



## Reinsurance in Russia | January – June 2017

# Data Source and Report Purposes



Nikolay Kuznetsov,  
Chief Actuary, RNRC  
Nickolay.Kuznetsov@rnrc.ru

"We are pleased to present our regular overview of the reinsurance market, which was made by RNRC on the basis of the public statistics of the Central Bank.

Our aim is to provide the market and all interested parties with a fair view of the changes on the Russian reinsurance market free from speculation and arbitrary conclusions.

The Report is based solely on the historical data provided by insurers in their quarterly reports to the Central Bank.

We are always ready to answer any questions concerning these reports which have become our regular practice."

# TABLE OF CONTENTS

## Inward reinsurance

- Premium growth dynamics
- Market structure
- Leaders
- Geography
- Market concentration
- Loss ratio

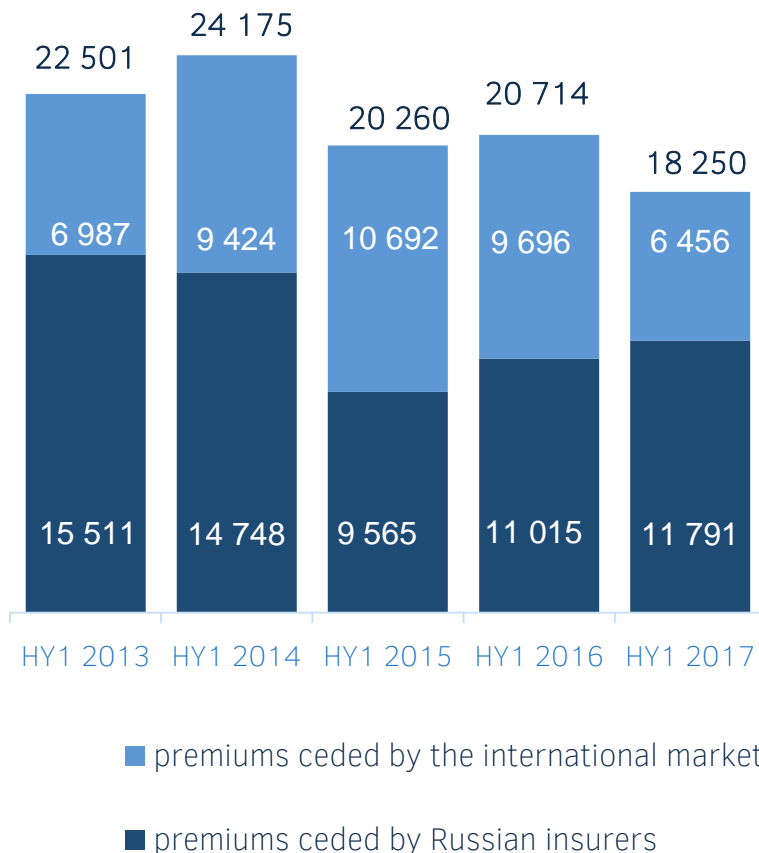
## Outward reinsurance

- Dynamics
- Structure
- Geography
- Leaders
- RNRC's share in insurers' portfolios

## Paid claims

# Inward reinsurance market dynamics

Dynamics of the inward reinsurance market  
(million RUB)



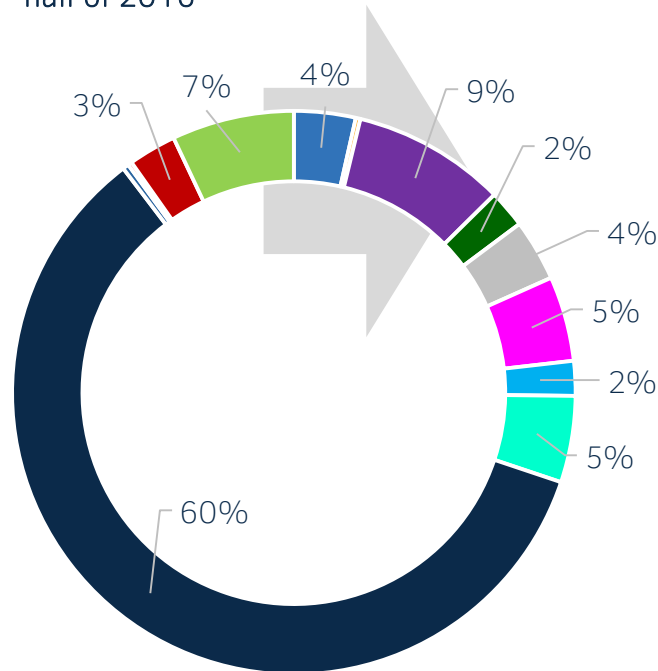
The downward trend of the inward insurance market has continued in the first six months of 2017, although in the second quarter of 2017, the decline slowed down almost twofold compared to the first quarter. The market decreased by 15.7% in the first quarter and only by 7% in the second quarter. At the end of the six months, the market decline totaled 11.9%. If not for RNRC, the decrease would have reached 25% in the first six months.

At the end of the first six months, the drop in the amount of international risk premiums of Russian companies remained at the level of the first quarter (33%). As a result, the share of international business has decreased from 46% to 35% of the total amount of premiums compared to the first six months of 2016. The performance of all major players has decreased, in part due to the strengthening of the ruble in 2017. This has less impact on the domestic market, though being important for players of international origin, such as SCOR, Chubb, and AIG.

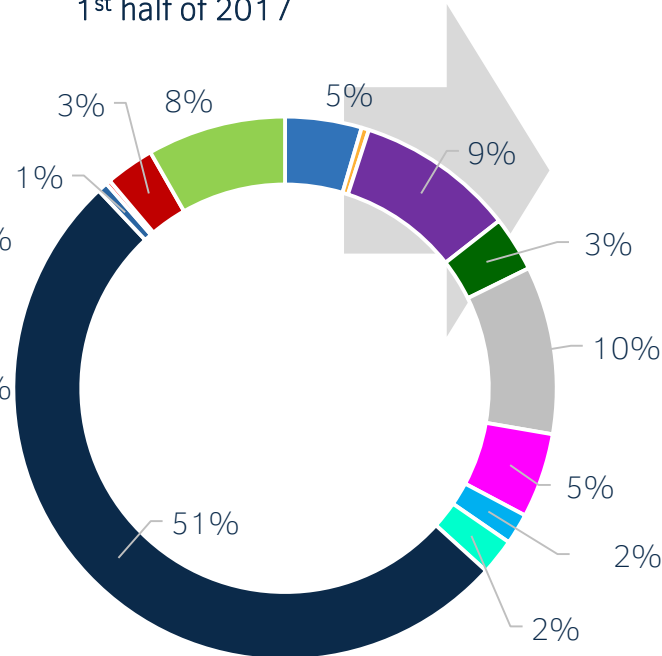
The Russian inward reinsurance market has grown by 7%. If not for RNRC, it would have seen a 20% drop in premiums, as some companies (such as UNITY RE, TRANSSIB RE, ZHASO, TRANSNEFT, and SELEKTA (who was back on the market in the second quarter of 2017)) have left the market and a number of Russian players (such as ROSGOSSTRAKH, CAPITAL INSURANCE, and SCOR) have become less active. etc.

