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**XPRIMM: How do you comment on the 2016 market results?**

**Ervin KOCI:** Overall, during 2016 the Albanian insurance industry experienced positive developments in terms of the overall premium volume. The insurance market reached over 112.44 million Euro or about 9.64 % in 2016 more than in 2015. The insurance market continued a pace of expansion with total assets to GDP of 2.2% in 2016 from 1.92% during 2015. The expansion came as a result of Gross Written Premiums (GWP) volume increase, mostly driven by compulsory motor insurance (MTPL) products. The GWP growth was associated with the Domestic MTPL premium increase by 20%, applied by all insurance companies operating in the Albanian market, for the main classes, as in the case of vehicles.



However, the penetration rate in the insurance market remains low. For this reason the development of this market remains a key priority. In 2016, the Advisory Committee established by the Board of Authority designed the strategic development document of the insurance market, with the purpose of delivering recommendations for the development, expansion and diversification of the compulsory and voluntary insurance market in Albania.

The insurance market in 2016 continued to be dominated by Non-Life insurance, which share was 93.13% of the total premium volume. Life Insurance and Reinsurance market share was respectively 6.33% and 0.54% of total premium volume. Market shares of voluntary and compulsory insurance GWP were respectively 38.10% and 61.90%. Non-Life voluntary insurance during year 2016 experienced an increase of 6.65%, more than the previous year. Nevertheless, the voluntary insurance has not yet reached its feasible potential and for this reason is required the raise of consumers' awareness on voluntary insurance products that can be achieved through consumer's education and boosting trust in the insurance market and its stakeholders. This aspect is seen as a priority of Authority for the year 2017.

The number of paid claims, increased by 17.54% during 2016 compared with the same period of the year 2015. This came as a result of AFSA's recommendations, related to the payment of the claims on due time, but it is also correlated to the raising of awareness among the insured persons with regard to the claims reporting.

Most of the gross paid claims derived from motor insurance, about 19.19 million Euro or 61.65% of total gross paid claims.

**XPRIMM:** *Life insurance still represents a very small share of the total GWP. Moreover, in 1H2016 saw a negative trend in GWP terms. What are the main reasons for this situation?*

**Ervin KOCI:** Gross written premiums in Life Insurance activity reached the value of 7.12 million Euro, which indicates a decline of 4.82% compared to the year 2015. The decrease is mainly affected by the reduction of Debtor's Life Insurance portfolio by 16.52% and Life Insurance with Savings portfolio by 7.99%. The share of these two portfolios in the total value of Life-Insurance is the biggest with 70.96%, meaning that a decrease of these two portfolios would have a big impact on Life Insurance activity.

Life Insurance with Savings portfolio is a voluntary product, which is normally provided by the employer and due to the current economic environment with a low interest rate, this product might have lost its attractiveness, whereas in regards to the Debtors' life portfolio, usually in cases of loan restructuring, banks do not require the renewal of the debtors' insurance contract. As a consequence there is a decrease of the GWP in the Debtors' life portfolio, because most of the policies predict a yearly rate payment of the premium.

The number of Life insurance policies reached 113,611 in 2016, indicating a decrease of 0.06%, compared with 2015. As a consequence of the restrictive loan policy of banks and the low business loan during 2016, life insurance experienced a decrease as well.

**XPRIMM:** *Please comment on the MTPL market evolution - trends, profitability, evolution of the average premium and average claim values etc.*

**Ervin KOCI:** The MTPL insurance saw a 12.19 % increase during 2016, compared with the same period of 2015. The number of MTPL policies increased by 8.29% in 2016, compared with 2015. The compulsory motor insurance continues to have the biggest share of 61.90% in terms of GWP in Non-Life Insurance activity. MTPL average premium in 2016 was 115.38 Euro compared with 109.49 Euro in 2015. MTPL average claim in 2016 was 2,188 Euro compared with 1,948 Euro in 2015.

