



**FIB REPORT 2022 -
ANALYSIS OF FOREIGN
INSURANCE BUSINESS
OF AUSTRIAN
INSURANCE GROUPS**

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MANAGEMENT SUMMARY

Scope of Austrian insurance groups

Five Austrian insurance groups (i.e. Vienna Insurance Group, UNIQA Group, GRAWE Group, Merkur Group and Wüstenrot Group) are active via insurance subsidiaries on foreign insurance markets. At the end of 2021, the scope of business of these groups comprised 94 insurance and 5 reinsurance companies in 27 countries including the Austrian undertakings. For streamlining the analysis, the relevant countries are clustered into five geographical segments: Austria (AT), Central Europe (CE), South Eastern Europe (SEE) and Eastern Europe (EE).

Cross-market analysis

After the CESEE economies have bounced back strongly in 2021, countries in the region have felt the effects from the invasion of Russia in Ukraine on 24 February 2022 very directly. Over 7 million Ukrainian citizens have fled across Europe, with Poland alone recording more than 1,3 million refugees. Inflation rates in 2022 have risen across the region and even surpassed 20%, for example, in the Baltic countries and Hungary in September 2022. Central banks have reacted strongly by rising key interest rates. While the growth forecast for the CESEE countries for this year, as published by the IMF in October 2022, is mostly positive and despite the fact that there are many uncertainties about the further development of the Russian-Ukraine war, the IMF still forecasts positive GDP growth rates to remain in 2023 for most countries in CESEE.

Insurance markets characteristics such as size, level of maturity or market concentration vary considerably in the relevant countries. Insurance markets in the CE-region are more mature than the markets in EE and SEE. After a significant downturn of the insurance markets in 2020, the numbers for 2021 illustrate a recovery with a year-over-year increase of gross written premiums in all geographical segments. In the CESEE-region, non-life business has a much bigger weight in the insurance market than life business: non-life premiums account for a share of 74% and life premiums for 26%. In the first half year 2022, nearly all markets in the CESEE region reported significant premium growth rates, however, considerably driven by high inflation rates. Inflation influences several topics within the insurance business, as for example claims payments, because of increasing prices of materials and services, above all in the non-life sector.

In the European Economic Area, Austrian insurance groups show aggregated market shares higher than 20% in Croatia, Czechia, Latvia, Romania and Slovakia, but they also hold very strong market positions in non-EEA countries such as North Macedonia and Serbia with over 50% market share.

Foreign insurance business

In 2021, Austrian insurance groups generated an aggregated net written premium volume (domestic and foreign business) of 16 billion EUR (2020: 15 billion EUR), with foreign subsidiaries accounting

for a share of nearly 45% (2020: 42%). A year-over-year increase of total aggregated premium volume of 6,6% was mainly driven by foreign business.

The allocation of foreign premiums to geographical segments show the particular focus on the CE region, which contributes almost a third to total group written premiums and is therefore the most important geographical segment besides Austria. Country-wise the markets in Czechia, Poland, Slovakia, Romania, Hungary and Croatia are the biggest contributors to premium volume, moreover the Baltic region shows an increasing dynamic.

The group solvency ratio is a key indicator for the supervision of insurance groups. All Austrian insurance groups recorded group solvency ratios at a satisfying level at year-end 2021 and in Q2/2022. The evolution over the last four years illustrates the drop in the group solvency ratios in 2020 and the following recovery in 2021. The increase in the first half year 2022 has mainly been driven by the interest rate development.

Analysis of key markets

FMA classifies markets with a premium share higher than 4% as key markets and conduct a more in-depth analysis of these markets considering macroeconomic and insurance market parameters.

Czechia

Czechia is the most important foreign insurance market for Austrian insurance groups with a premium share of 27% of total group premiums. The country is suffering from significant inflation of 18% by September 2022, while the economy is forecasted to be more or less stagnant in 2023. However, the insurance market can be described as well-developed insurance market and shows a stable development over the years.

Poland

With about 22% of gross written premiums, insurance business in Poland has the second largest impact on Austrian insurance groups. The labour market is well responding to refugees from Ukraine, but the economy is still likely to enter stagflation in 2023. On the regulatory side, new rules on particular business lines mean a challenge for profitability of Austrian insurance subsidiaries.

Slovakia

The Slovak insurance market is less dynamic compared to the other insurance markets in the CESEE region. Although the contribution to total group premiums is only 9%, Austrian insurance undertakings together hold a significant market share of about 40%. The economy is performing lower than its neighbouring countries and inflation is high at 14,5% in October 2022. The insurance market shows a stable development and is rather balanced regarding the weight of life and non-life business.

Romania

Despite the difficult geopolitical surroundings, the Romanian economy appears relatively resilient, although inflation rate was also sizeable at 13,4% in September 2022. After the bankruptcy of the biggest MTPL insurer in 2021, some stability has returned on the insurance market. However, the

MTPL market still shows a high level of concentration and technical results in MTPL insurance are just slowly improving.

Hungary

Hungary's inflation rate has reached 20,7% in September 2022 and economic outlooks indicate stagnation or even recession in 2023. The considerable depreciation of the Forint against the Euro together with an increase in the key interest rate led to a shift in the interest rate curve having a strong impact on the solvency ratios of some insurance companies. Certain measures imposed by the government may lead to adverse profitability.

Croatia

All Austrian insurance groups operate via subsidiaries in Croatia. The economy entered into a recovery phase, mainly driven by the tourism sector that has been strongly hit by the COVID crisis. The forthcoming adaption of the Euro as the official currency by 1 January 2023 is a main challenge and may lead to insecurities in asset management, solvency projections and accounts. Moreover, all companies have to comply with IFRS 17 by the same date.

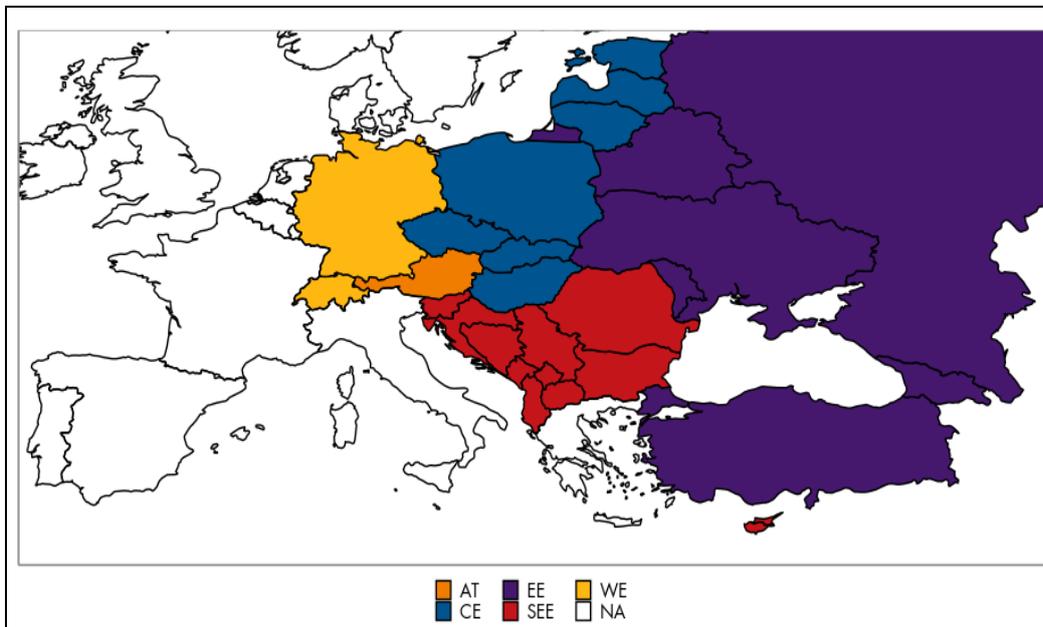
1 SCOPE OF AUSTRIAN INSURANCE GROUPS

Five Austrian insurance groups (i.e. Vienna Insurance Group, UNIQA Group, GRAWE Group, Merkur Group and Wüstenrot Group) are active via insurance subsidiaries on foreign insurance markets.

At the end of 2021, the scope of business of these groups comprised eight domestic and 86 foreign insurance as well as one domestic and four foreign reinsurance companies. Besides Austria, insurance groups are active in 27 countries mainly in Central, Eastern and South Eastern Europe (“CESEE”). There have been no changes in the geographical scope compared to the previous year.

The reinsurance companies mainly serve as reinsurers within their groups. In order to avoid double counting of premiums, pure reinsurance companies are excluded in the following analysis, however, in chapter 3.1.3., information on geographical scope and premium volume of reinsurance companies is included.

For streamlining the analysis, the relevant countries are clustered into five geographical segments: Austria (AT), Central Europe (CE), South Eastern Europe (SEE) and Eastern Europe (EE). The allocation of countries to these segments is not only oriented to the geographical location but also to criteria such as EEA-membership or homogeneity of insurance markets.

