

INTERVIEW: Ervin Mete, General Executive Director of FSA, Albania

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XPRIMM: What is your view over how the insurance market has evolved during the first half of 2020?

Ervin Mete: During the first half of 2020 the insurance industry experienced negative developments in terms of the overall premium volume and number of written contracts, as a direct effect of the COVID-19 lockdown.



The gross written premiums reached ALL 7.54 billion, or EUR 60.67 million, recording a decline of 6.7% compared to the previous year. The negative effect of the pandemic has been reflected in the lower number of insurance policies issued by the market, 26.2% lower compared to January-June 2019.

Life insurance faced the largest decline, of 19.8%, while for the non-life insurance market the decline in GWPs was at the level of 5.1% compared to the first half of 2019.

The most influential decline of the GWPs for the Non-Life Insurance was observed for the Green Card and Border Insurance (*36.2% and 36.1% respectively*), due to the mere fact that the sale of these insurance products depends completely on travels in and out the territory of the Republic of Albania, which was restricted during the first half of 2020.

In terms of paid claims, during January-June 2020, the amount reached was EUR 32.82 million, or 46.7% more than during the period of January-June 2019. This increase is due to the earthquake events occurred in 2019, and which are being settled in 2020. In terms of distribution of paid claims in the Non-Life sector according to the lines of businesses, property insurance accounts for 54% of the total, followed by 28.4% for MTPL lines of businesses; 7.6% Casco insurance and the remaining part was due to the health insurance and the other business lines.

When looking at the Life insurance market, the paid claims reached EUR 1.06 million. Compared to January-June 2019 an increase of 20.6% was recorded in paid claims. This increase was attributed to the paid claims for Combined Life, Group life, Life with Savings and Credit life.

XPRIMM: How did the Coronavirus crisis impact on the performance of the market? How did the insurers respond to this situation? What were the challenges and victories?

EM: Referring to the data mentioned above, the Coronavirus crisis had a major impact on the insurance market in Albania. Due to the COVID-19 Pandemic, lockdown measures in Albania started on March 13th 2020. From this date until the end of April, the Albanian insurance market experienced a sharp decrease in insurance written premiums (-33%), which afterwards continued to stabilize with the gradual easing of the measures and came to a halt towards the end of June 2020.

In response to the COVID-19 situation in Albania, the Authority has been monitoring closely the insurance market as it was largely affected by the lockdown measures. In order to intervene in a timely manner and better monitor the financial stability of the insurance market, during this period, the Authority has focused on increasing the frequency of periodic reports in AFSA. This meant that both financial, actuarial, and ad hoc reporting have been intensified, as well as following-up financial indicators of the companies in general and their liquidity in particular, caused by the drastic reduction of revenues in the insurance market, with a particular focus on monitoring and reviewing the business continuity plans adequacy.

In line with the recommendations of the European Insurance and Occupational Pensions Authority (EIOPA), AFSA requested insurance companies to take measures in order to maintain the required levels of liquidity and their financial indicators, by temporary suspending dividends payment, followed by a careful approach concerning variable remuneration policies, and postponing them in time.

Due to a direct impact of the lower GWPs there was a temporal drop in the liquidity of the insurance market, resulting in a number of insurance companies operating in the market that faced a short term lack of liquidity. This situation was quite temporary, so that at the end of April the liquidity ratio was back to the required regulatory level for all the insurance companies.

Moreover, the year 2019 was challenging for the insurance market in Albania due to the casualties caused by the earthquakes of September 21st and November 26th.

These two consecutive earthquake events caused severe damages for claims compensations. The number of reported claims handled by the insurance companies so far was around 5,334 cases amounting to EUR 30 million. Out of this value, local insurance companies operating in Albania will pay approximately

EUR 1.8 million, as long as the exceeding amount will be paid by reinsurance companies, in accordance with the legal and regulatory framework in force.

XPRIMM: Did the Albanian market recently experience some relevant structural changes? (M&As, new entries on the market, exits etc.)

EM: At the end of the year 2019, AFSA granted the license to a new life insurance undertaking. This company is entering the market slowly. No major structural changes were evidenced during the first half of 2020.

XPRIMM: What were the reasons for the 17.8% growth of premiums on the property insurance and how much protected are Albanians in front of Nat Cat events?

EM: Property insurance in Albania still remains low in penetration and its demand is mainly bank driven. Due to the casualties caused by the earthquakes of September 21st and November 26th there was a large discussion about the need of property insurance, as a measure to transfer the risk for households and businesses and to ease the costs of the Government in such situations.

Given the losses faced by the population in 2019, many policyholders which had already insured a part of the value of their properties against fire and other perils to the limit of the mortgage linked to it, have become aware of the importance of such cover and further insured their full value. This led to an increase in the volume of written premiums even though the increase in the number of issued contracts is insignificant. In addition, a slight increase in the tariffs applied to cover the risks from natural disasters was observed in the market, also leading to higher reinsurance costs for the future.

XPRIMM: What were the possible reasons for the 19.8% drop in life insurance premiums?

EM: Regarding Life Insurance, compared to the first half of 2019, a decline in all main business lines is observed, with Credit life (-13%), Combined life (-72%), Life and health in travel (-68.8%), having the most influence in the decline of the GWPs for the Credit life Insurance product. The decline could have easily been expected, as it weights for as much as 68% of the total Life Insurance GWPs and its demand is also mainly bank driven as it is required by banks to mitigate the risks for unpaid loans.

Just like with TPL insurance renewals, the renewals of Credit Life Insurance are

simply put off for 1-2 months, depending on the postponement of payments as a result of the leniency of banks towards their customers, due to the pandemic situation, and a recovery of the business is expected until the end of the year.

XPRIMM: What changes determined by the Covid crisis in your market do you think will survive the crisis?

EM: This crisis showed that systems are now more crucial than ever in running the businesses and making sure they are adapting to the digital era we are witnessing. The Albanian market remained fully operational, working at reduced staff capacity, thanks to the remote style of working during the lockdown, and focused more on their online sales. Thus, the main change when it comes to insurance undertakings will be the adoption of updated systems, in order for them to be fully operative in similar situations, as well as testing periodically their business continuity plans with the aim of adapting them to new similar situations that might arise in the future.