# Inward reinsurance market structure

Inward reinsurance market structure  
1<sup>st</sup> half of 2016



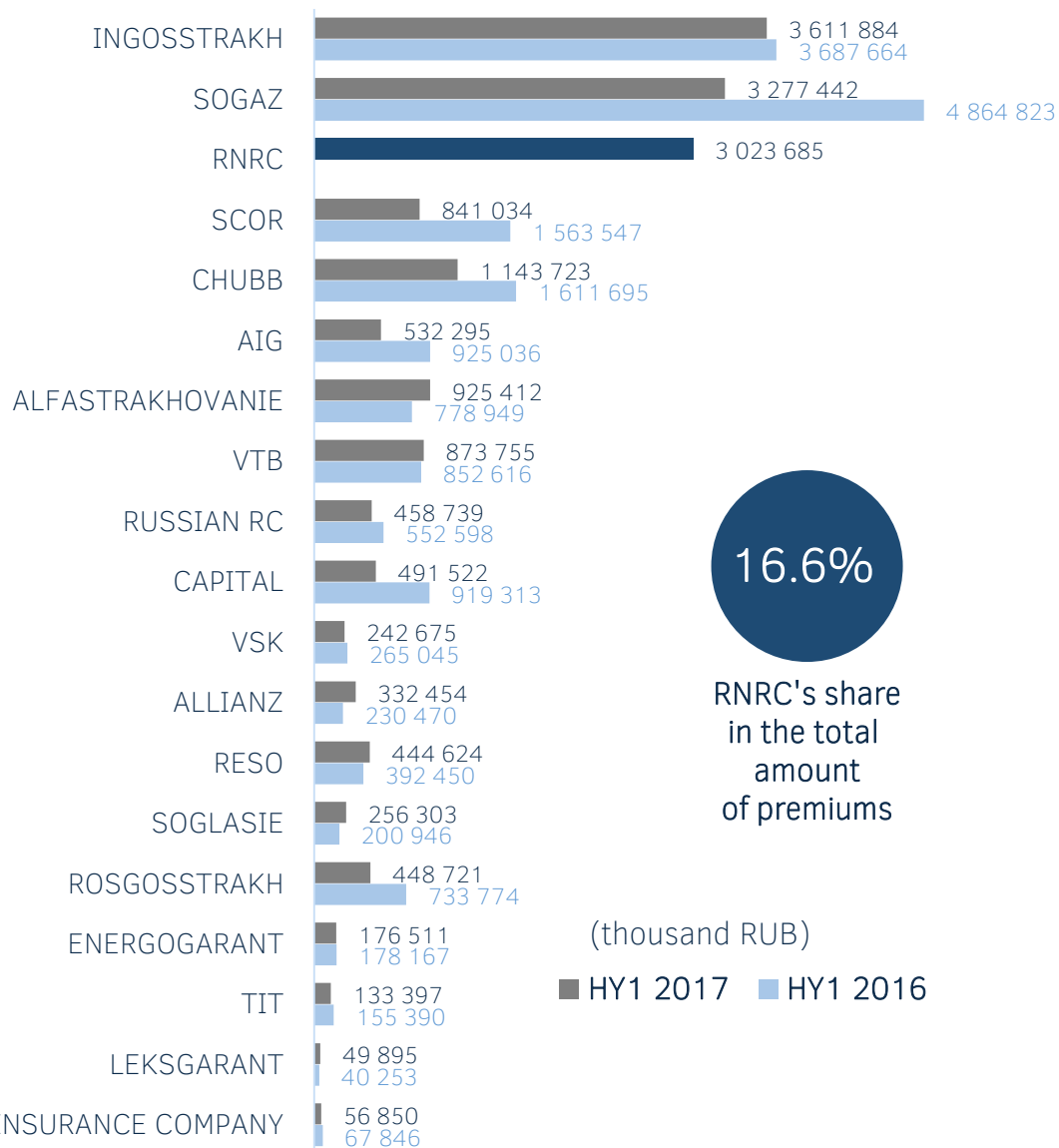
Inward reinsurance market structure  
1<sup>st</sup> half of 2017



- Financial risks
- Agricultural
- Liability, incl. hazardous industrial facilities
- Compulsory insurance of hazardous industrial facilities
- Compulsory carrier liability insurance
- Voluntary medical insurance and accident insurance
- Marine
- Hull and machinery
- Corporate property
- Personal property

Changes in the structure of premiums followed the same trends as those seen in the first quarter: an increasing share of compulsory liability insurance (hazardous industrial facilities and carriers liability) and a decreasing share of corporate property insurance. Changes in compulsory insurance are technical and are due to changes in the accounting regulations. Changes that are less significant in absolute terms but worth mentioning include a more than twofold drop in the share of land transport hull insurance in the structure of premiums (mainly contributed by a decrease in premiums of SKOR P.O. from the Russian market) and a considerable (75%) increase in the share of personal property insurance in the structure of premiums due to an increased amount of premiums ceded to SOGAZ.

# Leaders of the inward reinsurance market



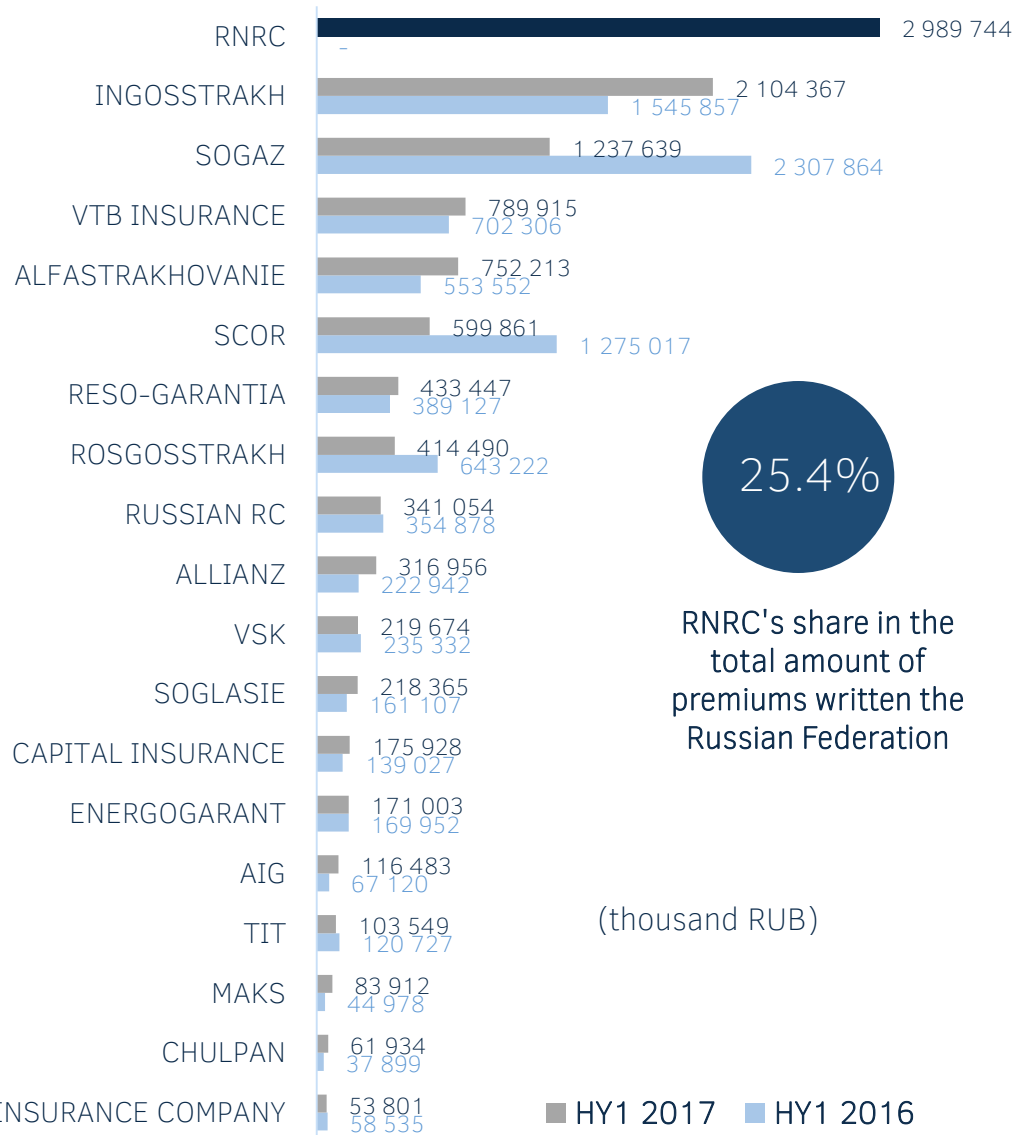
At the end of the 1<sup>st</sup> half of 2017, the market leaders, SOGAZ and INGOSSTRAKH, swapped places with each other due to a decrease in written premiums of SOGAZ.

RNRC has increased its market share and remained third among the leaders.

Some of the market leaders (ALFASTRAKHOVANIE, VTB INSURANCE, RESO-GARANTIA) have increased their written premiums.

Premiums written by subsidiaries of international companies decreased largely due to changes in the ruble exchange rate.

# Leaders of the inward reinsurance market in the Russian Federation



RNRC accounts for 25% of the domestic inward reinsurance market.