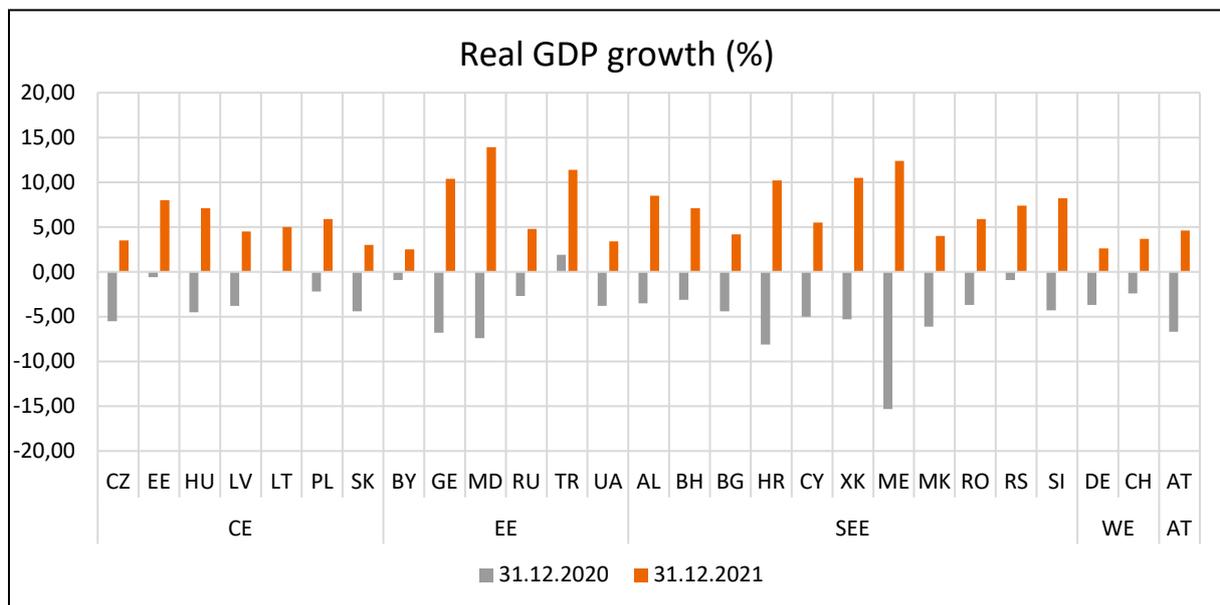


Graph 1: Countries allocated to geographical segments

2 CROSS MARKET ANALYSIS

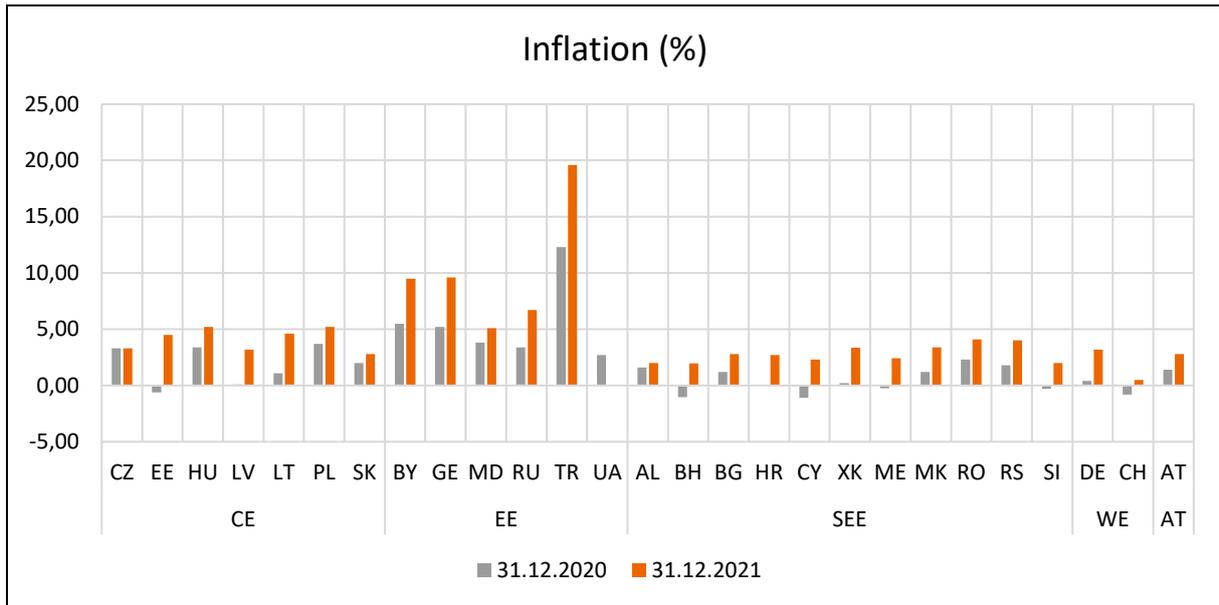
2.1 MACROECONOMIC OVERVIEW

After a first harsh pandemic year of 2020, the economy has bounced back strongly in most countries worldwide in 2021. Most countries re-opened businesses from repeated lockdowns and started to cope better with the COVID-19 virus supported by a higher proportion of population being vaccinated and/or recovered from the disease. This applies also to the foreign countries relevant for Austrian insurance groups, which to a different degree all again experienced positive real GDP growth rates in 2021. With the economy gaining more steam, unemployment rates have fallen despite most statutory compensation schemes having faded. In some Central Eastern European countries, this has resulted in very tight labour markets, especially Czechia, Hungary and Poland, showing rates below 4%. As a result of strong labour markets, excess savings during the pandemic due to restrictions of public life and COVID-19 causing global supply chain disruptions, already in 2021 inflation rates in countries were beginning to rise. While the inflationary tendencies were comparably moderate in 2021, the situation has changed significantly in the course of 2022.

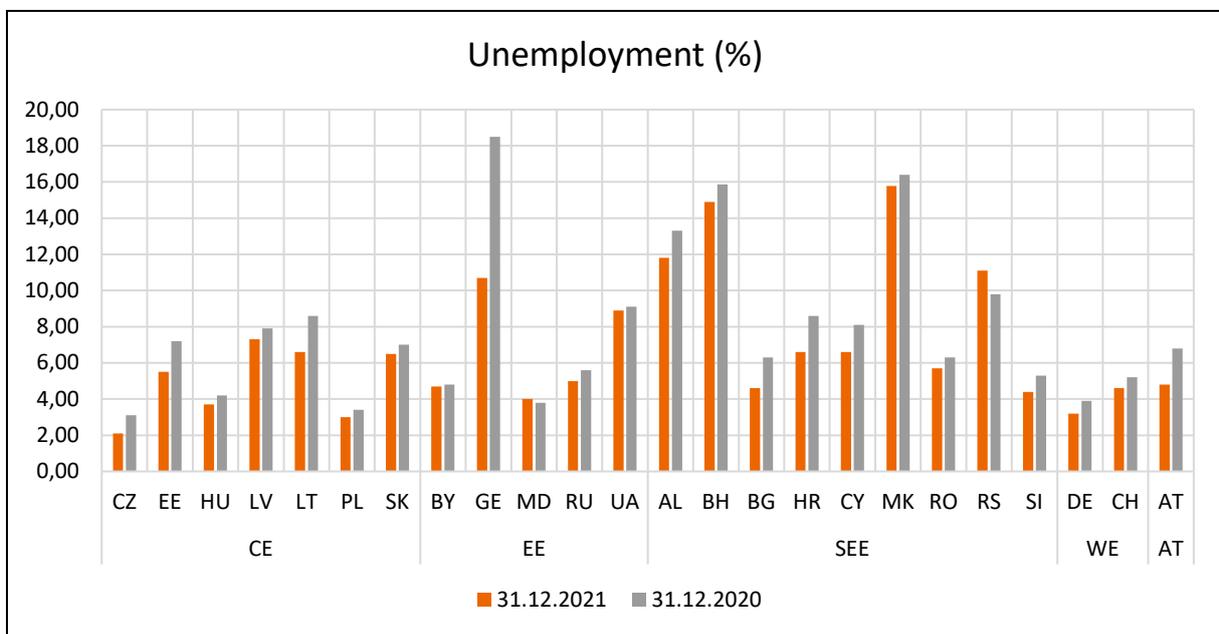


Graph 2: Real GDP Growth Rates (Sources: FMA macro database (Eurostat, IMF, World Bank); No Data available for LI)

The invasion of Russia in Ukraine on 24 February 2022 has put the world economy under a renewed shock. The subsequent sanctions and economic decoupling by the EU from Russia as a trading partner has pushed energy markets for gas, oil and electricity to record levels. As energy prices gradually feed into prices for other commodities, inflation tendencies already existing before the war have gained momentum. Many CESEE countries feel the effects of the Russian-Ukraine conflict even stronger: when basic commodities such as food are taking a greater share of disposable incomes, the effect that inflation has on people's purchasing power is even more significant.

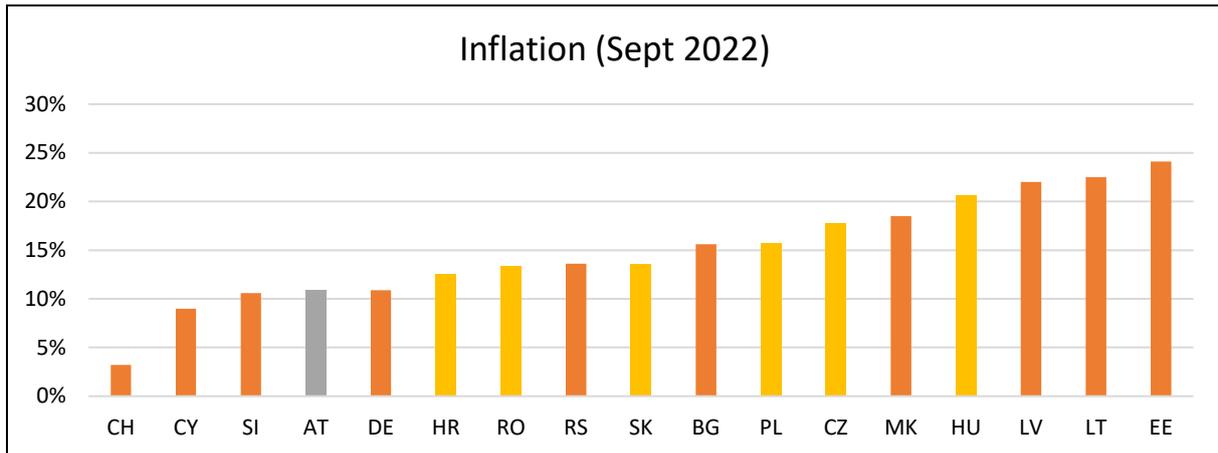


Graph 3: Inflation Rates (Sources: FMA macro database (Eurostat, IMF, World Bank); No data for LI)



Graph 4: Unemployment Rates (Sources: FMA macro database (Eurostat, IMF, World Bank); No current data for LI, ME, TR, XK)

As of September 2022, in the CESEE region high inflation rates surpassing 20% were, for example, registered in the Baltic countries and Hungary. Inflation rates of 15-20% were recorded in BG, CZ, PL, MK. Consumer prices increases of 10-15% were registered in HR, RO, RS and SK. In Slovenia, the inflation rate was more or less in line with Austria at 11% in September 2022.



Graph 5: Inflation rate in September 2022 in selected FIB countries, key markets highlighted (Source: Eurostat)

With regard to gas dependency there is much variation in the CESEE region. While the share of gas in total energy consumption is very high in Austria at 22%, several countries in CESEE are even more exposed to natural gas. In the CE-segment, Hungary is with more than 35% most reliant on natural gas. Slovakia, Latvia and Lithuania show a gas dependency of 25-35%. In the SEE-segment, only Croatia and Romania are similarly reliant by around 30%. In the EE-segment, apart from Belarus (around 60%), Moldova has with almost 55% a strong dependence on gas. Türkiye and Ukraine need around 30% gas for total energy consumption. Slightly less dependent than Austria are Czechia, Poland and Bulgaria (15-20%). A share of gas of only 5% to 10% for total energy consumption are required in North Macedonia, Serbia, Slovenia and Estonia. Albania and Bosnia Herzegovina only have a minor share of 5% consumption of natural gas.¹

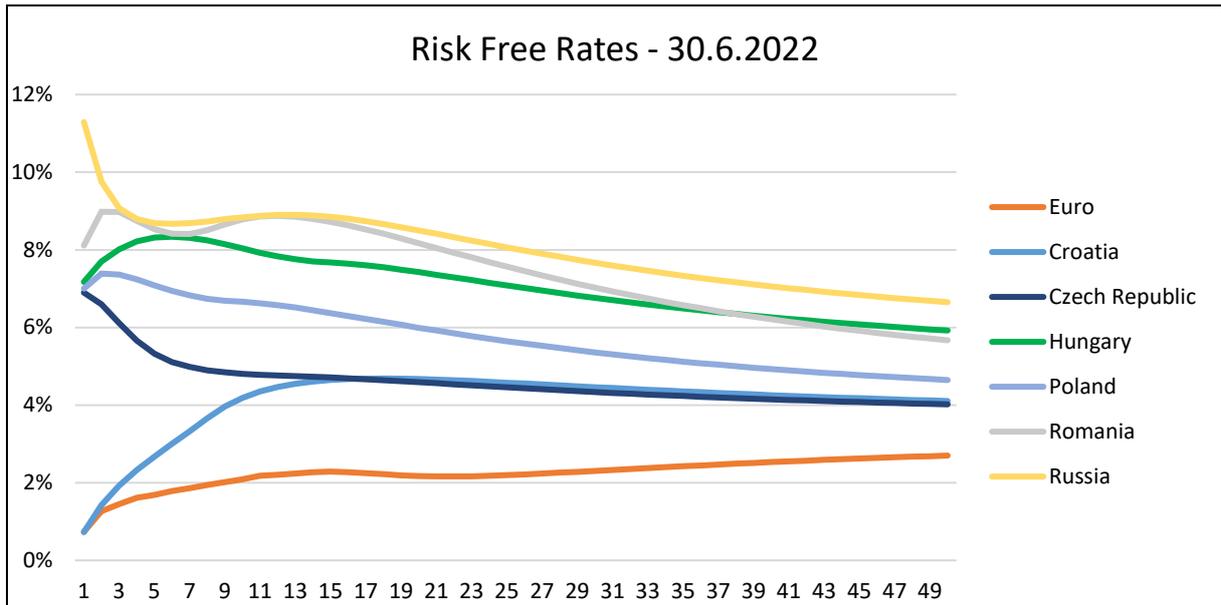
The year of 2022 has also brought significant change to capital markets. Central banks around the world have started raising key interest rates, however, at a different speed. After years of low or even negative interest rates, bond yields have re-shifted upwards. While central banks of non-EEA countries already reacted in 2021, the ECB started to increase key interest rates since July 2022 to a main re-financing rate for banks of 2,00% as of November 2021.² If inflation rates were not to settle soon, the ECB does not rule out further interest hikes in the near term.

