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**THE EFFECTS OF THE PANDEMIC UPON THE INSURANCE MARKET IN  
CEE IN THE FIRST SEMESTER OF 2021**

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*Abstract: 2021 began under uncertain circumstances, more or less optimistic and most economic forecasts ended with affirmations that underlined the fact, that every thing will depend on the further evolution of the pandemic and its impact upon economy. Up to the end of 2020 a second devastating pandemic wave has forced several Euroope countries to reinstate lockdowns and restrictions, which inevitably had an important impact upon their economies. According to the results of the first semester of the year the result is a general positive tendency, in some cases materialized in a growth rate of the double-digit underwriting and in Gross premiums underwritten, exceeding the value before the crisis , in the first semester of 2019. On the level of the 17 insurance markets of Central and Eastern Euroope which are subject to the Insurance Report CEE, SEE & ex-Soviet Union, the Gross premiums underwritten have reached 20.75 billion euro at the end of June 2021, with 8.30 % more than last year and exceeding with about 900 euro the volume achieved in the first half of 2019, the year before the pandemic.*

**Key words:** *damages paid, life insurances, general insurances, motor insurances, market share*

## **INTRODUCTION**

In insurances, as well as in all other fields of activity, the management seeks for creating optimal conditions to perform the activity and to make it more efficient. Besides the factors common to all fields of activity with insurances there are special factors which govern the management and the running of the insurance activity. [4], [6]

Though the crises emerged on global level because of the pandemic which has stopped for a certain period the favourable evolution of insurances, many companies registering important losses, the tendency of recovery became more and more clearer, giving hopes for the future evolution.

The high expectations of the last year's summer have again been dashed and replaced by the awareness of the fact that the pandemic is far from having exhausted all its phases leaving place for other difficult situations. [7], [17]

After having surpassed relatively „easy” the first pandemic wave the CEE (Central and Eastern Europe) countries have experienced an alarming boost of cases and deceases, the intensity of the second wave having postponed all hopes for the time „after the wave”.

In spite of that, the first half of the year seemed to offer a breathing space, encouraging even more optimistic expectations and an improvement of the economic perspectives. [10], [20]

It must to be said, that overall up to the middle of summer there was a strong economic recovery, but accompanied by a growing inflation caused essentially by the increase in price of fuel and energy. [12], [19]

A complete economic recovery will most probable take place in the first half of 2022, among others based on the opinion that companies as well as people have already adapted to the challenges and restrictions imposed by the consecutive pandemic waves. [18]

## MATERIALS AND METHODS

Making the public at large aware of the importance of insurances in a world with potential dangers everywhere, has not only led to the development and diversification of insurances but also to establishing new companies and to the growth in number of those interested in concluding such insurances but also based on the compulsive insurances of the type of motor vehicle liability insurances and householders' insurances. [9], [15]

In order to achieve this study we consulted different materials of professional literature, both domestic and from abroad.

We have previously studied some types of insurances among the common and popular ones. This study presents the situation in life insurances, general insurances and motor insurances in the Central and Eastern European space. [1],[5]

With the help of the data analysed and centralized in various European statistics we achieved in working out the portfolio of the gross premiums underwritten and the damages paid in CEE.

All information obtained helped us to establish a ranking list of the most active countries in CEE on the categories of the analysed insurances, but also enabled us to draw some important conclusions. [8]

## RESEARCH RESULTS

All markets have known a positive dynamic, 7 of them even registered growth rates over 10%: Albania, Bulgaria, Croatia, Hungary, Kosovo, North Macedonia and Romania. Only Slovakia and Latvia have reported a rather stagnant market evolution with growth rates close to zero. [14]

**Property type insurances**– especially in the countries which have suffered the impact of calamitous natural phenomena this type of insurance has known high growth rates; but also motor insurances, stimulated by the growing number of car registrations – have been the main growth factors on the markets with a substantial growth in Gross premiums underwritten. [2]

Concerning the damages paid, the insurers' costs have declined in comparison with the first half of the previous year with about 5% on regional level, up to 11.34 billion EURO. On individual level the markets have registered different evolutions.[10]

While in Albania the level of costs for damages paid was rather a reversion to normality, after 2019, when there were paid damages in consequence of the earthquake, in Central Europe because of the extreme natural conditions damages paid increased not only in number but also in value for the hedging of properties. [10]

