



UNITER



Insurance sector

# INSURANCE SECTOR OVERVIEW

The Key Highlights in Jan-Feb 2011

## PERFORMANCE IN JAN-FEB 2011

### Non-life insurance

➤ The non-life insurance segment reported a loss of USD 3,2 mn for Jan-Feb 2011 (calculation excludes Belarusian National Reinsurance organization).

➤ Five companies from 19 posted losses, three of them – state insurance majors with a total market share exceeding 70%. The main outsider and driver “in the red” - a 100% state-owned Belgosstrakh with almost USD 4 mn of loss. Many companies posted very moderate profits. The fact that total GWPs and insurance claims settlement and cover payments in non-life segment grew almost equally in Jan-Feb 2011 (31% and 32% in dollar terms) points out that the true reason of industry poor performance could be the systemic inefficiency of operations enhanced by the increase in wages in late 2010.

➤ the shares of voluntary and obligatory insurance in total GWPs equaled: 51,9% and 48,1%, respectively (50,5% and 49,5% in Jan-Feb 2010).

### Financial results of non-life insurance companies as of 1 March 2011

	name	net profit (loss), k BYR	Net profit (loss), k USD	market share, % of total GWP
1	Beleksimgarant	3 140 961	1 034,9	5,5%
2	Generali	1 526 245	502,9	1,0%
3	Guarantee	853 570	281,2	0,4%
4	Belcoopstrakh	236 008	77,8	3,5%
5	Kentavr	144 410	47,6	0,7%
6	Belneftstrakh	131 359	43,3	6,2%
7	Belvnesstrakh	65 318	21,5	0,8%
8	B&B insurance Co	58 261	19,2	5,0%
9	ERGO	36 282	12,0	0,5%
10	Delta insurance	31 894	10,5	0,0%
11	Bahach	13 779	4,5	0,1%
12	Belrosstrakh	10 281	3,4	2,2%
13	Rosgosstrakh	5 365	1,8	0,0%
14	Kupala	2 125	0,7	0,9%
15	BelIngostrakh	(304 637)	(100,4)	1,5%
16	Zepter Insurance	(906 212)	(298,6)	0,4%
17	TASK	(1 271 717)	(419,0)	7,4%
18	Promtransinvest	(1 322 545)	(435,8)	5,9%
19	Belgosstrakh	(12 054 435)	(3 971,9)	57,9%

Sources: UNITER, Ministry of Finance of the Republic of Belarus: www.minfin.gov.by

### Life insurance

➤ Total premiums earned in life insurance segment grew by 39,5% yoy (in dollar terms). The net profit in total comprised USD 0,8 mn.

➤ Non-life insurance segment **in the red** due to huge losses posted by state-owned /controlled companies, mainly Belgosstrakh.

➤ The share of voluntary insurance business lines in total GWPs earned is growing.

State owned/state controlled companies

Private companies

	name	net profit (loss), k BYR	Net profit (loss), k USD	market share, % of total GWP
1	Stravita	1 604 954,4	528,8	74,6%
2	Pension Guarantees	567 458,6	187,0	1,8%
3	Line 7	92 920,8	30,6	6,3%
4	Belarussky Narodny Srtakhovoy Pensionny Fond	48 111,0	15,9	17,2%

# INSURANCE SECTOR OVERVIEW

## The Key Highlights 2010

### MARKET OVERVIEW

➤As of 1 January 2011, there were 19 non-life insurance companies operating in Belarus. 4 companies are operating in the segment of life insurance. The state unitary enterprise "Belarusian National Reinsurance organization" is the first and the only specialized reinsurance company in Belarus.

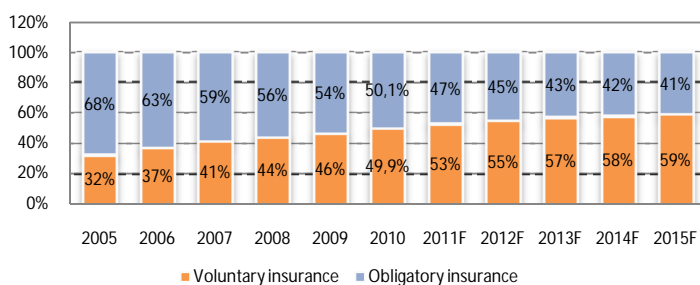
➤Total gross written premiums (GWPs) earned during 2010 totaled BYR 1 342 bn (+20,3% yoy at current prices). Insurance claims settlement and cover payments made up 59,9% of the total GWPs earned in Jan-Dec 2010 (56,7% in Jan-Dec 2009). In 2009 the overall Belarusian insurance market size was reported BYR 1 115,2 bn (USD 397,8 mn).

