



Research Article

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## Albanian Insurance Market Analyses and their Business Model

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### Abstract

The insurance market in Albania has been started to operate in the last years of centralized socialist system. It was represented by state insurance Company INSIG. It was the first important segment of the financial market to develop faster once Albania entered into the free market economy model on the last decade of the past century. It is the largest and most advanced market in non-banking financial sector. Together with investment funds, pension funds securities markets those are under the supervision of Albanian Financial Supervision Authority, not Central Bank. The insurance market, has had a lot development and positive growth in terms of wide range of products offer and the geographically expansion all over the country and in some neighboring countries in the Balkan region where Albanian population live. This potential is based on the favorable economic conditions, improved regulatory and supervisory system, low market penetration rate, as well as, on business community and population, which are dynamic and easily adaptable. The Insurance Industry has been undergoing dramatic changes during the last ten years. This industry can help the business companies and other entities on having economic and financial support, mitigating their risks and losses as well from natural disasters or other uncertainties. This sector can give a good support on social development and financial contribution on economy by reducing the risk of future losses. There are a lot of empirical research based on financial analyses of Albanian Insurance Companies in which you can see a causal relationship between insurance sector effects in economic growth by bearing risk on business investment. The study of qualitative and quantitative information on Main Insurance Company in Albania, their business model and risk drivers shows the development stage and challenges and steps needs to be in line with EU directives. Incorporation of international best practices combined with an efficient regulatory and supervisory approach will certainly play a very big role in the non-banking financial market development and growth.

**Keywords:** Business Model, Strategy, Reputation, Key Factors, Risk Drivers

### 1. Insurance Financial Analyses Importance in Financial Market

It is well known as a definition that *Insurance Company* is identified and created as an entity with a purpose, to manage risks in excessive return for payment towards a small premium paid; *Direct insurer is Insurance company* is the one that sell direct the insurance police without third party and has a legal nominated relationship with the policyholder; *Reinsurer* is the Company which is created with the purpose to mitigate and share the insurer's risk in event of losses under the specific police conditions for premium payment.

The modern insurance models are based in the "theory of large numbers".

The theory consists in the principle on setting the premium rates based on probability of losses according to events' frequencies (happened). Based on this the insurers has to foresee the future losses. This needs statistical data and grouping in order to have precise premium rates. It can happen sometime that you cannot foresee for a specific event the moment of event happening and the proper amount of loss. So the insurers use stochastic analyses based on statistical and

econometrical methods, classifying the factors for their historical datas in order to properly define the premium rate of insurance charged for each insurance police. Factors to be involved in analyses relateto events by similarity, groups of customers divided based on their homogeneity, period of being insured, value of the losses due to the risk probability etc.

Based on this grouping the calculation of average loss is approximately the expected premium rate value that will be set for this larger group. This basis law for insurance set premium, has shown stable long-term predicted future losses. The fact that the large number trials results, as per “theory of large numbers”, can be closed to the predicted loss, was discovered by Jakob Bernoulli around 1700. (He work on the ‘infinite series’ and published the law on large number in the theory of probability). Based on this law in our days the insurer can estimate the expected value of annual losses for a specific group in the most accurate and proper amount and time (within a year). This means that the premium set and calculated can afford the Individual loss under this rule which can be shared with the individual insured premium paid within this group.

Many insurance companies exercise also a financial intermediary function. A whole life insurance policy is an important example of this function. Since the whole life policy normally remains in force until death and pays a benefit at death, the eventual payment for each insured person is a certainty. The only real insurance provided is against the financial loss associated with premature death. Thus the policy serves as both an insurance against premature death and a savings programme. In this terms of a savings programme, the insurance company acts as a financial intermediary, accepting and reinvesting savings.

Because of these dual roles, there are two distinct management areas in an insurance company: Management of the insurance function and management of the assets, which, in many developed countries, are second in size only to those of the banking sector. Like all financial institutions, insurance companies are dealing with deregulation and changing markets.

Like banks, insurance companies are heavily regulated financial institutions. Most insurance companies operate under some form of government regulation due to the importance of having a stable supply of insurance in the economy. Regulatory practices, however, vary widely from country to country. The overriding aim of regulators is the protection of policyholders, and this may be achieved either through controlling company solvency or through policy, pricing, and marketing controls.

In addition to minimum capital and surplus requirements insurers are subject to other financial regulations in most developed markets. These financial regulations are designed to maintain solvency and are:

- Admitted assets
- Reserves
- Surplus
- Risk based capital
- Investments

## 2. Insurances Analyses Schema

The insurance analyses are concentrated mostly in following steps and topics. The analyses are based on consolidated figures for Y’2016 of their Audited Annual published figures. They are prepared in accordance with IFRS. The external auditors expressed a qualified opinion.

There are some key factors and main risk drivers identified during these analyses. This is mostly related with country specific and they regulative set.

Data for analyses that mainly include the below topics:

- Insurance Regulation Info
- Insurance Name
- Financial Analyses ( as per Balance sheet structure)

Analyses Scheme is based on Annual reports of Albanian Insurance Companies, below are

explained the main topics that need to be analyzed mainly for insurance business structure<sup>1</sup>.

### 2.1 Asset Quality - Shares, stocks and bonds

The primary Assets of insurance companies are investment portfolios in the form of marketable securities. Investment portfolios are held for two reasons. Because the insurance companies collect premiums with insurance coverage provided for some time after collection, they have these funds to invest until they are paid out as benefits. On the liability side of the balance sheet, this shows up as reserves.

The second category of funds is held as protection against losses due to factors such as excessive benefit expense or shrinkage in the value of assets. On the liability side of the balance sheet, these funds are represented by surplus and equity accounts. The investment policy is determined by the two purposes the portfolio serves.

### 2.2 Reserve Quality

The dominant liabilities for both life and nonlife insurance companies are reserves based on the fact that premiums are collected as much as a year ahead for *nonlife insurance* companies and most of a lifetime for *life insurance* policies. The amounts expected to be paid out over the period covered by the premium are carried as a reserve when that premium is first received. As claims are paid, both cash and reserves are reduced. If claims exceed reserves, capital and surplus are reduced, and vice versa. The long lives of many life insurance policies compared to those of nonlife insurance companies result in much larger policy reserves for life insurance companies.

The adequacy of reserves is impossible to determine fully. However, the analysis of reserving practices and reserve changes and comparisons of current with aged reserves and comparisons of the company with the industry can reveal a great deal about reserve levels and policies.

Underwriting quality analyses include<sup>2</sup>

- Gross premium in which are generally included:
  - o Insurance and reinsurance
  - o Accounted for annual and non-annually
  - o Most countries: net of refunds (= after refunds have been paid)
- Net premium written: after reinsurance premiums paid, premium for insurer's own account
- Net premium earned:
  - o Premium applicable to current= expired accounting period
  - o Results in increase in premium reserves: movement in premium reserve, premiums earned for future periods
- Net losses incurred:
  - o Net paid losses = gross losses, after reinsurer's share of the loss
  - o + net allocations to losses reserves = gross allocations to loss reserve, after reinsurer's share
  - o Incl claims handling cost
  - o Indirect future claims handling cost in most countries included
  - o NOT: equalisation reserve

Underwriting expenses: (admin) cost for underwriting insurance:

- Commission expenses:
  - o Commission/acquisition cost: remuneration paid to intermediary, broker, agent
  - o Costs of administration
  - o Costs of processing & issuing a policy
  - o Movement in reserve for deferred acquisition cost

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<sup>1</sup> <https://www.iaisweb.org/page/supervisory-material/insurance-core-principles/file/69883/draft-revised-introduction-and-assessment-methodology>

<sup>2</sup> All these underwriting rules are applied from Albanian insurance companies

- Reinsurer's/reinsurance commission earned: amount of commission cost that is ceded to reinsurer
- In terms of quality factors need to be estimated also:
  - Reinsurance quality
  - Earnings quality
  - Leverage
  - Capital/solvency
  - Capital or surplus is important because it acts as a cushion to withstand severe losses from underwriting and from declines in the value of investments. It also provides a base for the writing of insurance or, in another sense, a limit on the amount of new business that can be added.

Albania Insurance market is regulated from Albanian Financial Supervision Authority (AFSA). As in many developed country, in Albania the Insurance companies' business model is based on the "Theory of Large Numbers". They use their time series of their own data to calculate the probability and frequencies of event happenings. So, if the probability of an airplane crash is 1 to 20 and the average number of passengers is 100, the insurance company has to set and collect premium per airplane of 2000 passengers in order to afford premium paid if an airplane crash happened. We can consider this as the diversification of risk or as most of the authors in the topic call it, the process of "spreading the risk".