For insurance undertakings, the end of the ultra-low interest rate environment creates more room for movement in solvency ratios. Due to higher risk-free interest rates, especially the valuation of long-term liabilities is positively affected and results in positive contributions to the own funds of insurance undertakings. After a first wave of write-downs of existing bonds, financial results might even improve as portfolios are gradually in transition to higher yielding bonds.³

¹ Wiiw (2022), *Forecast Report, Autumn 2022* (19 Oct 2022), pp. 39-40

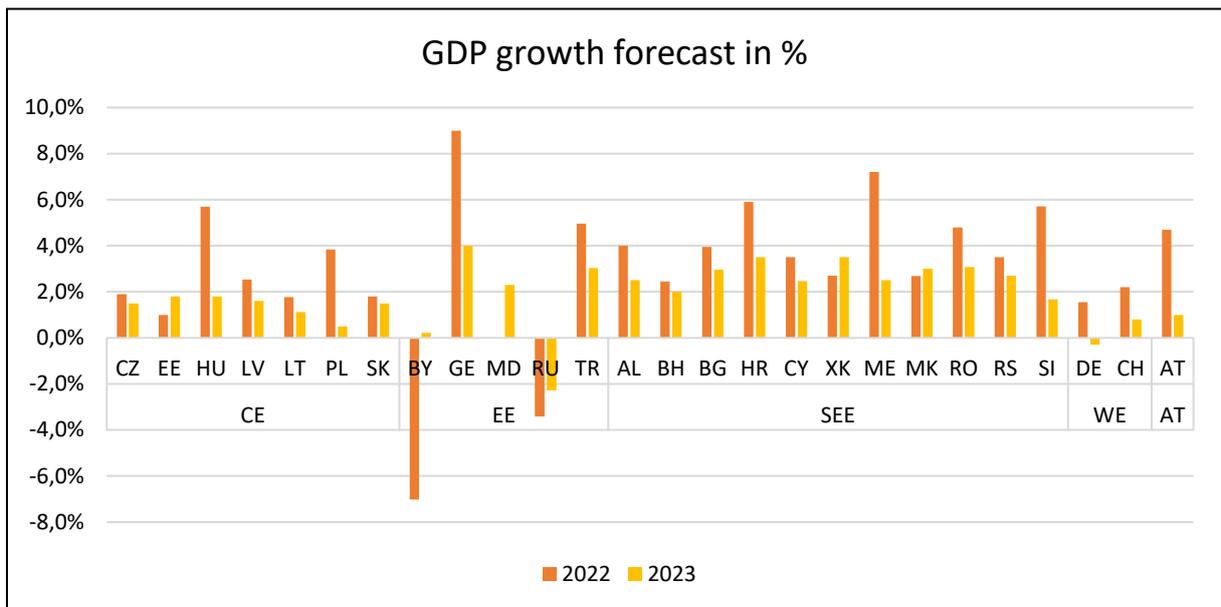
² ECB (2022), *monetary policy decisions* (europa.eu), 31 Oct 2022.

³ Swiss Re Institute (2022), *sigma* No.4/2022.



Graph 6: Risk free yield curve for selected FIB countries (Source: EIOPA)

For the economy as a whole, higher interest rates limit financing conditions for businesses and consumers alike and will have a damping effect on growth dynamics experienced after the two years of COVID-19 pandemic. The overall business outlook is due to a lower to expect purchasing power more subdued. In fact, the flattening or even inversion of yield curves for some countries is already an indicator for expected recession in the medium-term by financial markets.



Graph 7: Growth in gross domestic product in percentage, forecast by IMF (World Economic Outlook, October 2022); Table without UA; No data for LI.

For 2022, the growth forecast by the IMF⁴ for the CESEE countries is mostly positive. In the CE segment, the highest GDP growth rates are expected for HU with 5,7% and PL with 3,8%. In the SEE

⁴ IMF (2022), World Economic Outlook, Oct 2022

segment, solid growth rates are more widespread across countries. Croatia (5,9%) and Montenegro (7,2%) can again achieve the strong rebound effects from the COVID-19 crisis which especially hit the tourism sectors of these countries. Also Slovenia is with 5,7% expected to grow exceptionally in 2022. Because of the Russian-Ukraine war, for the EE-segment of foreign insurance business, the economic outlook is already negative in 2022. The Ukraine is expected to decline by -35% in GDP in 2022 (not included in Graph 7). The Russian economy will decline by -3,4% and Belarus by -7%.

For 2023, there are many uncertainties about the further development of the inflationary environment, the energy crisis and the Russian-Ukraine war. For next year, the IMF still forecasts positive GDP growth rates for most countries in CESEE, however not as pronounced as in 2022.

Apart from economic numbers, the Russia-Ukraine war has caused irreversible human tragedies. Over 7 million Ukrainian citizens have fled across Europe, with Poland alone taking in more than 1,3 million refugees. In addition, Czechia accommodates 427 thousand refugees from Ukraine. In Western Europe, Germany is with 1 million refugees by large registering most Ukrainians fleeing their home country.⁵ The long lasting demographic effects of the war in Ukraine on the CESEE region and beyond are thus not to be underestimated.

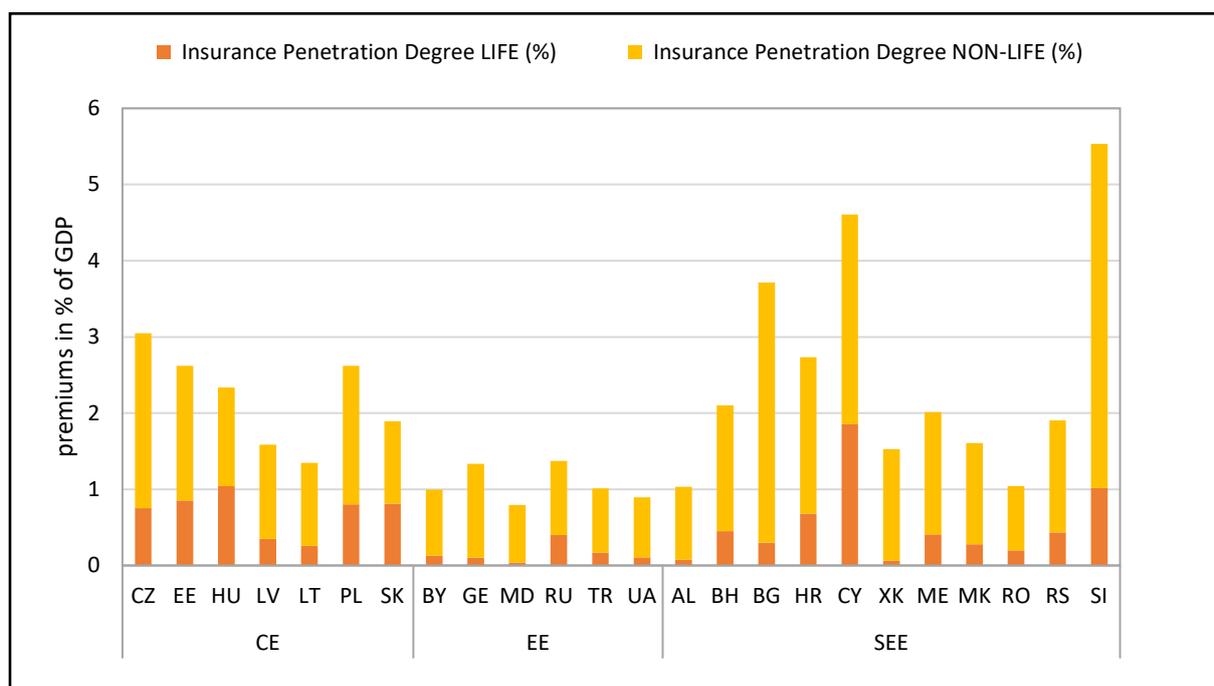
⁵ UNHCR (2022), *Situation Ukraine Refugee Situation* ([unhcr.org](https://www.unhcr.org)), accessed on 14 September 2022.

2.2 INSURANCE MARKETS

Since this year, the database for the cross sector analysis of insurance markets has been adapted. Gross written premiums for all EEA-countries are taken out of the EIOPA statistical database that is fed with reporting templates submitted by the national supervisory authorities. For non-EEA countries, X-Primm⁶ statistics are used as the main data source.

2.2.1 MARKET STRUCTURE AND CHARACTERISTICS

Insurance markets relevant for Austrian insurance groups differ significantly regarding size and level of maturity. The indicators used to assess the level of maturity are insurance penetration (i.e. premiums in % of GDP) and insurance density (i.e. premiums per capita).



Graph 8: Insurance Penetration (life & non-life) per regional segment (Own calculation on basis of sources: EIOPA, Swiss Re, X-Primm; FMA macro database (Eurostat, IMF, World Bank); Note: graph without segment Western Europe)

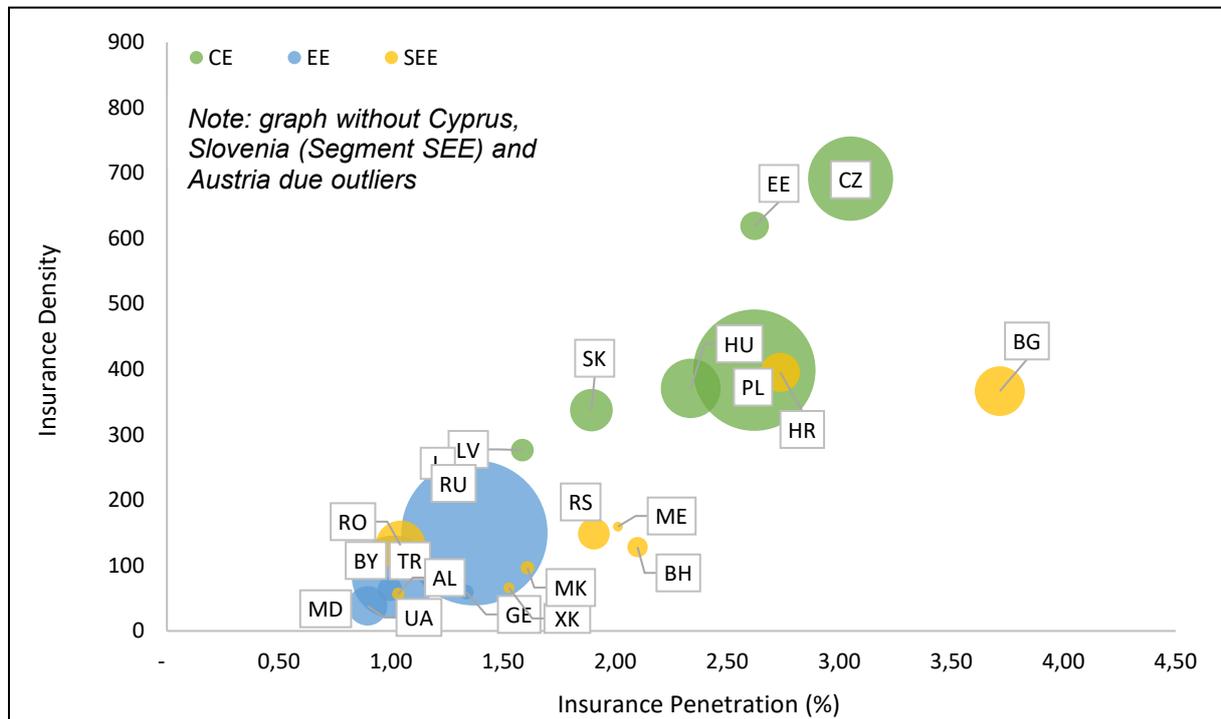
In general, insurance markets in the CE-region are more mature than the markets in EE and SEE. In the SEE-segment, Slovenia and Cyprus are outliers, because they show significantly higher insurance density and insurance penetration figures than all other markets in their region.⁷ Apart, Bulgaria is ahead in insurance penetration with respect to other countries and segments in CESEE.

Austria and the WE-segment are not included in Graph 8, as insurance market indicators are significantly higher than for the CESEE region. For 2021, Austria reported an insurance density of 2.207 EUR and an insurance penetration of nearly 4,9%.

⁶ X-Primm is a media brand, incorporating several companies specialized in providing media products to the global re/insurance industry with the main focus on the CESEE region.

⁷ Insurance penetration (2021): SI: 5,53%, CY: 4,61%;
Insurance density (2021): SI: 1.370,35 EUR, CY: 1.199,55 EUR.

In order to illustrate the CESEE insurance landscape regarding market size and maturity level, in Graph 9 the size of the insurance markets measured by gross written premium volume is linked to the indicators insurance density and insurance penetration. The colours of the bubbles reflect the allocation to the geographical segments.