**Tabel 1.**

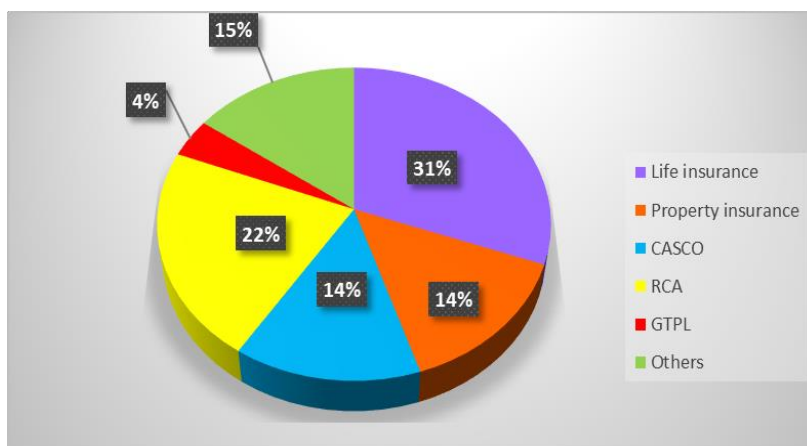
**The portfolio of the Gross Premiums Underwritten (GPU %) in Central and Eastern Europe (CEE)**

Type of insurance	%
Life insurance	30.61
Property Insurance	14.41
CASCO	14.10
RCA	21.85
GTPL (General Third Party Liability)	3.99
Others	15.03

Source:[https://ec.europa.eu/info/departments/euroostat-eurooepan-statistics\\_ro](https://ec.europa.eu/info/departments/euroostat-eurooepan-statistics_ro) [10]

\* *Gross Premiums Underwritten - GPU*

The aggregate of these Gross premiums underwritten is of 20.74 billion Euro, this sum is presented in Tabel 1 under the form of percentage on the types of the analysed insurances. I have elaborated Figure 1 in order to better emphasize the assignment of these gross premiums.



**Figure 1. The accounts of the GPU in CEE (%)**

Source: Processed after [https://ec.europa.eu/info/departments/euroostat-euroopean-statistics\\_ro](https://ec.europa.eu/info/departments/euroostat-euroopean-statistics_ro) [10]

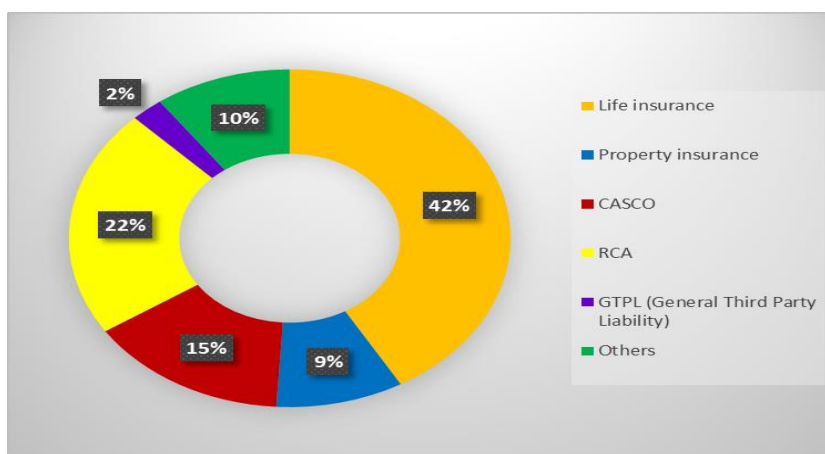
The damages paid sum up 11.83 billion Euro and are presented in percentage in Tabel 2. I have elaborated Figure 2 in order to better emphasize the graphic representation of the damages on the categories studied.

