



**NATIONAL BANK OF SERBIA**

**INSURANCE SUPERVISION  
DEPARTMENT**

# **INSURANCE SECTOR IN SERBIA**

**Third Quarter Report 2022**

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## List of abbreviations

mn	million
bn	billion
Q3	third quarter (1 January – 30 September)

## 1 Insurance market<sup>1</sup>

### 1.1 Market participants

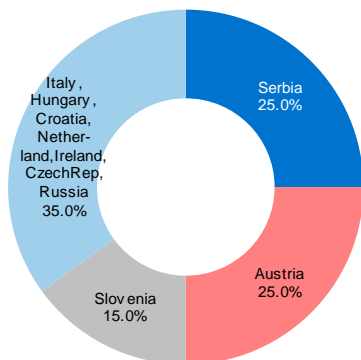
#### *Insurance and reinsurance undertakings*

At end-Q3 2022, the insurance market in Serbia comprised 20 (re)insurance undertakings, unchanged in y-o-y terms. Sixteen undertakings engaged in insurance activities only and four in reinsurance activities. Of the insurance undertakings, four were exclusive life insurers, six exclusive non-life insurers, while six provided both life and non-life insurance.

The breakdown by ownership at end-Q3 2022 shows that of 20 undertakings, 15 were in majority foreign ownership.

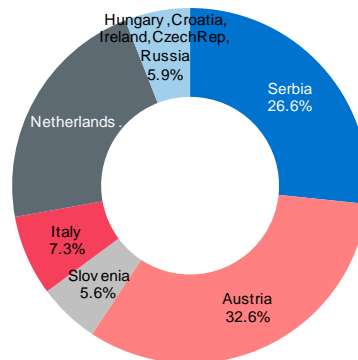
At end-Q3 2022, foreign-owned undertakings held majority shares of life insurance premium (85.8%), non-life insurance premium (61.1%), total assets (73.4%), and employment (65.1%).

Chart 1.1.1. Structure of (re)insurance undertakings in Serbia by ownership (in Q3 2022)



Source: National Bank of Serbia.

Chart 1.1.2. Balance sheet total of (re)insurance undertakings in Serbia by ownership (in Q3 2022)



Source: National Bank of Serbia.

#### *Other market participants*

In addition to (re)insurance undertakings, at end-Q3 2022 the market also consisted of: 17 banks, eight financial lessors and a public postal operator which are licensed for insurance agency activities, 109 legal entities (insurance brokerage and agency

<sup>1</sup> The report is based on data that (re)insurance undertakings are obliged to submit to the NBS.

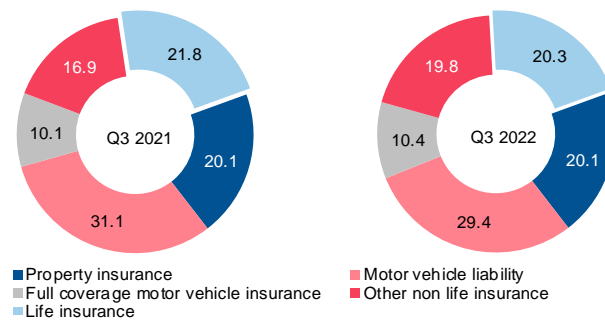
services), 79 insurance agents (natural persons – entrepreneurs) and 4,300 active certified agents/brokers in insurance.

## 1.2 Insurance portfolio structure

Total premium in Q3 2022 amounted to RSD 99.4 bn (EUR 846 mn or USD 897 mn)<sup>2</sup>, a rise of 12.2% relative to the same period last year.

In the composition of the premium, the share of life insurance premium dropped from 21.8% in Q3 2021 to 20.3% in Q3 2022, due to higher nominal growth in non-life insurance premium than in life insurance premium.

Chart 1.2. Total premium according to the types of insurance (in Q3 2021 and Q3 2022, in %)



Source: National Bank of Serbia.

In terms of type of insurance, premium composition in Q3 2022 was similar to the composition in the same period of 2021, with the MTPL insurance holding the largest share (29.4%). Next come life insurance (20.3%), property insurance (20.1%) and full coverage motor vehicle insurance (10.4%).