Graph 9: Insurance Density, Insurance Penetration and Gross Written Premiums per Country (Segment CE, EE, SEE) (Sources: EIOPA, Swiss Re, X-Primm; FMA macro database (Eurostat, IMF, World Bank))

Referring to market size (illustrated by the size of the bubbles), Poland is the flagship market of the CE-region, followed by Czechia and Hungary. The biggest markets as measured by GWP volume in the SEE-segment are Slovenia (not included in the graph), Bulgaria and Romania. The EE-segment is dominated by the huge insurance markets of Russia and Türkiye.

2.2.2 MARKET DEVELOPMENT

The following table provides for an overview on the aggregated gross written premium volume of all relevant insurance markets, clustered according to geographical segments.

Switzerland is not included in the numbers of the WE segment, as the focus of the analysis are direct insurance companies and Austrian insurance groups are represented in Switzerland by a pure reinsurance company only. Therefore, the WE-segment includes Liechtenstein and Germany with the latter determining the premium volume of the segment.

Total Insurance Market (in million EUR)	Gross Written Premiums		
	2021	2020	Δ in %
AT	19.769	19.114	3,43%
WE	328.115	314.469	4,34%
CE	29.851	27.842	7,22%
SEE	12.559	11.717	7,19%
EE	30.973	28.022	10,53%
TOTAL	421.268	401.163	5,01%

Table 1: Aggregated gross written premiums in million EUR (Sources: EIOPA, Swiss Re, X-Primm)

After a significant downturn of the insurance markets in 2020 caused by the COVID pandemic, the numbers for 2021 illustrate the recovery with a year-over-year increase of gross written premiums in all geographical segments.

The CE-segment which is the most important geographical region for Austrian insurance groups, shows a premium growth of 7,2% y-o-y to nearly 29,9 bn. EUR. With a market premium volume of about 15 bn. EUR, Poland is the flagship market of the region, followed by Czechia with premiums of 7,3 bn. EUR. Hungary ranks third regarding market size with a gross written premium volume of 3,6 bn. EUR. Except for Slovakia, all markets of the CE-segment saw a positive dynamic with Czechia and Lithuania reporting two-digit-growth rates. The significant drop in gross written premiums in Slovakia is not a result of a declining business, but is caused by structural changes in the market: the Slovak subsidiaries of Generali Group and UNIQA Group have been taken over by the Czech subsidiaries of the groups, namely Generali Ceska Pojistovna and UNIQA Pojistovna, and then been transformed into branches.⁸

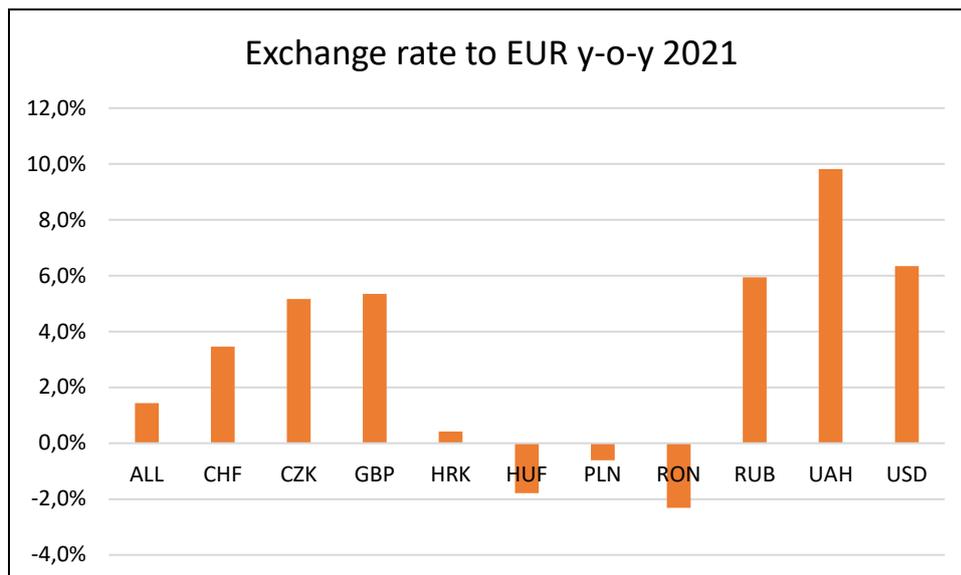
The SEE-segment that includes EEA and Non-EEA members is quite heterogenic regarding market size and the level of maturity of the insurance markets, but all markets recorded an increase in premiums compared to the previous year. Albania, Croatia, Cyprus, Kosovo and North Macedonia achieved even two-digit growth rates.⁹

In the EE-segment all countries except Türkiye recorded two-digit growth rates in 2021, but foreign exchange rate effects have to be taken into consideration when assessing premium growth rates denominated in EUR.

The matter of foreign exchange rates effects generally is relevant for all countries that do not have the Euro as official currency. As illustrated in the following graph, exchange rates of local currencies towards the EUR have reached a considerable level in some countries, especially in Czechia, Russia and the Ukraine.

⁸ See Ghetu, Daniela: *The CEE insurance market in 2021*, in: *X-Primm Insurance Report FY 2021, Issue 1/2022(26)*, page 8-9.

⁹ See Ghetu, Issue 1/2022(26), page 8.



Graph 10: Year-over-year change of the exchange rate to EUR at YE-2021, positive value signifies appreciation of foreign currency, TK not included (Source: Refinitiv)

In Türkiye, gross written premiums increased by 27,5% to 105 bn. TRK in local currency, but due to the depreciation of the Turkish Lira against the EUR, the local insurance market decreased by 23% to around 7 bn. EUR.

Besides Türkiye, Russia and the Ukraine are the biggest markets in the region, therefore the picture will change in 2022 as the effects of the Russian/Ukraine war are not yet reflected in the YE 2021 figures.

Traditionally, in the CESEE-region non-life business has a much bigger weight in the insurance market than life business. Referring to total premium volume 2021 of foreign markets without WE, non-life premiums account for a share of 74% and life premiums for 26%. In WE the relation of non-life to life premiums is almost 50:50, in Austria at least 40% of total premiums originate from life insurance.

Total Insurance Market (in million EUR)	2021			2020			CHANGE GWP 2021/2020		
	Gross Written Premiums			Gross Written Premiums					
	Life	Non-Life	Total	Life	Non-Life	Total	Life	Non-Life	Total
AT	7.931	11.838	19.769	7.793	11.321	19.114	1,77%	4,57%	3,43%
WE	166.284	161.831	328.115	161.694	152.775	314.469	2,84%	5,93%	4,34%
CE	9.323	20.528	29.851	8.936	18.905	27.842	4,33%	8,58%	7,22%
SEE	2.420	10.139	12.559	2.214	9.503	11.717	9,32%	6,70%	7,19%
EE	7.700	23.274	30.973	6.552	21.469	28.022	17,51%	8,40%	10,53%
TOTAL	193.658	227.610	421.268	187.189	213.973	401.163	3,46%	6,37%	5,01%

Table 2: Aggregated gross written premiums Life, Non-Life and Total in million EUR (Sources: EIOPA, Swiss Re, X-Primm)

Compared to the previous year, all countries except Slovakia and Türkiye reported an increase in non-life premiums, with motor insurance still being the main growth driver.

Motor Hull insurance shows a slightly higher increase in premium volume than MTPL. Except for Slovenia, which saw a negative trend on the MTPL line, only Slovakia recorded a negative trend in both lines. Poland, Czechia and Romania are the Top 3 motor insurance markets in the CESEE-region for both Motor Hull and MTPL insurance.¹⁰

One of the drivers for motor insurance GWP growth were increasing car sales in comparison to the previous year. The post-pandemic momentum in cars sales exhausted its resources because of the semiconductor crisis that led to delayed delivery terms for most car brands. At the same time, in many CEE countries second cars sales increased at a higher pace, many of them being imported from Western Europe and registered locally for the first time.¹¹

A factor of the contrary effect on the total GWP was the decline of the insurance average premiums esp. for the MTPL insurance line, in some countries. Decreasing average premiums wouldn't be a problem by itself if the average claim values wouldn't increase at the same time, accentuating some chronic imbalances in the specialty markets. Overall, the MTPL markets in the region remain extremely competitive.¹²

Also regarding property insurance, all countries recorded a positive premium development at a high to modest level. In most cases, growth is attributable to the increasing awareness towards the natural hazards threat, either because of the increased frequency and severity of weather extreme events, or because of the recent earthquakes that hit Croatia, and had an impact on neighbouring countries.¹³

On the paid claims side, insurers expenses increased by 6,3% y-o-y at regional level to about 23 billion EUR. However, the country-by-country approach shows very different trends in this respect. In the Balkan countries expenses decreased after payments caused by the earthquake in 2019, while in the countries of Central Europe, the extreme weather caused a significant raise in the number and overall value of claims paid for property insurance.¹⁴

Regarding life insurance, benefits and indemnities increased by 6,5% y-o-y to about 9 billion EUR, a trend that can be explained in part by the increase in mortality caused by the pandemic and also by the heatwaves that hit some of the countries, esp. the Baltics.¹⁵

Claims paid for non-life in the CESEE region went up by 6,1% y-o-y. Albania and Slovakia are the only markets that reported a decrease in expenses with non-life claims. Czechia saw the largest increase in claims expenses, attributable to the extreme weather events during the summer.¹⁶

In the first half year 2022, mainly three (partly interrelated) factors impacted the global economy and the insurance sector: high inflation rates, the Russian/Ukraine war and climate change. Regarding premium development, nearly all markets in the CESEE region reported significant

¹⁰ See Ghetu, Daniela: *The CEE insurance market in 2021*, in: *X-Primm Insurance Report FY 2021, Issue 1/2022(26)*, page 11.

¹¹ See Ghetu, *Issue 1/2022(26)*, page 14.

¹² See Ghetu, *Issue 1/2022(26)*, page 14.

¹³ See Ghetu, *Issue 1/2022(26)*, page 10.

¹⁴ See Ghetu, *Issue 1/2022(26)*, page 9.

¹⁵ See Ghetu, *Issue 1/2022(26)*, page 9.

¹⁶ See Ghetu, *Issue 1/2022(26)*, page 10.

growth rates. However, this premium growth is considerably driven by high inflation rates in most cases, so the countries recording the highest growth rates are also the ones with the highest inflation rates. High inflation also drives claims payments, because of increasing prices of materials and services. This trend is mostly visible in motor insurance.¹⁷

Taking the CESEE region as whole, life insurance premiums have been stagnating. However, the main reason is a decrease in life insurance premiums in Poland, which is the biggest market in the region. The Polish premium decline has been caused by a product intervention that entered into force from the beginning of 2022 and highly affected the sales of Unit Linked products. Apart from Poland, only Croatia and Estonia saw a negative trend in life insurance premiums. Indemnities paid for life insurance went up in most countries, partly because of an increased volume of maturities, partial and total redemptions.¹⁸

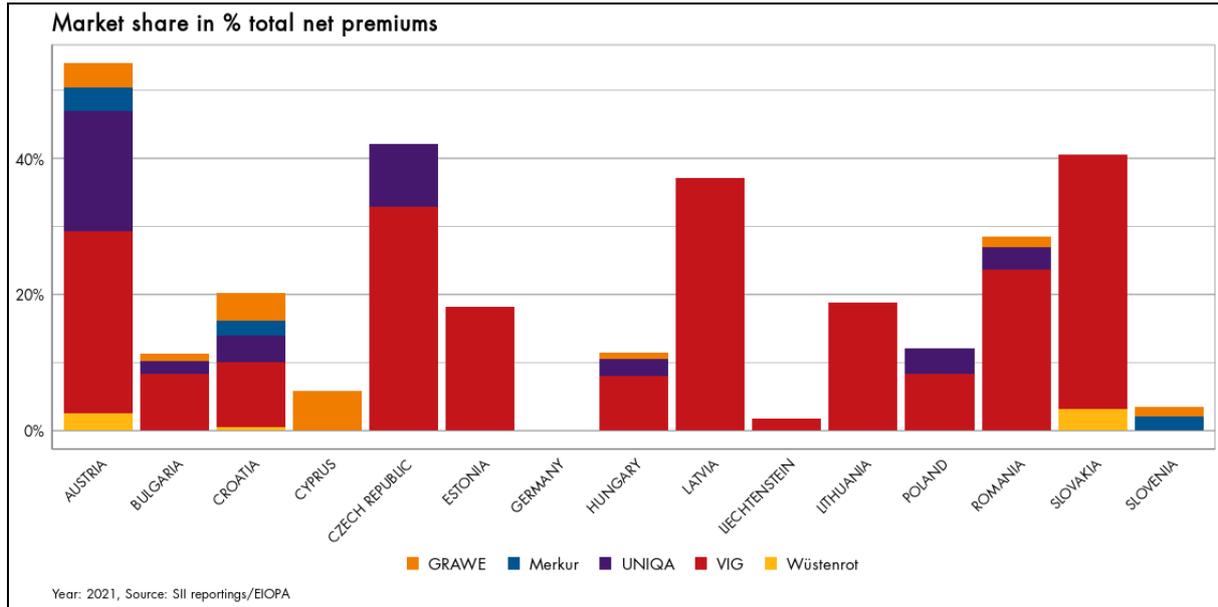
2.2.3 MARKET POSITION

Information on market shares originate from different sources: For all EEA-members, data on market shares base on national solvency II-reporting and EIOPA statistics (market shares in terms of net written premiums). For Non-EEA countries that are members of the supervisory colleges, information on local market shares are taken out of the FMA annual reporting packages (Information Exchange Templates) submitted by the national competent authorities to the group supervisor. For the countries of the EE-segment, X-Primm statistics serve as a basis for a rough assessment of the market position of Austrian insurance groups.