**Tabel 2.**

**The portfolio of damages paid (%) in CEE**

Type of insurance	%
Life insurance	41.62
Property Insurance	9.35
CASCO	14.75
RCA	21.90
GTPL (General Third Party Liability)	2.38
Others	10.00

Source: [https://ec.europa.eu/info/departments/euroostat-euroopean-statistics\\_ro](https://ec.europa.eu/info/departments/euroostat-euroopean-statistics_ro) [10]



**Figure 2. Damages paid in CEE (%)**

Source: Processed after [https://ec.europa.eu/info/departments/euroostat-euroopean-statistics\\_ro](https://ec.europa.eu/info/departments/euroostat-euroopean-statistics_ro) [10]

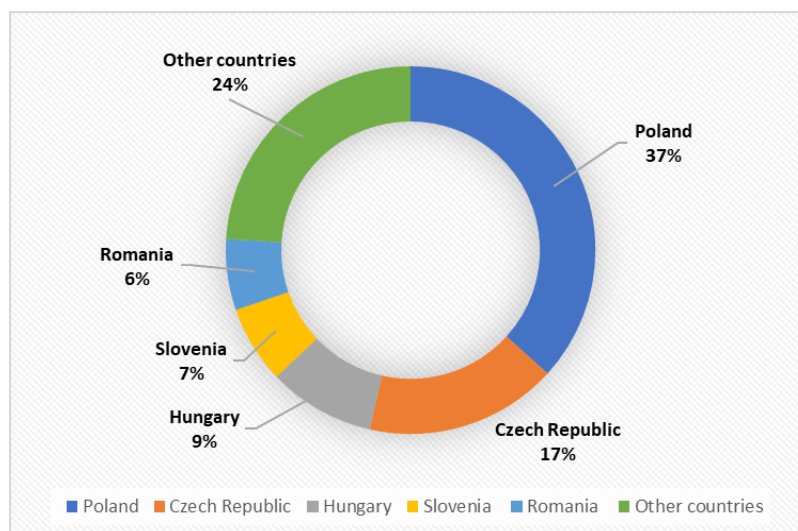
**Tabel 3.**

**The ranking list of the first five markets in CEE - GPU and the market share**

Country	PBS Billion Euro	Market share (%)
Poland	7615	36.71
Czech Republic	3494	16.84
Hungary	1943	9.37
Slovenia	1411	6.80
Romania	1297	6.25
Other countries	4980	24.03

Source: <https://www.eiopa.europa.eu> [16]

All gross premiums underwritten for the 5 markets sum up 20.74 billion Euro. In Tabel 3. the assignment of these sums can be seen numerically but also under the form of percentage. I have also elaborated a graphic presentation of the first 5 analysed markets (Figure 3.).



**Figure 3. The market shares of the GPU (%) of the first 5 markets in CEE**

Source: Processed after <https://www.eiopa.europa.eu> [16]

**Life Insurances.** The gross premiums underwritten for life insurances on regional level come to 6.35 billion EURO, with an increase of 9.1% in comparison with the past year, almost equalling the level of the fast half-year of 2019.

At the same time the benefits and indemnities paid for life insurances increased with 6.36%, up to 4.72 billion Euro.

This tendency can partially be explained by the high mortality caused by the pandemic. The heat waves which hit some of the CEE countries, especially the Baltic countries caused serious health issues and even deaths, are another factor which lead to the increase of the amount of the indemnities paid for life insurances.[13]

Inside the largest regional markets the highest growth rates have been registered in Bulgaria (30.2%), Romania (22.2%) and Hungary (19.65%).

The same tendency could be observed with some smaller markets, like Albania or Kosovo, but taking into consideration the modest size of these markets, the high growth rates represent an absolut value, in very low amounts, with a more than limited effect upon the general evolution. [11]

The first 5 life insurance markets in CEE have not altered in comparison with the last year, Poland, the Czech Republic, Hungary, Slovakia and Slovenia represent together

roughly 82% of the gross premiums underwritten on regional level, which corresponds to the hierarchy at the end of the year 2020. It is to remark the fact that in spite of the high economic volatility and the persistence of an environment characterized by low financial efficiency, the popularity of the UL (Unit-Linked) products has increased in most of the countries, in some of them insurance business in this domain has registered spectacular growth rates. [10]

Regardless of the reasons the gross premiums underwritten for UL products have known an overall growth of 12.15% in comparison to the previous year up to 1.98 billion Euro, representing presently 31.26% of the gross premiums underwritten on regional level for life insurances. The Romanian market has registered one of the best dynamics with a growth in UL products of 26.6%. [3]

**General insurances.** The gross premiums underwritten for general insurances have increased with 7.94% in the first half-year of 2020, up to 14.39 billion Euro, exceeding the value of the gross premiums underwritten in the first half-year of 2019 with over 900 million Euro.