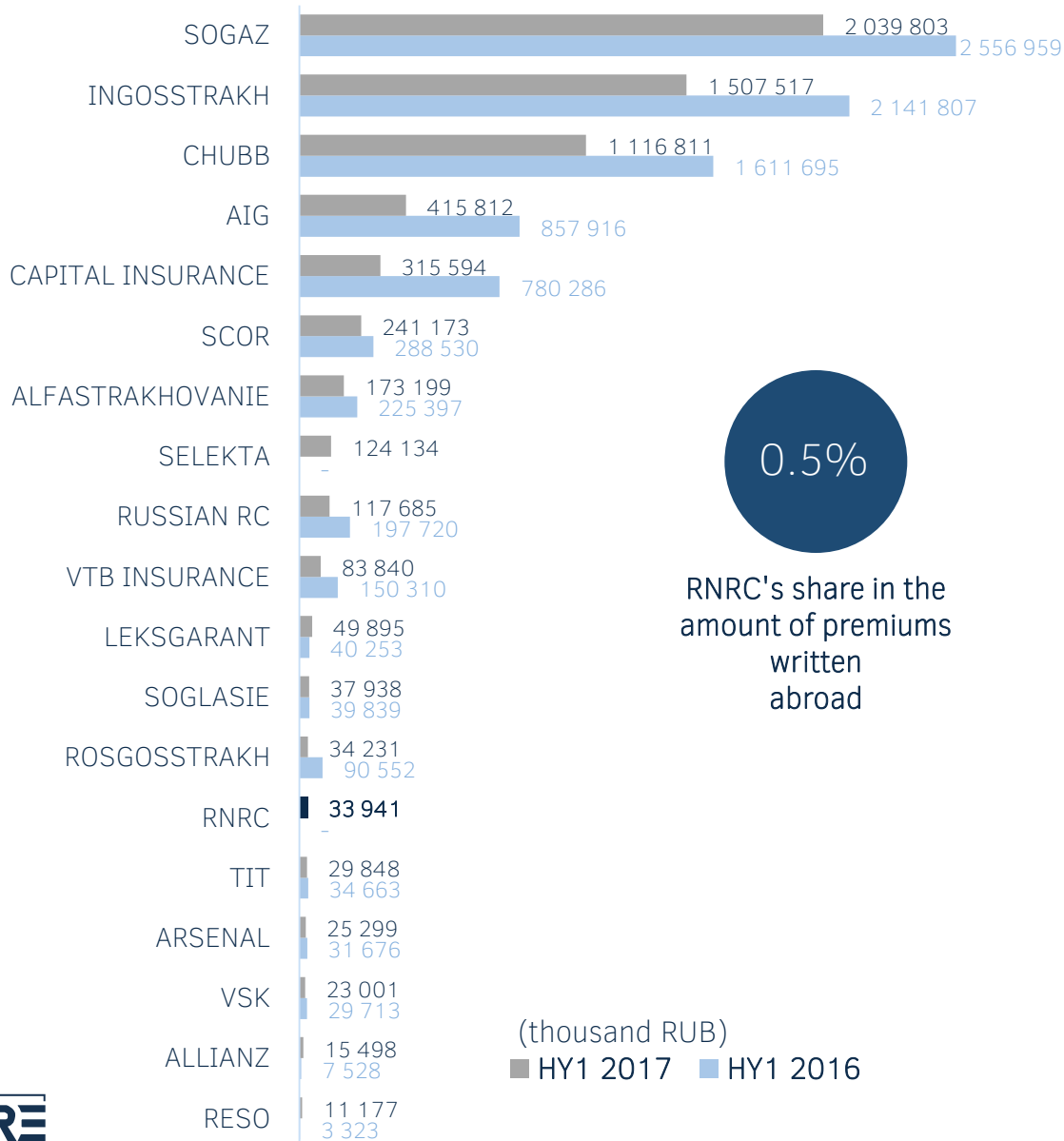
If not for written premiums of RNRC, the inward reinsurance market would have seen a 20% drop instead of growing by 7%.

INGOSSTRAKH posted a 36% increase and SOGAZ saw a 46% decrease in inward reinsurance premiums. The latter was due to a more than a twofold decrease in premiums under corporate property insurance contracts.

The growth of premiums of major insurers mainly relates to the domestic market.

SCOR saw a drop in premiums due to a decrease in premiums under hull and machinery insurance contracts.

# Leaders of the market of inward reinsurance from abroad



All notable players of the market of inward reinsurance placed by foreign insurers experienced a decrease in their business. This was mainly due to the strengthening of the ruble, leading to a decrease in the Ruble equivalent amount of premiums.

CAPITAL INSURANCE has lost a significant amount of inward reinsurance business from Bulgaria.

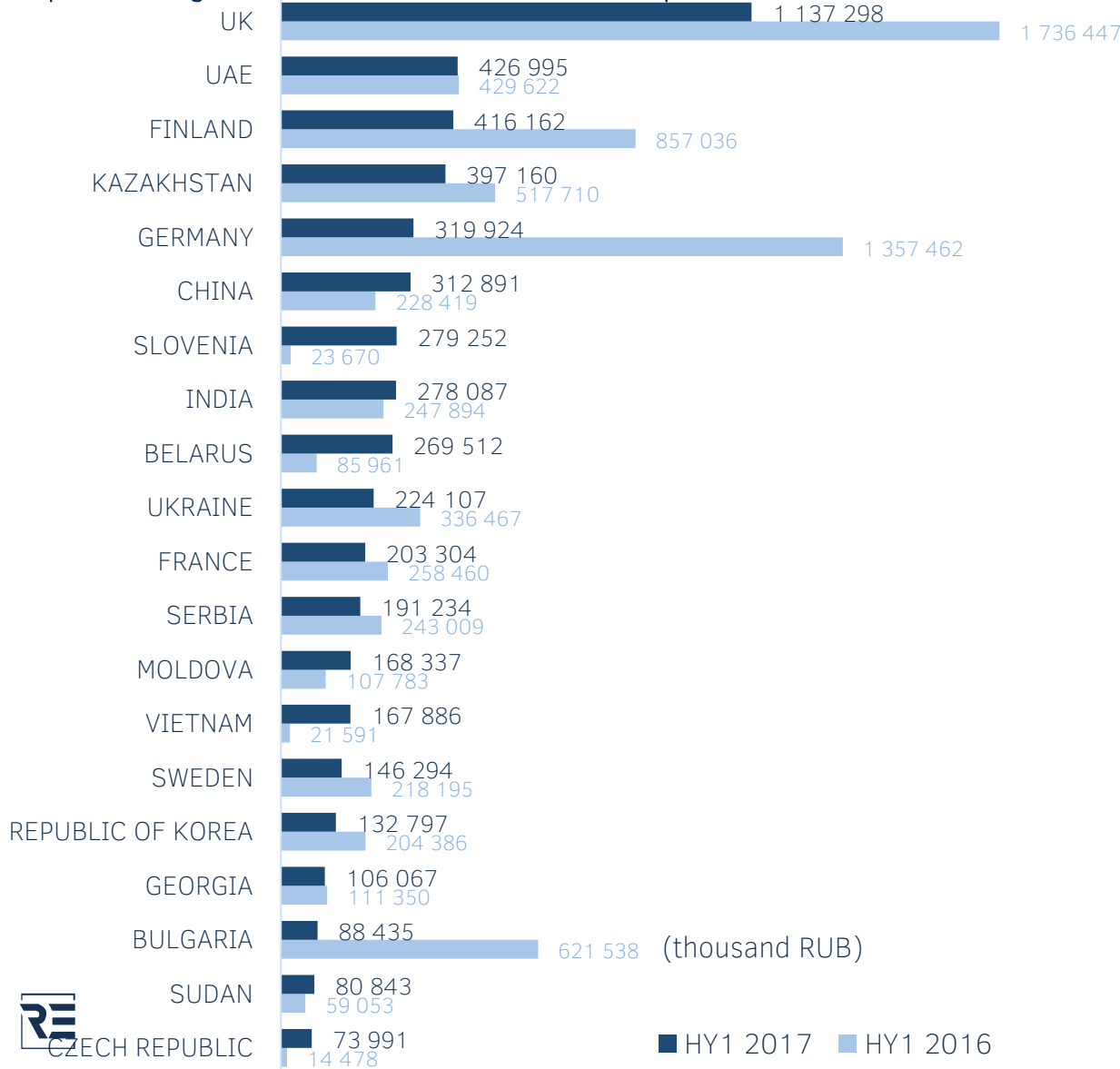
SELEKTA is back in the statistics published by the Central Bank of Russia for the first six months of 2017.

RNRC has not acquired any significant volumes of foreign business. This is due to the fact that the Company started to operate on international markets in the second quarter of 2017 after international rating assignment by Fitch (BBB-).



# Countries ceding premiums to Russia

Top 20 leading countries in terms of the amount of premiums ceded to Russian reinsurers



The amount of premiums ceded to Russian reinsurers has decreased for the majority of countries. The most notable decrease is recorded for Germany. This is due to a dramatic reduction of business placed from this country with SOGAZ.

At the same time, SOGAZ was able to make up for the lost business on account of Belarus, Vietnam and China, resulting in growth for these countries.