As can be seen in the following graph, Austrian insurance groups show aggregated market shares of 20% or more in six countries in the EEA area besides Austria: Croatia, Czechia, Latvia, Romania and Slovakia. Vienna Insurance Group mainly determines these high market shares, other groups hold considerable market shares in Croatia, Czechia and Poland.

¹⁷ See Ghetu, Daniela: *The CEE insurance market in 1H2022*, in: *X-Primm Insurance Report First Half 2022, Issue 2/2022(27)*, page 9.

¹⁸ See Ghetu, *Issue 2/2022(27)*, page 14-15.



Graph 11: Aggregated market shares in % for groups in EEA countries (Own calculation based on sources: Solvency II reporting, EIOPA)

For four Non-EEA countries, information on market shares is provided in the Information Exchange Templates submitted by the National Competent Authorities to FMA as group supervisor. Austrian insurance groups hold strong to very strong market positions in Albania, North Macedonia and Serbia. Moreover, Austrian insurance groups, mainly GRAWE Group and Vienna Insurance Group, have very high market shares on the life insurance market in Montenegro.

Regarding the countries of the EE-segment, information on market shares bases on market rankings available via “xprimmpublications.com”. These countries are Moldova, Belarus, Georgia, Ukraine, Türkiye and Russia. An aggregated market share higher than 20% is achieved by Vienna Insurance Group in Georgia¹⁹, in Moldova the subsidiary of GRAWE Group, GRAWE Carat Asigurari holds a market share of nearly 16% in 2021. In the other countries of the EE-segment, no significant market positions are held by the subsidiaries of Austrian insurance groups.

¹⁹ See Ghetu, Daniela: *Georgian Insurance Market in 2021*, in: *Georgia Market Overview, 2022*, Page 18.

3 FOREIGN INSURANCE BUSINESS

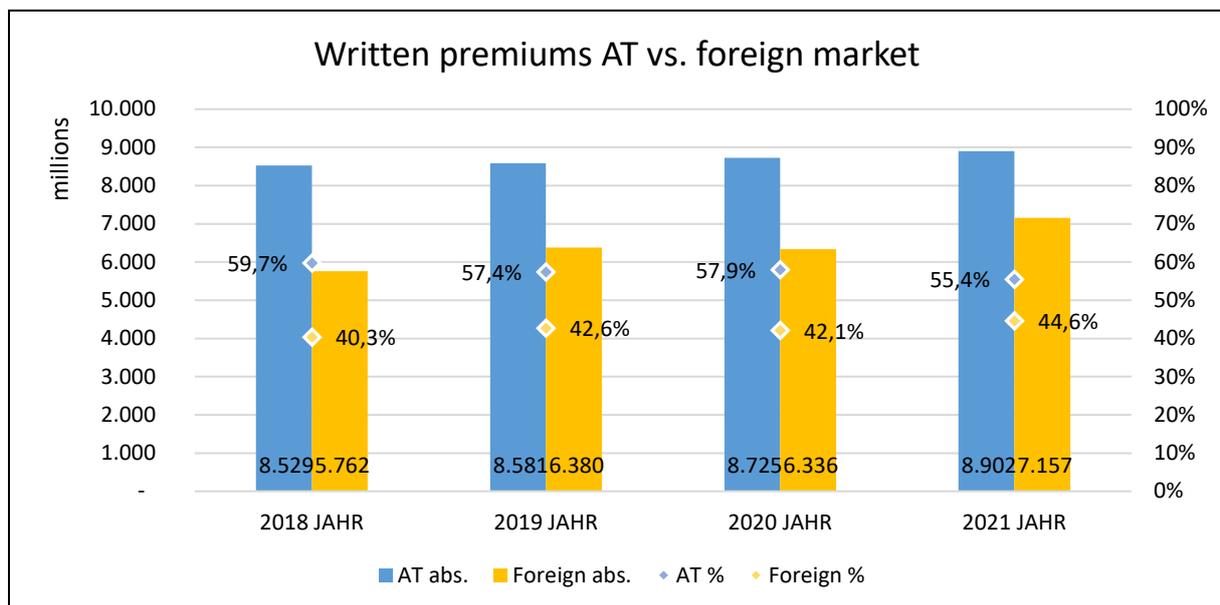
The analyses in this section include figures on premiums and performance of all domestic and foreign insurance undertakings being part of one of the five Austrian insurance groups. All insurance undertakings except pure reinsurance undertakings included in the scope of group supervision are included in the data. Key figures on premium volume of pure reinsurance undertakings are presented in section 3.1.3.

Premiums reported are written premiums (direct and indirect business) net of reinsurance ceded. All data refer to local financial statements using local GAAP or IFRS accounting.

3.1 PREMIUM DEVELOPMENT

3.1.1 FOREIGN PREMIUM SHARE

In 2021, Austrian insurance groups generated an aggregated written premium volume (domestic and foreign business) of 16 billion EUR (2020: 15 billion EUR). Premiums of foreign subsidiaries account for a share of nearly 45% (2020: 42%).



Graph 12: Foreign and domestic premium volume in million EUR, foreign premium share in % (Source: Solvency II reporting)

Total aggregated premium volume increased by 6,6% compared to the previous year with foreign business as the main growth driver (+12,9% y-o-y). Net written premiums of domestic insurance undertakings increased by 2,0%.

The contribution of foreign insurance business to total premium volume differs considerably between the groups. Three of five Austrian insurance groups recorded a foreign premium share above 30% in 2021.

Foreign premium share in %	2018	2019	2020	2021
VIG	50,3%	53,5%	52,1%	53,6%
UNIQA	25,9%	26,2%	28,4%	34,8%
GRAWE	36,0%	36,2%	36,8%	37,3%
Merkur	15,2%	14,5%	14,1%	14,0%
Wüstenrot	12,5%	12,9%	12,1%	12,0%

Table 3: Foreign premium share per group in % (Source: Solvency II reporting)

Already since 2018, Vienna Insurance Groups generates more than 50% of its total premium volume abroad.

UNIQA Group reports a foreign premium share above 30% in 2021 for the first time. The reason for the significant increase is the acquisition of the former AXA-companies in Poland and the Czechia. With a share of about 37% also GRAWE Group generates a significant part of its business outside Austria.

Merkur Group and Wüstenrot Group have foreign premium shares below 15%, so total premium volume is mainly determined by the domestic business.

3.1.2 ALLOCATION OF PREMIUMS

Austrian insurance groups are active in various countries, but as illustrated by an allocation of the aggregated premium volume according to geographical segments, there is a strong focus on the CESEE region.

FIB-Cluster	Written premiums net of reinsurance ceded (in million EUR)		Premium Share in % of Total Premiums	
	2021	2020	2021	2020
AT	8.902	8.725	55,4%	57,9%
WE	227	233	1,4%	1,5%
CE	4.924	4.288	30,7%	28,5%
EE	405	386	2,5%	2,6%
SEE	1.600	1.430	10,0%	9,5%
Total	16.059	15.061	100,0%	100,0%

Table 4: Total net written premiums in million EUR and premium share in % per geographical segment (Source: Solvency II reporting)

With a premium share of nearly 31%, the CE-region contributes almost a third to total group written premiums and is the most important geographical segment besides the domestic market Austria. The SEE region ranks second with a share of 10% of total written premiums. The premium contribution of EE and WE is of a negligible size.

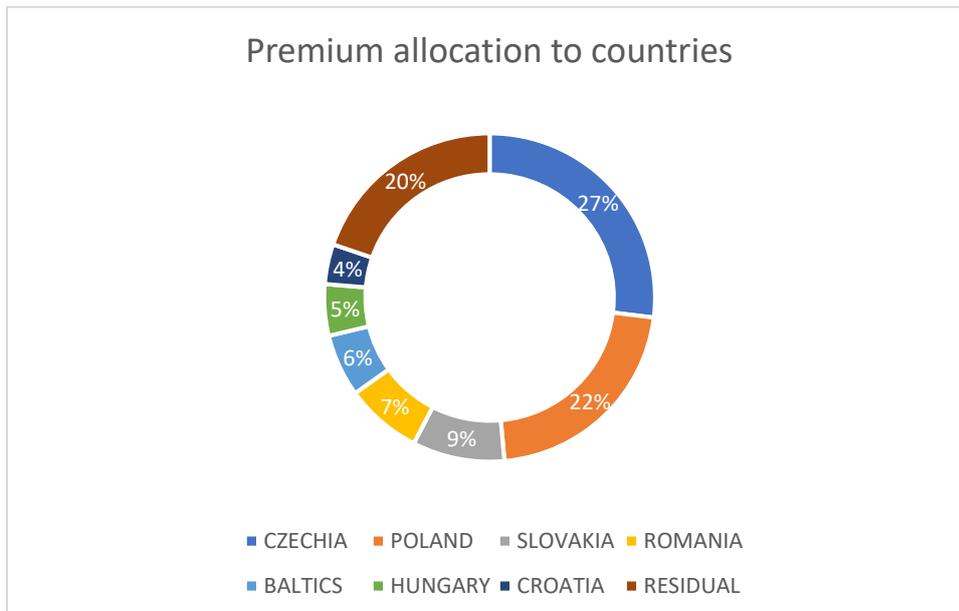
Austrian insurance groups not only differ significantly in the share of foreign business but also regarding the geographical focus of their activities.

Premium Share in % 2021	AT	CE	EE	WE	SEE	Total
VIG	46,4%	39,6%	2,1%	2,4%	9,5%	100%
UNIQA	65,3%	24,0%	3,8%	0,0%	6,9%	100%
GRAWE	62,7%	3,5%	3,3%	0,0%	30,6%	100%
MERKUR	86,0%	0,0%	0,0%	0,0%	14,0%	100%
WÜSTENROT	88,0%	10,5%	0,0%	0,0%	1,5%	100%

Table 5: Premium share in % per insurance group and geographical segment (Source: Solvency II reporting)

Vienna Insurance Group and UNIQA Group generate business in all geographical segments, but Central Europe is their dominant geographical segment regarding written premiums. GRAWE Group and Merkur Group are focusing on South Eastern Europe. The foreign business of Wüstenrot Group mainly relies on its subsidiary in Slovakia.

Going one step further, written premiums not only are allocated to geographical segments but to countries. It can be seen that about 74% of total foreign premium volume is generated in 6 key markets: Czechia, Poland, Slovakia, Romania, Hungary and Croatia. In addition to these, FMA monitors the development of premiums in the Baltic region due to an increasing dynamic in the last years. Aggregated written premiums generated in Estonia, Lithuania and Latvia amounted to 440 million EUR in 2021, which means a premium share of 6,2% of total foreign premium volume. Therefore, the Baltic region already takes the fifth place in the country ranking based on the premium share and is considered as a key market albeit in a different perspective with more supervisory cooperation (e.g. joint on-site inspection Navigate).