While all 17 markets in CEE have registered a positive evolution in the segment of general insurances, the highest contribution (in absolute terms) to the increase of the premiums about 1 billion Euro has been brought by two markets: Poland (392.63 million Euro) and the Czech Republic (214.45 million Euro). [16]

Poland, the Czech Republic, Hungary, Slovenia and Romania have remained the 5 largest markets in the region, keeping up to the hierarchy established in 2020.

These represent together roughly 76% of the gross premiums underwritten on regional level, each of them holding a market share comparable to the previous year. [16]

The damages paid for the general insurance contracts in comparison with the previous year have grown with 4.03%, up to 6.62 billion Euro.

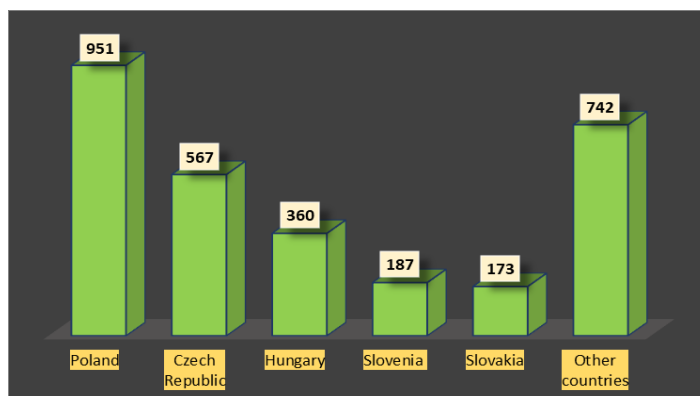
Tabel 4.

**The position of the first 5 markets in CEE– Property Insurances  
(GPU and the market share)**

Country	PBS Billion Euro	Market Share (%)
Poland	951	31.79
Czech Republic	567	18.95
Hungary	360	12.04
Slovenia	187	6.26
Slovakia	173	5.79
Other countries	742	25.17

Source: <https://www.eiopa.europa.eu> [16]

The overall of this type of insurances reaches 2.98 billion Euro. Tabel 4. presents this category of insurances both from the numerical and percentage point of view.



**Figure 4. The market share of property insurances (%) of the 5 first markets in CEE**

Source: <https://www.eiopa.europa.eu> [16]

The GPU for property insurances have summed up 2.99 billion Euro on regional level, growing with 10,18% in comparison with the previous year. Poland, the Czech Republic, Hungary, Slovenia, Slovakia are the first 5 property insurance markets in the region, all five belonging to the small group of countries in which property insurance have significantly penetrated better than in the rest of CEE.

Together, the first five markets represent nearly 75% of the regional gross premiums underwritten. With about 0.6 percentage points after Slovakia, in terms of the regional market shares Romania is the sixth market in the area, holding a clearly inferior position in comparison with that it would have been entitled to measured at the dimension of its insurable assets if the degree of coverage would have had similar values to those of the first five markets from the ranking list. [16]

The damages paid reached 1.06 billion Euro in the first half year of 2021, with an increase of 6.85% in comparison with the previous year. Six markets have reported a decrease of the damages costs but in most cases it was more about a reverse to a „normal” level. Consequently the magnitude of the insured losses can be made out at the end of the year when the redress proceedings will be closed. In fact, this a scenario which will affect more markets in Central and Eastern Europe, as the last summer months have brought about powerful thunderstorms, forest fires, etc.[10]

**Motor Insurances** have remained beyond all doubt a trend-setter for insurance business in the area. The gross premiums underwritten for motor insurances reached 7.45 billion Euro, growing up to 6% in comparison with the previous year. Overall the gross premiums underwritten for CASCO insurances have summed up 2.92 billion Euro, increasing with 8.6% in comparison with the previous year, while the gross premiums underwritten for RCA/ Compulsory motor vehicle liability insurances increased with 4.8% in comparison with the previous year, up to 4.53 billion Euro.