➤The main component of the insurance industry growth is the voluntary risk insurance. This segment was driven by the strong growth in the consumer and mortgage lending, new car sales, higher use of transportation and medical services.

➤In 2010 the shares of voluntary and obligatory insurance in total GWPs equaled 49,9% and 50,1%, respectively (46,1% and 53,9% in 2009).

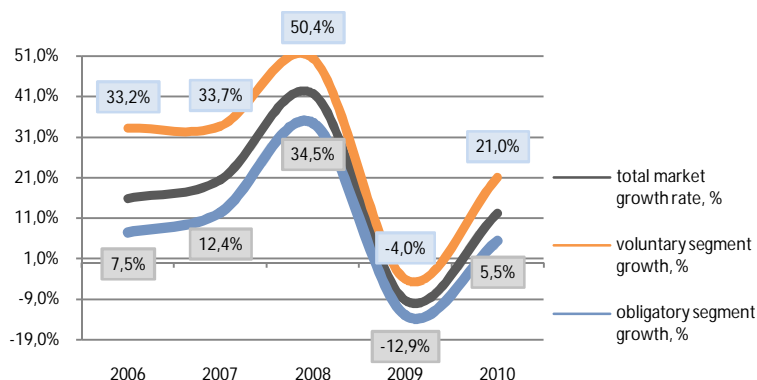
	2010
Reported market size, USD mn	448,3
Insurance claims settlement and cover payments/ total GWP, %	59,9%
Insurance penetration, %	0,82
Market share of state (owned/controlled) non-life insurance companies, %	83,96%
Market share of state owned life insurance companies, %	74,6%

Split between voluntary and obligatory insurance



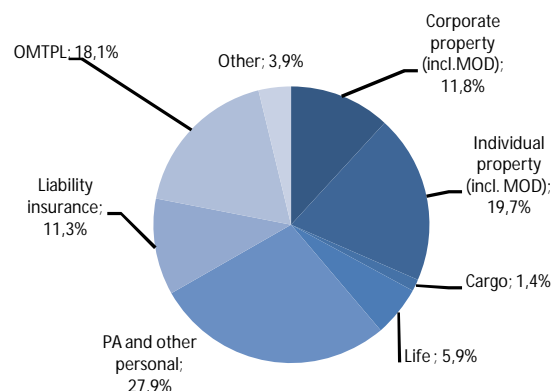
Sources: UNITER, Ministry of Finance of the Republic of Belarus: www.minfin.gov.by

Market nominal growth rates, %, (USD calculation base)



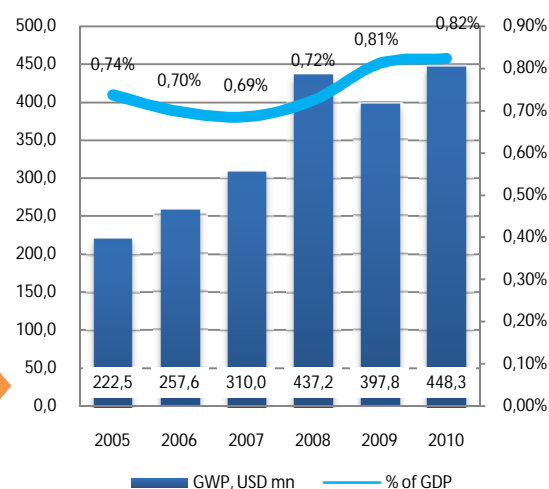
Sources: UNITER, Ministry of Finance of the Republic of Belarus: www.minfin.gov.by

Insurance market segments, 2010



Source: Ministry of Finance of the Republic of Belarus: www.minfin.gov.by

Belarusian insurance market development



Sources: UNITER, Ministry of Finance of the Republic of Belarus: www.minfin.gov.by

➤The market has clear upside potential. Insurance penetration, commonly recognized indicator of insurance activity, expressed by showing total gross written premiums as a percentage of gross domestic product (GDP), is extremely small – 0,82%. The average penetration in Europe - 8,1% (2009). The contribution of insurance industry in Russia 2,5% (2009).