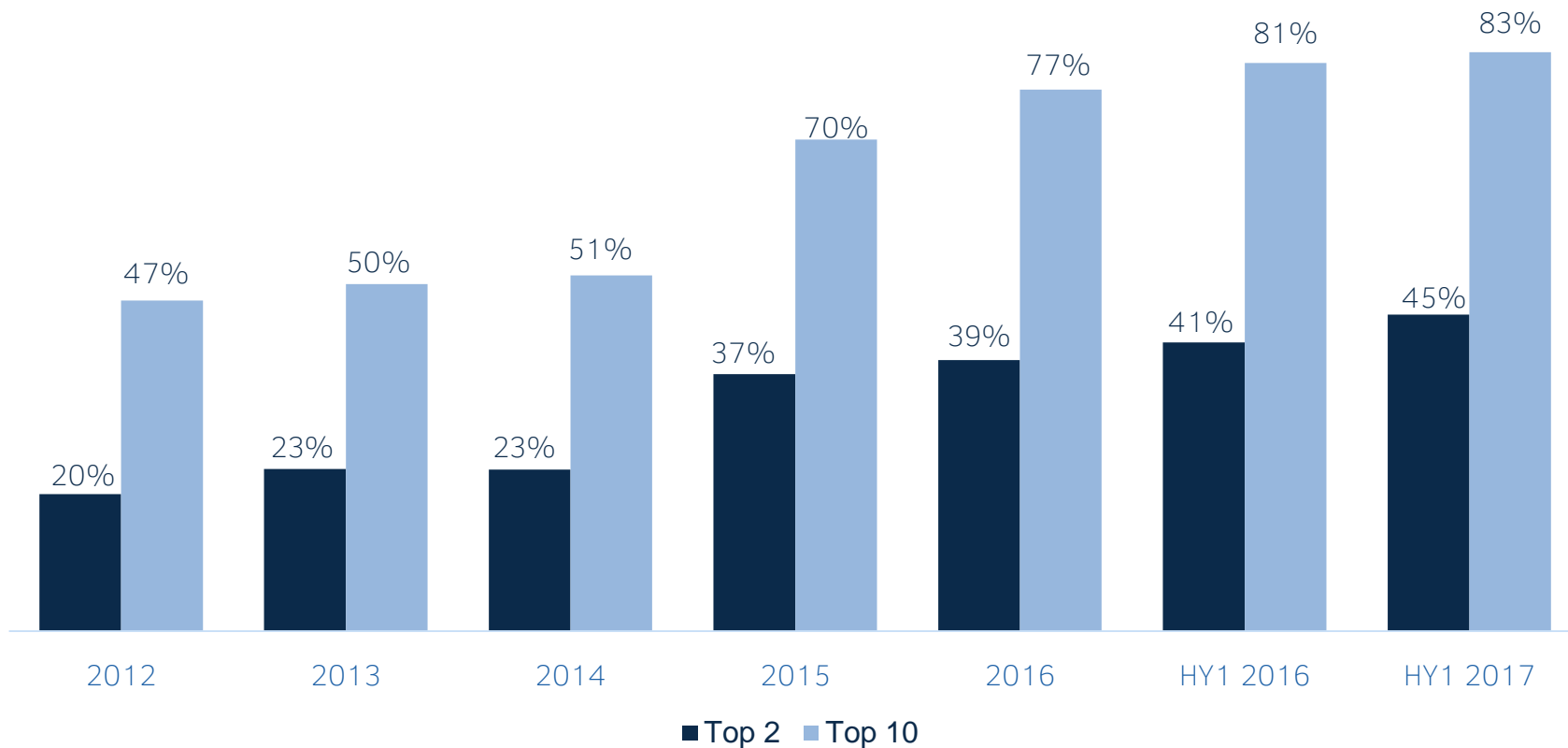
For the UK, the drop was due to a reduction in business placed with CHUBB.

For Finland, a twofold decrease in premiums was due to AIG.

For Bulgaria, the decline was due to CAPITAL INSURANCE. The growth of premiums from Slovenia is also associated with this company.

# Inward reinsurance market concentration

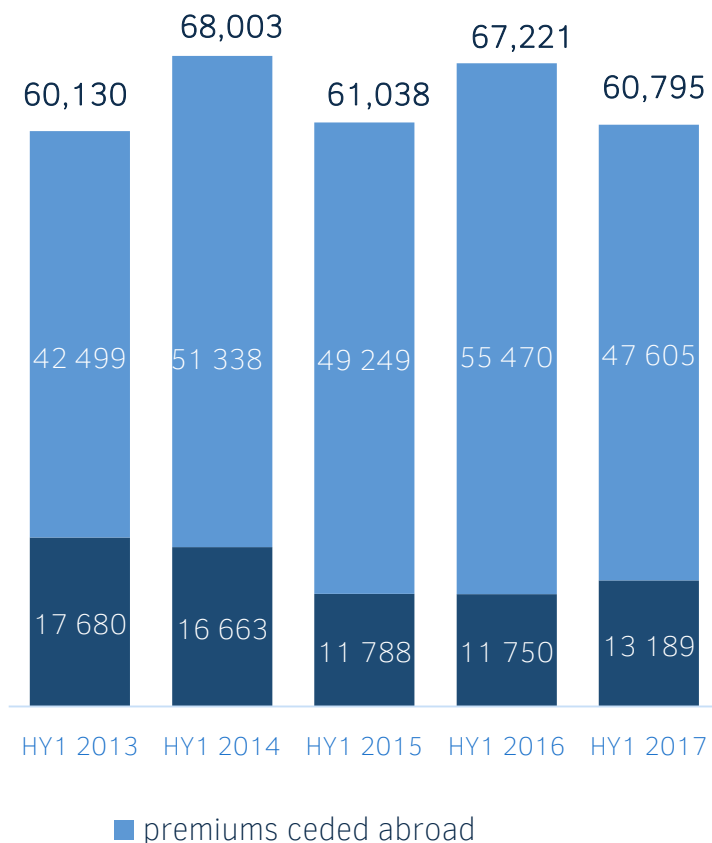
Market shares of Top 2 and Top 10 leaders of the inward reinsurance market



The trend towards the concentration of the inward reinsurance market continues. Following a decrease in premiums from international markets, the percentage of Russian companies among the top 10 players is growing.

# Outward reinsurance market dynamics

## Dynamics of the outward reinsurance market (million RUB)



In the second quarter of 2017, the amount of ceded premiums showed better dynamics in absolute terms than in the similar period of 2015 and 2016. As a result, the market decline has slowed down.

While at the end of the first quarter of 2017 the market decrease reached 20%, the aggregate drop for the six months was 10%.

The fall was due to a 14% decrease in premiums ceded abroad in the first six months (in the first quarter of 2017, the decrease in premiums ceded abroad reached 25%).

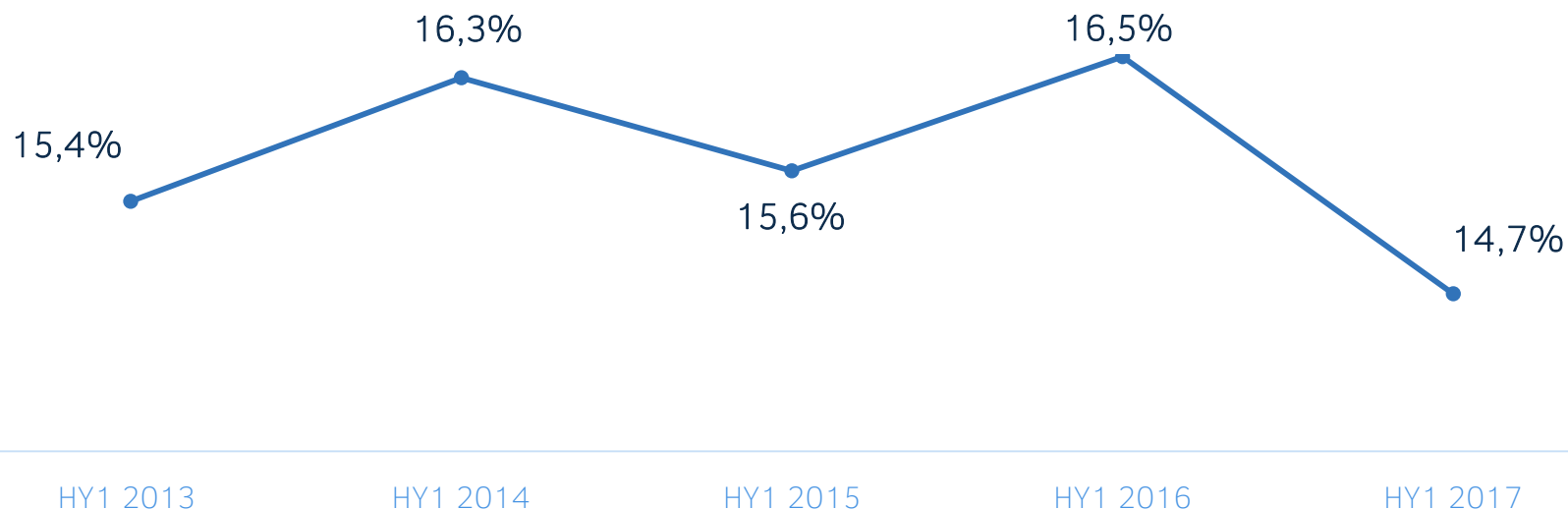
The trend toward increasing treaty capacity driven by SOGAZ and INGOSSTRAKH was supported by another player, ALFASTRAKHOVANIE that increased the limit under its existing treaty. The trend towards an increasing number of co-insurance contracts continues too, which also contributes to reduction of the total amount of ceded premiums.

