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XPRIMM: *How do you comment on the 2015 overall results of the Albanian insurance market? What are the main opportunities and the challenges that the Albanian insurance market is currently facing?*

Enkeleda SHEHI: Overall, in 2015 the insurance industry experienced positive developments, in terms of the overall premium volume. The gross written premiums reached ALL 14.09 billion, or EUR 100.80 million, recording a significant rise of 21.18% compared to the previous year. The market structure in 2015 remained dominated by Non-Life Insurance, which made up 92.62% of the total premium volume. The positive GWP trend of the non-life insurance market is still mainly attributable to Motor TPL. The gross written premiums market shares of voluntary and compulsory insurance were respectively 39.77% and 60.23%. The paid claims experienced a 28.30% increase compared with 2014. Most of the gross paid claims were related to motor insurance.



The Albanian insurance market has growth opportunities as the insurance indicators, such as insurance penetration ratio and insurance density are still very low. Premium to GDP ratio was 1.9% in 2015, while the average premium per capita in Albania was equal to ALL 4,866 or EUR 34.82. The implementation of legal and regulatory reforms, in accordance with international standards, to strengthen the supervision and regulation of the insurance market will provide good opportunities for the development of the insurance market by offering a wide range of insurance products aiming at risk protection. The project of Reforming the Insurance Market, which started in 2014, with an implementation period of 24 months, aims to enhance the development of the Albanian insurance market by supporting the development of catastrophe insurance in Albania.

Some of the challenges the insurance market is facing, include low penetration rate, the need for further improvement of the claim ratio, the low public awareness, the narrow range of life insurance products and the need to increase the share of voluntary insurance to the overall premium volume. The work of Albanian FSA consists of raising the public awareness through consumer education and enhancing public confidence in the insurance industry. The introduction of the risk-based supervision methodology will also be very challenging for the insurance market.

XPRIMM: *According to the market statistics published by the AFSA, the MTPL insurance line continued to be, also in 2015, the market driver in GWP terms. Please comment on the factors that determined the significant growth recorded on this market segment.*

E.S.: During the year 2015, the compulsory motor insurance premiums were about ALL 8,476 million or EUR 60.66 million, showing an increase by 22.49% compared with 2014. There has been a continuous growth in Domestic MTPL by 27.53% as well as in Green Card insurance, which increased by 18.14% compared to the previous year. This shows a tendency that has been going on for quite some years.

Quite the opposite is the Border Insurance, which showed a decrease by 12.77% in terms of gross written premiums. The stabilizing measures taken by the FSA, driven also by the recommendations of the World Bank, as well as the definition of the methodology to calculate the risk premium (by the FSA), and the increased awareness of the insurance companies toward the necessity of application of appropriate tariffs based on actuarial calculations rather than simply tracking the indicators of "market share" have influenced the growth and the stabilization of the MTPL market. FSA through the evaluation mechanism of the technical provision, which by regulation are dependent on the risk premium, has influenced and mitigated the negative consequences of the application of tariffs which were not calculated according to actuarial principles and methodologies.

XPRIMM: *What is the current status of the property insurance lines, especially in what nat cat risks are concerned?*

E.S.: During the year 2015, the total revenues in the portfolios of property, liability and guarantee insurance, were about ALL 2,610 million or EUR 18.68 million. The biggest share of this portfolio, with 73.33%, was taken by Fire and other property damage insurance, followed by General liability insurance with about 17.81%. Gross written premiums in insurance against fire and natural forces portfolio, increased by 5.82% during 2015. The number of contracts increased by 7.02% compared with 2014. During the year 2015, the total revenues in the portfolios of property, liability and guarantee insurance, were about ALL 2,610 million or EUR 18.68 million. The biggest share of this portfolio, 73.33%, was due to the Fire and other property damage insurance, followed by General liability insurance with about 17.81%. Gross written premiums in insurance against fire and natural forces portfolio, increased by 5.82% during 2015. The number of contracts increased by 7.02% compared with 2014. The insurance industry offers also insurance products, which cover earthquake, flood insurance or insurance against other natural disasters. The risk linked with these insurance contracts is managed through risk transfer to reinsurance market. The nat cat risk, as an additional risk, is considered as part of the other property insurance lines. As a result, the exact share of the portfolio of the nat cat insurance cannot be determined because of the aggregation. Following the implementation of the draft law on catastrophe insurance, the share of the portfolio of nat cat risks should be calculated separately.

XPRIMM: *At the end of 2015 an online sales portal which provides direct access to Swiss Visual Pro earthquake insurance products for the Albanian homeowners and small and medium size enterprises was launched. According to the information available up to this moment, is this initiative proving to be an effective one? Apart from this initiative are there other actions planned to support the nat cat property insurance segment's development?*

E.S.: The introduction of the online sales of Swiss Visual Pro earthquake insurance in Albania, launched by Europa Reinsurance Facility Ltd. in cooperation with Europa Re Management Ltd. seems to be very innovative and supportive for catastrophe and weather risk products. The aim is to increase the level of catastrophe insurance penetration among the Albanian households and SMEs. The sales portal has thousands of visitors online. Regarding the impact of this initiative on the earthquake product sales, it is early to come to a conclusion, as the sales need to be also supported by marketing strategies. Therefore, Europa Reinsurance Facility Ltd. is cooperating with the Embassy of Switzerland. The effectiveness of this initiative could also be supported by the National Mandatory Earthquake Insurance Programs, which will contribute to the nat cat property insurance segment's development.

The Albanian FSA in cooperation with the World Bank has been working on the draft bill on catastrophe insurance. The purpose of this bill is to regulate the compulsory catastrophe insurance. Compulsory catastrophe insurance will cover the damage, caused by either earthquakes or floods and it will not extend to all types of buildings.

XPRIMM: *Life insurance has never played a frontline role in the Albanian market. However, last year it has further lost 1pp of its portfolio weight. How do you comment on this issue?*

E.S.: The loss of the life insurance portfolio weight can be ascribed to the increase of the non-life insurance weight. Another reason lies in the restrictive policy of banks, which lead to the decrease of bank credits, considered as an important determinant for economic growth. As a consequence, the credit life insurance products experienced a decrease as well.

Life insurance premiums in 2015 reached over ALL 1,026 million or EUR 7.34 million, or 0.04% less than in 2014.

The major impact of this decrease came from two types of insurance respectively "Group life" that experienced a decrease by 30.18% compared to the year 2014 and the "Life with saving" that decreased by 13.47%.

XPRIMM: *Which are the main priorities for the Albanian supervisory authority in 2016?*

E.S.: Basically the main priorities for the Albanian FSA in 2016 remain focused on:

- Implementation of the risk- based supervision, not only in the insurance market, but also the application of this methodology in the investment funds sector and private pension market;
- Promoting the development and the stability of financial markets, by improving the supervision process;
- Continuing to work regarding the consumer protection and education;
- The improvement of the legal and regulative framework in compliance with EU directives and international standards;

- Strengthening the supervision capacities of the Albanian FSA in the medium term.

The Implementation of the new methodology of risk-focused supervision requires technological support. Under such conditions, the priority of Albanian FSA will be the development of a new format within the In-Reg system of Albanian FSA, aiming at supporting the risk-based inspection. Automation of internal communication process will increase transparency during the risk-based evaluation. Albanian FSA will also focus on extending the use of electronic reporting platform to the other segments of the financial markets. Increasing quality of information provided by the financial markets under supervision will also continue to be one of the priorities of the Albanian FSA.