on digital platforms used by insurance companies. The insurance market investigation covered the life and non-life insurance market including the automobile insurance market. The market shares held by the undertakings in certain market segments have been determined on the basis of the total gross written premium.

General indicators of the insurance market in Croatia in 2019

In 2019 there were 16 insurance companies active in the Croatian insurance market. Two insurance companies with their place of establishment in another EU Member State – Sava osiguranje d.d. – Subsidiary Croatia and Adriatic Slovenica d.d. – Subsidiary Zagreb were also present in the Croatian insurance market.

There were three insurance companies less than in 2018. Sava osiguranje d.d. took over Ergo osiguranje d.d. and Ergo životno osiguranje d.d. on 30 November 2019, while Adriatic Slovenica d.d. – Subsidiary Zagreb was acquired by Generali zavarovalnica d.d.

In 2020 there have been several other changes in the insurance market: in the second quarter of 2020 Generali osiguranje d.d. took over Izvor osiguranje d.d. and its whole portfolio. This acquisition slightly strengthened the market position of Generali Group given that the market share of Izvor osiguranje d.d. in 2019 was lower than one per cent in life and non-life insurance. As of 30 April 2020, the insurance business licence for non-life insurance expired for Izvor osiguranje d.d. in line with the mandatory rules. Consequently, in the third quarter of 2020 there were 15 insurers active in the Croatian insurance market.

The 2019 insurance market whose total gross written premium amounted to slightly more than HRK 10.6 billion rose by 6.5 per cent in comparison with 2018 when the total gross written premium amounted to HRK 10 billion. The rising trend in the total gross written premium has been recorded five years in a row.

The rise in the gross written premium is based on the rise of non-life insurance that covered more than two-thirds of the total insurance market (71 per cent in the market structure), whereas life insurance covered less than one-third of the total insurance market (29 per cent in the market structure). At the same time life insurance recorded a slightly falling trend in the total market structure in comparison with 2018 when its share was 32 per cent.

The rise in non-life insurance premium was based on favourable macroeconomic trends and particularly generated from the rise of the automobile insurance premium – comprehensive automobile insurance, the rising loan protection insurance and the health insurance. The rise in the insurance premium has been also recorded in ten more non-insurance categories in comparison with 2018.

The fall in life insurance premium in 2019 has been recorded in the categories of life insurance and was mainly generated from the low interest rates that has made life insurance products less appealing to policy holders who look for products with higher rates of return.

The highest gross written premium in 2019 was realized by Croatia osiguranje that held an almost 26 per cent market share, which made this company number one insurance company in the Croatian market indicating a slightly falling trend in gross written premium compared with 2018.

In second place was Agram Group, whose members - Euroherc osiguranje, Adriatic and Agram Life indicated a rising trend in the premium whereas their combined market share in 2019 amounted to almost 23 per cent. Individually, the nominal rise in gross written premium in the amount of HRK 160 million or 14.3 per cent was recorded by Euroherc osiguranje, whereas all three members of Agram Group recorded a rise in the gross written premium between 10 per cent (Agram Life) and 14.3 percent (Euroherc).

First two leaders were followed by Allianz Hrvatska that held a market share of 13 per cent and indicated growth in the amount of almost HRK 200 million, Vienna Insurance Group took fourth place with almost a 9 per cent market share, Generali in fifth place on the list with a 7,5 per cent market share. Uniqa, Triglav, Gawe, HOK osiguranje also recorded a rise in 2020, similarly as Izvor osiguranje, Hrvatsko kreditno osiguranje, OTP osiguranje and Wüstenrot životno osiguranje. However, the individual market shares of these insurance companies were lower than one per cent. There was a total of 16 insurers that recorded a rise in 2019, including the two above mentioned subsidiaries present in the Croatian market.

In 2019 a slight fall in the gross written premium was recorded by Croatia osiguranje and Merkur osiguranje.

Based on the market concentration data the insurance market in Croatia in 2019 was relatively well structured and competitive, indicating moderate market concentration whereas individually there has been a slightly falling trend in the concentration ratio (HHI) in comparison with the previous year.

Life insurance

In 2018 there were 13 insurance companies active in life insurance, including the two above mentioned insurers that operated through their subsidiaries. In the segment of life insurance,

the gross written premium amounted to HRK 3.1 billion which represents a slight fall in the amount of HRK 69 million or 2.2 per cent compared with 2018.