The strengthening of the ruble and changes in the premiums accounting procedure also continue to affect the year-to-year comparability of figures in differently directed patterns. The strengthening of the ruble reduces the amount of premiums denominated in foreign currency and the new accounting regulations increase the amount of premiums, requiring that premiums be reported before the formally executed documents are received.

CAPITAL INSURANCE reduced the amount of ceded premiums due to rescheduling of signing of a few major contracts from the first quarter of 2017 to the fourth quarter of 2016. A positive effect on the amount of ceded premiums was made by changes in the structure of land transport hull and machinery reinsurance, mainly due to SOGLASIE. A reduced amount of "schemes" also makes a contribution, but this impact cannot be reliably assessed.

# Dynamics of the outward reinsurance ratio

Ratio of ceded premiums to direct and assumed reinsurance premiums, excluding life and compulsory motor third party liability insurance

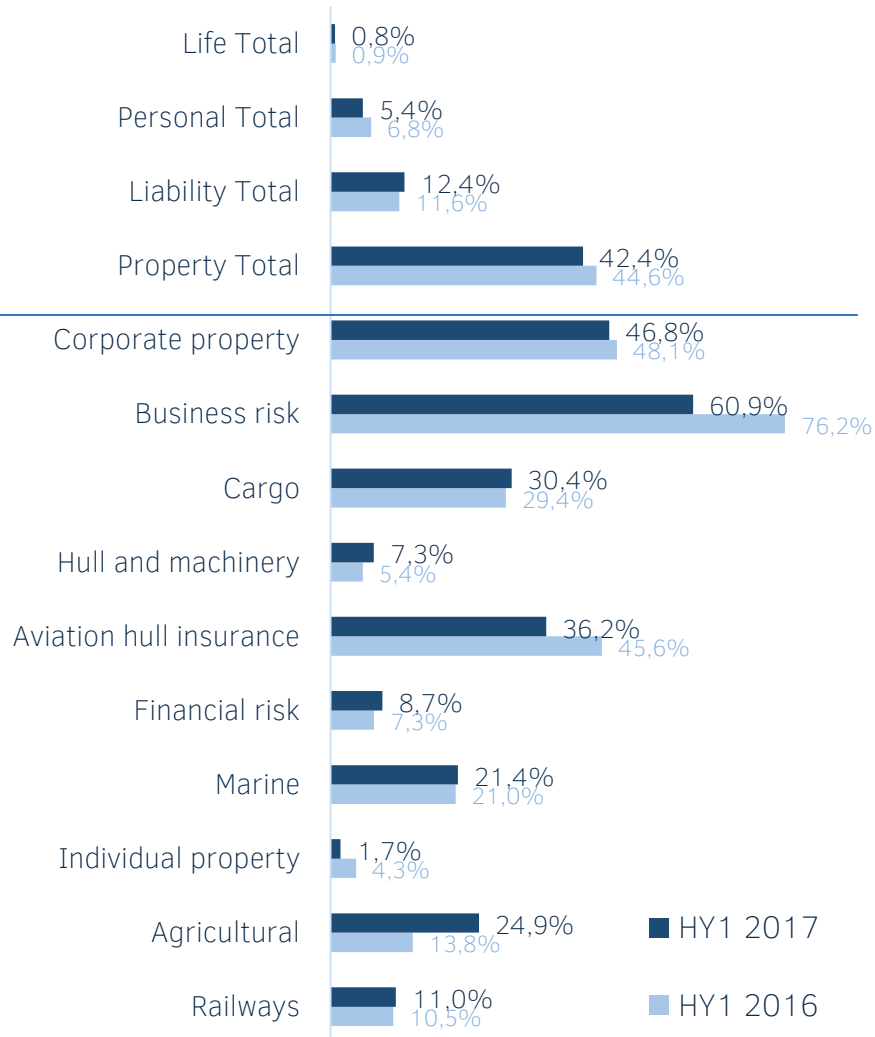


During the 1<sup>st</sup> half of 2017, ceded premiums not only showed a decline in absolute terms, but also structural changes. The ratio of ceded premiums to total direct and assumed reinsurance premiums dropped notably (excluding life and compulsory motor third party liability business, as such risks either may not be ceded or are insignificant).

In the second quarter of 2017, the ratio increased compared to the first quarter when it was 13%. The result for the 1<sup>st</sup> half of 2017 (14.7%) is much closer to the average values of the previous years.

# Risks with smaller shares

Ratio of ceded premiums to direct and assumed reinsurance premiums



At the end of the first six months of 2017, changes in the shares of ceded risks in certain segments compared to the previous year were less significant than a quarter ago.

As for property business, a significant gap registered in the first quarter of 2017 was almost made up for. Corporate property business was strongly impacted by the transfer of premiums of CAPITAL INSURANCE and almost a twofold decrease in the ceded premiums of ALFASTRAKHOVANIE and VTB. On the other hand, the market leader, SOGAZ, has notably increased the amount of premiums ceded in this business.

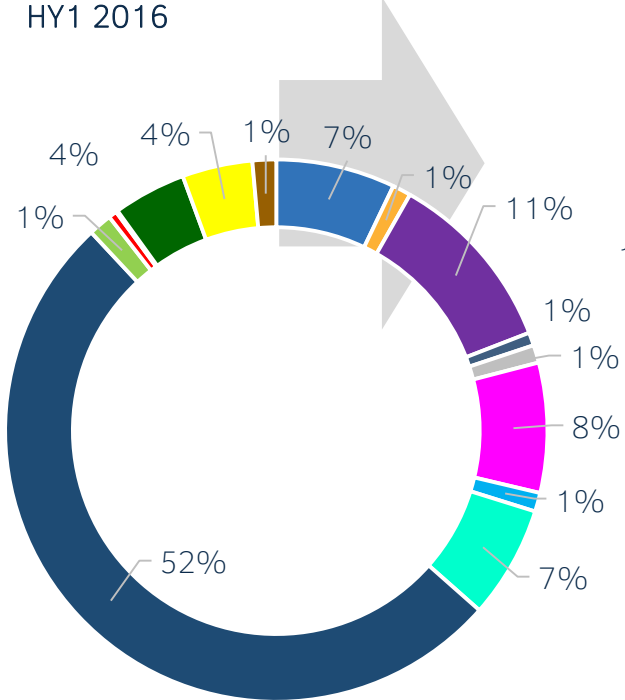
As for liability insurance, a percentage increase in premiums due to the changes in accounting for compulsory types was smaller on the one hand. On the other hand, decreased premiums ceded under developer liability contracts by RESPECT also showed a smaller percentage impact than in the first quarter of 2017.

A decrease in the share of ceded business risks was almost totally due to the leader of the segment, SOGAZ, that was able to increase its direct premiums while keeping the reinsurance premiums unchanged.

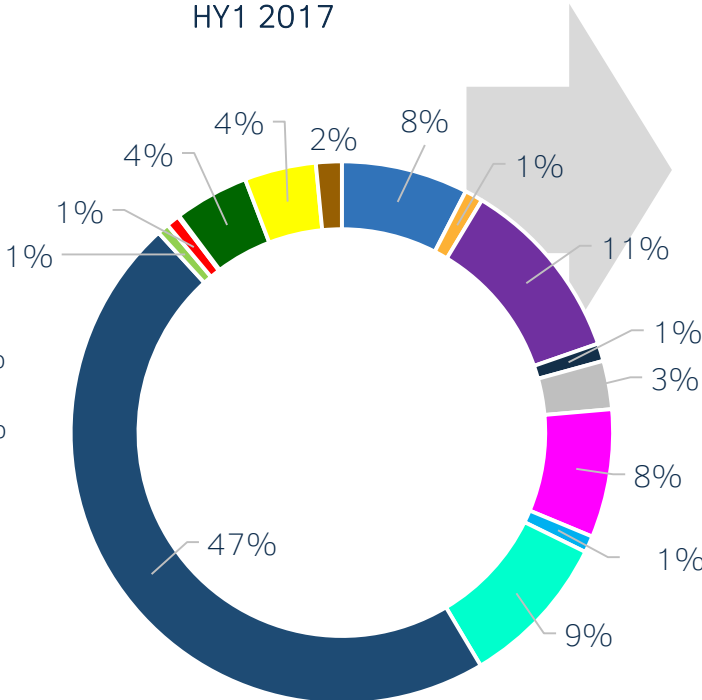
The share of business risk reinsurance is notably higher than that of corporate property business, mainly on account of business interruption insurance. This product is more offered to large corporate clients, resulting in a higher share of premiums ceded.

