

Published on 10.07.2014

## **Enkeleda SHEHI, Chairperson, Albanian FSA**

**XPRIMM: Which were the most important changes/trends, both - in the economy and insurance industry - in 2013?**

**Enkeleda SHEHI:** Year 2013 was considered a challenging one in terms of economic and financial market developments. The aggregate demand was weak due to sluggish consumption and private investment, which were not offset by the fiscal stimulus and the foreign demand. The private sector demand was negatively affected by the weak business and consumer confidence, slowing of income and the relatively tight financing conditions. The general elections held last year contributed further to the increase of uncertainty of the economy and financial markets, contributing adversely to the consumption and investment. Therefore, the Albanian economy performed under expectations, employment and salaries grew at a lower speed, thus keeping the inflationary pressures at low levels. Meanwhile the government's unpaid bill to the private sector has added a liquidity problem to the business. The financial conditions of Albanian businesses were faced with difficulties which have been reflected to the further deterioration of non-performing loans. Meanwhile the anemic growth and increase expenditure has been reflected in low budget revenue and increased expenditure, which has widened the budget deficit and increased public debt.



As for the insurance industry in Albania in 2013, the gross written premiums reached ALL 8.5 billion, or EUR 60.8 million, recording a 4.6% decrease compared with 2012. The market structure remained unchanged in terms of the dominance of Non-life insurance, with 88% of the overall premium volume. Voluntary insurance stands for 54.7% of the market structure, while 45.3% is compulsory motor insurance. There were no new entries in the market during 2013, with eight insurers writing Non-life business, two life and one composite.

**XPRIMM: How would you characterize the local insurance market's evolution in 2013?**

**E.S.:** MTPL insurance remained the most important portfolio in the Albanian insurance market, although the gross written premiums decreased by 15.6%, compared to 2012. That was primarily due to the fierce competition that led to under pricing of the product.

Voluntary insurance premiums for the year 2013 increased by 6.3% compared to 2012. The most dynamic lines were accident and health insurance, experiencing an increase by 7.7%, as well as life insurance, recording 9.1% gain in gross revenues than in year 2012.

**XPRIMM: For the local insurance industry, the year 2014 started better or worse than previous years (2008-2013)?**

**E.S.:** Year 2014 has started better in terms of premium volume, due to the stabilization of

DMTPL prices, in the first quarter. The insurance premium revenues for January-March 2014 were 26.6% more compared to the January-March 2013, while DMTPL gross written premiums alone experienced an increase by 37.5% compared with January - March 2013.

Voluntary insurance premiums also experienced a 23.4% increase compared to the first quarter of 2013, where insurance against fire and natural forces showed the highest dynamic in the first quarter 2014, writing 30.4% more business than in the same period last year.

Accident and health insurance as well as life insurance premiums also experienced increase, respectively by 12.7% and 7.1%.

***XPRIMM: Are there any major changes to be made in the near future that will target the insurance industry?***

**E.S.:** Albanian FSA had an FSAP in November 2013 and in that purpose a self assessment toward IAIS core principles was conducted. Based on that assessment Albanian FSA has identified some core areas to focus in the medium term. The main changes that are underway or targeted in the near future are as follows:

- A legal package is currently being discussed in Parliamentary commissions, after Government approval that comprises amendments to Albanian FSA law and a new insurance bill. At the end of this process Albanian FSA is aiming to gain more independence as a financial regulator and reforming the supervisory regime, thus being in a position to implement risk based supervision;
- Amendments to tax legislation are underway with the aim to exclude all the insurance products, MTPL included, from VAT;
- Introduction of new compulsory insurances in certain professions and liability lines is being planned ;
- In the medium term a bill on compulsory insurance on catastrophic risks will be developed.

***XPRIMM: What are your expectations for the end of 2014? (Forecast for the local insurance industry)***

**E.S.:** Year 2014 will also depend on the stability of prices in the MTPL portfolio. If the current prices will be maintained, the market will experience a considerable growth by the end of 2014. It remains to be seen also whether the dynamics of growth of voluntary insurance will be maintained throughout the year. Some insurance products, such as debtor's life and property are also driven to some extent by bank credit, which in the first quarter of 2014 is still at stagnation.