They have created their own statistics and all Albanian Insurance company data are published in AFSA website distributed per product and geographically. At least these data are accessible in internet for everyone.

Based on fact that insurance companies have to claim their premium outside Albania they are obliged to apply all EU Directives for life and non-life Insurances and in this respect they have to update continuously the local regulation accordingly.

IRIS Ratios set for non-life insurance in Albania are:<sup>3</sup>

- Premium growth rate
- Net retention
- Net claims (or loss) ratio
- Expense ratio
- Combined ratio
- Investment income ratio
- Other income ratio – not test result and AFSA range
- Operating ratio
- Profit ratio
- Capital and surplus to gross premium
- Capital to technical provisions
- Solvency coverage

**Table 1.** Normal IRIS Ratio Ranges –Developing Country<sup>4</sup>

IRIS Ratio	High End %	Low End%	Insig Sha	Sigal Uniqa Group ShA	
				Non-Life	Life
Premium growth rate	40	-40	6.01	11.57	15.77
Net retention	80	40	81.18	82.46	97.09

<sup>3</sup> Albanian Prudential Ratio Analyses, Dec, 2006- [www.amf.gov.al](http://www.amf.gov.al)

<sup>4</sup> Insurance Market Supervision report 2013 – [www.Amf.gov.al](http://www.Amf.gov.al) The financial indicators of the country's insurance market are at the core of this publication. In addition to market IRIS tests, macro data and technical information on Life and Non-Life insurance market, an important part of this supervision report are the financial and technical indicators of some significant portfolios in order to analyze trends over the years. This publication targets a significant number of users, ranging from the market operators, investors, analysts as well as for various academic purposes.

IRIS Ratio	High End %	Low End%	Insig Sha	Sigal Uniqa Group ShA	
				Non-Life	Life
Expense	50	25	57.87	55.21	41.08
Net claims (or loss)	80	50	36.46	46.29	24.47
Combined	105	85	94.33	101.49	65.55
Investment income	8	4	15.21	1.60	7.17
Other income	1	N/A	16.99	2.80	27.79
Operating	101	80	79.12	99.89	58.38
Profit ratio	20	-1	1.26	1.00	1.71
Capital and surplus to gross premium	50	20	129.96	80.31	91.68
Capital to technical provisions	30	10	101.67	103.94	115.91
Solvency coverage	300	150	62.46	102.68	89.65

### 3. Financial Analyses of Albanian Insurance Market<sup>5</sup>

#### 3.1 Albanian Insurance Market & Supervision Authority

The first insurance company was established in 1991 as a state owned company called INSIG. From 1991 to 1999 the insurance market in Albania was a monopoly. In 1999 the market was liberalized creating the conditions for the establishing of private insurance companies. By the end of 1999 there were three companies operating in the Albanian insurance market INSIG as state owned company, Sigal sh.a and Sigma.

There are 10 operators of the Albanian insurance market. The companies are offering different type of insurance under their licenses. So, there are 7 Non-life Insurance, 2 Life insurance and 1 that offer both Life & Non-life Insurance as per Supervision Annual Report of 2016. As per this report ...*“Based on the ‘Technical Account’ statement of NonLife insurance companies, it was also noted that even during this year, the insurance market continues to be dominated by domestic MTPL portfolio that on 31.12.2016, consisted of approximately 66% of gross written premiums”*<sup>6</sup>.

The Insurance companies are: Sigal Uniqa Group Austria Sh.A, SIGAL-LIFE Uniqa Group Austria Sh.A., Sigma Interbalkanian Vienna Insurance Group Sh.A., Insig Sh.A., Atlantik Sh.A., Albsig Sh.A, Intersig Vienna Insurance Group Sh.A., Eurosig Sh.A., ANSIG Sh.A., SiCRED Sh.A..

Sigal Holding Sha was the market leader with 32.76% of the gross written premiums of non – life insurance market and 47.95% of the gross written premium for the life insurance market.

As per Supervision Report 2016 -The insurance market in Albania has a relatively stable growth rate even in 2016, the assets present 2.01% of GDP in 2016<sup>7</sup>.

This growth is a result of mainly compulsory motor insurance products as per legal legislation requirement. Even for this year the market share of Insurance company that are supervised and licensed by AFSA (Albanian Financial Supervisory Authority) is similar in three last years.(respectively 30.0%, 27.4%, 29.1% and 30.79% for the years 2013-2016) .

The focus and mission of AFSA in respect of insurance market is to maintain and contribute the financial stability through<sup>8</sup>:

- *“Continuous enforcement measures in the insurance market stabilization and the establishment of well-defined standards, regarding the minimum reserves and the implementation of risk-based supervision;*
- *Strengthening of risk management rules in harmony with the evolution of rules described in the relevant EU directive, by closely supervised respecting the information regime, solvency, liquidity levels, and real asset valuation”.*

<sup>5</sup> Annual Report 2016 – [www.insig.com.al](http://www.insig.com.al)

<sup>6</sup> Supervision Report 2016- <http://amf.gov.al/pdf/publikime2/mbikeqyrje/RaportiMbikeqyrjes2016>

<sup>7</sup> Supervision Report 2016- <http://amf.gov.al/pdf/publikime2/mbikeqyrje/RaportiMbikeqyrjes2016>

<sup>8</sup> Amf.gov.al – Supervisory Insurance Annual Report 2016 – P.6

On 2016, according to AMF's Supervisory Insurance Annual Report 2016 data the growth of gross written premiums was 9.1% compared to 2015. The written premium amount was 15.37 billion Albanian Lek. The number of companies in 2016 remain the same. No new entry in the market. The structure of the market in 2016 was again in favour of the Non-Life insurance, with a share on volume total gross written premium of 93.60%, versus life insurance which was 6.4%. The market shares remain again in favour of compulsory insurance. For 2016 66.10% were compulsory insurance and 33.90% the voluntary one In 2016 the supervision authority has supervised and analyzed the insurance market, based on the assessment of the financial position, results and technical indicators of the insurance company's activity. There is need to keep a continuously eye of the fulfillment of regulatory requirements for guarantee fund of insurance companies. Regulator need to monitor, improve and enforce the rules on guarantee fund investments. This are checked and control through off site and on site supervision.

In the recent years Supervision Authority has started implemented during their examinations Risk-Focused Supervision Methodology in pilot phase in three, with a medium-term impact on the insurance market, in order to strengthen the supervisory methodology for the insurance market. This process was extended to all insurance companies, thus creating a marketlevel database that helps to assess the risk of each insurance company by 2017.

AFSA has launche the new risk-based supervision methodology. This help to built and identified a risk profile for each insurance company. The assessment done by regulators help to put benchmarks on risk indicator of industry and and also some specific rules towards customer protection on insurance sector. Based on risk profile (high, medium, low) as per this methodology the supervision authority put rules on intervention or limitation on a specific insurance company, such as product range, level of technical reserve, capital requirement asset investment, etc.

On 2017<sup>9</sup> the insurance market was increased by 5.38% compared to year 2016. Gross insurance premiums amount was EUR 121,757 thousand, increasing by EUR 6.211 thousand. There were an increase of 11.99% insurance policies compared with 2016, which reached in a number of 1,261,238 policies. For Non-Life insurance business the value of Gross Insurance premium EUR 112,088 thousand, compared with 2016 it was an increase by 4.21%. The number of Non-Life insurance policies was 7.38% more than 2016. For Life insurance business reached the increase is 23.15% more than year 2016. The number of Life insurance policies was increase by 53.08% compared to 2016.