# Outward reinsurance market structure

Outward reinsurance market structure  
HY1 2016



Outward reinsurance market structure  
HY1 2017

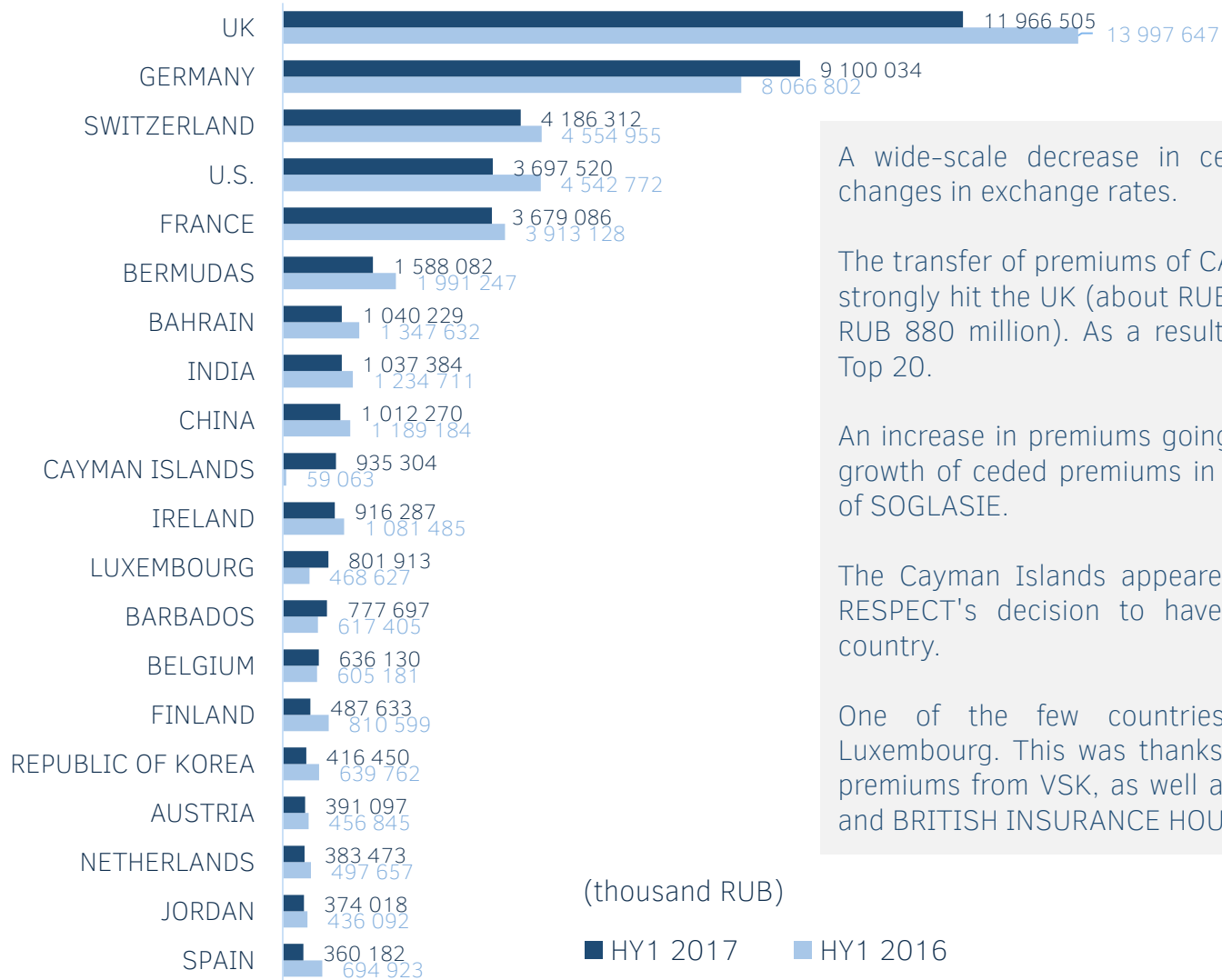


- Financial risks
- Agricultural
- Liability, incl. hazardous industrial facilities
- Compulsory insurance of hazardous industrial facilities
- Compulsory carrier liability insurance
- Accident and voluntary medical insurance
- Marine
- Hull and machinery
- Corporate property
- Personal property

In the 1<sup>st</sup> half of 2017, the share of land transport hull and machinery business increased compared to the similar period of the previous year. SOGLASIE increased its ceded premiums by four times or RUB 3 billion. Based on the changes in the premium dynamics, the structure of reinsurance coverage has changed as well. On the contrary, ROSGOSSTRAXH decreased its premiums by RUB 1.2 billion. SCOR saw a decrease in retrocession, and a number of players left the market altogether.

# Countries where premiums go to from Russia

Top 20 leading countries in terms of the amount of premiums ceded by Russian insurers



A wide-scale decrease in ceded premiums was due to changes in exchange rates.

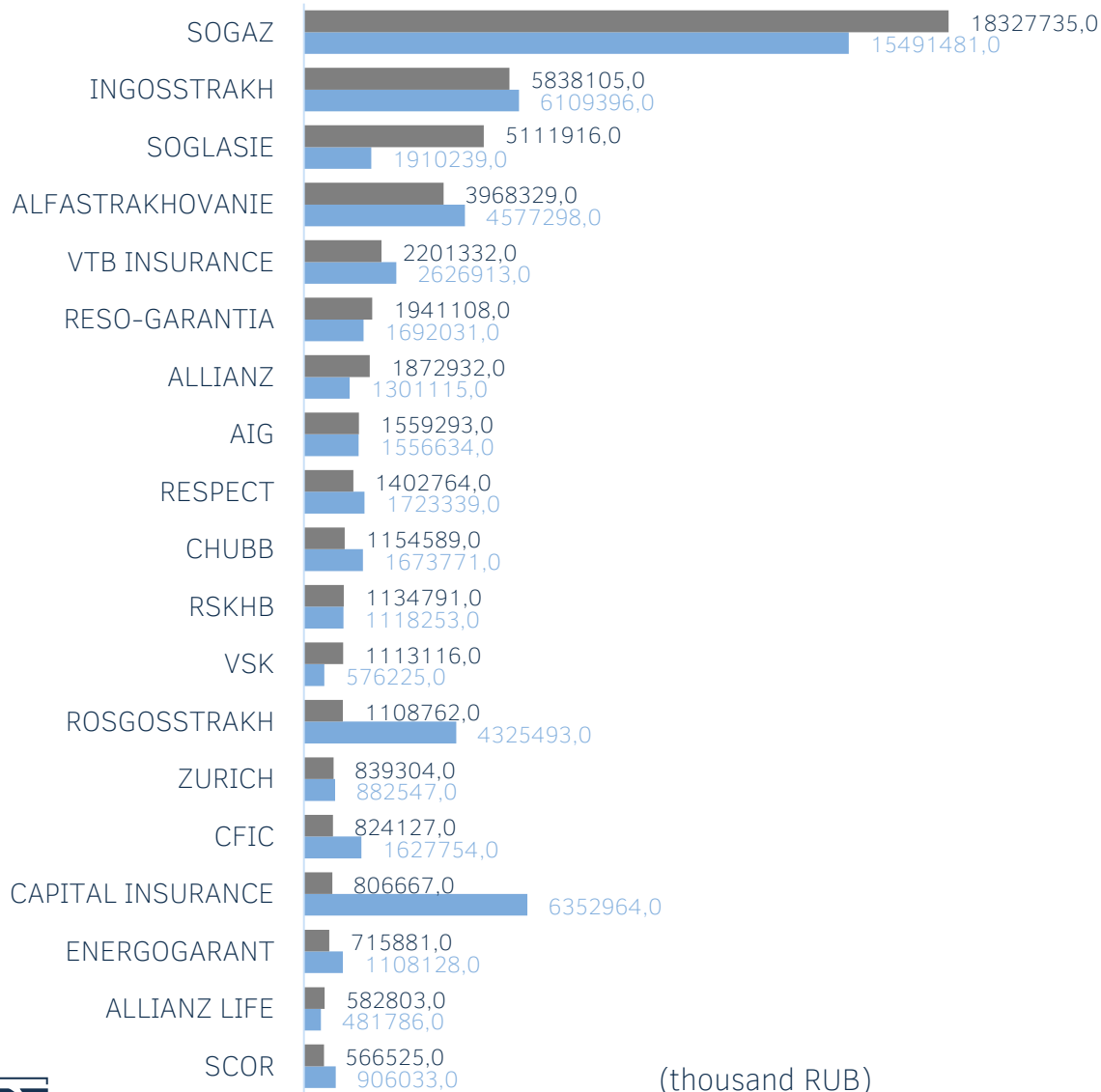
The transfer of premiums of CAPITAL INSURANCE has most strongly hit the UK (about RUB 2 billion) and Kuwait (about RUB 880 million). As a result, Kuwait dropped out of the Top 20.

An increase in premiums going to Germany was due to the growth of ceded premiums in hull and machinery business of SOGLASIE.

The Cayman Islands appeared in the Top 20 list due to RESPECT's decision to have its risks reinsured in this country.

