National Bank of Serbia

INSURANCE SUPERVISION DEPARTMENT

INSURANCE SECTOR IN SERBIA

Third Quarter Report 2024

January 2025

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List of abbreviations

mn	million
bn	billion
Q3	third quarter (1 January – 30 September)

1 Insurance market[1]

1.1 Market participants

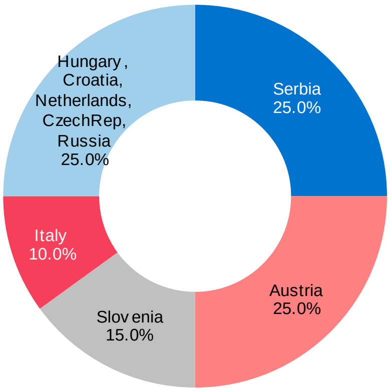
Insurance and reinsurance undertakings

At end-Q3 2024, the insurance market in Serbia comprised 20 (re)insurance undertakings, unchanged in y-o-y terms. Sixteen undertakings engaged in insurance activities only and four in reinsurance activities. Of the insurance undertakings, four were exclusive life insurers, six exclusive non-life insurers, while six provided both life and non-life insurance.

The breakdown by ownership at end-Q3 2024 shows that of 20 undertakings, 15 were in majority foreign ownership.

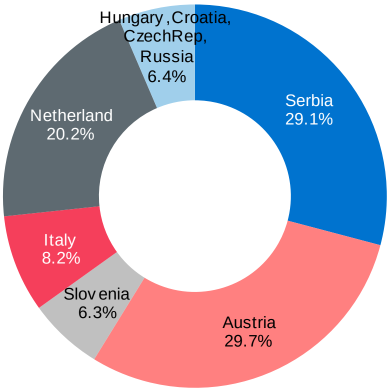
At end-Q3 2024, foreign-owned undertakings held majority shares of life insurance premium (84.3%), non-life insurance premium (60.9%), total assets (70.9%) and employment (65.2%).

Chart 1.1.1 **Structure of (re)insurance undertakings in Serbia by ownership** (in Q3 2024)



Source: National Bank of Serbia.

Chart 1.1.2 **Balance sheet total of (re)insurance undertakings in Serbia by ownership** (in Q3 2024)



Source: National Bank of Serbia.

[1] The Report is based on data submitted by (re)insurance undertakings to the NBS in line with regulations.

Other market participants

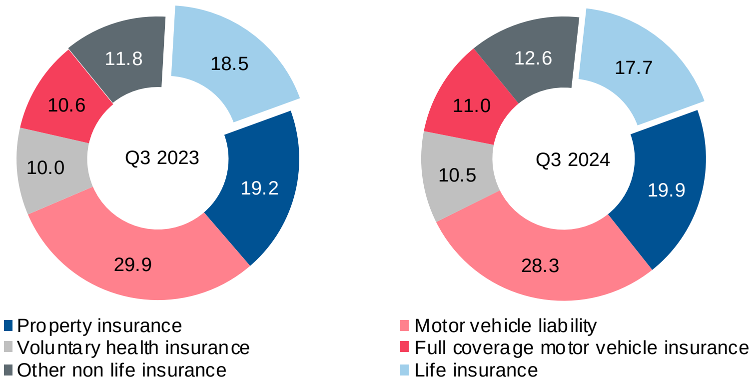
In addition to (re)insurance undertakings, at end-Q3 2024 the market also consisted of: 15 banks, ten financial lessors and a public postal operator which are licensed for insurance agency activities, 114 legal persons (insurance brokerage and agency services), 81 insurance agents (natural persons – entrepreneurs) and 4,756 active certified agents/brokers in insurance.

1.2 Insurance portfolio structure

Total premium in Q3 2024 amounted to RSD 132.6 bn (EUR 1.13 bn or USD 1.23 bn)[2], rising by 14.7% y-o-y.

In the composition of total premium, the share of life insurance premium dropped from 18.5% in Q3 2023 to 17.7% in Q3 2024, due to higher nominal growth in non-life insurance premium than in life insurance premium.

Chart 1.2 **Total premium according to the types of insurance**
(in Q3 2023 and Q3 2024, in %)



Source: National Bank of Serbia.