Except for the markets of the Baltic countries and Slovenia which have registered negative tendencies with the RCA/ Compulsory motor vehicle liability insurances, all the markets have reported positive dynamics for both types of insurances. [14]

In most cases the growth is attributed to the growing of the degree of awareness regarding the threats of natural risks in the context of a higher frequency of extreme weather phenomena and to the tendency to return to a „normal” level after years in which the insurers have paid larger damages because of the different natural events. [2]

One of the driving factors for the increase of the PBS/ gross premiums underwritten in motor insurances was the increase in car sales in comparison with the previous year. According to the ACEA (Association of the European Automotive Manufacturers) statistics, in the UE member states of CEE/ Central and Eastern Europe, the number of new cars licensing has increased from year to year, with 22.5%, each year, up to 621

thousand units. Though the figures are still under the level of June 2019 (756 thousand units), the increase is visible and of which have profitted the motor insurances, too.[13]

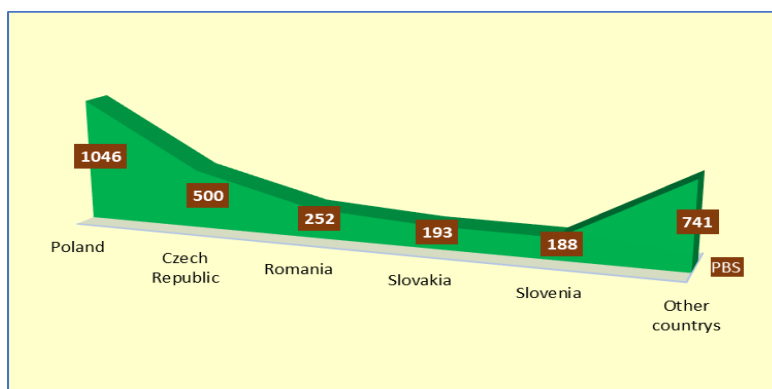
**Tabel 5.**

**The position of the first 5 markets in CEE – CASCO Insurances  
(GPU and the market share)**

Country	PBS Billion Euro	Market Share (%)
Poland	1046	35.77
Czech Republic	500	17.10
Romania	252	8.63
Slovakia	193	6.60
Slovenia	188	6.44
Other countries	741	25.46

Source: <https://www.eiopa.europa.eu> [16]

This category of insurances sums up an overall of 2.92 billion Euro. The assignment of this sum to the CEE countries can be seen in Tabel 5. In Figure 5. we can observe that Romania is on the third place in this category of insurances.



**Figure 5. The accounts of GPU in CASCO Insurances (billion Euro)**

Source: <https://www.eiopa.europa.eu> [16]

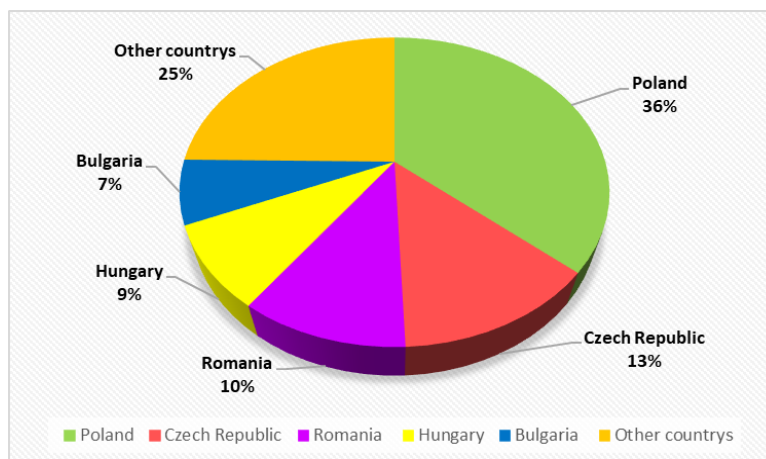
**Table 6.**

**The position of the first 5 markets in CEE – RCA Insurances  
(PBS and the market share)**

Country	PBS Billion Euro	Market Share (%)
Poland	1646	36,30
Czech Republic	591	13,03
Romania	478	10,55
Hungary	392	8,64
Bulgaria	304	6,70
Other countries	1119	24,78

Source: <https://www.eiopa.europa.eu> [16]

This category of insurances sums up an overall of 4.53 billion Euro. In the category of RCA/ Compulsory motor vehicle liability insurance Romania is likewise on the third place with 478 million Euro PBS (Gross premiums unterwritten, Table 6). In percentage Romania's market share in this type of insurances represents 10 % of the overall (Figure 6.).



**Figure 6. The market share in RCA Insurances in CEE (%)**

Source: <https://www.eiopa.europa.eu> [16]

A factor of counter effect upon the volume of gross premiums underwritten was the decrease of the average premiums, especially in RCA/ Compulsory motor vehicle liability insurances. For instance in Poland, the average premium for the compulsory motor vehicle liability insurances was of 488 PLN in the first half-year of 2021, with 1.2% less in comparison with the previous year. The reduction of the average premiums would not have been a problem in itself if the average values of the damages had not been increased at the same time and thus substantiating some chronic imbalances already existing on the markets.