**Table 2.a:** Market share - Non Life insurance

Insurance company	Value (in thous.EUR)		Change (in %)	Share in total value (in %)	
	2016	2017		2016	2017
<b>Year</b>	<b>2016</b>	<b>2017</b>	<b>17/16-1</b>	<b>2016</b>	<b>2017</b>
<b>Gross Written Premiums</b>					
Sigal Uniqa Group Austria	30.333	30.167	(0,55)	27,56	26,31
Eurosig	17.289	17.466	1,02	15,71	15,23
Sigma Interlabanian Vienna Insurance Group	16.000	16.453	3	15	14,35
Albsig	13.351	15.026	12,55	12,13	13,10
Intersig Vienna Insurance Group	12.315	12.805	3,98	11,19	11,17
Insig	7.362	8.346	13,37	6,69	7,28
Ansig	6.733	7.629	13,30	6,12	6,65
Atlantik	6.661	6.784	1,84	6,05	5,92
<b>TOTAL</b>	<b>110.045</b>	<b>114.675</b>	<b>4,21</b>	<b>100,00</b>	<b>100,00</b>

<sup>9</sup> AFSA Statistics Insurance Market, 2017

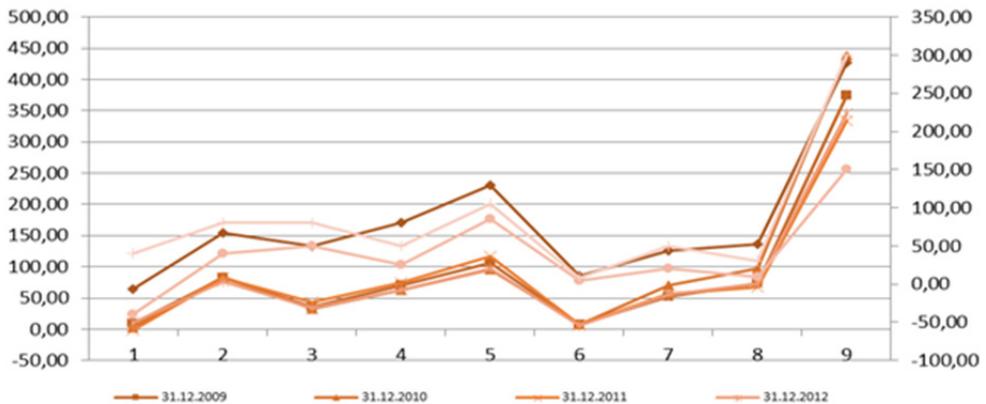
**Table 2.b:** Market share - Life insurance

Insurance company	Value (in thous. EUR)			Share in total value (in %)	
	2016	2017	Change (in %)	2016	2017
<b>Gross Written Premiums</b>					
Sigal Life Uniqa Group Austria	4.510	5.687	26,09	59,96	61,39
Sicred	2.132	2.283	7,04	28,35	24,64
Insig	879	1.294	47,17	11,69	13,97
<b>TOTAL</b>	<b>7.522</b>	<b>9.264</b>	<b>23,15</b>	<b>100,00</b>	<b>100,00</b>

Source : AFSA Statistics Insurance Market 2017

**Table 3.** Non-Life Iris Ratio for Albanian Insurance Market Test<sup>10</sup>

		31.12.2009	31.12.2010	31.12.2011	31.12.2012	31.12.2013	Limit Range (%)	
							MIN	MAX
1	Premium growth rate	9,07	2,73	-1,06	10,94	-6,10	-40,00	40,00
2	Net retention ratio	82,16	84,37	81,61	76,89	67,45	40,00	80,00
3	Net claims ratio	36,24	32,88	42,97	34,27	49,87	50,00	80,00
4	Expense ratio	70,28	62,90	74,20	62,78	79,94	25,00	50,00
5	Combined ratio	106,53	95,78	117,17	97,06	129,81	85,00	105,00
6	Investment income	7,14	8,04	7,67	6,37	10,81	4,00	8,00
7	Capital ratio	51,92	69,83	57,00	55,30	43,76	20,00	50,00
8	Technical provisions ratio	73,52	96,51	66,78	73,43	52,31	10,00	30,00
9	Solvency coverage	374,43	439,55	333,30	346,00	290,05	150,00	300,00



**Graph 1.** Non-life Iris Ratio Range

### 3.2 Analyses done for first Insurance Albanian Company INSIG

INSIG Sh.a is the first insurance company operating in the Albanian insurance market. The company has a 27 year experience in the market and operates as a composite operator, performing both life ad non-life insurance. Actually INSIG sha operates in Albania, Kosovo and Macedonia. For all 3 regions they offer for Non-life insurance based on the country regulation a wide range of insurance products, to cover party liability, such as: Casco, fire and allied perils, theft, bank

<sup>10</sup> Amf.gov.al – Supervisory Insurance Annual Report 2016

security, different types of liability, marine and cargo, agriculture and livestock, etc.

Life insurances in Albania are not so developed product and they are mainly short-term insurance products. They offer individual life insurance and group life insurance. The insurance is offer to different target groups divided by their characteristics and behaviour such as: pupils and students' life insurance, employer life insurance, creditors' life insurance, etc. In INSIG is offer also Health insurances. It covers medical service expenses insurance and personal accident insurance (not death). In some companies this type of insurance policy is managed by life department. The same is in INSIG.

INSIG is the first insurance company in the Albanian market, starting its activity since 1991 as a state company, licensed to operate in Life and Non-life field.

In 2000, INSIG has opened the Branch in Kosovo and in 2004 it starts the operation in Macedonia.

In June 2016, INSIG was privatized 100% from Eurosig Group.

In January 2017 INSIG JETE was separated from INSIG and started the activity as a new start-up company.

Sole shareholders of Balfin Group and Kastrati sh.a as the majority shareholders – they have made the acquisition of respectively 45% of quota each, totaling 90% of the shares of INSIG LIFE in May 2017.

INSIG sha was a state owned company;

The main products the company offers are:

a) *Motor insurance:*

- o Motor Third Party Liability- Insig provides this insurance. *"This mandatory insurance covers the material damages and bodily injuries that third parties may suffer as result of an motoric accident,, (as per Law No. 10076, dated 12.02.2009 "For the Mandatory Insurance in the Transport sector").<sup>11</sup>*
- o Border Policy- covers the drivers of the vehicles that travel in Albania for the material damages or bodily injuries that they may cause to third parties as a result of an accident. The period for such insurance varies from 15 days to a year.
- o Green card – for all clients that travel with their own vehicle outside of the Albania Territory. This insurance may be insured for 15 days upon to a year.
- o Casco - in the contrary to TPL is a voluntarily insurance and covers damages that can not be covered by TPL such as : *"a) accidental collision with a vehicle or other object, b) fire and explosion, c) partial or total theft, robbery, d) breakage of glass and e) natural events such as: earthquake, storm, landslide, flood, snow or hail"<sup>12</sup>*.

b) *Property Insurance:*

- c) Health insurance
- d) Liability insurance
- e) Accident insurance
- f) Premiums
- g) Term life insurance products
- h) Endowment products
- i) Annuity insurance

Business model/ Strategy/ Reputation: Vision - It is mentioned on their strategy they aim is be a national group offering EU standards in order to meet customer needs. They key success is customer relations and their focus in the future remain on it in order to complete their needs with a qualified staff.

Mission - Their mission is to offer straightforward services to improve and strengthen insurance image in the Albanian market. They will keep a sustainable business model to fulfill customer needs and have clear and transparent underwriting program. The company tends to

<sup>11</sup> <http://eurosig.al/en/products/motor-insurance> - Both INSIG and EUROSIG since May 2017 belong to the same group

<sup>12</sup> [www.eurosig.al](http://www.eurosig.al) product list of EUROSIG &INSIG the same company the same products

maintain and improve efficient, professional and express guarantee for insurance products and quality service to the agents and customers under competitive premium prices in order to provide company growth. Through further innovation and IT investments they tend to facilitate and communicate faster with customer to meet their expectation.

- o Mainly focused in motor insurance: TPL 65.41%; Property 23.35%; Life 8.36% and Health 2.89%.
- o Geographical concentration mostly in Kosovo of 42%; Albania of 39% and in Macedonia of 19% of GWP.

Distribution Channels:

- At the end of 2016 INSIG is ranked the 3-rd according to GPW in Insurance market life of 13.97 % and the 6-th for Non-life market share of 7.28%;
- INSIG runs its activity with through 41 branches over the territory of Albania (17 branches), Kosovo (6 branches) and Macedonia (18 branches);
- Branches functions are: Sale, administration, claims settlement, local marketing, and agencies administration.
- Agencies functions are: Sale and local marketing.