Graph 13: Premium share in % of key markets (Source: Solvency II reporting)

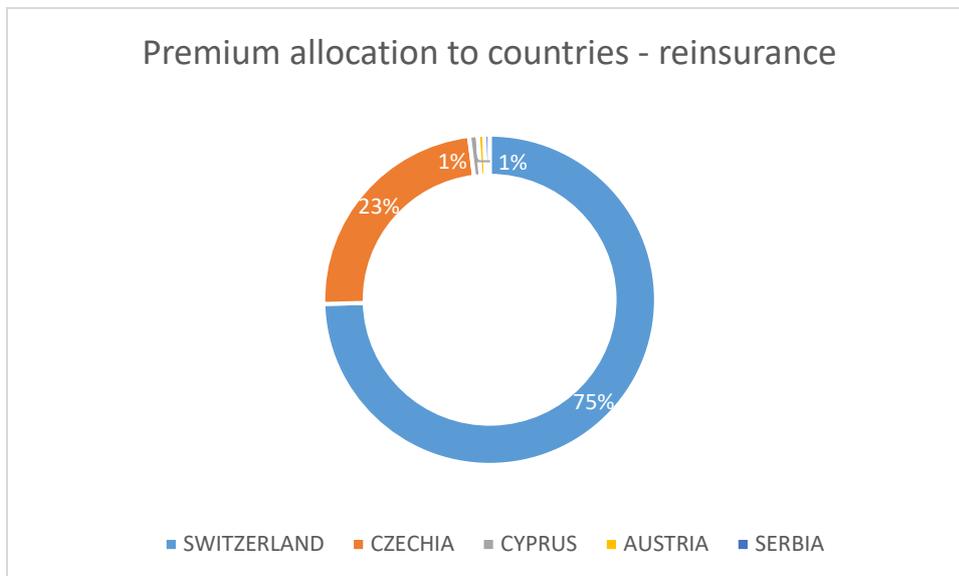
3.1.3 REINSURANCE COMPANIES

The following five undertakings are pure reinsurance companies and therefore considered separately.

<i>Insurance Group</i>	<i>Reinsurance Undertaking</i>	<i>Country</i>
Vienna Insurance Group	VIG Re Zajist'ovna a.s.	CZ
	WIENER RE a.d. za reosiguranje	RS
UNIQA Group	UNIQA Insurance Group AG	AT
	UNIQA Re AG	CH
GRAWE Group	GRAWE Reinsurance Ltd.	CY

Table 6: Pure reinsurance companies being part of Austrian insurance groups (Source: Solvency II reporting)

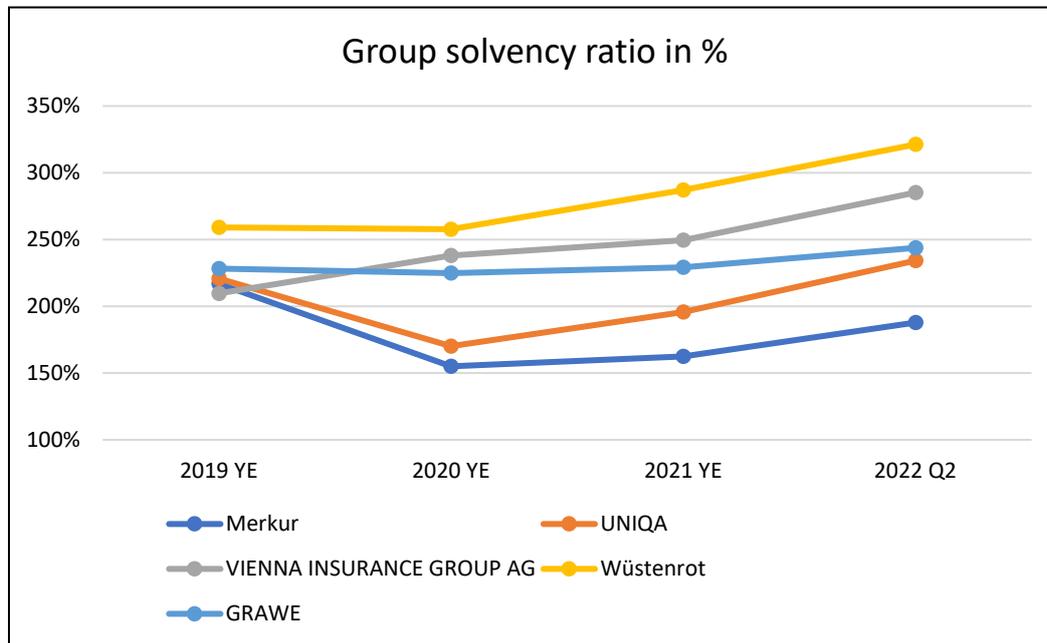
The pure reinsurance companies generated an aggregated net written premium volume of 1,7 billion EUR in 2021 (2020: 1,4 billion EUR) with a foreign premium share of 98% (premium share of UNIQA Re AG: 75%). It has to be mentioned, that all reinsurance companies only do group internal reinsurance with the exception of VIG RE Zajist'ovna a.s.



Graph 14: Reinsurance companies - premium share in % of all markets (Source: Solvency II reporting)

3.2 GROUP SOLVENCY

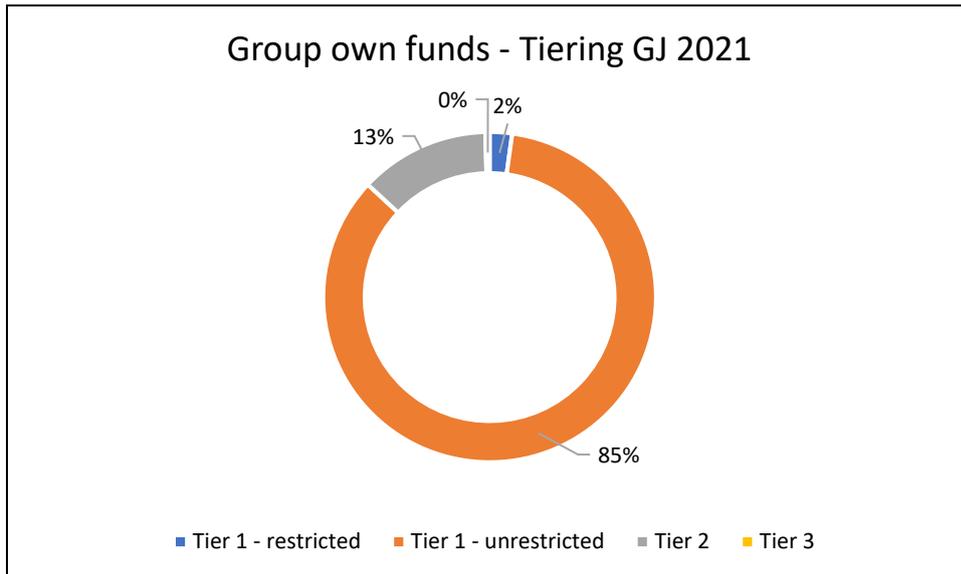
All Austrian insurance groups recorded group solvency ratios at a satisfying level at year-end 2021 and in Q2/2022. The evolution over the last four years illustrates the drop in the group solvency ratios in 2020 and the following recovery in 2021. The increase in the first half year 2022 has mainly been driven by interest rate development.



Graph 15: Development of group solvency ratio in % (Source: Solvency II reporting)

As per year-end 2021, three Austrian insurance groups make use of LTG measures and/or transitional measures for the calculation of technical provisions in life insurance (Vienna Insurance Group, UNIQA Group, Wüstenrot Group). From Q2/2022, Merkur Group considers transitional measures applied by two subsidiaries also at group level. However, all three insurance groups showed sufficient group solvency ratios even without consideration of those measures in 2021.

Total own funds of Austrian insurance groups eligible to cover the group SCR (including own funds of other financial sectors) amount to 20,6 billion EUR in 2021. About 87% of total eligible own funds classifies as Tier-1 capital (Tier 1 restricted and Tier 1 unrestricted), around 13% is Tier-2 capital.



Graph 16: Tiering classification of group own funds (Source: Solvency II reporting)

3.3 CROSS-BORDER BUSINESS VIA BRANCHES AND FREE PROVISION OF SERVICES

Austrian insurance groups not only operate abroad via subsidiaries but also use the system of free provision of services and/or branches. Business generated via branches or free provision of services is included in the financial statements of the domestic insurance undertaking.

For the five Austrian insurance groups, premium volume of nearly 1.095 million EUR (2020: 950 million EUR) results from operations via branches and/or free provision of services. With a share of 94%, the major part of premiums accounts for free provision of services²⁰.

	<i>Branches</i>	<i>FPS total</i>	<i>TOTAL</i>
TOTAL of 5 Austrian insurance groups	65.268.034	1.029.988.712	1.095.256.746

Table 7: Gross written premiums of branches and FPS in EUR (Source: Solvency II reporting)

²⁰ If not only considering the five groups but all Austrian insurance undertakings, gross written premiums of 1.350 million EUR have been generated via branches or free provision of services in 2021.

4 ANALYSIS OF KEY MARKETS

FMA ranks all insurance markets relevant for Austrian insurance groups according to their premium share, i.e. the relation of written premiums generated in a country to total foreign written premium volume of Austrian insurance groups. The premium share 2021 which bases on premium figures at due date 31.12.2021 determines the impact rating in the current year 2022.

The level of the impact rating depends on the premium share, countries with a premium share higher than 10% have an impact rating of 4, a premium share between 4% and 10% results in an impact rating of 3. Markets with an impact rating of 3 or 4 (highest category) are defined as so-called key markets.

Croatia shows an impact rating of 2 based on the premium shares 2020 and 2021, however, due to different reasons (e.g. all Austrian insurance groups have subsidiaries in Croatia, premium contribution is still significant), Croatia is further included in the analysis of key markets. The list of key markets comprises the following countries: Czechia, Poland, Slovakia, Romania, Hungary and Croatia.

Due to their importance for Austrian insurance groups, each key market is subject to a more in-depth analysis that considers the macroeconomic environment and outlook as well as the structure and recent developments of the individual insurance markets including legal and regulatory changes.

4.1 CZECHIA

Country		FIB Market Indicators	31.12.2021	
CZ	Economy	Population (in million)	10,51	
		Real GDP Growth (in %)	3,50	
		Unemployment Rate (in %)	2,10	
		Consumer Prices Growth (in %)	3,30	
		General government deficit (in % of GDP)	-5,90	
	Insurance market	GWP TOTAL (in million EUR)	7.265,93	
		GWP LIFE (in million EUR)	1.795,49	
		GWP NON-LIFE (in million EUR)	5.470,44	
		Premium development (in %)	12,26	
		Insurance Density TOTAL (in EUR)	691,61	
Insurance Penetration Degree TOTAL (in %)		3,05		

Table 8: Key Market Indicators Czechia (Sources: FMA macro database (Eurostat, IMF, World Bank), EIOPA; own calculation)

After the downturn in 2020, the GDP of Czechia could recover only partly in 2021. For 2022, growth is projected to be only 1,9% in 2022 and even lower at 1,5% in 2023.²¹ Because of very high inflation of 17,8% as of September 2022²², the Czech population is facing a significant loss in real purchasing power. The central bank has increased the key interest rate to 7% in July 2022.²³ The labour market is still tight, although significant inflow of refugees from Ukraine might help labour shortages in the medium term. After appreciating 5,2% in 2021, the CZK this year gained another 1,1% towards the EUR until mid-October.

4.1.1 INSURANCE MARKET

In comparison to other CE-markets, Czechia can be described a well-developed insurance market as illustrated by rather high indicators for insurance density and insurance penetration.

Life insurance gained weight from 2015 to 2018 but showed a decreasing trend since 2019. Non-life insurance business still dominates the insurance market in 2021 with a share of 75% in total market premium volume. Regarding the most important lines of business, the two motor lines MTPL and Motor Hull alone account for a share of about 30% of total gross written premium volume. The considerable increase of gross written premiums in 2021 was especially reasoned by a strong upward trend in non-life insurance of nearly 15%. Life insurance premiums increased by 5,5% y-o-y, however it has to be considered that especially the LoB Insurance with profit participation has seen a negative trend. On the claims side, the high compensations for damages mainly caused by the tornado in South Moravia in 2021 have to be considered.²⁴

²¹ IMF (2022), *World Economic Outlook, Oct 2022*

²² Eurostat

²³ OeNB(2022), *Leitzinssätze (oenb.at)*, accessed 31 Oct 2022

²⁴ See Ghetu, Daniela: *The CEE insurance market in 2021*, in: *X-Primm Insurance Report FY 2021, Issue 1/2022(26)*, page 32-33.