In Q3 2022, non-life insurance premium increased by 14.3% y-o-y. MTPL insurance premium went up by 5.8%, property insurance premium by 12.3%, premium of full coverage motor vehicle insurance by 16.0%, and voluntary health insurance premium by as much as 40.9%.

The above growth in voluntary health insurance premium was followed also by the rise in its share from 6.0% in Q3 2021 to 7.6% in Q3 2022, with four insurance undertakings accounting for around three-fourths of the market.

Accident insurance, which among other things includes compulsory insurance such as passenger insurance in public transportation and insurance of employees against occupational injuries and illnesses, recorded an increase of 9.6% y-o-y, its share equalling 2.5%.

<sup>2</sup> At the middle exchange rate of the NBS for the period observed.

Looking at total premiums and life insurance premiums in Q3 2022, there was no change in the ranking of the top five insurance undertakings, which accounted for 75.5% and 83.2%, respectively. However, there was a change among the top five in terms of non-life insurance premiums, accounting for 76.3% of this market segment.

The Herfindahl Hirschman index, calculated by summing up the squares of the respective market shares or, in this case, balance sheet totals of all (re)insurance undertakings, points to moderate market concentration. At end-Q3 2022 the HHI was 1,236<sup>3</sup>.

Table 1.2. **Ranking list of five largest insurance undertakings**  
(RSD mn, %)

	30/9/2021			30/9/2022			Ranking change
	Amount	Share	Rank	Amount	Share	Rank	
<b>by total premiums</b>							
Dunav	23383	26,4	1	25926	26,1	1	-
Generali	17630	19,9	2	19094	19,2	2	-
DDOR	10475	11,8	3	11406	11,5	3	-
Wiener	9595	10,8	4	11205	11,3	4	-
Triglav	6462	7,3	5	7294	7,4	5	-
<b>by non-life premiums</b>							
Dunav	20849	30,1	1	23053	29,1	1	-
Generali	12207	17,6	2	13821	17,5	2	-
DDOR	8920	12,9	3	9750	12,3	3	-
Wiener	5711	8,2	5	7066	8,9	4	<b>increase</b>
Triglav	5874	8,5	4	6757	8,5	5	<b>decrease</b>
<b>by life premiums</b>							
Generali	5423	28,1	1	5273	26,1	1	-
Wiener	3884	20,1	2	4139	20,5	2	-
Grawe	2690	13,9	3	2874	14,2	3	-
Dunav	2535	13,1	4	2873	14,2	4	-
DDOR	1555	8,0	5	1655	8,2	5	-

Source: NBS.

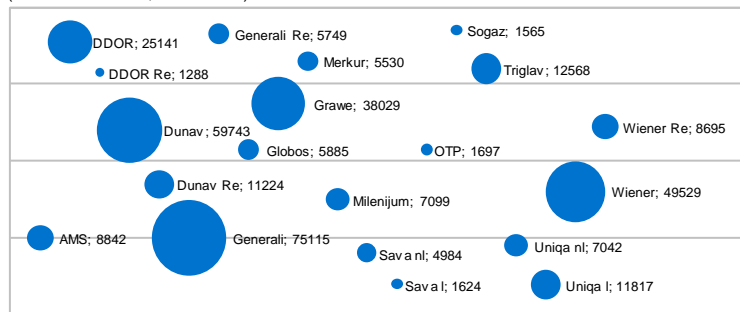
<sup>3</sup> HHI up to 1,000 indicates that there is no market concentration; 1,000–1,800 indicates moderate concentration; above 1,800 indicates high concentration.

## 1.3 Balance sheet total and balance sheet structure

### Balance sheet total

Balance sheet total of (re)insurance undertakings increased at end-Q3 2022 to RSD 343.2 bn (EUR 2.93 bn or USD 2.87 bn)<sup>4</sup>, up by 2.7% y-o-y.

Chart 1.3.1 **Balance sheet total of (re)insurance undertakings**  
(as at 30/09/2022, in RSD mn)



Source: National Bank of Serbia.

In terms of the industry's balance sheet total, there was no change in the ranking of the top five insurance undertakings, which in Q3 2022 accounted for 78.4% of the total.

