

## **INTERVIEW: Ervin KOZI, Executive General Director, Albanian FSA**

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**XPRIMM: How would you generally comment on the insurance market's evolution during the first part of 2018?**

**Ervin KOZI:** Considering the market developments in the first half of 2018, the Albanian insurance industry experienced positive developments in terms of the overall premium volume compared to the same period of 2017. The insurance market altogether, experienced an increase of 3.93% compared to January - June 2017. Gross insurance premiums amounted to EUR 61.65 million, increasing by 2.33 million Euro. The number of insurance policies reached 570,783, indicating an increase of 8.33% compared to January - June 2017.



When it comes to Life versus Non Life insurance, the highest level of increase in terms of written premiums is due to the Non-Life insurance market. Gross insurance premiums in Non-Life insurance reached the value of 57 million Euro, which indicates an increase of 4.51% compared with January - June 2017. In terms of number of Non-Life insurance policies, it reached 507,426 or 9.54% more than January - June 2017. Meanwhile, gross insurance premiums in Life insurance business reached the value of 4.58 million Euro, which indicates an increase of 2.09% compared to January - June 2017. The number of Life insurance policies reached 63,346, indicating a decrease of 0.45% compared to January - June 2017.

The Albanian insurance market is mainly driven by compulsory motor insurance (MTPL) products, and the increase in GWP of MTPL largely influences the volume increase of the whole non-lifemarket, positive development in terms of increased GWP was experienced in lines of business such as fire and other perils, or accidents and sickness also.

In terms of paid claims, during January - June 2018, the paid claims amount to 18.3 million Euro, or 15.47% less than January - June 2017. This decrease in value is due to the lower number of paid claims, for January - June 2018, which reached the number of 21,619 paid claims. The distribution of paid claims in the Non Life market, reflects its structure in terms of premiums with around 57% of the value of paid claims of the non life market, being due to MTPL lines of businesses.

**XPRIMM: Are there any changes in your market's structure (new entries, mergers, acquisitions, exists etc.)?**

**E.K.:** During the first part of 2018 there haven't been any changes in the structure of the insurance market.

There are some attempts from companies operating in the neighbor countries to enter the

Albanian market, but there is no concrete development in this aspect yet.

**XPRIMM: MTPL insurance holds a very large part of your market's portfolio. Please comment on the segment's recent evolution - trends, profitability, evolution of the average premium, and average claim values, etc.**

**E.K.:** Compulsory motor insurance accounts for 65% of the Non-Life market with a premium volume of ALL 4.6 million (36.8 million Euro) at mid-year 2018 and a growth of 7.3%, compared to the same period in 2017.

From year 2016 to year 2017, the volume of written premiums for Domestic Motor Third Party Liability demonstrates a positive trend, increasing in value respectively from ALL 7.4 billion (EUR 54.5 million) to ALL 7.8 billion (EUR 8.6 million) or about 5.4%. For the semi-annual 2018, the technical result for DMTPL was satisfactory, around ALL 284 million.

The Average Premium has remained at almost the same level since 2015. Regarding the Average Claim Paid, it appears to be at a high level compared to the region and has not changed significantly since 2013. The Average Premium in first half of 2018 was ALL 19,058 and the Average Claim Paid was ALL 207,000.

**XPRIMM: Are there any legislative changes expected in this area, for example integration of domestic MTPL and Green Card in a single product, similarly to the other European markets?**

**E.K.:** In May 2018, the Albanian FSA presented their Strategy 2018-2022. The strategy contains also recommendations for legislative amendments. In this framework, the AFSA has drafted a new law Compulsory Insurance on Transport Sector. Some of the main points of this new draft law are related to the better harmonization of our legislation with the European Directives, increasing consumers' protection, improving procedures and deadlines for claims handling by insurance companies. The new draft law also provides for the implementation of the Bonus-Malus system, which is expected to lead to positive results in the stabilization of the Albanian insurance market.

Regarding drafting the new MTPL insurance law, there is no such provision as integrating the domestic MTPL and Green Card into a single product. This is mainly due to the fact that Albania is still not a member of the European Union and the current level of market development limits changes that require more homogenous portfolios of MTPL and Green Card insurance in order to be integrated.

**XPRIMM: Albania has a significant exposure to Nat Cat risks. How do you comment on the evolution of property insurance classes in respect to this exposure?**

**E.K.:** Referring to the first half of 2018, the volume of GWP in the Non-Life insurance market amounted to ALL 7,128 million (56,6 million Euro), with a growth of 4.51% compared to the same period of 2017. As for property insurance against fire and other risks, this line of business reached a premium volume of ALL 989 million (7.85 million Euro), ranking second in Non-Life Insurance GWP.

The main features of property insurance in Albania are (i) low penetration - only 2% or 2 in 100 flats are insured in Albania (according to AFSA estimate); (ii) lack of public awareness

regarding catastrophe risks, and high dependence of this product on the banking system and forfeit of insurance benefits in cases of natural disaster.

The number of fire and other damage to property insurance policies during the first semester of 2018 reached 22,390, which is 14 % more than the same period in previous year. The main peril covered in these contracts is fire, while around 90% of these contracts also cover Earthquakes, while other perils (such as flood, storm, hail, and erosion) are covered by a negligible number (less than 5%) of contracts, compared to ones covering the base peril.

**XPRIMM: In your opinion, what would be the most appropriate solution to close the insurance gap in your country? Do you agree that a regional solution in the Western Balkans covering Nat Cat risks may be more efficient than national ones? Are there any active initiatives in Albania with regard to Nat Cat protection?**

**E.K.:** The Albanian Financial Supervisory Authority, in cooperation with the Insurers Association of Albania, has started an awareness raising and education campaign on insurance market. During 2017 and the first half of this year, meetings and conferences were held at Universities, regarding the markets under AFSA supervision. However, it is noticed that Insurance has not reached the optimal potential because the insurance gap continues to remain at significant levels.

Albania is a small country, and only certain areas might be subject to catastrophic risks. Given that, it would be difficult to accumulate enough premiums to cover risks and losses in case of pandemic events, such as earthquake and floods, which have been a common occurrence over the recent years in the Balkan region.

The Albanian government is participating in the regional property catastrophe project assisted by the World Bank. The aim of this project is the development and growth of sustainable Cat Insurance markets, which would provide to the consumer quality insurance products. The Albanian Government with the assistance of the World Bank is further considering the project.

**XPRIMM: Considering the first half of the year results, what are your expectations for the year end?**

**E.K.:** We expect growth in GWP on the insurance markets in the coming months. As part of the AFSA Strategy for 2018-2022 we will continue our efforts for strengthening of the financial markets. The AFSA is currently working on improving and amending the Manual for Supervision Insurance as well as drafting a guideline of the on-site inspection. AFSA is drafting the by-laws on different insurance products such as CAR/EAR that are compulsory for construction industry. We are also working on improving the IT infrastructure and raising the capacities of the Information Center in cooperation with different institutions in order to improve the quality of data reporting for a better effective insurance mainly of the MTPL insurance in Albania.