The growth in non-life insurance also continued in the 1 HY 2022 with motor insurance and property insurance contributing most. As in 2021, the increasing number in insured vehicles supported the positive trend in motor insurance. Life insurance recorded a lower-than-average growth pace whereat both classes of life insurance that have an investment component (life insurance with profit participation as well as unit linked business) show decreasing premiums. Claims paid in non-life insurance went up because of higher compensations in motor insurance against the inflationary context. On the other hand, claims paid for storms have significantly been lower, compared to the previous year due to the tornado event in 2021.²⁵

From 2020, the Czech Ministry of Finance imposed a taxation based on the Solvency II technical provisions instead of local GAAP provisions (taxation decomposed into 2 years - 2020 and 2021) and this taxation had a quite significant impact on the Czech insurance companies (decrease of SII DTL/creation of DTA, pressure on LAC DT).

Regarding market structure, Kooperativa Pojistovna a.s. is the market leader on the life insurance market, the second rank is held by Generali Ceska Pojistovna and NN is on the third place. On the non-life market, the ranking shows Generali Ceska Pojistovna to be the market leader, followed by Kooperativa Pojistovna a.s., Allianz is on the third place.²⁶

4.1.2 AUSTRIAN INSURANCE GROUPS

UNIQA Group and Vienna Insurance Group operate via insurance subsidiaries in the Czech insurance market. With a net written premium contribution of 1,9 billion EUR, Czechia is the most important foreign market for Austrian insurance groups.

In 2020, UNIQA Group acquired the former AXA insurance companies AXA pojist'ovna a.s. and AXA zivotni pojist'ovna a.s. and merged the two companies into their Czech subsidiary UNIQA pojistovna a.s. in 2021. Moreover, UNIQA Group transformed its Slovak insurance subsidiary into a branch of the Czech subsidiary, which means that from 2021 the premiums of the Slovak branch are included in the accounts of UNIQA Pojistovna.

Vienna Insurance Group has a strong market position on the Czech insurance market, with a total market share of nearly 33%. UNIQA Poistovna a.s. holds a share of about 9% in the total market.

²⁵ See Ghetu, Daniela: *The CEE insurance market in 1H2022*, in: *X-Primm Insurance Report First Half 2022, Issue 2/2022(27)*, page 30-31.

²⁶ See Ghetu, Daniela: *The CEE insurance market in 2021*, in: *X-Primm Insurance Report FY 2021, Issue 1/2022(26)*, page 33.

4.2 POLAND

Country		FIB Market Indicators	31.12.2021	
PL	Economy	Population (in million)	37,75	
		Real GDP Growth (in %)	5,90	
		Unemployment Rate (in %)	3,00	
		Consumer Prices Growth (in %)	5,20	
		General government deficit (in % of GDP)	-1,90	
	Insurance market	GWP TOTAL (in million EUR)	15.052,86	
		GWP LIFE (in million EUR)	4.613,95	
		GWP NON-LIFE (in million EUR)	10.438,91	
		Premium development (in %)	8,24	
		Insurance Density TOTAL (in EUR)	398,78	
Insurance Penetration Degree TOTAL (in %)		2,62		

Table 9: Key Market Indicators Poland (Sources: FMA macro database (Eurostat, IMF, World Bank), EIOPA; own calculation)

After strong GDP growth in 2021, the Polish economy will continue expanding somewhat lower at 3,8% in 2022. The GDP forecast for 2023 is, however, with 0,5% much weaker. High inflation (15,7% as of September 2022) to which the national bank responded by elevating key interest rates in 2022 by 5ppt to 6,75% are considered as main factors reducing real household incomes and dampening investments.²⁷ After a stable exchange rate y-o-y in 2021, this year, the PLN has depreciated by 4,6% towards the EUR until mid-October 2022. The labour market remains strong and has already absorbed four-hundred-thousand officially registered Ukrainian workers. Continued struggles with the European Commission about legal reforms is resulting in additional fiscal risks.¹

4.2.1 INSURANCE MARKET

With a premium volume of about 15 billion EUR, Poland is the flagship market of the CESEE-region. However, based on the indicators insurance density and insurance penetration, the Polish market is considerably behind Czechia regarding the level of maturity of the insurance market.

The Polish insurance market is still dominated by non-life insurance, the share of life insurance in the market portfolio is about 30% at YE 2021. The motor lines MTPL and Motor Hull account for a share of roughly 35% of the market portfolio, followed by property insurance with a share of nearly 13%. In 2021, the Polish insurance market grew by 8,2% y-o-y, with the property and motor insurance lines providing for most of the market's business growth. In the life insurance market, gross written premiums increased by 5,4% to 4,6 billion EUR, but also indemnities increased. This development can be explained by an increased interest in protection policies and an increased mortality from the pandemic, but also from the heatwaves that affected Poland during the summer.

²⁷ Wiiw(2022), Forecast Report, Autumn 2022 (19 Oct 2022)

Motor insurance lines maintained their dominant position in the non-life insurance portfolio, although the MTPL line's share slightly decreased, most probably amid the continued trend of falling MTPL tariffs. On a contrary trend, the average MTPL claim value increased continuously in the last three years.²⁸

In the 1 HY 2022, the insurance market saw a stagnating premium development compared to 1 HY 2021, entirely caused by the decline of life insurance premiums. The Polish product intervention, that entered into force at the beginning of 2022 strongly affected the sale of UIL products and is therefore responsible for the negative trend. The KNF's decision has imposed prohibitions on the marketing, distribution and sale of insurance-based investment products (unit-linked life insurance contracts) which meet at least one of certain criteria related to the products' return and investment rules. In contrast, non-life gross written premiums went up with a considerable contribution of property insurance to overall non-life premium growth. Claims payments in non-life as well as life insurance benefits saw an increase. On the non-life side motor products account for the largest part of claims, but the highest growth rate was recorded on the property insurance lines; compared to the previous year, significantly more damages from storms, hailstorms and fires have been reported. Not only was their number greater but also the average value of damages.²⁹

On 18 July 2022, new recommendations of the KNF concerning the liquidation of motor insurance claims, that will replace the standard set in 2014 were published, which will have a significant impact on repair costs. They will enter into force on 1 November 2022.³⁰

Regarding market structure, the domestic insurance company PZU continues to dominate the Polish insurance market both in life and non-life business. On the life insurance market, AVIVA TUnZ ranks second, followed by Nationale-Nederlanden TUnZ. Regarding the non-life market, STU ERGO HESTIA follows on the second rank after PZU S.A., TUiTR WARTA S.A. is on the third place.³¹

4.2.2 AUSTRIAN INSURANCE GROUPS

Poland is the second largest foreign insurance market for Austrian groups, contributing a net written premium volume of about 1,5 billion EUR.

Vienna Insurance Group and UNIQA Group are active via various subsidiaries on the Polish Insurance Market. In 2020, UNIQA Group acquired the former AXA insurance companies AXA S.A. and AXA Zycie S.A. and merged the two companies into their Polish subsidiaries UNIQA S.A. and UNIQA Zycie S.A. in 2021.

Even though, Vienna Insurance Group and UNIQA Group have two or more subsidiaries in Poland, the aggregated market share in total market is only about 12%.

²⁸ See Ghetu, Daniela: *The CEE insurance market in 2021*, in: *X-Primm Insurance Report FY 2021, Issue 1/2022(26)*, page 48-49.

²⁹ See Ghetu, Daniela: *The CEE insurance market in 1H2022*, in: *X-Primm Insurance Report First Half 2022, Issue 2/2022(27)*, page 48-49.

³⁰ See Ghetu, *Issue 2/2022(27)*, page 48.

³¹ See Ghetu, *Issue 1/2022(26)*, page 49.

4.3 SLOVAKIA

Country		FIB Market Indicators	31.12.2021	
SK	Economy	Population (in million)	5,45	
		Real GDP Growth (in %)	3,00	
		Unemployment Rate (in %)	6,50	
		Consumer Prices Growth (in %)	2,80	
		General government deficit (in % of GDP)	-6,20	
	Insurance market	GWP TOTAL (in million EUR)	1.839,10	
		GWP LIFE (in million EUR)	786,05	
		GWP NON-LIFE (in million EUR)	1.053,05	
		Premium development (in %)	-17,29	
		Insurance Density TOTAL (in EUR)	337,62	
Insurance Penetration Degree TOTAL (in %)		1,89		

Table 10: Key market indicators Slovakia (Sources: FMA macro database (Eurostat, IMF, World Bank), EIOPA; own calculation)

Slovakian economy is not performing as strongly as its neighbouring countries in the CE region. After 3% GDP growth last year, Slovakia is facing a lower increase by 1,8% in 2022 and 1,5% are projected for 2023.³² In particular, the important industrial sector (including automotive) is struggling with the consequences of the Russia-Ukraine war and the overall geopolitical situation causing bottlenecks in raw materials. Moreover, Slovakia is highly dependent on Russian natural gas imports. The unemployment rate was with 6,5% in 2021 still moderate. Inflation in Slovakia reached 14,5% in October 2022.³³

4.3.1 INSURANCE MARKET

The level of maturity of the Slovak insurance market as measured by the indicators insurance density and insurance penetration can be described rather low compared to the other insurance markets in the CE-segment.

The market saw a significant drop in premium volume in 2021 because of structural changes realised by the two big insurance groups Generali Group and UNIQA Group that transformed their Slovak subsidiaries into branches. Total gross written premium volume of the Slovak insurance market decreased by 17% y-o-y to around 1,8 billion EUR at YE 2021. With a contribution of 57% in terms of gross written premiums, non-life business has a bigger weight in the market portfolio, however, compared to Czechia or Poland the portfolio is more balanced regarding life and non-life insurance.³⁴

³² IMF (2022), *World Economic Outlook, Oct 2022*

³³ Wiiw(2022), *Forecast Report, Autumn 2022 (19 Oct 2022)*

³⁴ See Ghetu, Daniela: *The CEE insurance market in 2021, in: X-Primm Insurance Report FY 2021, Issue 1/2022(26), page 54-55.*

In the first half year 2022, Slovak insurance companies achieved a gross written premium volume of about 945 million EUR. A comparison with 1 HY 2021 figures is not meaningful, as the premium volume is much lower after the transformation of the two big insurance companies Generali Poistovna and UNIQA Poistovna into branches.³⁵

Regarding market structure, the ranking depends on the inclusion or exclusion of branches. If branches are considered, the biggest life insurance company is Kooperativa Poistovna, followed by Allianz Slovenska Poistovna and the branch Generali Poistovna. On the non-life side, Allianz Slovenska Poistovna ranks first and Kooperativa Poistovna is on the second place. The third largest non-life insurer in terms of GWP is Generali Poistovna.³⁶

4.3.2 AUSTRIAN INSURANCE GROUPS

Three Austrian insurance groups conduct business via subsidiaries on the Slovak insurance market. Those entities generated net written premiums of about 645 million EUR making Slovakia ranked third of foreign insurance markets.

In 2021, UNIQA Group transformed its Slovak subsidiary UNIQA poistovna a.s. into an EU branch of UNIQA Ceska pojistovna a.s. The premium volume of the branch is attributed to the Czech subsidiary, therefore, total premium volume achieved by subsidiaries of Austrian groups in Slovakia declined by nearly 13% and profit by about 9% compared to the previous year.

Vienna Insurance Group holds a strong market position with an aggregated market share of 37%, the subsidiary of Wüstenrot Group holds a market share of 3%.

³⁵ See Ghetu, Daniela: *The CEE insurance market in 1H2022*, in: *X-Primm Insurance Report First Half 2022, Issue 2/2022(27)*, page 59.

³⁶ See Ghetu, Daniela: *The CEE insurance market in 2021*, in: *X-Primm Insurance Report FY 2021, Issue 1/2022(26)*, page 55.