One of the few countries that showed growth is Luxembourg. This was thanks to the increased amount of premiums from VSK, as well as to contracting with SOGAZ and BRITISH INSURANCE HOUSE.

# Leaders of the outward reinsurance market



(thousand RUB)

The majority of companies reduced the amounts of ceded premiums. The most notable decrease was reported by CAPITAL INSURANCE (Lukoil's property) and ROSGOSSTRAKH (hull and machinery, corporate and personal property businesses).

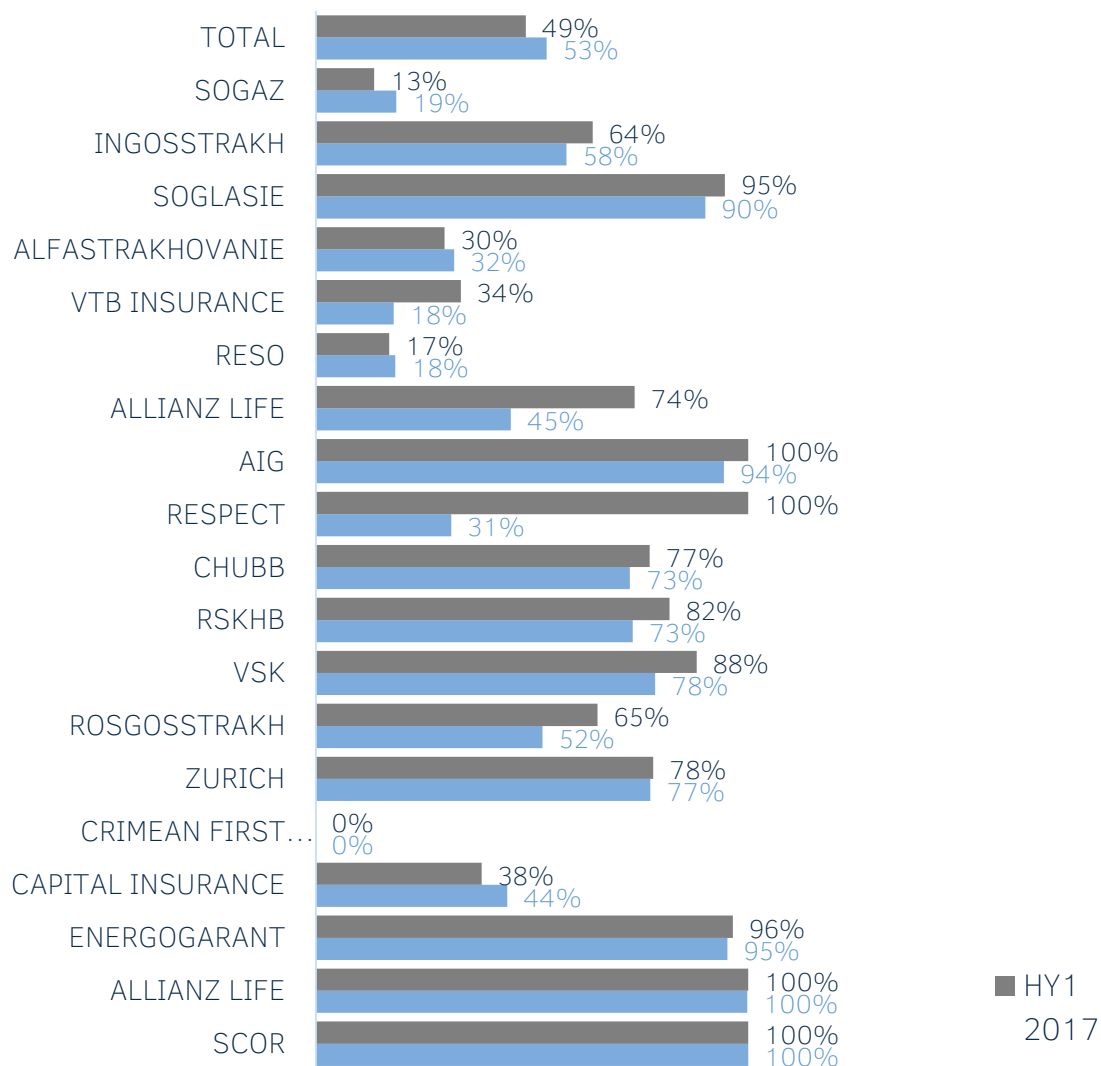
A considerable decrease was reported by CRIMEAN FIRST INSURANCE COMPANY (CFIC).

The companies with a significant increase in the amount of ceded premiums include SOGAZ and SOGLASIE.

As mentioned before, SOGAZ has significantly increased ceded premiums in the corporate property business and SOGLASIE increased ceded premiums in the hull and machinery business.



# Share of treaty reinsurance



The structure of market in terms of the prevailing form of reinsurance looks quite stable, although the share of premiums under treaties went down below 50 percent in 2017. This was mainly due to a decrease in the respective share of the market leader, SOGAZ, and a decline in the total weight of subsidiaries of international insurers and reinsurers.

As can be seen, the share of treaties of subsidiaries of foreign insurers (usually for the benefit of the parent) is, as a rule, equal to 100 percent.

# RNRC's share in premiums ceded by insurance companies (1)

## RNRC accounts for 10% or more

VTB INSURANCE	11.3%
VSK	10.9%
INDEPENDENT INSURANCE GROUP	25.9%
NASKO TATARSTAN	11.8%
MEGARUSS-D	32.6%
TIT	10.5%
NIK	10.4%
ROSGOSSTRAKH-LIFE	12.6%
AMT INSURANCE	10.4%
CRIMEA INSURANCE ALLIANCE	11.6%
URALSIB INSURANCE	20.2%
ERV TRAVEL INSURANCE	19.2%
PARITET-SK	25.7%
MEDEKSPRESS	23.7%
POLIS-GARANT	10.6%
SMP-INSURANCE	245.3%
SELEKTA	15.1%
EKIP	10.7%
ASKO-CENTER	27.1%
CAPITAL REINSURANCE	208.3%
ARMEYETS	30.8%
INGVAR	16.1%
ADVANT-INSURANCE	16.7%
INTOUCH INSURANCE	19.6%
YUGORIA	10.9%
CIVIL INSURANCE HOUSE	11.1%
URALSIB-LIFE	20.5%
INVESTSTRAKH	13.4%

## RNRC accounts for 5 to 10%

SOGAZ	8.80%
ALFASTRAKHOVANIE	5.3%
ROSGOSSTRAKH	6.5%
CRIMEAN FIRST INSURANCE COMPANY	6.1%
BRITISH INSURANCE HOUSE	6.8%
ERGO	5.5%
PROMINSTRAKH	8.6%
ARSENAL	9.7%
GELIOS	7.9%
URALSIB	5.7%
NADEZHDA	9.1%
VERNA	9.3%
ROSINKOR RESERV	6.6%
AK BARS INSURANCE	6.2%
GUTA-INSURANCE	6.2%
UNITED INSURANCE COMPANY	6.8%
ASTRO-VOLGA	7.6%
D2 INSURANCE	6.0%
TINKOFF INSURANCE	8.8%
TYUMEN-POLIS	7.5%
BOROVITSKOE INSURANCE COMPANY	9.0%
ASKOR	7.2%

# RNRC's share in premiums ceded by insurance companies(2)

## RNRC accounts for 1 to 5 %

INGOSSTRAKH	2.1%
RESO-GARANTIA	4.1%
RSKHB-INSURANCE	2.6%
ZURICH RELIABLE INSURANCE	2.2%
CAPITAL INSURANCE	3.3%
RENAISSANCE INSURANCE GROUP	2.1%
SURGUTNEFTEGAZ	4.6%
MAKS	1.7%
STERKH	2.4%
RUSSIAN REINSURANCE COMPANY	3.4%
SBERBANK LIFE INSURANCE	4.5%
KHOSKA	2.8%
LIBERTY INSURANCE	1.6%
ADONIS	4.4%
BASK	2.1%
SPASSKIYE VOROTA	2.9%
TRANSNATIONAL INSURANCE COMPANY	2.3%
DALAKFES	3.3%
SOCIETE GENERALE INSURANCE	1.7%
LEKSGARANT	3.7%
DALZHASO	4.7%
GEOPOLIS	4.3%
ANGARA	4.8%
YEKATERINBURG INSURANCE COMPANY	1.5%
SOGAZ-LIFE INSURANCE COMPANY	4.6%
MSK STRAZH	4.9%
PLATO	2.1%
INERTEK	2.8%
ORBITA	1.7%
SERVISREZERV	2.0%
TALISMAN	4.8%
SOGLASIE-VITA	4.8%
USPEKH INSURANCE COMPANY	4.6%
POVOLZHYE INSURANCE ALLIANCE	4.7%