In terms of type of insurance, premium composition in Q3 2024 resembled that from the same period of 2023, with MTPL insurance accounting for the largest share of total premium (28.3%), despite declining 1.6 pp. Next comes property insurance (19.9%), life insurance (17.7%), full coverage motor vehicle insurance – "kasko" (11.0%) and voluntary health insurance (10.5%).

In Q3 2024, non-life insurance premium rose by 15.9% compared to the same period of 2023. MTPL insurance premium went up by 8.7%, property insurance premium by 18.4%, motor vehicle insurance ("kasko") premium by 19.7%, and voluntary health insurance premium by 20.0%.

The abovementioned growth of the voluntary health insurance premium drove up its share in total premium from 10.0% in Q3 2023 to 10.5% in Q3 2024, with three insurance undertakings accounting for 62.3% of this market segment.

[2] At the average value of the NBS's middle exchange rate for the period observed.

Accident insurance which among other things comprises mandatory insurance, such as accident insurance of passengers in public transport and insurance of employees against occupational injury and illness and occupation-related diseases went up by 16.3%, with a slight increase of share in total premium (by 2.4%).

In terms of the total and life insurance premiums in Q3 2024, there was no change in the ranking of the top five insurance undertakings, which accounted for 74.0% and 82.2% of those categories of premiums, respectively. However, there was a change in ranking when it comes to non-life premium, with the top five undertakings accounting for 74.5% of this premium category.

Table 1.2 **Ranking list of five largest insurance undertakings**
(RSD mn, %)

	30/9/2023			30/9/2024			Ranking change
	Amount	Share	Rank	Amount	Share	Rank	
by total premium							
Dunav	29960	25.9	1	34390	25.9	1	-
Generali	22409	19.4	2	24198	18.3	2	-
DDOR	12781	11.1	3	14892	11.2	3	-
Wiener	12204	10.6	4	14482	10.9	4	-
Triglav	8690	7.5	5	10221	7.7	5	-
by non-life premium							
Dunav	26904	28.6	1	30718	28.1	1	-
Generali	16842	17.9	2	18408	16.9	2	-
DDOR	10873	11.5	3	12826	11.8	3	-
Wiener	7974	8.4	5	9791	8.9	4	**increase**
Triglav	8148	8.7	4	9654	8.8	5	**decrease**
by life premium							
Generali	5567	26.0	1	5790	24.7	1	-
Wiener	4230	19.7	2	4691	20.0	2	-
Dunav	3056	14.3	3	3672	15.7	3	-
Grawe	2971	13.9	4	3047	13.0	4	-
DDOR	1908	8.9	5	2066	8.8	5	-

Source: National Bank of Serbia.

The Herfindahl Hirschman index (HHI), calculated by summing up the squares of the respective market shares or, in this case, balance sheet totals of all (re)insurance undertakings, points to moderate market concentration. At end-Q3 2024, the HHI was 1,149[3].

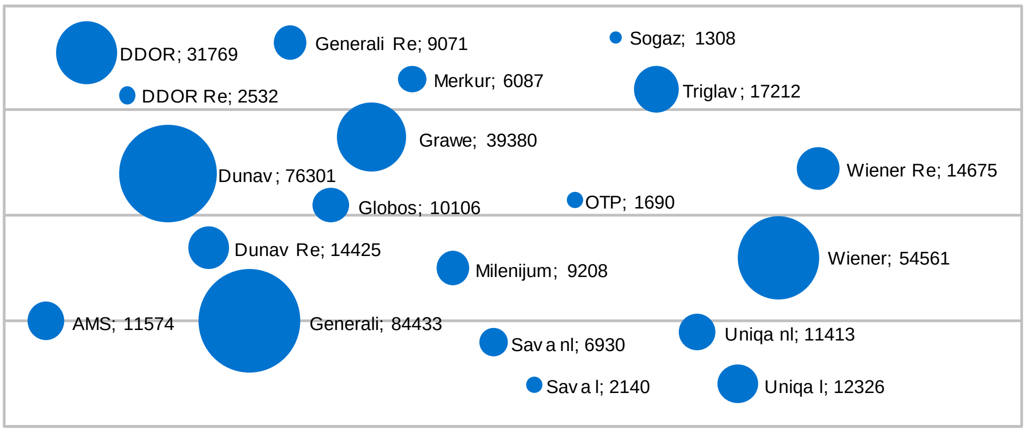
[3] HHI up to 1,000 indicates that there is no market concentration in the sector; 1,000–1800 indicates moderate concentration; above 1,800 indicates high concentration.