4.4 ROMANIA

Country		FIB Market Indicators	31.12.2021	
RO	Economy	Population (in million)	19,12	
		Real GDP Growth (in %)	5,90	
		Unemployment Rate (in %)	5,70	
		Consumer Prices Growth (in %)	4,10	
		General government deficit (in % of GDP)	-7,10	
	Insurance market	GWP TOTAL (in million EUR)	2.503,26	
		GWP LIFE (in million EUR)	474,41	
		GWP NON-LIFE (in million EUR)	2.028,85	
		Premium development (in %)	6,03	
		Insurance Density TOTAL (in EUR)	130,92	
Insurance Penetration Degree TOTAL (in %)		1,04		

Table 11: Key market indicators Romania (Sources: FMA macro database (Eurostat, IMF, World Bank), EIOPA; own calculation)

Romania grew strongly in 2021 and despite the difficult geopolitical surroundings GDP growth will be only 1ppt lower at 4,8% in 2022. Growth is forecasted by the IMF to diminish to 3,1% in 2023.³⁷ The inflation rate was with 13,4% in September 2022 also sizeable.³⁸ The national bank has adjusted interest rate somewhat less than other countries in the CESEE region to 5,5% but managed to control the RON which remained stable since the beginning of 2022. The labour market also appears stable at around 5%. Energy dependence from Russia is less pronounced than for neighbouring countries. The comparably solid economic situation is also thanks to strong fiscal efforts by the government on price controlling measures and subsidies, partly funded by newly implemented taxes on producers.³⁹

4.4.1 INSURANCE MARKET

Romania rates among the biggest markets in the SEE-region together with Slovenia and Bulgaria, but the level of maturity of the insurance market as measured by insurance density and insurance penetration is considered relatively low in comparison to the other markets in this geographical segment.

In 2021, gross written premium volume amounted to 2,5 billion EUR, which means an increase of 6,0% compared to the previous year. With a share of 81%, the market is clearly dominated by non-life insurance with motor insurance being the main driver. Life insurance only accounts for a share of 19% in total premiums but showed a positive dynamic in 2021 with premium growth of 17%. An increase in the motor insurance lines is partly reasoned by higher prices for MTPL in the second half

³⁷ IMF (2022), *World Economic Outlook, Oct 2022*

³⁸ Eurostat

³⁹ Wiiw(2022), *Forecast Report, Autumn 2022 (19 Oct 2022)*

of 2021 after the failure of City Insurance. The motor insurance market faced several market disruptions in the last years with the failure of the biggest MTPL insurer as the last highlighting for the time being. The combined ratio for motor insurance increased dramatically in 2021 compared to the previous years reaching record levels, such as over 160% for the MTPL insurance line.⁴⁰

In the 1 HY 2022, gross written premium volume shows a considerable increase, most of it coming from the non-life side, especially from MTPL insurance. The reason for that growth are increasing prices of the MTPL policies as compared to the previous year. The steep increase in the average premium's value should rebalance the MTPL market's indicator, after a long period when the average claim's value increased constantly while the tariffs went down. In fact, an improvement of the loss indicators is already seen with the combined ratio in the MTPL line going down to about 107% until the end of 1 HY 2022.⁴¹

Regarding market structure, EUROINS Romania became the market leader on the non-life market after the bankruptcy of CITY Insurance. The second place is held by Groupama Asigurari, the third place takes Allianz Tiriac. On the life insurance market, NN Asigurari de Viata ranks first, followed by BCR Asigurari de Viata VIG and Allianz Tiriac. Even after the bankruptcy of CITY Insurance, the market shows a high level of concentration.⁴²

4.4.2 AUSTRIAN INSURANCE GROUPS

In 2021, the Romanian subsidiaries of Austrian insurance groups generated net written premiums of nearly 537 million EUR, which means a considerable increase of nearly 16%.

After the bankruptcy of CITY insurance, the subsidiary of UNIQA group withdrew from MTPL business by the end of 2021. However, GRAWE Romania Asigurari and the subsidiaries of Vienna Insurance Group significantly increased their insurance portfolios.

Regarding market presence, the subsidiaries of Vienna Insurance Group achieved an aggregated market share of nearly 24%, UNIQA Group has a market share of 3,2% per YE 2021. GRAWE Group founded its insurance subsidiary just a few years ago, per YE 2021 it achieved a market share of 1,6%.

⁴⁰ See Ghetu, Daniela: *The CEE insurance market in 2021*, in: *X-Primm Insurance Report FY 2021, Issue 1/2022(26)*, page 50-51.

⁴¹ See Ghetu, Daniela: *The CEE insurance market in 1H2022*, in: *X-Primm Insurance Report First Half 2022, Issue 2/2022(27)*, page 52-53.

⁴² See Ghetu, Issue 1/2022(26), page 51.

4.5 HUNGARY

Country		FIB Market Indicators	31.12.2021	
HU	Economy	Population (in million)	9,71	
		Real GDP Growth (in %)	7,10	
		Unemployment Rate (in %)	3,70	
		Consumer Prices Growth (in %)	5,20	
		General government deficit (in % of GDP)	-6,80	
	Insurance market	GWP TOTAL (in million EUR)	3.601,46	
		GWP LIFE (in million EUR)	1.603,36	
		GWP NON-LIFE (in million EUR)	1.998,10	
		Premium development (in %)	8,83	
		Insurance Density TOTAL (in EUR)	370,91	
Insurance Penetration Degree TOTAL (in %)		2,34		

Table 12: Key market indicators Hungary (Sources: FMA macro database (Eurostat, IMF, World Bank), EIOPA; own calculation)

Hungary has experienced substantial growth in 2021 and the GDP growth outlook for 2022 is with 5,7% still high but will fade to 1,8%⁴³ in 2023, but a downward risk of recession cannot be ruled out⁴⁴. Driving factors are the persistently high inflation rate reaching 20,7% in September 2022. In response, the national bank has pushed the key interest rate to 13%. By mid-October, the HUF depreciated by 13% since the beginning of the year⁴⁵. The labour market appears stable. Debt to GDP ratio for Hungary was with 77% in 2021 highest in the CE region. In addition, HU still cannot access the full support by the EU recovery funds due to the long-lasting confrontation with the European Commission demanding the re-establishment of the “rule of law”.⁴⁶ Due the emergency situation in HU, a special tax on several business branches has been put in place in May 2022 including also insurance undertakings. For the year 2022, the progressive tax tariff ranges from 4-14% on total non-life premiums, and 2-6% on total life-insurance premiums. For the year of 2023, the tariffs are set at 2-7% on non-life premiums and 1-3% on life insurance premiums. The expected return from these taxes from the insurance industry is around 127 m. EUR per year.⁴⁷

4.5.1 INSURANCE MARKET

Referring to market size, Hungary is the third biggest insurance market in the CE segment. However, similar to Poland, the market is considerably behind Czechia regarding the level of maturity of the insurance market as measured by insurance density and insurance penetration.

⁴³ IMF (2022), *World Economic Outlook, Oct 2022*

⁴⁴ Wiiw(2022), *Forecast Report, Autumn 2022 (19 Oct 2022)*, pp.88; Note: Real GDP growth forecast 2023 for HU: -1,2%.

⁴⁵ Eurostat

⁴⁶ Wiiw(2022), *Forecast Report, Autumn 2022 (19 Oct 2022)*

⁴⁷ WKO(2022), *Ungarn verhängt neue Sondersteuern für Unternehmen in zahlreichen Branchen - WKO.at*

Hungarian insurers ended 2021 with a gross written premium volume of 3,6 billion EUR, which means an increase by 8,8% y-o-y. The market portfolio is more balanced than in other CE-countries with non-life business contributing around 55% of total premiums.⁴⁸

Also in the 1 HY 2022, the insurance market realised a slight growth of 1,8% with higher premiums in life insurance and non-life insurance.⁴⁹

Regarding the structure of the market, already for some years no information on market rankings or market shares is published.

4.5.2 AUSTRIAN INSURANCE GROUPS

Three Austrian insurance groups operate via subsidiaries on the Hungarian insurance market. Those entities generated total net written premiums of 362 million EUR in 2021.

Vienna Insurance Group acquired the former AEGON subsidiaries in Hungary, which include an insurance undertaking, an asset management company and a pension funds incorporated under a common holding structure. However, Vienna Insurance Group is not the sole shareholder, the Hungarian state has a stake of 45% of the named companies and also a slightly lower shareholding in the other insurance subsidiary of Vienna Insurance Group, the UNION Biztosító.

All three Austrian insurance groups considered together hold an aggregated market share of 11,5%.

⁴⁸ See Ghetu, Daniela: *The CEE insurance market in 2021*, in: *X-Primm Insurance Report FY 2021, Issue 1/2022(26)*, page 36-37.

⁴⁹ See Ghetu, Daniela: *The CEE insurance market in 1H2022*, in: *X-Primm Insurance Report First Half 2022, Issue 2/2022(27)*, page 36-37.

4.6 CROATIA

Country		FIB Market Indicators	31.12.2021
HR	Economy	Population (in million)	3,96
		Real GDP Growth (in %)	10,20
		Unemployment Rate (in %)	6,60
		Consumer Prices Growth (in %)	2,70
		General government deficit (in % of GDP)	-2,90
	Insurance market	GWP TOTAL (in million EUR)	1.565,05
		GWP LIFE (in million EUR)	388,69
		GWP NON-LIFE (in million EUR)	1.176,36
		Premium development (in %)	12,77
		Insurance Density TOTAL (in EUR)	395,44
		Insurance Penetration Degree TOTAL (in %)	2,74

Table 13: Key market indicators Croatia (Sources: FMA macro database (Eurostat, IMF, World Bank), EIOPA; own calculation)

After an already strong comeback of the tourism sector in 2021, the Croatian GDP will continue to grow by estimated 5,9% in 2022. For 2023, the GDP growth forecast is lower at 3,5%.⁵⁰ Prices have gone up by 12,6% in September 2022 and the government deficit was with almost 80% also relatively high in 2021.⁵¹ The European Commission has in July 2022 given a green light to Croatia adopting the Euro in January 2023. Having access to an LNG terminal on its territory, also energy dependence from Russian natural gas might be less severe than for other neighbouring countries in the medium term. Moreover, the economy benefits from a large proportion of EU funds.⁵²

4.6.1 INSURANCE MARKET

Among the countries included in the SEE-segment, Croatia shows the highest indicators for insurance density and insurance penetration and therefore counts towards the insurance markets with the highest level of maturity in this region.

For 2021, Croatian insurers recorded an overall increase in premiums illustrating the recovery after the Corona crisis. Total gross written premium volume increased by nearly 13% to 1,6 billion EUR. The insurance market is still determined by non-life insurance that accounts for a share of 75% of total premium volume.⁵³

⁵⁰ IMF (2022), *World Economic Outlook, Oct 2022*

⁵¹ Eurostat

⁵² Wiiw (2022), *Forecast Report, Autumn 2022 (19 Oct 2022)*

⁵³ See Ghetu, Daniela: *The CEE insurance market in 2021, in: X-Primm Insurance Report FY 2021, Issue 1/2022(26), page 30-31.*

In the 1 HY 2022, the Croatian insurance market saw an increase in market premiums of 7% y-o-y, however, life insurance again recorded a downward trend after a recovery by YE 2021. On the non-life side, motor insurance still accounts for the largest part of GWP, both, motor insurance and property insurance showed a positive dynamic. Regarding claims expenses, Croatian insurers paid more for motor insurance claims but significantly less for property insurance. The reason for the latter are the high compensations for damages caused by the earthquakes in Zagreb and Petrinja in the 1 HY 2021.⁵⁴

It has to be noted, that all insurance companies have to comply with IFRS 17 by 1 January 2023. Moreover, HANFA introduced an obligation for undertakings to obtain HANFA's approval for the function as member of Supervisory Board.

Regarding market structure, the largest insurer in the country in terms of GWP is Croatia Osiguranje with a market share of about 24%.⁵⁵

4.6.2 AUSTRIAN INSURANCE GROUPS

Croatia is the only foreign market where all Austrian insurance groups have insurance subsidiaries. This is likely to change in 2022, because Merkur Group acquired the Croatian subsidiary of Wüstenrot Group in 2023.

The accumulated net written premiums of the Croatian subsidiaries amount to nearly 282 million EUR, which means an increase of nearly 13% compared to the previous year.

Austrian insurance groups hold an aggregated market share of 20% with Wiener Osiguranje VIG having a market share of 9,6% as the largest insurance subsidiary.

⁵⁴ See Ghetu, Daniela: *The CEE insurance market in 1H2022*, in: *X-Primm Insurance Report First Half 2022, Issue 2/2022(27)*, page 28-29.

⁵⁵ See Ghetu, Daniela: *The CEE insurance market in 2021*, in: *X-Primm Insurance Report FY 2021, Issue 1/2022(26)*, page 31.

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