Sources: CEA Statistics N°42 European Insurance in Figures; Russia Insurance Market Intelligence: 2011 Edition

# INSURANCE SECTOR OVERVIEW

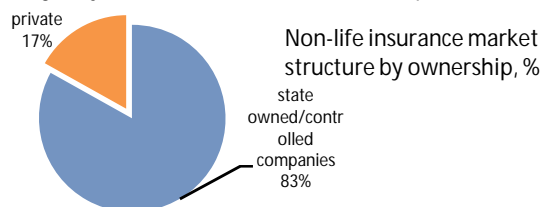
## NON-LIFE INSURANCE

➤ The non-life penetration is 0,78% of GDP (2010) indicating a considerable immaturity of the market.

➤ The largest segment in voluntary insurance is property insurance: 68,1%, followed by personal insurance 25,2% which demonstrates highest growth rates and liability insurance 6,7%.

➤ The market is highly concentrated and dominated by 6 state owned /controlled companies that make up 83,96% from the whole non-life insurance market.

➤ The share of "Belgosstrakh" is them is 65,8%. The main reason is that the state insurers and (or) those insurance companies where more than 50% belongs to the State, are entitled to render obligatory insurance services. Private companies are not entitled to do so.

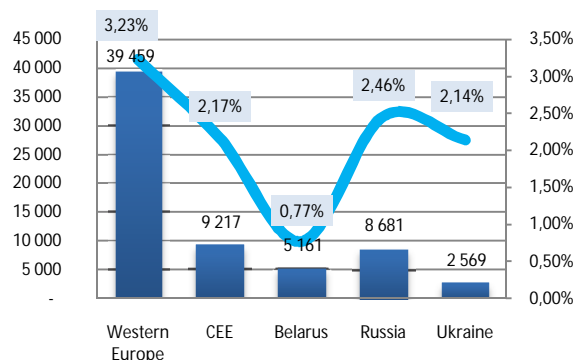


#	Company/Group	Market share by premiums earned	Comments
1	<b>Belgosstrakh</b>	55,28%	100% state-owned
2	<b>TASK</b>	7,88%	State-owned company founded by Belarus Railways
3	<b>B&amp;B insurance Co</b>	7,02%	Private insurer (ongoing acquisition of AXA – announced in 30 <sup>th</sup> of December)
4	<b>Promtransinvest</b>	6,57%	state-controlled company
5	<b>Belneftestrakh</b>	5,59%	state-controlled company
6	<b>Beleksingarant</b>	4,92%	State-owned company
7	<b>Belcoopstrakh</b>	3,73%	state-controlled company
8	<b>Belrosstrakh</b>	2,38%	Owned by RESO Group (Russia)
9	<b>Bellingostrakh</b>	1,61%	Igosstrakh Russia
10	<b>Kupala</b>	1,14%	Vienna Insurance Group
11	<b>Generali</b>	0,89%	PPF Group, the Czech Republic
12	<b>Belvneshstrakh</b>	0,85%	Belvneshconombank
13	<b>Zepter Insurance</b>	0,65%	UBA United Business Activities Holding AG
14	<b>Kentavr</b>	0,60%	Private; foreign and Belarusian shareholders
15	<b>ERGO</b>	0,39%	ERGO Group, Germany
16	<b>Guarantee</b>	0,35%	Private; Belarusian shareholders
17	<b>Bahach</b>	0,13%	Private; Belarusian shareholders
18	<b>Rosgosstrakh</b>	0,01%	Subsidiary of Russian Rosgosstrakh
19	<b>Delta insurance</b>	0,004%	Ukrainian shareholder (Delta Bank)

➤ Investors see the potential in the underpenetrated insurance market in Belarus. In recent years many of large foreign insurance companies have entered the market .

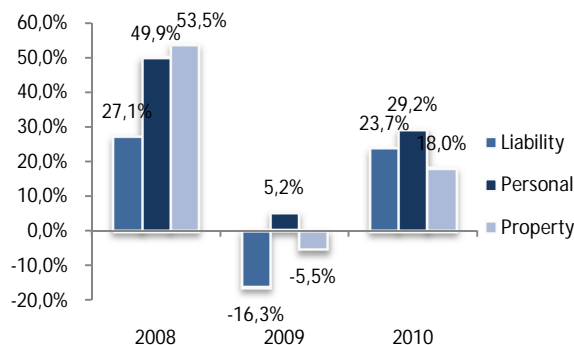
\*There is also an optimistic scenario based on a draft of national program of insurance business 2010-2015 (the planned GWP/GDP ratio (life + non-life) of 1,9-2% by 2015). (Source: journal "Insurance in Belarus" (№ 09 (94) Sept 2010), p.14.