1.3 Balance sheet total and balance sheet structure

Balance sheet total

Balance sheet total of (re)insurance undertakings increased at end-Q3 2024 to RSD 417.1 bn (EUR 3.56 bn or USD 3.98 bn)[4], going up by 8.6% relative to end-Q3 of the previous year.

Chart 1.3.1 **Balance sheet total of (re)insurance undertakings**
(as at 30/09/2024, in RSD mn)



Source: National Bank of Serbia.

In terms of the industry's balance sheet total, there was no change in the ranking of the top five insurance undertakings, which in Q3 2024 accounted for 76.1% of the total.

Table 1.3. **Ranking list of five largest insurance undertakings by balance sheet total**
(RSD mn, %)

	30/9/2023			30/9/2024			Ranking change
	Amount	Share	Rank	Amount	Share	Rank	
Generali	79140	22.8	1	84433	22.4	1	-
Dunav	73001	21.0	2	76301	20.3	2	-
Wiener	51033	14.7	3	54561	14.5	3	-
Grawe	37423	10.8	4	39380	10.5	4	-
DDOR	29663	8.5	5	31769	8.4	5	-

Source: National Bank of Serbia.

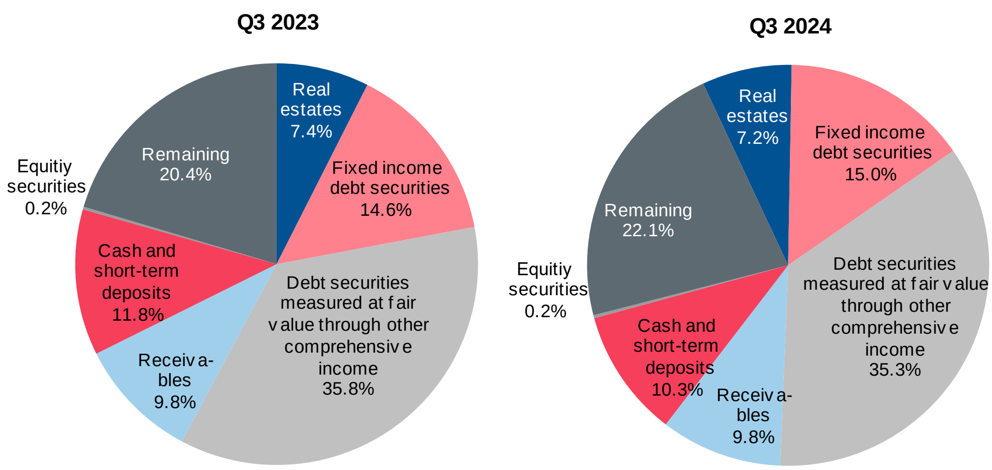
[4] At the NBS's middle exchange as at 30 September 2024.

Structure of assets

In the structure of (re)insurance undertakings' assets as at 30 September 2024, the major part were debt securities, specifically debt securities measured at fair value through other comprehensive income (35.3%) and fixed-income debt securities (15.0%), followed by: technical provisions charged to coinsurer, reinsurer and retrocessionaire (12.3%, as a part of the category "Other"[5] in Chart 1.3.2), cash and short-term deposits (10.3%), receivables (9.8%) and property, plant and equipment (7.2%) and other.

Compared to end-Q3 of the previous year, it can be concluded that, on the one hand, the share of technical provisions charged to coinsurer, reinsurer and retrocessionaire[6] went up, while, on the other, that of cash and short-term deposits went down.

Chart 1.3.2 **Structure of assets**
(as at 30/09/2023 and 30/09/2024)



Source: National Bank of Serbia.