Table 1.3. **Ranking list of five largest insurance undertakings by balance sheet total**  
(RSD mn, %)

	30/9/2021			30/9/2022			Ranking change
	Amount	Share	Rank	Amount	Share	Rank	
Generali	76705	24,7	1	75115	23,8	1	-
Dunav	59756	19,3	2	59743	18,9	2	-
Wiener	47093	15,2	3	49529	15,7	3	-
Grawe	36705	11,8	4	38029	12,0	4	-
DDOR	24936	8,1	5	25141	8,0	5	-

Source: NBS.

### Structure of assets

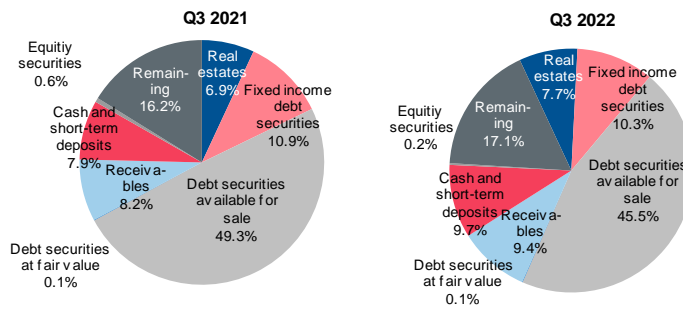
As at 30 September 2022, assets of (re)insurance undertakings comprised mostly debt securities available for sale (45.5%), fixed income debt securities (10.3%) and debt securities recognised at fair value through income statement (0.1%), followed by: cash and short-term deposits (9.7%), receivables (9.4%), property, plant and equipment

<sup>4</sup> At the middle exchange rate of the NBS as at 30 September 2022.

(7.7%) and technical provisions charged to coinsurer, reinsurer and retrocessionaire (7.5%), and other<sup>5</sup>.

Compared to the same day of the previous year, it can be concluded that the share of receivables, cash and short-term deposits and real estate increased in Q3 2022, while that of debt securities available for sale declined.

Chart 1.3.2. Structure of assets  
(as at 30/09/2021 and 30/09/2022)

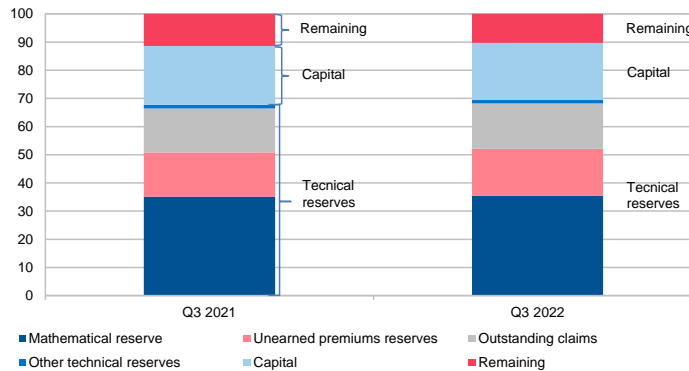


Source: National Bank of Serbia.

### Structure of liabilities

In the structure of liabilities of insurance and reinsurance undertakings at end-Q3 2022, technical provisions accounted for 69.5%, and capital for 20.3%.

Chart 1.3.3 Structure of liabilities  
(in %)



Source: National Bank of Serbia.

<sup>5</sup> The item “Other” in Chart 1.3.2 includes: intangible investments, goodwill, software and other rights, participating interests, other long-term financial investments (with the exception of fixed income debt securities), other long-term assets, deferred tax assets, inventories, non-current assets held for sale, other securities within financial investments, other short-term financial investments, value added tax, prepayments and accrued income and technical provisions charged to coinsurer, reinsurer and retrocessionaire.



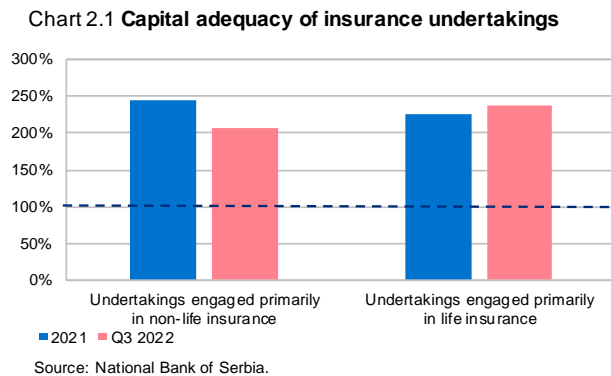
Capital amounted to RSD 68.5 bn, having risen by 0.1% y-o-y. Amounting to RSD 234.3 bn, technical provisions went up 5.7% at end-Q3 2022. Mathematical reserve kept the dominant share in technical provisions, with the y-o-y growth rate of 3.8%.