**Table 4.** Financial Analyses Result of Insig SH.A.<sup>13</sup>

Insig Sh.A			
RATIOS IN %	2015	2014	2013
<b>UNDERWRITING EXPOSURE</b>			
NET EARNED PREMIUM /SHAREHOLDERS FUNDS	58.95	60.14	61.79
GROSS PREMIUM WRITTEN/SHAREHOLDERS FUNDS	76.94	73.25	86.72
PREMIUM GROWTH: GROSS	2.80	-6.80	0.00
PREMIUM GROWTH: NET	6.01	-0.94	0.00
RETENTION RATIO: % OF AMOUNT NOT REINSURED	81.18	78.72	74.06
RETURN ON ASSETS	5.02	6.54	2.33
NET INCOME MARGIN: NET INCOME/GROSS PREMIUM WRITTEN	13.79	18.59	6.45
<b>CAPITALIZATION</b>			
SURPLUS / NET TECHNICAL RESERVES	101.67	101.13	79.28
SURPLUS / TOTAL ASSETS	46.24	47.77	41.61
SURPLUS / NET PREMIUMS EARNED	169.63	166.27	161.84
SURPLUS / CLAIMS EXPENSES	439.11	481.28	306.75
GROSS PREMIUM GROWTH/SURPLUS RATIO:	2.05	-5.90	0.00
<b>LIQUIDITY/ASSETS</b>			
INSURANCE RECEIVABLES /SHARHOLDERS FUNDS high: poor credit control	29.90	26.01	43.59
INSURANCE RECEIVABLES / TOTAL ASSETS high: poor credit control	14.15	12.50	18.14
LIQUID ASSETS =non affiliated shares; bonds; cash; unit linked assets	4,565.56	4,691.73	4,598.48
LIQUID ASSETS/LIABILITIES (INSURANCE DEBTS)	1,328.66	1,883.46	1,328.81
LIQUID ASSETS/NET TECHNICAL RESERVES	175.85	175.92	149.14
LIABILITIES (INSURANCE DEBTS)/TOTAL ASSETS	6.16	4.44	5.89
SENSITIVITY RATIO: BONDS, STOCKS, SHARES/SHAREHOLDERS FUNDS	0.00	0.00	0.00
INVESTMENT YIELD:			
NET INVESTMENT INCOME/TOTAL AVG ASSETS	4.50	5.38	16.24
NET INVESTMENT INCOME/AVG INVESTMENT ASSETS	193.11	222.19	658.28
<b>EARNINGS</b>			
COMBINED RATIO	94.33	103.22	121.76
COMBINED RATIO commission + underwriting expenses/net premium written	57.87	67.18	71.00
LOSS RATIO net incurred losses/net premium written	36.46	36.03	50.76
2 YEARS COMBINED RATIO	98.77	112.49	60.88
EXPENSE RATIO	62.53	69.09	35.50
LOSS RATIO	36.25	43.40	25.38

<sup>13</sup>Based on Audited figures before privatization

Insig Sh.A			
RATIOS IN %	2015	2014	2013
OVERALL OPERATING RATIO =combined ratio - investment income ratio =overall profit should be below 100%	79.12	84.96	103.84
INVESTMENT INCOME RATIO: INVESTMENT INCOME/NET PREMIUM WRITTEN UNDERWRITING PROFIT/ NET INVESTMENT INCOME	15.21 11.32	18.25 18.80	17.92 -71.31
<b>RESERVES</b>			
TECHNICAL RESERVES+CAPITAL/NET PREMIUM WRITTEN resembles capitalization to see whether undercapitalized and/or underreserved adding up in order to circumvent tax-driven reserving if premiums do not include life, then reserves also shall not include life	317.58	344.92	352.09
TECHNICAL RESERVES/NET PREMIUM WRITTEN for assessing: business lines should be known if premiums do not include life, then reserves also shall not include life	157.48	171.49	196.40
TECHNICAL RESERVES/CAPITAL does not measure adequacy of reserves, to be seen in connection with 22 measures if capital is too low in relation to reserves, not able to suspect understatement of reserves does not measure adequacy of reserves, to be seen in connection with 22	98.36	98.89	126.14
LOSS RESERVE RATIO: loss, funded & other technical reserves/net premium written	112.17	115.25	145.56
NET TECHNICAL RESERVES GROWTH	-2.65	-13.50	0.00

Risk Driver:

- o Investment quality affected by concentrations on domestic banks (as well as KO and MK) as well as AL T-Bills
- o Risks out of limited disclosure and qualified auditors statement
- o Losing market share and stagnating GPW due to increased competition
- o Partly mitigated by good capitalization, higher reserves and state ownership
- o Decreased but still satisfying and better than peers of ROA of 5.02%.

Key Factors:

- o Founded 1991, following oldest insurance in Albania
- o Operating in life- and non-life insurance business
- o Active in Albania, Kosovo and Macedonia
- o 100% owned by the Ministry of Finance
- o Third largest player in the market in life business, 6-th in non-life-business
- o Qualified financial statements due to insufficient disclosure, impairment, revaluation and lack of liability adequacy test for KO;
- o Good management of underwriting expenses, business spread via operating countries, dominated by motor insurance
- o Higher usage of reinsurance than peers,
- o Shrinking and low profitability, strongly dependent on interest income
- o Higher claims and reserve creation
- o Assets are dominated by term deposits to AL, KO and MK banks
- o Clearly better than peers reserves level
- o Good and increased capitalization for year 2015

### 3.3 Analyses done for INSIG LIFE SHA insurance company the newest in Albanian Market

INSIG LIFE SHA, brings in Albanian insurance market the experience and the history of the first insurance institution, which in cooperation with prestigious Reinsurance companies has prepared and offered a wide range of Life products in the past.

INSIG follows the needs of the insurance market by preparing and offering different types of products, starting from short term products to saving and pension schemes. Our products are designed for certain segments such as: students and pupils, families, group businesses and Banks.

Tailor made policies is one of company's competitive advantage, because they prefer to

structure the products according to the customer's needs.

INSIG Life offers different types of products:

- Debtor Life insurance
- Life and health insurance "Flexi plan"
- Group life and PA insurance
- Combined life insurance
- Travel health insurance
- Students life and health insurance
- Life and Health insurance for foreigners
- Pupils and student's life insurance

Actually, INSIG Life is present in all Albanian Territory with 8 Branches and more than 30 agencies and sales points.

According to the data published by the Supervisory Authority, for July 2017, INSIG Life is the company with the higher growth in the Albanian Market.

Life Market had a growth of around 30%, compared with previous year, while INSIG Life had a growth of 96%, growing rapidly despite its position as a start-up company.

At the end of July 2016 INSIG S.C had 7% of the market share, in the same period in 2017 INSIG Life had increased its share to 10.7% of the life market.

Reinsurance Market: The reinsurance contracts of INSIG Life are covered by high standard rated companies.

- 90% of the business is reinsured in companies rated AA and A+,
- Only 10% is reinsured in BBB+ companies.

The main reinsurance and broker companies are:

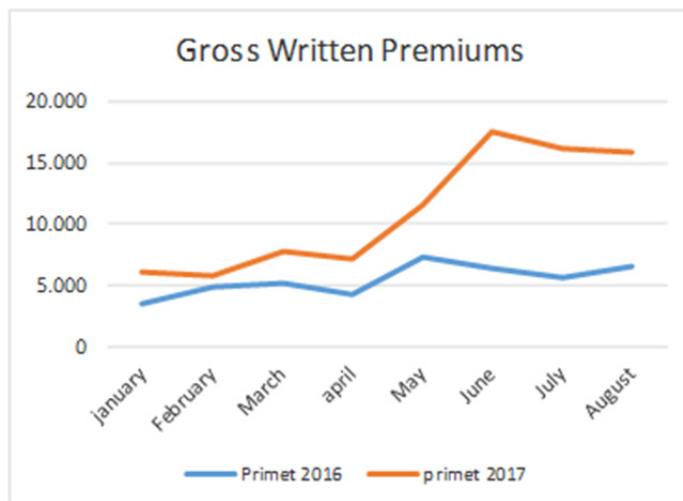
- SCOR – Global Life/ AON – UK Limited/ Willis LTD/MAI –Broker.

Main Financial Figures (as reported by the company – interim 06/2017)

Auditors' Report: There are no full yearly figures and the interim ones are not Audited, due to the fact that the company is a start-up.

The below figures are reported by the company in relation to H1 2017:

- Total GWP for 2017 (8 months) reached EUR 0.66mn or 205% more than previous year.
- The graph shows the GWP per month during 2016 and 2017.
- As it is obvious from the graph, the period after May (big changes in the shareholder's structure), has a very different trend.