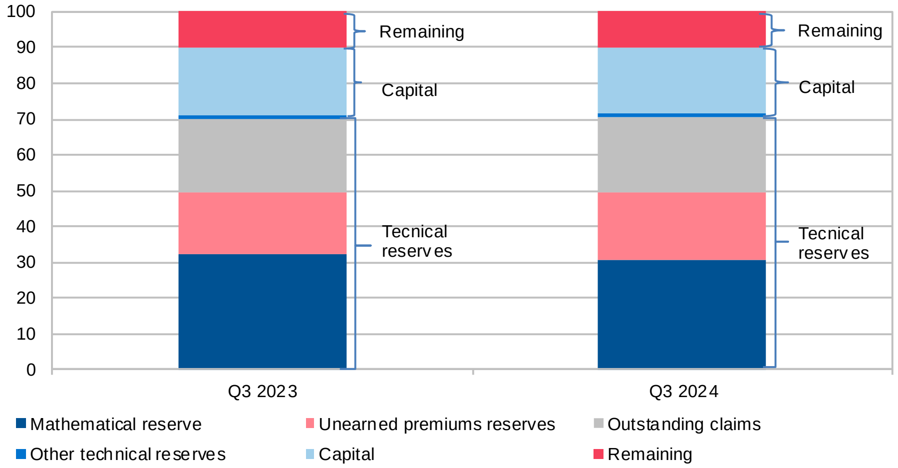
Structure of liabilities

In the structure of liabilities of (re)insurance undertakings at end-Q3 2024, technical provisions accounted for 71.5%, and capital for 18.5%.

At RSD 75.2 bn, capital rose in y-o-y terms, at a rate of 6.4%. Technical provisions amounted to RSD 290.4 bn, posting 8.0% growth at end-Q3 2024. Mathematical reserve kept the dominant share in technical provisions, despite the modest y-o-y growth rate of 2.1% in Q3 2024.

[5] Other includes: intangible investments, goodwill, software and other rights, participating interests, other long-term financial investments (with the exception of fixed income debt securities), other long-term assets, deferred tax assets, inventories, non-current assets held for sale, other securities within financial investments, other short-term financial investments, value added tax, prepayments and accrued income and technical provisions charged to coinsurer, reinsurer and retrocessionaire.
[6] This category recorded the greatest share increase, due to a large fire damage on a property amounting to RSD 7.4 bn.

Chart 1.3.3 **Structure of liabilities**
(in %)



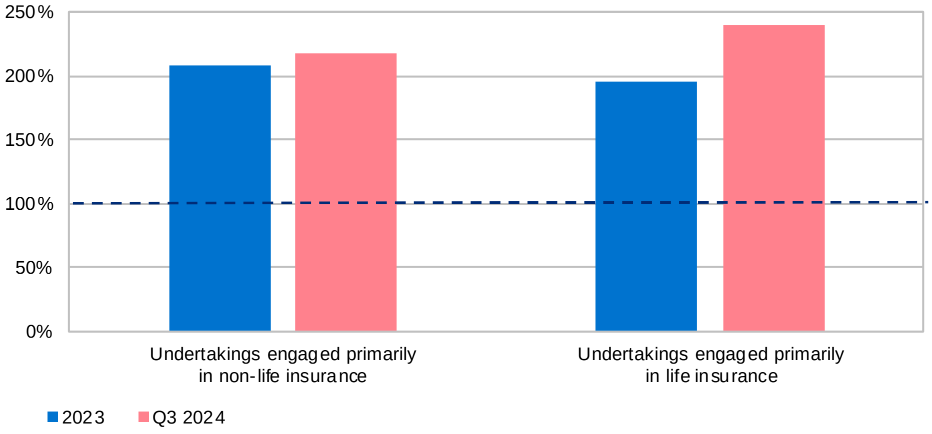
Source: National Bank of Serbia.

2 Performance indicators

2.1 Capital adequacy

The solvency of (re)insurance undertakings largely depends on the sufficiency of technical provisions for undertaken obligations and on meeting the conditions related to capital adequacy, which have been established as the ratio of the required and available solvency margin.

Chart 2.1 **Capital adequacy of insurance undertakings**



Source: National Bank of Serbia.

The available solvency margin of (re)insurance undertakings in Serbia as at 30 September 2024 amounted to RSD 62.2 bn, and the required solvency margin to RSD 27.9 bn. In undertakings engaged mainly in non-life insurance, the main **capital adequacy ratio** (the ratio of the available to required solvency margin) was 217.4%, and for all predominantly life insurers in Serbia it equalled 239.9%.