## 2 Performance indicators

### 2.1 Capital adequacy

The solvency of (re)insurance undertakings largely depends on the sufficiency of technical provisions for undertaken obligations and on meeting the conditions related to capital adequacy, which have been established as the ratio of the required and available solvency margin.

The available solvency margin of (re)insurance undertakings in Serbia as at 30 September 2022 amounted to RSD 50.5 bn, and the required solvency margin to RSD 23.2 bn. In undertakings engaged mainly in *non-life insurance* the **main capital adequacy ratio** (the ratio of the available to the required solvency margin) was 205.8%, and in undertakings engaged predominantly in *life insurance* it equalled 236.9%.



### 2.2 Quality of assets

The share of assets that can qualify as difficult to collect (intangible investments, real estate, investment in non-tradable securities and receivables) in total assets of undertakings engaged primarily in *non-life insurance*, i.e. the **ratio of less marketable assets**, came at the satisfactory 19.5% at end-Q3 2022, compared to 18.3% at end-2021. The ratio changed due to the higher growth of the stated types of assets relative to the growth of the total assets.

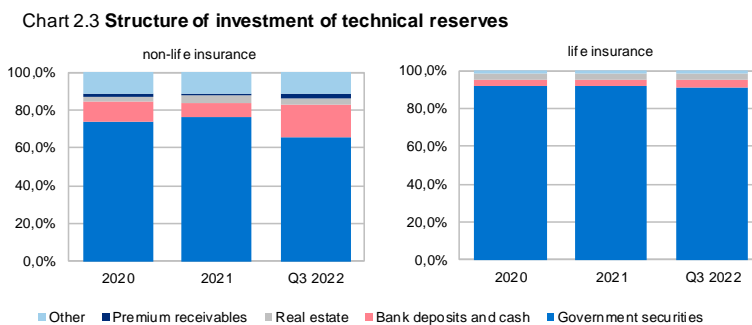
For undertakings engaged primarily in *life insurance* this ratio edged down mildly from 7.2% at end-2021 to 6.9% at end-Q3 2022.

## 2.3 Investment of technical provisions

In order to protect the interests of the insured and third damaged parties and to ensure timely payment of damage claims, insurance undertakings need not only allocate adequate technical provisions, but also invest these assets to ensure that their real value is maintained and increased, so that the undertaken insurance obligations may be fully and timely met, both at present and in the future period. To be able to meet its liabilities, an undertaking must invest its assets taking due account of the risk profile and risk tolerance limits (qualitative and quantitative), by pursuing its investment policy.

Technical provisions were fully invested in the prescribed types of assets, in both non-life and life insurance, as well as in reinsurance undertakings, in Q3 2022.

In Q3 2022, *non-life insurance* technical provisions of all Serbian insurance undertakings were mostly invested in government securities (65.7%), bank deposits and cash (16.9%), technical provisions charged to coinsurer, reinsurer and retrocessionaire (10.9%) and real estate (3.6%). Compared to last year's end, on the one hand, the share of government securities decreased, while on the other hand, the share of deposits and cash and technical provisions charged to coinsurer, reinsurer and retrocessionaire (part of the category "Other" in Chart 2.3), and insurance premium receivables, went up.



Source: National Bank of Serbia.

*Life insurance* technical provisions were for their major part invested in government securities – 90.7%, while investments in bank deposits and cash, as well as real estate accounted for only 4.2% and 3.4%, respectively.

## 2.4 Profitability

A measure of profitability of an insurance undertaking is the **net combined ratio** (the sum of net claims and underwritten expenses relative to earned net premium). A ratio below 100% indicates that an undertaking can cover damage claims and expenses out of the premium written, while a ratio above 100% means that in premium pricing it takes into account potential income from investments in the financial and real estate market, which exposes it to inherent market risks and risk of counterparty default. In undertakings primarily engaged in non-life insurance, the net combined ratio increased from 86.6% in Q3 2021 to 91.4% in Q3 2022, as a result of the weaker growth of the earned net premium relative to the rise in net claims and underwriting expenses.

