

Published on 13.11.2014

Enkeleda SHEHI, Chairperson, Albanian FSA

XPRIMM: *How do you comment on the results recorded by your national insurance market in 1H2014? How do you assess the end year results for 2014, taking into consideration the midyear accomplishments?*

Enkeleda SHEHI: The first half of 2014 recorded positive results for the insurance market in Albania. The overall volume of the gross written premium in the insurance industry for the first half of 2014 was about ALL 5,316 million showing a growth of 34.61% compared to January-June 2013. The market remains dominated by Non-Life insurance, which took about 89.31% of the total premium volume. Compulsory insurance gross written premiums were 54.20% of the total volume, while the voluntary insurance took about 45.80% of the market. The growth is mainly driven by stabilization of MTPL prices early in 2014 and is expected to influence positively the 2014 results.



XPRIMM: *Which were the most challenging issues for the local insurers in the first part of the current year?*

E.S.: During the first half of 2014, two main legislative initiatives took place, the first being a new bill on insurance as well as amendments to the Albanian FSA law. Both these laws now are in force as of July 2014.

The law on insurance and reinsurance creates the necessary space and legal support for the AFSA to implement its risk focused supervision methodology. This is the main impact the law will have on the industry and the main challenge for the regulator in the years to come. The new law introduces for the first time the mandate for special supervision of groups as well as improves a lot on the corporate governance requirements for insurance companies, including fit and proper criteria, risk management, internal audit etc.

The amendments of the Albanian FSA law, on the other hand made possible the strengthening of independence of the institution, contributing in this way to strengthening of the supervision in the financial markets. The last remaining for AFSA to gain full independence is the removal from the Civil Servant Law, which is currently in process.

Following the FSAP that Albania had in March 2014, two main measures are introduced in the MTPL portfolio:

1. a cash reserve mechanism at company level for MTPL claim payments, supervised by the Albanian FSA, until full transition to risk-based supervision, and

2. a three year payment schedule for all arrears arising from uninsured vehicles subject to payments from the compensation fund.

XPRIMM: *What is currently the distribution structure on your market? How relevant is the role played by the insurance brokers?*

E.S.: The distribution of the insurance products in the Albanian market is done through the insurance companies (direct sales) as well as brokers and agents. The main distribution channel remains through agents, while brokers contribute to 20% of premium distribution, showing an increasing role in the distribution structure. At the end of 2013 there were 8 brokerage companies and 13 individual brokers in the Albanian market.

XPRIMM: *Which are the most important insurable natural risks to which your country has a significant exposure? Which is the household insurance coverage degree?*

E.S.: Albania is a country exposed to natural catastrophes, mainly earthquakes and floods. Earthquakes from neighboring countries also expose Albania to excessive risk, as history has shown. According to EUROPA Re, an earthquake with a probability of occurrence once in 500 years could cause in a country like Albania damages around EUR 3.5 billion, out of which EUR 2 billion could be the bill to the households. Although the market offers different products that cover natural perils, the penetration is quite low on voluntary basis, with the demand being driven primarily by banks that insure their collaterals. According to recent studies, only 1-2 households out of one hundred have voluntary coverage against earthquakes. Overall, the premium volume generated by insurance against fire and allied perils, in the first half of 2014 was only 15% of the total gross business written in Non-Life Insurance.

XPRIMM: *Is there in place a national risks mitigation program in your country?*

E.S.: Being vulnerable towards the earthquake risks and adding into that the unconsolidated mechanisms to mitigate catastrophes, Albania does need a national risk mitigation program, but such program is not yet in place. However the first steps are undertaken. In March 2014, the Albanian FSA authorized new products for insurance against earthquake, covering property damage for households and SMEs. These products are supported by tailored models for insurance and reinsurance of Cat risks in South Eastern Europe.

XPRIMM: *Please give us your comments on the agricultural insurance development in your country. Is there any type of state subsidy for agricultural insurance?*

E.S.: The agriculture insurance market in Albania is not developed, although the market has the legal basis and the capacity to provide coverage for most of the risks related to agriculture insurance. The positive fact, is that some governmental pilot projects are currently underway that aim to develop insurance in agriculture, which in turn might positively impact the nascence of this market in the future.