**Table 5.** Financial situation of H1 2017 vs. EOY 2016

Main figures	31/12/2016 (in EUR mn)	30/06/2017 (in EUR mn)	Trend
Guarantee Capital	2.79	2.79	0%
Total Assets	4.03	4.02	0%
Financial Investment	3.38	3.41	1%
Premiums Provisions	0.64	0.63	-2%
Claims Provisions	0.47	0.32	-31%
Profit of the current period	0.14	0.11	
Cover of Provisions	100%	100%	

Main Developments – Insurance Market H1 2016 – H1 2017<sup>14</sup>

Main features:

- o During January - June 2017 the insurance market experienced an increase by 12.03% compared to January - June 2016. Gross insurance premiums amount to EUR 60mn, increasing by EUR 6mn.
- o The number of insurance policies reached 551,848 which indicates an increase of 14.69% compared to January - June 2016.
- o Gross insurance premiums in Non-Life insurance business reached the value of EUR 51.4mn, which indicates an increase by 11.20% compared with January - June 2016.
- o The number of Non-Life insurance policies reached EUR 3.5mn which is 7.46% more than January - June 2016.
- o Gross insurance premiums in Life insurance business reached the value of EUR 4.2mn, which indicates an increase 23.07% compared to January - June 2016.
- o The number of Life insurance policies reached 88,606 which indicates an increase by 76.85% compared to January - June 2016.
- o During January - June 2017, the paid claims are in the amount of EUR 20.4mn, or 44.02% more than January - June 2016.
- o During January - June 2017, the number of paid claims was increased by 9,251. The paid claims during this period were 25,019. The Non-Life insurers paid 24,110 claims and Life insurers paid 909 claims<sup>15</sup>.

3.4 Analyses done for the second insurance company in Albania Market – SIGAL Uniqa group<sup>16</sup>

Sigal Sha was incorporated in 1991 as a joint stock company under Albanian Law no. 8081, dated March 7, 1996, "On insurance and reinsurance business" and registered in the Albanian Commercial Register by Tirana District Court decision no. 20863, dated February 22, 1999 and is subject to Law no. 9267 "On insurance and reinsurance activity and on insurance and reinsurance intermediaries" ("Insurance Law") dated July 29, 2004. Its principal business activities include providing insurance services for motor vehicle, property, health, marine and aviation and various other types of insurance.

During 2008 the official name of the Company was change into SIGAL UNIQA Group AUSTRIA sh.a.

Parents/Group:

- o UNIQA International is one of the largest international insurance groups in Central & Eastern Europe.

Business model/ Strategy/ Reputation:

- o Mainly focused in motor insurance: 57% of GPW; 24.7% in property insurance and 12.3% in health, marine and aviation of 5.4% and others of 0.6%;

<sup>14</sup> According to the Albanian Financial Supervisory Authority

<sup>15</sup> AFSA Statistics Insurance Market, 2017

<sup>16</sup> Annual Report 2016, www.sigal.com.al

- o Sigal Uniqa Group Austria sh.a performs the insurance activity in Albania, Kosovo and in Macedonia.

Distribution Channels:

- o Sigal Holding Sha is the market leader with 32.76% of the gross written premiums of non – life insurance market and 47.95% of the gross written premium for the life insurance market.
- o Sigal Uniqa Group Austria sha is well spread over the territory of Albania and in Kosovo and offers its products/services in almost 90% of the Country. Branches functions are: Sale, administration, claims settlement, local marketing, and agencies administration,
- o Agencies functions are: Sale and local marketing more than 90 tied agents, travel agencies which sell Sigal products.

Main Factors:

- o Motor vehicles; besides the compulsory TPL, the company offers the coverage for own vehicle damages (Casco) against the perils as glass breakage, fire, accidents, theft.
- o Insurance of property, buildings and contents from risks like fire, natural hazards (earthquake, storm, flood etc), glass breakage, theft, etc.
- o Guarantees in form of Bid Bonds, Performance Bonds, Advance Payments Bonds and other types of bonds
- o From Travel Health for people traveling abroad to Medical Cash Plan Benefits.
- o Contractors' All Risk (CAR) providing comprehensive and adequate protection against loss or damage in respect of contracts works, construction plant and equipment etc
- o Erection All Risk (EAR) providing comprehensive and adequate protection against all risk involved in the erection of machinery, plant and steel structures of any kind etc
- o Machinery Insurance (MI) for plant, machinery and mechanical equipments at work, at rest or during maintenance operations.
- o Based on their strategy and regulation and their risk management as well the Group manages the risk through underwriting and reinsurance, making reference to Cornerstone Insurance standards and rules<sup>17</sup>. As per their business model the pricing is based on assumptions on their historical data and trends on event and incident occurred. The Group writes property, liability and motor risks primarily over 12-months duration. The most significant risks arise from natural disasters, climate change and other catastrophes.

**Table 6.** An overview of claim loss and combined ratio for the year 2016 and 2015 as per each country financial statement is as below;

	2016		2015	
	Albania	Kosovo	Albania	Kosovo
Claim ratio	39%	41%	30%	41%
Expense ratio	46%	50%	39%	49%
Combined ratio	85%	91%	69%	90%

**Source:** Sigal Annual Report 2016

The main factors affecting the life insurance profit of the Group are the level of claims ratio and expenses related to Albania business segment whereas life insurance activities in Kosovo has yet to underwrite any significant risk. The increase in claims incurred or increased in expenses has its effect on the net equity of the Group and of solvency margin.

Loss ratio in 2016 was 46.29%, thus, increased since claims paid increased to a greater extent than NPW. Expense Ratio almost the same to 55.21% yoy (55.34% in 2015).

<sup>17</sup> <https://cornerstone.com.ng/>

**Table 7.** Financial Analyses Ratio results of Sigal Uniqa Sh.A. Based on Audited figures (2015-2016)

<b>Sigal Unica group - Non-Life</b>			
<b>RATIOS IN %</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>UNDERWRITING EXPOSURE</b>			
NET EARNED PREMIUM /SHAREHOLDERS FUNDS	99.24	86.35	161.74
GROSS PREMIUM WRITTEN/SHAREHOLDERS FUNDS	124.52	114.17	201.88
PREMIUM GROWTH: GROSS	8.46	7.44	0.00
PREMIUM GROWTH: NET	11.57	-0.95	0.00
RETENTION RATIO: % OF AMOUNT NOT REINSURED	82.46	80.17	86.96
RETURN ON ASSETS	1.36	1.51	2.39
NET INCOME MARGIN: NET INCOME/GROSS PREMIUM WRITTEN	2.23	2.47	3.03
<b>CAPITALIZATION</b>			
SURPLUS / NET TECHNICAL RESERVES	103.94	129.82	72.42
SURPLUS / TOTAL ASSETS	48.95	53.51	39.07
SURPLUS / NET PREMIUMS EARNED	100.76	115.81	61.83
SURPLUS / CLAIMS EXPENSES	210.40	254.76	127.71
GROSS PREMIUM GROWTH/SURPLUS RATIO:	9.66	15.03	0.00
<b>LIQUIDITY/ASSETS</b>			
INSURANCE RECEIVABLES /SHARHOLDERS FUNDS high: poor credit control	18.23	13.32	33.94
INSURANCE RECEIVABLES / TOTAL ASSETS high: poor credit control	8.92	7.13	13.26
LIQUID ASSETS =non affiliated shares; bonds; cash; unit linked assets	2,808.66	3,516.98	2,275.11
LIQUID ASSETS/LIABILITIES (INSURANCE DEBTS)	1,208.89	1,238.13	837.35
LIQUID ASSETS/NET TECHNICAL RESERVES	101.67	158.13	108.42
LIABILITIES (INSURANCE DEBTS)/TOTAL ASSETS	3.96	5.26	6.99
SENSITIVITY RATIO: BONDS, STOCKS, SHARES/SHAREHOLDERS FUNDS	0.00	0.00	0.00
INVESTMENT YIELD:			
NET INVESTMENT INCOME/TOTAL AVG ASSETS	3.95	3.97	11.11
NET INVESTMENT INCOME/AVG INVESTMENT ASSETS	11.09	14.28	39.57
<b>EARNINGS</b>			
COMBINED RATIO	101.49	98.23	96.74
EXPENSE RATIO commission + underwriting expenses/net premium written	55.21	55.34	52.14
LOSS RATIO net incurred losses/net premium written	46.29	42.89	44.60
2 YEARS COMBINED RATIO	99.86	97.49	48.37
EXPENSE RATIO	55.27	53.74	26.07
LOSS RATIO	44.59	43.75	22.30
OVERALL OPERATING RATIO =combined ratio - investment income ratio =overall profit should be below 100%	99.89	97.41	95.92
INVESTMENT INCOME RATIO: INVESTMENT INCOME/NET PREMIUM WRITTEN	1.60	0.81	0.82
UNDERWRITING PROFIT/ NET INVESTMENT INCOME	-64.13	-55.77	-57.00
<b>RESERVES</b>			
TECHNICAL RESERVES+CAPITAL/NET PREMIUM WRITTEN resembles capitalization to see whether undercapitalized and/or under-reserved adding up in order to circumvent tax-driven reserving if premiums do not include life, then reserves also shall not include life	191.09	193.42	135.61
TECHNICAL RESERVES/NET PREMIUM WRITTEN for assessing: business lines should be known if premiums do not include life, then reserves also shall not include life	93.70	84.16	78.65
TECHNICAL RESERVES/CAPITAL does not measure adequacy of reserves, to be seen in connection with 22 measures if capital is too low in relation to reserves, not able to suspect understatement of reserves does not measure adequacy of reserves, to be seen in connection with 22	96.21	77.03	138.08
LOSS RESERVE RATIO: loss, funded & other technical reserves/net premium written	55.98	47.79	42.46
NET TECHNICAL RESERVES GROWTH	24.21	5.99	0.00