## 2.5 Liquidity

To be able to meet its liabilities, an insurance undertaking must ensure an asset-liability maturity match and make sure its assets are marketable and of adequate quality. As the size and timing of individual damage claims cannot be predicted, an insurance undertaking must carefully plan the composition of its assets in order to be able to meet first its liabilities under damage claims, and then all other liabilities.

**Liquid assets to liquid liabilities ratio**<sup>6</sup> for all (re)insurance undertakings stood at 142.6%, suggesting that liquid assets were sufficient for servicing short-term liabilities of the insurance sector.

## 3 Motor third party liability

At end-Q3 2022, 11 insurance undertakings engaged in compulsory MTPL insurance – unchanged from the same period last year.

The MTPL premium rose by 5.7% in nominal terms and decreased by 7.3% in real terms relative to the same period in 2021.

Portfolio concentration in this segment decreased, bearing in mind that three undertakings with the largest share in the MTPL insurance premium accounted for 57.7% of the market in Q3 2022, compared to 61.5% in the same period last year.

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<sup>6</sup> For the purposes of this Report, liquid assets comprise: financial investments, cash and deposits with banks and other long-term financial investments, while liabilities refer to: short-term liabilities, accrued costs and deferred revenues, outstanding claims and other technical provisions in insurance up to one year.

## 4 Conclusion

The comparison of indicators from Q3 2022 and the same quarter in 2021 points to the following changes:

- a total of 20 (re)insurance undertakings operate in Serbia, unchanged from the same period in the previous year, with decreased employment in the sector by 0.2% to 11,299 persons;
- balance sheet total of the insurance sector went up by 2.7%, to RSD 343.2 bn;
- capital increased by 0.1% to RSD 68.5 bn;
- technical provisions gained 5.7%, coming at RSD 234.3 bn, and were fully invested in the prescribed types of assets;
- total premium gained 12.2% and came at RSD 99.4 bn;
- non-life insurance continued to account for the dominant share of total premium (79.7%). Non-life insurance premium rose by 14.3%, with more prominent insurance types, such as MTPL insurance and property insurance recording growth in nominal, but also a decline in real terms;
- the share of life insurance decreased, on account of stronger growth in non-life insurance premiums compared to life insurance premiums.

In observing the above categories, one should also take into account inflation, which significantly affects their real movements.

The current insurance regulations in the Republic of Serbia have laid the legislative groundwork for further convergence of the Serbian insurance sector to that of the EU.

Still, major changes in the insurance supervision regulatory framework are yet to be made with the full alignment with the Insurance Distribution Directive (IDD) and implementation of Solvency II.

IDD brings solutions which regulate in more detail the supervision and management of insurance products in order to ensure that they meet actual consumer needs. It also prescribes the methods of informing consumers and distributing insurance products, in order to improve the level of protection of rights and interests of insurance service users.

An effective risk-based solvency regime is in line with development trends in other segments of the financial sector, particularly banking. Therefore, for the sake of further improvement of prudential supervision regulatory framework, in the forthcoming period continuation of the alignment of the regulations with the Solvency II Directive is expected, which will change the manner of quantification of the level of risks to which (re)insurance undertakings are exposed in their operations and therefore, also the manner of management of those risks. Completing the first phase of strategic activities aimed at implementing Solvency II – compliance analysis, implementing

activities which are integral to the second phase – impact assessment, and moving to the harmonisation of the regulatory framework as the third phase, will enable the insurance sector to respond to future challenges with a view to ensuring long-term stability of the insurance sector and protecting insurance service users.

In the conditions of rising global uncertainty in 2022 and the impact of the coronavirus pandemic persisting for more than two years, the role of the insurance sector in providing protection to citizens and insured persons, and ensuring continuity in the provision of insurance services, is increasingly gaining in importance. The NBS responded to challenges stemming from the international environment in 2022 by gradually tightening its monetary policy and the key policy rate, with a view to bringing inflation back within the bounds of the target. It also took a number of timely measures to prevent, mitigate and eliminate the negative effects of the coronavirus pandemic, with a view to protecting the rights and interests of insurance service users, maintaining the stability of operations of all professional insurance market participants, and ensuring the continuity of the supervisory function, and will continue to do so going forward.