Insurance penetration: non-life business (2009)

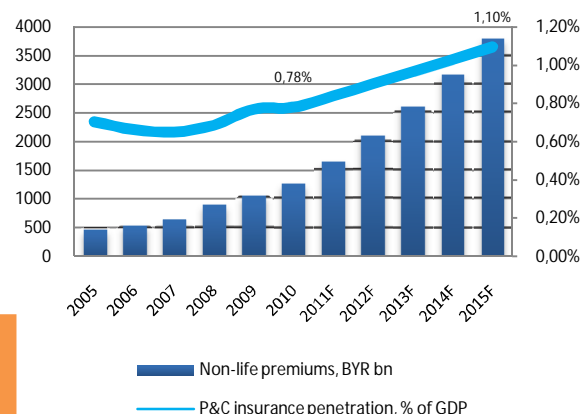


Source: SIGMA World insurance in 2009; IMF

Non-life growth rates, %. Split by types.



Belarusian non-life insurance market development (with a conservative forecast)\*

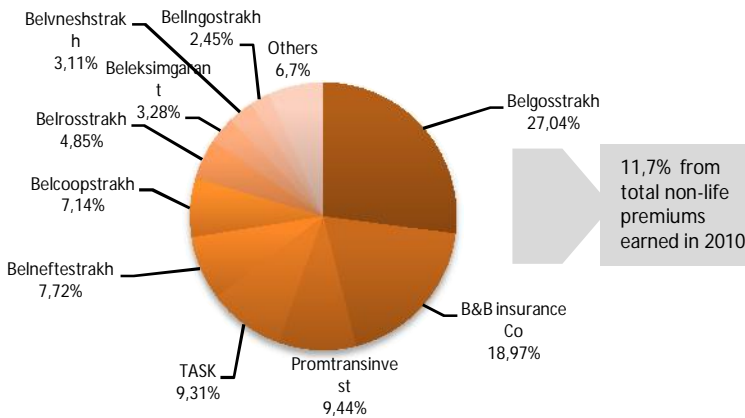


Sources: UNITER, Ministry of Finance of the Republic of Belarus: [www.minfin.gov.by](http://www.minfin.gov.by); IMF

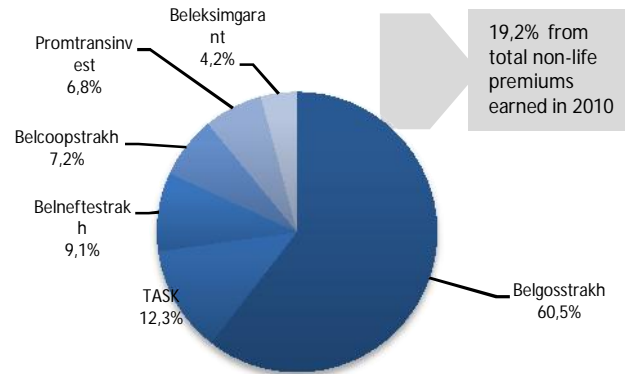
# INSURANCE SECTOR OVERVIEW

## NON-LIFE INSURANCE: TOP PLAYERS IN SELECTED SEGMENTS

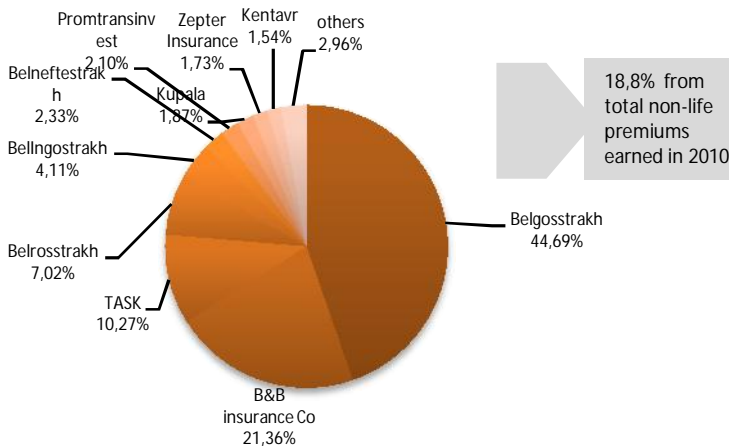
Voluntary insurance: Corporate property (incl. MOD)  
Markets shares by premiums earned