To stay with the example of Poland, the average loss increased up to 8,337 PLN (Polish zloty), which exceeds with 8.1% the losses of the previous year. As a matter of fact, for the RCA/ Compulsory motor vehicle liability insurances even though the average premiums have increased, the damage costs have grown at a faster pace – for instance in Romania where the average premiums for RCA/ Compulsory motor vehicle liability insurances have increased with 3% in comparison with the previous year, the value of the average damage has augmented with 6%. [10]

Consequently on regional level the damages paid RCA/ Compulsory motor vehicle liability insurances have increased with 6.65%, to almost 2,5 billion Euro. On the CASCO insurance line the damages paid have grown more slowly, with 4.34% in comparison with the previous year, reaching 1,67 billion Euro. Motor insurances show also new aspects in accordance with the change in mobility habits and the extension of the category of electric cars. As the status of the new electric scooters is not yet established in many CEE countries, the usage of electric vehicle quickly extends and a new type of adapted insurances is needed. The increasing connectivity of cars changes also scene of motor insurances and allows the insurers to offer more personalized products and Usage-Based solutions. [18]

There are already examples in the whole area concerning the using of the latest technologies in order to innovate the offer in motor insurances. A good example could be LaqoPrevent, the first telematics program in Croatia, which uses advanced technologies to promote and reward safe driving, and which was introduced by the most important insurer on the Croatia market, Croatia Osiguranje, in cooperation with a well-known Croatia distributor of digital solutions, Amodo. [10]

## CONCLUSIONS

While Albania, Serbia and Slovakia have registered a modest diminution of damages paid, many other markets confronted a substantial growth of the indemnities paid to their clients. In both cases the property insurance lines are to be held responsible for the tendency established in the evolution of the damage costs.

While the hit list of the first 5 markets has not been altered, the hierarchy has marked a shift of the places occupied by Romania and Slovakia, Romania has advanced in fourth position because of the slight improvement of its share of the regional market has increased from 7.04% to 7.12%. However, the difference between the two markets is very small and a new shift in hierarchy is any time possible.

Estonia, Latvia and Slovakia are the only markets which have registered a negative change of the gross premiums underwritten for life insurances.

Thanks to its dimension and trade weight in the regional portfolio Poland has succeeded in having the greatest contribution in the regional increase of the life insurance business, although it registered „just” an increase of 7.64% GWP, under the level of the regional average.

While Bulgaria has known a double increase of the UL (Unit-Linked) insurance premiums, which can be explained by the incipient phase in the development and very reduced penetration of these products (1.4% of the overall market portfolio in the first half-year of 2020), in other countries these tendencies can be attributed, at least partially to the ever growing concern of the inhabitants in financial health and security, stimulated by the challenges of the last years.

Poland, Serbia and Slovakia have witnessed a negative modification of the insurers' damage costs in the segment of general insurances, in all cases the property insurance lines being the motor of this tendency. The same business segment also triggered the highest increase of damages paid on the Czech market.

The most pregnant increase was registered on the Czech market, which was significantly affected by several severe hail episodes in winter. It is to be expected that these figures will rise consistently up to the end of the year, as serious natural disasters - like the devastating tornado that hit Southern Moravia, occurred right before the end of the first half-year.

Poland, the Czech Republic and Romania are the first three markets in the area for motor insurances, both CASCO insurances and the RCA/ Compulsory motor vehicle liability insurances. They are followed by Slovakia and Slovenia in CASCO insurances, the hit list for RCA/ Compulsory motor vehicle liability insurances is completed by Hungary and Bulgaria. For both lines this market provides nearly 75% of the total gross premiums underwritten.

Romania is the only UE country in Central and Eastern Europe in which the licensing of new cars has decreased with about 5% in comparison with the previous year.

This is also true for new commercial vehicles, for which the licensing has increased in the first half year of 2021 with 48.8% in comparison with the previous year, up to 131 thousand units, but it did not reach the level before the crises, i.e. 140.4 thousand units. Moreover, in many CEE countries the second hand vehicle sales have rapidly grown, many of these being imported from Western Europe and locally licenced for the first time.

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