## RNRC accounts for 0 to 1 %

SOGLASIE	0.4%
ALYANS	0.7%
CHABB INSURANCE COMPANY	0.8%
ENERGOGARANT	0.5%
EMERGENCY INSURANCE COMPANY	0.1%
YUZHURAL-ASKO	0.1%
PARI	0.3%
ROSMED	0.4%
CHULPAN	1.0%
SBERBANK INSURANCE	0.5%
INGOSSTRAKH-LIFE	0.1%
OPORA	0.1%
POMOSCH INSURANCE COMPANY	0.2%
ZETTA INSURANCE	0.4%
ERGO LIFE	0.1%
KRK-INSURANCE	0.5%
TWENTY FIRST CENTURY	0.1%
YAKOR	0.8%
CAPITAL-POLIS	0.8%
INSURANCE BUSINESS GROUP	0.7%
GRANTA	0.3%
ASKO	1.0%
REGIONGARANT	0.3%
ALFASTRAKHOVANIE-LIFE	0.1%
KOMESTRA-TOM	0.8%
DIAMANT	0.3%
VOSTSIBZHASO	0.5%

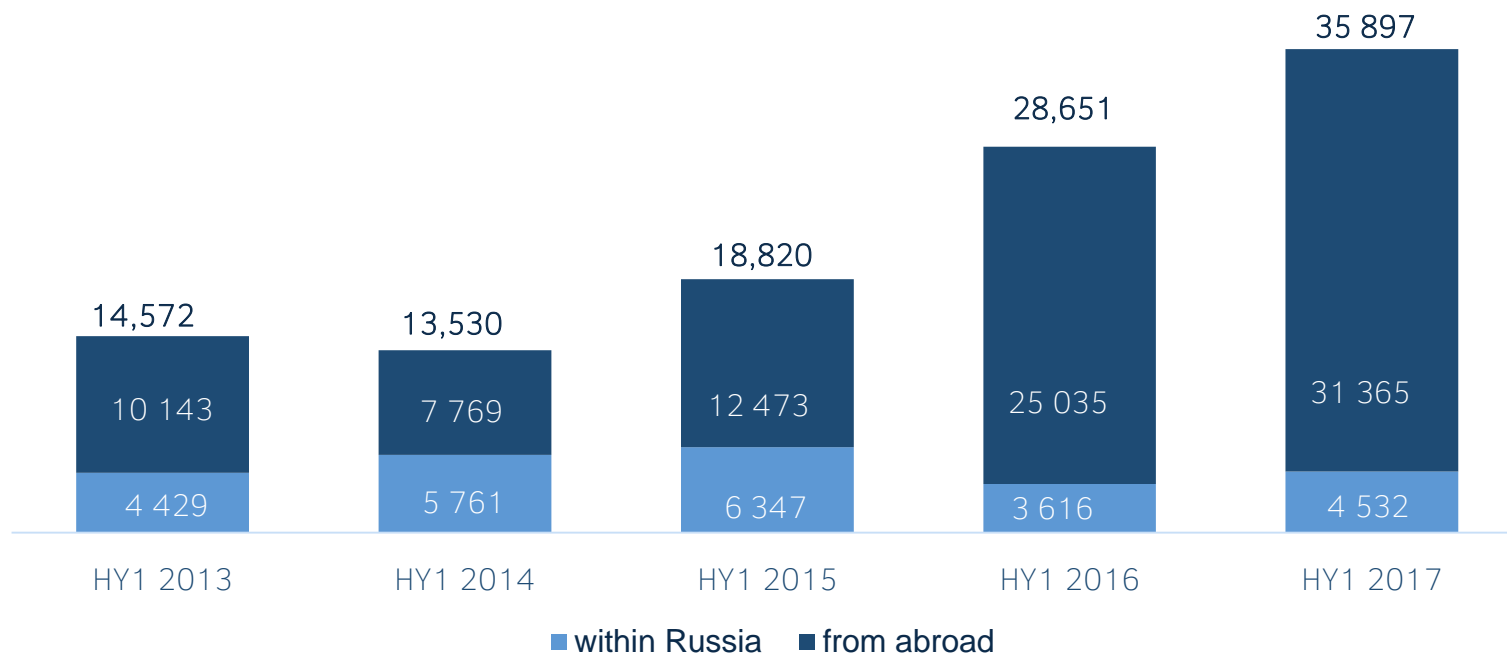
45 companies – 0%



RNRC's share in the total amount of ceded premiums

# Dynamics of paid claims

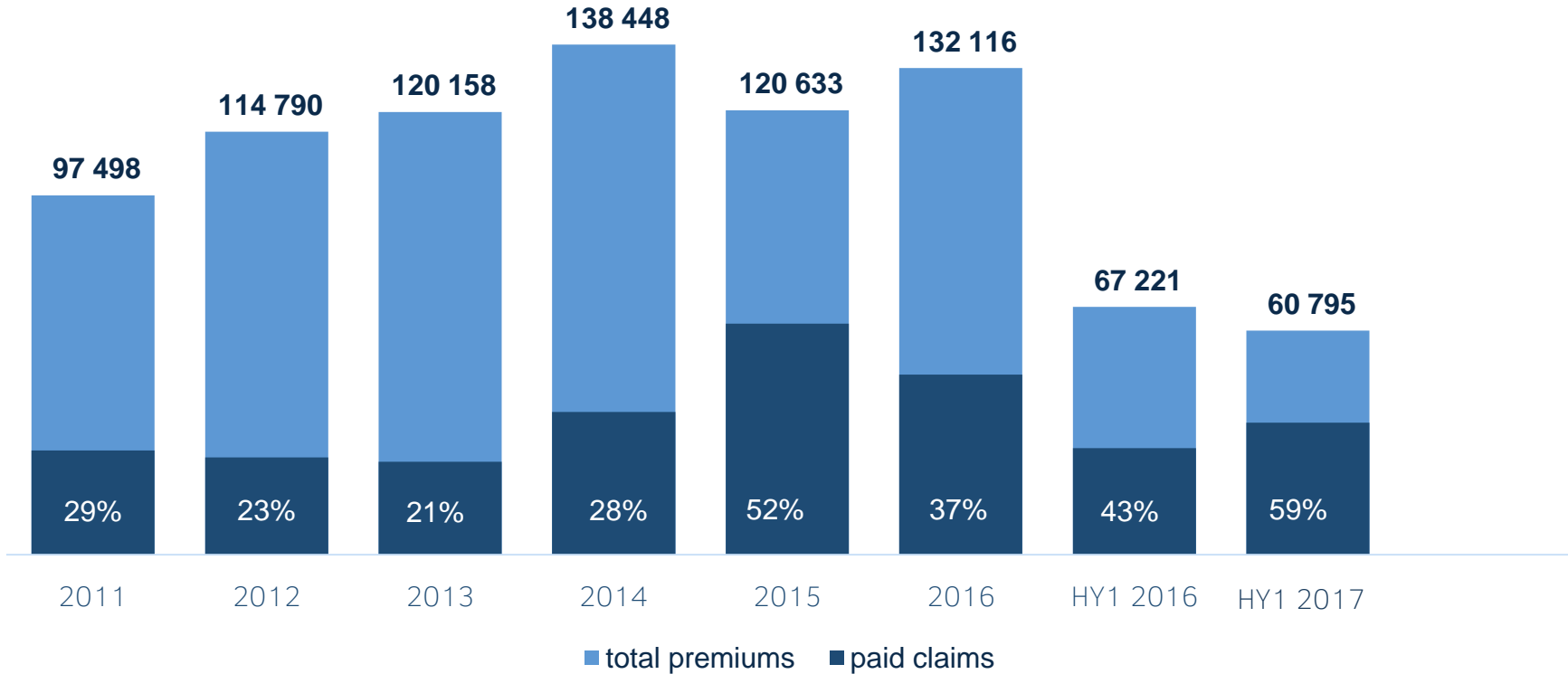
Dynamics of paid claims (million RUB)



The last two years were very unsuccessful for reinsurers. An unusually high value of the reinsurers' share in paid claims in the first half of 2016 was due to the loss claimed under Achinsk Refinery reinsurance (the loss of SOGAZ). However, this figure was exceeded in 2017 after the final settlement of loss in respect of Berezovskaya GRES (the loss of CHUBB), which amounted to about RUB 26 billion, of which about RUB 20 billion were paid in 2017.

# Loss ratio

Dynamics of premiums growth – inward reinsurance (million RUB)  
Loss ratio (%)



Despite the fact that the last years were very unsuccessful for reinsurers due to a number of large paid claims, the reinsurance market remains generally attractive, as confirmed by a significant positive balance between premiums and paid claims.



THANK YOU FOR YOUR ATTENTION!

6 Gasheka | Moscow, 125047 | Ducat Place III Business Center  
Phone: +7 (495) 730 44 80 | Fax: +7 (495) 730 44 79 | [rnrc@rnrc.ru](mailto:rnrc@rnrc.ru)

[www.rnrc.ru](http://www.rnrc.ru)