**SIGAL LIFE UNIQA Group AUSTRIA SH.A.:**

**Background & Business Model:** SIGAL Life was established on Sep 2004 as a life insurance company; the Company was ultimately controlled by Uniqa Insurance Group A.G., Vienna, Austria. In YE'2016, company held a 59.96% of Albanian market share in terms of GPW of life insurance, keeping the first position in the market since the establishment;

The Group operates in the insurance market offering life insurance products in the Republic of Albania;

**Underwriting, Asset Quality, Liquidity:** GPW fell by 13.18%YoY and stood at EUR4.33mn (*life sector declined by 4.83% YoY*).

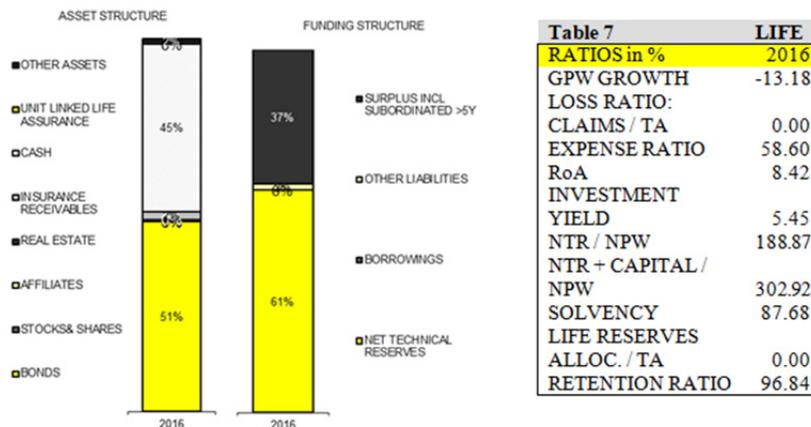
The downtrend was driven by decrease of two major insurance products: debtor's life insurance down by 23% (61% of GPW); endowment down by 12.8% (24% of GPW); combined insurances one the other hand increased by 84.8% but the impact is low as they count for only 15% of GPW); Downtrend of Sigal GPW was in line with decrease of domestic GPW.

Retention Ratio went up to 96.84% (2015: 98.36%) being at very high level; company has signed agreements with SCOR Global, Sigal Uniqa Group Austria Sh.a and Butcher, Robinson & Staples International Limited-Lloyd's Broker; TA remained quite unchanged at EUR 12.9mn with a slight increase by 0.8%; the increase of TB securities by 22% was set off by decrease of time Deposits and guarantees 16.7% and acquisition costs by 24.15%; insurance receivables remained almost unchanged slightly down by 0.5%; Concerning liquid assets, NTR were barely covered by liquid assets with 156% (2015: 172%), while liquid assets to insurance liabilities ratio stood at 5,926% (2015: 3,585.8%), which was not considered as adequate

**Reserves, Funding and Capitalization:** 10.6% growth in NTR ascending at in 61.3% share of b/s total; NTR improved acceptably in terms of NPW (188.8%) and in terms of Claims Expenses (16.9%) compared to Pyurpl.us decreased over the year by 9.7% YoY counting for 37% of b/s; *week capitalization as Solvency* was un-adequate at 87.68% but acceptable Claims/Surplus (28.11%);

**Profitability:** In the end of the reporting period Sigal Life Uniqa Group Austria reported a positive underwriting result of EUR0.92mn which was however, 35.9% lower YoY following the decrease of GWP; This development apart from decrease of GWP, came as well as an outcome of the due to higher paid losses, higher acquisition costs and administration & marketing expenses; net income from investment deriving from interest income of deposits was almost the same with a slight decline by 0.3% YoY; FX losses decreased by 7.5%; thus, the company reported a net income of EUR0.92mn; (Y2015: EUR1.4mn; ROA was reported to 8.4% (EOY 2015: 13.29%); increased Loss Ratio to 32.06% (2015: 22.34%) and Expense Ratio as well up to 58.6% (Y2015: 44.5%);

As per information published from Financial Institution Supervisor of Albania, Sigal Life Unique Group Austria GWP for H1 2017 slightly increased by 24.74% reaching the amount of EUR2.7mn having a 67.92% share of local market keeping the first position since the establishment;



**Graph 2. General Information**

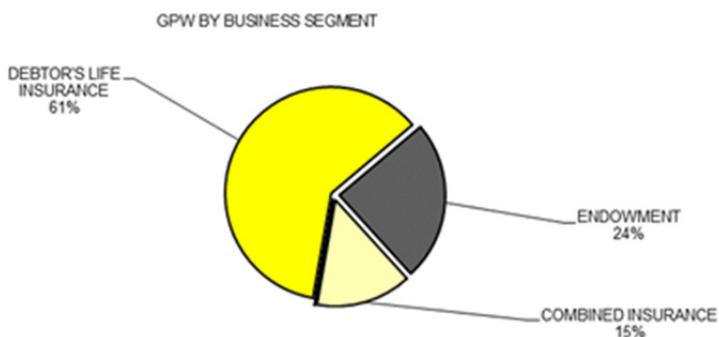
The Company is part of a rated group as follows as it presented in their website<sup>18</sup>:

*“The UNIQA Group is evaluated annually by Standard & Poor’s as part of its Insurer Financial Strength Ratings. This evaluation includes extensive discussions with top management. UNIQA GROUP RATINGS: UNIQA INSURANCE GROUP AGA-/Stable; UNIQA Österreich Versicherungen AG A/Stable; UNIQA Re AG (Switzerland): A/Stable; UNIQA Versicherung AG (Liechtenstein): A-/Stable; Outlook for all “stable”*”

#### Major Structures Developments Related to Financial Statements

Underwriting Quality: GPW fell by 13.18%YoY and stood at EUR4.33mn (*life sector declined by 4.83% YoY*).

The downtrend was driven by decrease of two major insurance products: debtor’s life insurance down by 23% (61% of GPW); endowment down by 12.8% (24% of GPW); combined insurances one the other hand increased by 84.8% but the impact is low as they count for only 15% of GPW); Downtrend of Sigal GPW was in line with decrease of domestic GPW.



#### Graph 3.

The portfolio structure did not change in Y2015 remained considerably concentrated with the debtor’s live insurance covering 61% of total GPW; endowment insurance held 24% of share while the combined insurance covers the remaining 15% of company’s insurance portfolio;

Reinsurance Quality: Retention Ratio went up to 96.84% (2015: 98.36%) being at very high level; company has signed agreements with SCOR Global, Sigal Uniqa Group Austria Sh.a and Butcher, Robinson & Staples International Limited-Lloyd’s Broker; Nevertheless; as per end of Y2016, payables from reinsurance activity arise from the reinsurance contracts underwritten only by SCOR Global Life with the Company, covering risk arising from both the credit life and personal accidents insurance contracts;

Earnings Quality: In the end of the reporting period Sigal Life Uniqa Group Austria reported a positive underwriting result of EUR0.92mn which was however, 35.9% lower YoY following the decrease of GWP; This development apart from decrease of GWP, came as well as an outcome of the due to higher paid losses, higher acquisition costs and administration & marketing expenses; net income from investment deriving from interest income of deposits was almost the same with a slight decline by 0.3% YoY; FX losses decreased by 7.5%; thus, the company reported a net income of EUR0.92mn; (Y2015: EUR1.4mn; ROA was reported to 8.4% (EOY 2015: 13.29%); increased Loss Ratio to 32.06% (2015: 22.34%) and Expense Ratio as well up to 58.6% ( Y2015: 44.5%);

<sup>18</sup> <http://www.uniqagroup.com/gruppe/versicherung/investor-relations/aktie/ratings/Ratings.en.html>

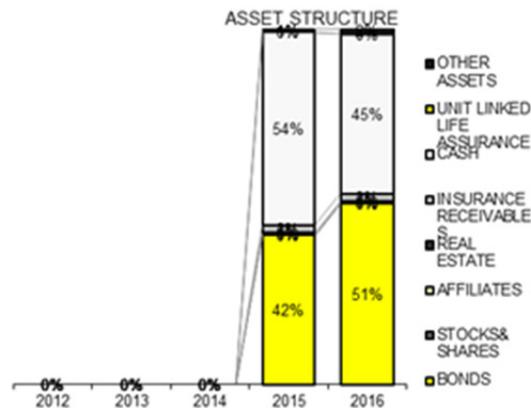


**Graph 4.**

Assets / Asset Quality / Liquidity: TA remained quite unchanged at EUR 12.9mn with a slight increase by 0.8%; the increase of TB securities by 22% was set off by decrease of time Deposits and guarantees 16.7% and acquisition costs by 24.15%; insurance receivables remained almost unchanged slightly down by 0.5%; Concerning liquid assets, NTR were barely covered by liquid assets with 156% (2015: 172%), while liquid assets to insurance liabilities ratio stood at 5,926% (2015: 3,585.8%), which was not considered as adequate.