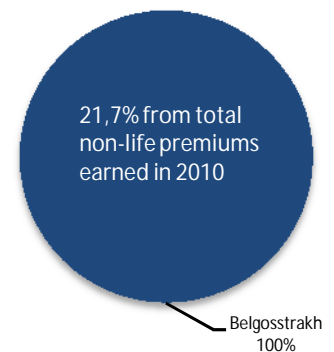
OMTPL (Obligatory motor third party liability)  
Markets shares by premiums earned



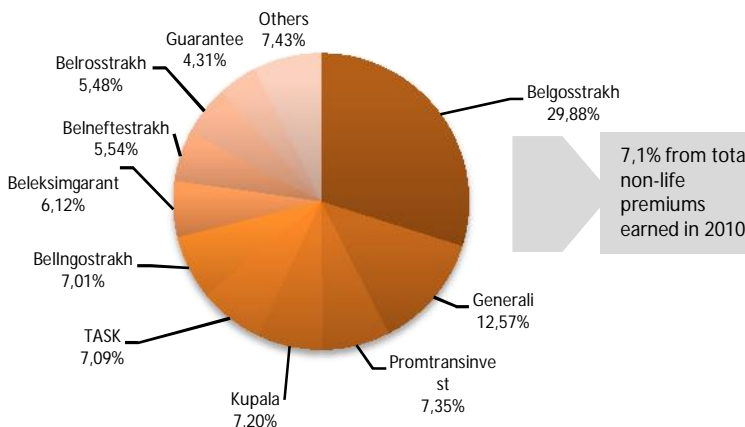
Voluntary insurance: Individual property (incl. MOD)  
Markets shares by premiums earned



Obligatory personal accident and occupational disease insurance  
Markets shares by premiums earned



Voluntary insurance: PA and other personal insurance  
Markets shares by premiums earned



The market overall is dominated by the state companies. In case of regulatory changes certain redistribution of market shares is to be expected.

Sources: UNITER, Ministry of Finance of the Republic of Belarus: [www.minfin.gov.by](http://www.minfin.gov.by)

# INSURANCE SECTOR OVERVIEW

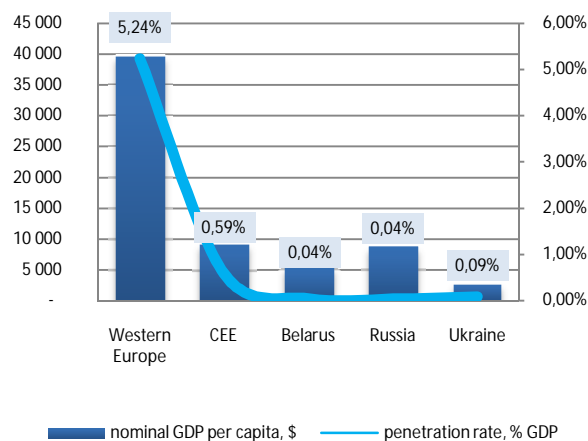
## LIFE INSURANCE

- Total GWPs earned in life insurance services totaled BYR 78 954,35 mn (USD 26,4 mn).
- Life penetration is 0,05% (2010) which is a very low value comparing with current trends on both mature and emerging markets (Western Europe: 5,24%, CEE: 0,59%\*). We see market upside potential in case of market liberalization (expected this year).
- The leader on the market is a state enterprise "Stravita" with a 74,6% market share.

#	Company/Group	Market share
1	Stravita (state)	74,65%
2	Belarussky Narodny Srtakhovoy Pensionny Fond	18,63%
3	Line 7	5,70%
4	Pension Guarantees	1,01%

Sources: Ministry of Finance of the Republic of Belarus: [www.minfin.gov.by](http://www.minfin.gov.by)

Insurance penetration: life business (2009)



Source: SIGMA World insurance in 2009: IMF

## IMPORTANT NOTES

- Insurance legislation envisages clear differentiation of services. An insurance company providing life insurance services may not cover other types of insurance services. Moreover, private insurance companies both in risk and life insurance segments are prohibited to render insurance services to state-owned and state-controlled enterprises and to render all types of obligatory insurance services.
- Insurance legislation is mostly aimed at compulsory insurance development and does not stimulate voluntary and life insurance. Moreover, only state insurers and (or) those insurance companies in which more than 50% of stakes belongs to the Republic of Belarus are entitled to render compulsory insurance services.

### Expected regulatory changes:

A draft of national program of insurance business 2011-2015 has been worked out. It establishes the phasing out protectionist measures towards private insurance companies. Two more important steps are to be introduced:

- Provision of access to the internal insurance market for nonresidents
- Provision of the right to life insurance companies to render a full package of insurance services.

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