2.2 Quality of assets

The share of assets that can qualify as difficult to collect (intangible investments, real estate, investment in non-tradable securities and receivables) in the total assets of undertakings engaged primarily in non-life insurance, i.e. the **ratio of less marketable assets**, came at the satisfactory 19.8% at end-Q3 2024, compared to slightly higher 20.3% at end-2023.

For undertakings engaged primarily in life insurance, this ratio edged down mildly from 7.3% at end-2023 to 7.0% at end-Q3 2024.

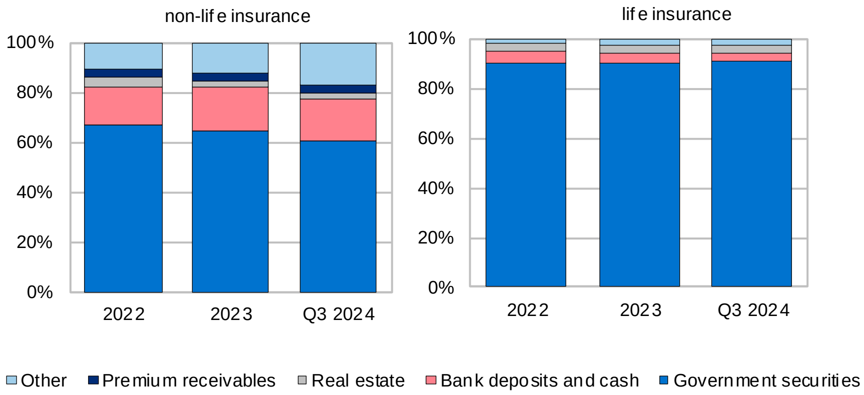
2.3 Investment of technical provisions

In order to protect the interests of the insured and third damaged parties and to ensure timely payment of damage claims, insurance undertakings need not only allocate adequate technical provisions, but also invest these assets to ensure that their real value is maintained and increased, so that the undertaken insurance obligations may be fully and timely met, both at present and in the future period. To be able to meet its liabilities, an undertaking must invest its assets taking due account of the risk profile and risk tolerance limits (qualitative and quantitative), in line with its investment policy, and must continuously monitor risk exposure in terms of the change in value of technical provisions and review the management of those risks.

In Q3 2024, technical provisions were fully invested in the prescribed types of assets, in both non-life and life insurance, as well as in reinsurance undertakings.

In Q3 2024, non-life insurance technical provisions of all Serbian insurance undertakings were mostly invested in government securities (60.5%), bank deposits and cash (17.1%), technical provisions charged to coinsurer, reinsurer and retrocessionaire (16.6%), insurance premium receivables (3.1%) and real estate (2.1%). Compared to the end of last year, on the one hand, the share of government securities and cash and deposits contracted, while on the other, the share of technical provisions charged to coinsurer, reinsurer and retrocessionaire (part of the category “Other” in Chart 2.3) – went up.

Chart 2.3 **Structure of investment of technical reserves**



Source: National Bank of Serbia.

There was no major change in the structure of investment of life technical provisions – investment in government securities edged up to 90.9%, while the share of bank deposits and cash dropped to 3.5%.

2.4 Profitability

A measure of profitability of an insurance undertaking is the **net combined ratio** (the sum of net claims and underwritten expenses, reduced by reinsurance and retrocession commission, relative to earned net premium). A ratio below 100% indicates that an undertaking can cover damage claims and expenses out of the premium written, while a ratio above 100% means that in premium pricing it takes into account potential income from investments in the financial and real estate market, which exposes it to inherent market risks and counterparty risk. In undertakings primarily engaged in non-life insurance, the net combined ratio decreased from 92.7% in Q3 2023 to 90.5% in Q3 2024, as a result of a somewhat stronger growth of the earned net premium relative to the sum of net claims and underwriting expenses reduced by the reinsurance and retrocession commission.

2.5 Liquidity

To be able to meet its liabilities, an insurance undertaking must ensure an asset-liability maturity match and make sure its assets are marketable and of adequate quality. As the size and timing of individual damage claims cannot be predicted, an insurance undertaking must carefully plan the composition of its assets in order to be able to meet first its liabilities under damage claims, and then all other liabilities.

Liquid assets to liquid liabilities ratio[7] for all (re)insurance undertakings, though showing a declining tendency, measured 105.3% in Q3 2024, suggesting that liquid assets were sufficient for servicing short-term liabilities of the insurance sector.