TA remained quite unchanged at EUR 12.9mn with a slight increase by 0.8%; the increase of TB securities by 22% was set off by decrease of time Deposits and guarantees 16.7% and acquisition costs by 24.15%; insurance receivables remained almost unchanged slightly down by 0.5%;

Overall, the TA structure slightly changed for previous year with Cash funds at 44.8% (2015: 54.1%), securities at 50.8% (2015: 42%) and Receivables standing for 2.1% (2015: 2.1%).



**Graph 5. Assets**

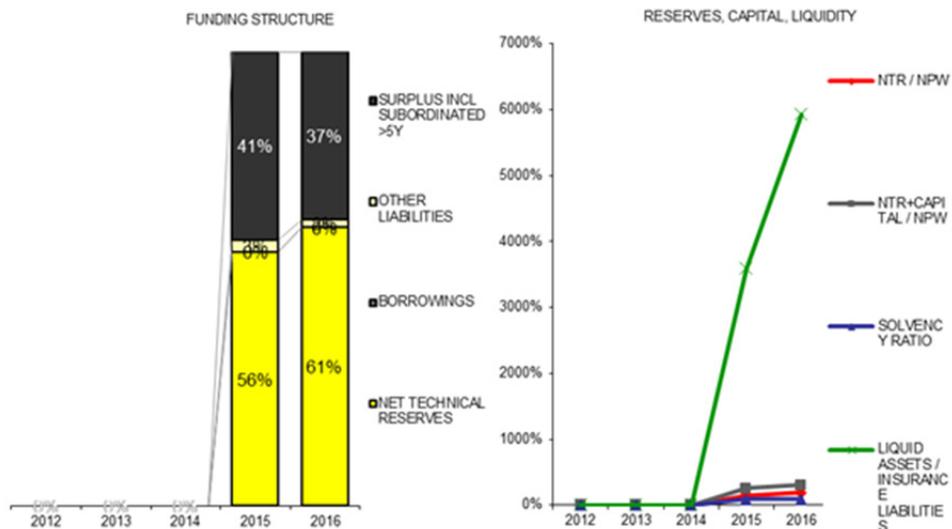
Time deposits and guarantees decreased by 16.47%YoY counting for 44.88% of TA; they are composed from deposits in Albanian Banks with majority of 75.3% having 3M-1Y tenor; Term deposits with banks include guarantee funds which are composed of term deposits blocked at banks; The guarantee fund can only be invested through the banking system in term deposits or treasury bills and is not available for daily operations. Dec2016 around 70% of term deposits was denominated in EUR, 20.7% in ALL and the rest in USD;

Insurance receivable quite unchanged from previous year counting for 2.1% of TA is mainly composed of premiums related to insurance policies sold but not paid as per EOY 2016.

Investments in securities as at 31 December 2016 are comprised of T Bills of the Government of Albania denominated in EUR (30%) and ALL (70%); 95.9% of total security portfolio has a 1Y-5Y maturity; As per end of Y2016, 45.8% of company's assets were classified as current (with maturity up to 1 year); On the liabilities' side (excluding Surplus), 30.2% of liabilities were current and the other 69.8% were long-term; the net liquid gap count for 24.9% of TE; The highest currency mismatching was reported in ALL currency; assets in ALL counted for 47% of TA; while ALL liabilities 25.7% of TA; the mismatch count for 65.4% of TE.

Investment in subsidiary: On 15 December 2010, Sigal Life Uniqa Austria Sh.a acquired 51% of shares of SH.A.F.P Sigal Life Uniqa Group Austria; Its subsidiary is an Albanian entity managing a voluntary defined contribution pension fund.

Concerning liquid assets, NTR were barely covered by liquid assets with 156% (2015: 172%), while liquid assets to insurance liabilities ratio stood at 5,926% (2015: 3,585.8%), which was not considered as adequate.



Graph 6. Liabilities

Reserves Quality: 10.6% growth in NTR ascending at in 61.3% share of b/s total; NTR improved acceptably in terms of NPW (188.8%) and in terms of Claims Expenses (16.9%) compared to PY. As of end-2016, the company had borrowed funds of no kind.

Capitalization: Surplus decreased over the year by 9.7% YoY counting for 37% of b/s; week capitalization as Solvency was un-adequate at 87.68% but acceptable Claims/Surplus (28.11%); Sigal Life's Share Capital witnessed decrease of 9.7% EOY2016 and stood at EUR4.78mn going down to nevertheless down to 37% of b/s total (2015:41.4%) due to lower period's net profit; During 2016 EUR1.44mn was distributed as dividends from retained earnings (2015: EUR0.86mn);

## 4. Conclusions

### 4.1 Key Factors and facts of Sigal Holding towards Albanian Insurance market

Based on above financial and management data analyses and ratio results it is evident that:

- The market is consolidated and fully established even from regulatory point of view at

- 1999, when the first private Insurance Company is created , Sigal Sh.A.
- The ultimate parent of Sigal Uniqa analysed in this paper is UNIQA group, via direct and indirect ownership. 99.9% owned by Sigal Holding sh.a, which in return is majority owned by UNIQA group
  - It Operates in insurance services for motor vehicle, property, health, marine and aviation and other types of insurance
  - Geographically is operating in Albania, Kosovo and Macedonia. In 2007 decision to transfer all shares of Sigal sh.a to SIGAL HOLDING sh.a (CCN 529399, internal rating 3.0), a newly created company owned by former shareholder of Sigal sh.a and created for the scope of coordinating and managing Sigal sh.a, Sigal life sh.a and Sigal AD Skopje. In 2008 the name was changed to as above
  - As e first private insurance company it is market leader with 27.56% of GPW in non-life insurance market.
  - Good growth of premiums written, well distributed over all products. Compulsory insurance of motor vehicles amounting to 24.7% of GPW
  - Positive bottom line result only due to FX gains and Other Comprehensive Income, due to higher claims and growth of investment income, not making up for underwriting loss
  - Assets slightly grew by 8% in 2016; mainly due to investment in subsidiaries.
  - Assets are exposed mainly in in two foreign exchange currency EUR and USD, in terms of forex exposure.
  - Reserves level of the company is not so strong, in spite of improvement in 2015.Stable capitalization in spite of decrease of surplus

#### 4.2 Risk Drivers

- It is a challenge for all insurance companies to have highly qualified and experienced staff in order to assure the ability, professionalism and knowledge for offering the several insurance products as a package, adapting the european market products as per Uniqa group expertise with domestic market and legal environment;
- Holding financials stand alone much smaller and weaker presumed, as a holding dependent on dividend income from operating entities.
- Mainly focused in motor insurance: 24.7% in property insurance and 12.3% in health, marine and aviation of 5.4% and others of 0.6%;
- The company shows fast premium growth over current year, dominated by compulsory insurance for motor vehicles.
- Adequate solvency at 102.68 % (91.52% on 2015) due to increased of premium revenue level, claims to shareholders' fund ratio increased to 47.53 % (39.25% in Y 2015).
- Assets held in difficult environment, and substantial stake not available for daily business, further high shares of assets are held in foreign currency, exposing the company to a high FX mismatch
- Volatile income from fx gains and pressure on profitability out of and claims costs
- Weak reserves level and shrinking capitalization as well as dependence on FX income are mitigated by assumed support from UNIQA Group as ultimate parent.