Taking into consideration a wide range of factors such as: the current trend of Gross Written Premiums, the number of contracts signed over the years, number of uninsured persons, mutual cooperation between AFSA and Universities for the promotion of the insurance industry, as well as the difference of the average premium between Albania and the countries of the region, it is estimated an increase trend of the GWP in the forthcoming years, but nevertheless the pace of growth will start to decrease according to the trend defined in the region.

In relation to the average cost of claims, by taking into consideration the raising of awareness related to claims reporting, as well as the growing number of the claims paid through the intermediation of lawyers (dealing with issues not only by means of courts, but also through agreements), it is expected that the value of the average claim will undergo a positive growth trend.

**XPRIMM:** *Fire and allied perils subclasses reported a drop in GWP of over 11% and a decrease in the number of contracts by almost 15%, yet remains one important business line in your market. How do you explain this negative trend and its potential effects in your*

*country?*

**Ervin KOCI:** Most of the insured subjects against fire and allied perils are businesses which are in relationship with banks, where the latter are beneficiary. In spite of the fact that insurance against fire and allied perils is a voluntary product, it could be seen as a mandatory product, since insurance policies linked with these beneficiary banks present the highest share in the total amount of policies for this subclass.

Given the fact that the banks have continued to pursue a restrictive loan policy for the year 2016, this type of product has experienced a linear drop percentage in the number of contracts and in the premium volume as well.

**XPRIMM:** *What do you expect for 2017? Are there any regulatory changes to be expected?*

**Ervin KOCI:** It is expected that 2017 will be a better year towards the performance and expansion of the insurance market, the increasing of transparency and trust of the consumers, the fostering and diversification of insurance products, as well as towards the strengthening of inter-institutional cooperation, to promote exchange of experiences in terms of the regulation and stabilization of the market.

During 2017, in collaboration with the stakeholders of the market, Albanian FSA will design a strategy with one-year term concrete objectives, in order to increase the financial literacy of the public. Another strategy scheduled to be drafted during 2017 shall comprise the institutional development of the Authority, and also the fostering of the financial products of the insurance market.

The aim of the legal and regulatory framework in force is to safeguard the financial soundness and stability of companies operating in the Albanian insurance market in order to protect the interests of the consumers.

During 2017, progress is expected in conducting of the risk-based methodology inspections, in some of the insurance companies, where inspection under this methodology has not yet taken place.

Moreover, it is expected the approval of the draft law "On some Amendments of the Law No. 10076, dated 12.2.2009 "On Compulsory Insurance within the Transport Sector", which among others will give consent to the implementation of Bonus-Malus system, which might affect positively in the stabilization of the insurance market in Albania. During 2016, AFSA finalized the drafting process of amendments to Law No. 10076 dated 12.2.2009 "On Compulsory Insurance within the Transport Sector". The draft law was submitted to the Ministry of Finance in December 2016, in order to undergo the relevant process of adoption by the Albanian Parliament.

The draft law aims at:

- improving the implementation of the current Compulsory Motor Insurance Law;
- harmonizing the current legislation with the European Directives;
- improving procedures and deadlines for claims handling by insurance companies;
- increasing consumers' protection;
- avoiding eventual conflicts arising from improper enforcement of the current Law.

During 2017, AFSA plans the drafting and approval of new regulations and manuals pursuant to Law no. 52, dated 22.05.2014 "On the Activity of Insurance and Reinsurance", more specifically:

- Regulation on the supervision of insurance group;
- Regulation on the transfer of the insurance portfolio (Life/Non-Life);
- Regulation on the management and use of the Guarantee Fund;
- Regulation on the stipulation of detailed regulations on compulsory liquidation of the foreign/EU insurance branches (life/non-life);
- On-site claims inspection manual for motor and property claims;
- Reinsurance inspection manual;
- On-site supervision of Life Insurance manual;
- Regulation "On the Determination and Calculation of the Net Retention of Aggregate Maximum Coverage of Risks deriving from Earthquake Insurance Contracts".