[7] For the purposes of this *Report*, liquid assets comprise: financial investments, cash and deposits with banks and other long-term financial investments, while liabilities refer to: short-term liabilities, accrued costs and deferred revenues, outstanding claims and other technical provisions in insurance up to one year.

3 Motor third party liability

At end-Q3 2024, 11 insurance undertakings engaged in compulsory MTPL insurance – unchanged from the same period last year.

In Q3 2024, the MTPL premium rose by 8.8% y-o-y, reflecting a 4.4% rise in the number of concluded insurance contracts and 4.2% increase in average premium[8].

Portfolio concentration in this segment dropped slightly, bearing in mind that three insurance undertakings with the largest share in the MTPL premium accounted for 57.8% of the market in Q3 2024, compared to 58.1% in the same period last year.

4 Conclusion

The comparison of indicators for Q3 2024 and the same quarter of 2023 points to the following changes:

- a total of 20 (re)insurance undertakings operated in Serbia, unchanged from the same period of the previous year, with a slightly decreased employment in the sector – by 0.1% to 11,308 persons;
- the insurance sector balance sheet total rose by 8.6% to RSD 417.1 bn;
- capital went up by 6.4% to RSD 75.2 bn;
- technical provisions gained 8.0% coming at RSD 290.4 bn and were fully invested in the prescribed types of assets;
- total premium increased by 14.7% and came at RSD 132.6 bn;
- non-life insurance continued to account for the dominant share of total premium (82.3%). Non-life insurance premium rose by 15.9%, with more prominent insurance types, such as: property insurance, full coverage motor vehicle insurance ("kasko") and voluntary health insurance recording a two-digit percentage growth;
- the share of life insurance decreased, on account of stronger growth in non-life insurance premium compared to life insurance premium.

The current insurance regulations in Serbia have laid the legislative groundwork for a further substantial convergence of the Serbian insurance sector to that of the EU.

Still, major changes in the insurance supervision regulatory framework are yet to be made with the full alignment with the Solvency II and Insurance Distribution Directive (IDD).

IDD brings solutions which regulate in more detail the supervision and management of insurance products so as to ensure that they meet actual consumer needs. It also prescribes the methods of informing of consumers and distribution of insurance products, in order to improve the level of protection of rights and interests of insurance service users.

[8] The growth was also impacted by the increase in minimum tariff of MTPL insurance premium as of 1 May 2024 by 5.26%, and the rise in premium in seven insurance undertakings as of August 2024, from 2.2% to 2.6%.

Therefore, for the sake of further improvement of prudential supervision regulatory framework, in the forthcoming period continuation of the alignment of the regulations with the Solvency II Directive is expected, in line with the Strategy for Implementation of Solvency II in the Republic of Serbia from May 2021, which will change the manner of quantification of the level of risks to which (re)insurance undertakings are exposed in their operations and therefore, also the capital adequacy requirements and the manner of management of risks. Completing the first phase of strategic activities aimed at implementing Solvency II – compliance analysis, implementing ongoing activities which are integral to the second phase – impact assessment, and moving to the harmonisation of the regulatory framework as the third phase, will enable the insurance sector to respond to future challenges with a view to ensuring long-term stability of the insurance sector and protecting insurance service users.

In the face of rising global uncertainty, one of the most important strategic objectives of the NBS and Government for this year has been accomplished, i.e. our country *obtained the investment grade* rating. The NBS responded to the challenges stemming from the international environment by gradually tightening its monetary policy and raising its key policy rate, with a view to *bringing inflation back within the bounds of the target*, which is consistent with the projections and which was realized in May 2024. In view of the importance of the insurance sector in protecting the citizens and/or insured persons and ensuring the continuity of insurance service provision, the NBS will take all the necessary measures within its remit that could alleviate the effects of the prevalent risks on the insurance sector. Its activities will be aimed at maintaining the stability of the insurance sector (by carrying out the on-site supervision plan, ongoing off-site supervision of (re)insurance undertakings and other supervised entities and contemplating the need for regulatory amendments) and improving the supervisory function, all with a view to ensuring stability of the insurance sector and protection of insured persons, insurance service users and third damaged parties.