#### References

- Directive 2009/103/EC of the European Parliament and of the Council of 16 September 2009  
Law No. 10076, dated 12.02.2009 "For the Mandatory Insurance in the Transport sector"  
<https://www.iaisweb.org/page/supervisory-material/insurance-core-principles//file/69883/draft-revised-introduction-and-assessment-methodology>  
<http://amf.gov.al> Albanian Prudential Ratio Analyses, Dec, 2006  
Council Directive 72/166/EEC of 24 April 1972 on the approximation of the laws of Member States relating to insurance against civil liability in respect of the use of motor vehicles, and to the enforcement of the obligation to insure against such liability

Directive 2009/103/EC of the European Parliament and of the Council of 16 September 2009 relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability

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[www.amf.gov.al](http://www.amf.gov.al) AFSA Supervisory Insurance Annual Report 2013

[www.amf.gov.al](http://www.amf.gov.al) AFSA Statistics on Insurance 2016-2017

<http://eurosig.al/en/products/motor-insurance>

## Annex 1

### Albania's Insurance Sector (according to AMF Albania report on “Statistics Insurance Market Year 2017”)

The life insurance portfolio is composed as follows:

Type of Insurance	Share in Total Value	
	2017	2016
Life – Death	0.00%	0.00%
Debtor's Life	62.28%	65.43%
Depositor's Life	0.00%	0.00%
Group Life	15.66%	15.84%
Combined Life	2.25%	2.11%
Life and Health in Travel	3.35%	3.36%
Pupil and Students Life	0.27%	0.27%
Collective Funds	0.00%	0.00%
Flexi- Plan	0.36%	0.25%
Life with Saving	12.71%	10.99%
Cash Plan	0.00%	1.69%
Student's Life	0.12%	0.05%

The paid claims – Non life insurance

Insurance Company (non-life)	2016		2017	
	Claims	%	Claims	%
<b>INSIG SHA</b>	<b>2.33</b>	<b>14.60%</b>	<b>2.25</b>	<b>15.00%</b>
SIGMA VIENNA INSURANCE GROUP SHA	2.55	15.96%	1.77	11.80%
SIGAL UNIQA GROUP AUSTRIA SHA	4.55	28.53%	4.86	32.33%
ATLANTIK SHA	2.20	13.78%	1.13	7.54%
INTERSIG SHA	1.02	6.38%	1.28	8.52%
EUROSIG SHA	0.70	4.38%	0.85	5.66%
INTERALBANIAN SHA	1.80	11.26%	2.00	13.29%
ALB SIG SHA	0.81	5.1%	0.88	5.85%

### INSIG SHA

RATIOS FOR SCORING - INSIG SHA	2015	2014	2013
INVESTMENT ASSETS = LIQUID ASSETS OHNE CASH+OTHER INVESTMENTS INCL LIFE	127.20	133.34	144.88
SENSITIVITY RATIO: BONDS, STOCKS, SHARES/SURPLUS	0.00	0.00	0.00
LIQUID ASSETS / NET TECHNICAL RESERVES	175.85	175.92	149.14
LIQUID ASSETS / INSURANCE LIABILITIES	1,328.66	1,883.46	1,328.81
INSURANCE LIABILITIES / TOTAL ASSETS	6.16	4.44	5.89
CHANGE IN GROSS PREMIUM WRITTEN	2.80	-6.80	0.00
CHANGE IN NET PREMIUMS WRITTEN	6.01	-0.94	0.00
GROSS PREMIUM GROWTH / SURPLUS - RATIO	2.05	-5.90	0.00
RETENTION RATIO: GROSS PREMIUMS / NET PREMIUMS	81.18	78.72	74.06
TECHNICAL RESERVES / NET PREMIUM WRITTEN	157.48	171.49	196.40
NET PREMIUM GROWTH / NET TECHNICAL RESERVES GROWTH	-226.58	6.97	0.00
CLAIMS EXPENSES / NET TECHNICAL RESERVES	23.15	21.01	25.84
TECHNICAL RESERVES GROWTH	-2.65	-13.50	0.00
SOLVENCY RATIO: NET PREMIUM WRITTEN / SHARHOLDERS FUNDS ( I.E. SURPLUS)	62.46	57.66	64.23
CLAIMS / SHAREHOLDERS FUNDS (I.E. SURPLUS)	22.77	20.78	32.60
CHANGE IN SURPLUS	-2.13	10.34	0.00

<b>RATIOS FOR SCORING - INSIG SHA</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
RETURN ON ASSETS (PRE TAX PROFIT)	5.02	6.54	2.33
NET INCOME MARGIN: PRE TAX PROFIT / GROSS PREMIUM WRITTEN	13.79	18.59	6.45
EXPENSE RATIO: (COMMISSION + MANAGEMENT EXPENSES)/ NET PREMIUM WRITTEN	57.87	67.18	71.00
LOSS RATIO: NET CLAIMS / NET PREMIUM WRITTEN	36.46	36.03	50.76
INVESTMENT YIELD: NET INVESTMENT INCOME / AVG INVESTMENT ASSETS	193.11	222.19	658.28
COMBINED RATIO = EXPENSE RATIO + LOSS RATIO	94.33	103.22	121.76
INVESTMENT INCOME RATIO = INVESTMENT INCOME / NET PREMIUM WRITTEN	15.21	18.25	17.92
OVERALL OPERATING RATIO= EXPENSE RATIO + LOSS RATIO - INVESTMENT INCOME RATIO	79.12	84.96	103.84
UNDERWRITING RESULT: UNDERWRITING PROFIT / NET INVESTMENT INCOME	11.32	18.80	-71.31

## SIGAL SHA

<b>RATIOS FOR SCORING – SIGAL GROUP SHA</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
INVESTMENT ASSETS = LIQUID ASSETS OHNE CASH+OTHER INVESTMENTS INCL LIFE	2,527.17	1,487.30	1,091.67
SENSITIVITY RATIO: BONDS, STOCKS, SHARES/SURPLUS	0.00	0.00	0.00
LIQUID ASSETS / NET TECHNICAL RESERVES	101.67	158.13	108.42
LIQUID ASSETS / INSURANCE LIABILITIES	1,208.89	1,238.13	837.35
INSURANCE LIABILITIES / TOTAL ASSETS	3.96	5.26	6.99
CHANGE IN GROSS PREMIUM WRITTEN	8.46	7.44	0.00
CHANGE IN NET PREMIUMS WRITTEN	11.57	-0.95	0.00
GROSS PREMIUM GROWTH / SURPLUS - RATIO	9.66	15.03	0.00
RETENTION RATIO: GROSS PREMIUMS / NET PREMIUMS	82.46	80.17	86.96
TECHNICAL RESERVES / NET PREMIUM WRITTEN	93.70	84.16	78.65
NET PREMIUM GROWTH / NET TECHNICAL RESERVES GROWTH	47.78	-15.90	0.00
CLAIMS EXPENSES / NET TECHNICAL RESERVES	49.40	50.96	56.71
TECHNICAL RESERVES GROWTH	24.21	5.99	0.00
SOLVENCY RATIO: NET PREMIUM WRITTEN / SHAREHOLDERS FUNDS ( I.E. SURPLUS)	102.68	91.52	175.56
CLAIMS / SHAREHOLDERS FUNDS (I.E. SURPLUS)	47.53	39.25	78.31
CHANGE IN SURPLUS	-0.55	89.99	0.00
RETURN ON ASSETS (PRE TAX PROFIT)	1.36	1.51	2.39
NET INCOME MARGIN: PRE TAX PROFIT / GROSS PREMIUM WRITTEN	2.23	2.47	3.03
EXPENSE RATIO: (COMMISSION + MANAGEMENT EXPENSES)/ NET PREMIUM WRITTEN	55.21	55.34	52.14
LOSS RATIO: NET CLAIMS / NET PREMIUM WRITTEN	46.29	42.89	44.60
INVESTMENT YIELD: NET INVESTMENT INCOME / AVG INVESTMENT ASSETS	11.09	14.28	39.57
COMBINED RATIO = EXPENSE RATIO + LOSS RATIO	101.49	98.23	96.74
INVESTMENT INCOME RATIO = INVESTMENT INCOME / NET PREMIUM WRITTEN	1.60	0.81	0.82
OVERALL OPERATING RATIO= EXPENSE RATIO + LOSS RATIO - INVESTMENT INCOME RATIO	99.89	97.41	95.92
UNDERWRITING RESULT: UNDERWRITING PROFIT / NET INVESTMENT INCOME	-64.13	-55.77	-57.00