The fall in the total gross written premium in life insurance in 2019 was to a larger extent generated by the fall in the gross written life insurance premium of Generali osiguranje (with HRK 101 million or 30 per cent decrease in life insurance premium) and to a smaller extent by the fall in the gross written life insurance premium of Croatia osiguranje (with HRK 47 million or eight per cent decrease). The falling trend in the life insurance premium occurred in all categories of life insurance and was mainly influenced by the long-term low interest rates that made life insurance products less appealing to insurance buyers looking for products or assets with higher rates of return.

The highest gross written premium in the life insurance market in 2019 was realized by Allianz Hrvatska that has stepped into the first place in this insurance segment for the first time since 2016. The total gross written premium of Allianz in the report period was HRK 563.4 million with a market share of more than 18 per cent. Second was Wiener osiguranje VIg with HRK 545 million in gross written life insurance premium and the market share of some 17.5 per cent. Croatia osiguranje took third place with total gross written life insurance premium amounting to HRK 517 million and a market share of 16.6 per cent. Thus, the observable negative trend of Croatia osiguranje in the life insurance market in 2019 compared with 2018 amounts to 8 per cent.

Fourth on the list was Agram Life with a total gross written premium in the amount of HRK 317 million with a considerable growth in the gross written life insurance premium of HRK 31 million or 11 per cent. Fifth place was taken by Grawe with the gross written premium above HRK 298 million and a market share of 9.6 per cent where the rise of the gross written life insurance premium was three per cent.

The nominal rise in gross written life insurance premium was HRK 8.6 million.

The premium rise was also recorded by Triglav osiguranje, Wüstenrot životno osiguranje, OTP osiguranje and Adriatic Slovenica d.d., Subsidiary Zagreb, where it must be noted that Wüstenrot životno osiguranje had a significant rise of 22 per cent or HRK 9 million in spite of its market share that was lower than two per cent. Five insurers (Generali osiguranje, Croatia osiguranje, Merkur osiguranje, Uniqa osiguranje, Wiener osiguranje and Sava osiguranje-Subsidiary Zagreb) showed a negative trend in the sense of the fall of the gross written life insurance premium compared with 2018.

Non-life insurance

In the segment of non-life insurance in 2019 there were 16 insurance companies present on the insurance market, including the two above-mentioned subsidiaries. Allianz in the third place overtook Adriatic osiguranje whereas there was a more prominent asymmetry

regarding the individual market shares of the first three insurers on the list (Croatia osiguranje, Euroherc osiguranje, Allianz Hrvatska).

The gross written premium in the segment of non-life insurance in 2019 amounted to HRK 7.4 billion, which means that it went up by 10.5 per cent compared with 2018 and still rising. This growth was principally based on the growth of the car insurance premium – comprehensive insurance, loan protection insurance due to the more vibrant loan activity of the banks and health insurance.

The market leader in the non-life insurance segment Croatia osiguranje had the total gross written premium amounting to almost HRK 2.2 billion and held a market share of 29 per cent that actually fell in the reporting period by 3 per cent compared with 2018.

Agram Group with its members – Euroherc, Adriatic and Agram Life held a market share of almost 28 per cent. Individually, Euroherc recorded the total gross written premium in the amount of almost HRK 1.3 billion and held a market share of 17 per cent, Adriatic HRK 753 million and a 10 per cent market share and Agram Life HRK 70 million and a one per cent market share.

Allianz Zagreb with a total gross written premium in 2019 in the amount of HRK 801 million and a market share of 10.6 per cent and the rise in the gross written premium by HRK 150 million or 23 per cent recorded the third nominal rise in this insurance segment.

Allianz Zagreb was followed by Generali osiguranje, Uniqa osiguranje, Triglav osiguranje and Wiener osiguranje VIG, whose individual market shares ranged between 5 and 7.6 per cent. Generali osiguranje stood out with a gross written premium in the amount of HRK 571.6 million and a market share of 7.6 per cent. Its rise in the gross written premium in the non-life insurance segment was almost 50 per cent.

The nominal rise of the gross written premium in the non-life insurance segment was almost HRK 190 million, which represents the highest nominal rise in the non-life insurance segment.

In comparison with 2018 Triglav osiguranje, Wiener osiguranje, HOK osiguranje and Gawe osiguranje all recorded a rising trend in the gross written premium in the non-life insurance market ranging from eight per cent (Gawe) to 15 per cent (Triglav osiguranje).

The market investigation indicated that the non-life insurance market in 2019 was relatively well structured and a moderately concentrated market place.

Compulsory third-party insurance for motor vehicles

The motor car insurance market – including both the third-party motor insurance (compulsory third party insurance) and the comprehensive automobile insurance (full coverage) as the most important types of insurance, took a share of 33.4 per cent in the total gross written premium in the insurance market in 2019. The positive trend is linked to the raising number

of the first registered motor vehicles. There were in total 189,257 motor vehicles first registered in 2019 or 7.4 per cent more than in the previous year.

In accordance with the publicly available CIB data there were 11 insurers active in the car insurance market in 2019. The total gross written premium in the third-party motor insurance in 2019 was HRK 2.15 billion. The nominal rise of the premium amounted almost to HRK 77.6 million or 3.8 per cent. Out of 11 insurers present in the Croatian market in 2019, eight of them concluded the year with a rise in the third-party motor insurance premium whereas the remaining three (Unika, Triglav and Generali) recorded a fall of the premium compared with 2018.

The highest market share of 44.7 per cent in the third-party insurance for motor vehicles was held by Agram Group (Euroherc osiguranje and Adriatic osiguranje) indicating a rising trend. They are followed by Croatia osiguranje with almost a 23.1 per cent market share, then Allianz, Triglav, Generali, HOK osiguranje and Wiener VIG, that individually held a market share in the range from 4 per cent (Wiener Vig) and 5.7 per cent (Allianz). Allianz overtook Triglav in third place.

In accordance with the publicly available CIB data, individually, the highest gross written premium and the highest market share were recorded by Euroherc osiguranje with a rising turnover and market share trend of 28.6 per cent and the gross premium of HRK 614 million. The nominal rise of the written premium in 2019 compared with 2018 amounted to HRK 63 million or 11.5 per cent, which is at the same time the highest nominal rise in the premium in 2019.

Croatia osiguranje, second in the nominal rise of the premium, held a market share of 23.1 per cent and recorded a rise in the gross written premium by HRK 22.6 million or almost five per cent. The nominal amount of the gross written premium amounted to HRK 495 million.

In 2019 this market place recorded a lower increase in market concentration compared with 2018. This proved to be a prevailing trend as showed in the 2018 market study.

Insurance distribution channels in the sale of insurance products and services

In 2019 the insurance companies sold their life and non-life insurance products mainly via in-house agents (37.9 per cent share in the written premium), agencies (21.2 per cent), bancassurance operators (19.1 per cent) and in 11.7 percent via their own employees (commission-free). Other distribution channels were represented by less than 10 per cent.

Non-life insurance products have been distributed mostly by in-house agents (43.1 per cent in written premium), agencies (21.6 per cent), brokers (13.1 per cent) whereas the insurance undertakings' employees (commission-free) held a 12.7 per cent share in the written life insurance premium in 2019. Other distribution channels were represented by less than 10 per cent.

Life insurance products have been sold mostly by bancassurance (43.9 per cent share in the written premium), in-house agents (25.3 per cent) and agencies (20.4 per cent). The insurance undertakings' employees generated a 9.3 per cent share in the written life insurance premium in 2019.

Online sales participated in the sales of 15 insurers included in the survey with less than two per cent relative to the number of the insurance policies sold through all available distribution channels.

The position of online sales via digital platforms in the total sale of insurance policies by all insurers included in the survey was low and ranged from 0.01 per cent to 3.7 per cent. Some of the surveyed insurers reported that they expected a rise of sales on their own digital platforms and planned to upgrade these digital platforms under the circumstances of the coronavirus pandemic. The insurers' digital platforms prevalingly sold travel and health insurance and compulsory car insurance.

At the same time, the market investigation showed that in 2019 the total number of the policies sold by all the 15 included insurers in the survey on their own digital platforms rose by 71 per cent or by two thirds compared with 2018. However, the total sales in 2019 indicated a negligent share of 1.8 per cent of the own digital platforms in the total sales.

Croatia osiguranje sold the highest number of policies on its own digital platform in 2019, followed by Allianz, whereas other insurers sold a significantly lower number of policies via their own digital platforms.

In addition, the results of the investigation indicated that the majority of the insurers included in the survey applied differentiated prices when selling their policies via traditional distribution channels as opposed to the digital platforms. The price differentiation depended in the first place on the insurance product or it might arise from the different costs of the particular distribution channel used for the same insurance product. In other words, online distribution channels have been stimulated with the view to improving efficiency, environmental impact and lowering of the costs.