



National Bank of Serbia

INSURANCE SUPERVISION DEPARTMENT

INSURANCE SECTOR IN SERBIA

Second Quarter Report 2024

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List of abbreviations

mn	million
bn	billion
Q2	second quarter (1 January – 30 June)

1 Insurance market¹

1.1 Market participants

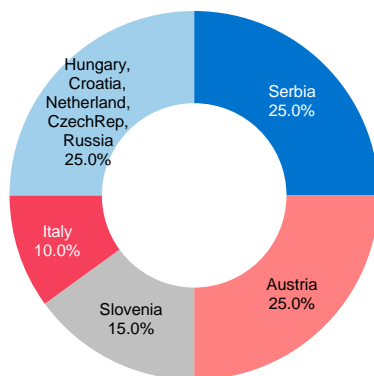
Insurance and reinsurance undertakings

At end-Q2 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-Q2 2024 shows that of 20 undertakings, 15 were in majority foreign ownership.

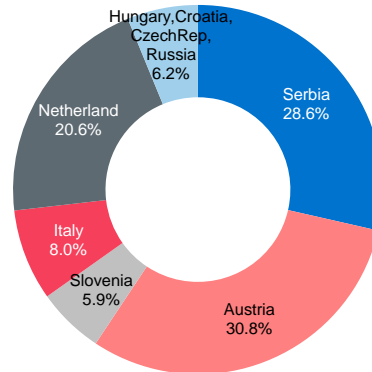
At end-Q2 2024, foreign-owned undertakings held majority shares of life insurance premium (84.4%), non-life insurance premium (60.2%), total assets (70.3%), and employment (65.3%).

Chart 1.1.1 Structure of (re)insurance undertakings in Serbia by ownership (in Q2 2024)



Source: National Bank of Serbia.

Chart 1.1.2 Balance sheet total of (re)insurance undertakings in Serbia by ownership (in Q2 2024)



Source: National Bank of Serbia.

Other market participants

In addition to (re)insurance undertakings, at end-Q2 2024 the market also consisted of: 15 banks, nine financial lessors and a public postal operator which are licensed for insurance agency activities, 114 legal entities (insurance brokerage and agency

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

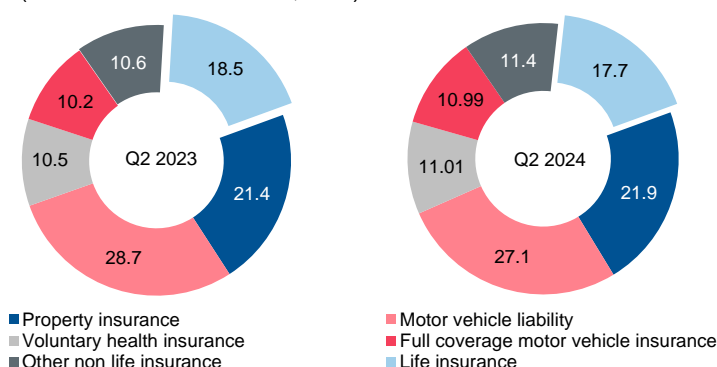
services), 80 insurance agents (natural persons – entrepreneurs) and 4,310 active certified agents/brokers in insurance.

1.2 Insurance portfolio structure

Total premium in Q2 2024 amounted to RSD 88.9 bn (EUR 759 mn or USD 821 mn)², rising by 13.2% y-o-y.

In the composition of total premium, the share of life insurance premium dropped from 18.5% in Q2 2023 to 17.7% in Q2 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 Q2 2023 and Q2 2024, in %)



Source: National Bank of Serbia.

In terms of type of insurance, premium composition in Q2 2024 resembled that from the same period of 2023, with MTPL insurance accounting for the largest share of total premium (27.1%), despite declining 1.6 pp. Next comes property insurance (21.9%), life insurance (17.7%), voluntary health insurance (11.01%) and full coverage motor vehicle insurance – “kasko” (10.99%).

In Q2 2024, non-life insurance premium rose by 14.4% compared to the same period of 2023. MTPL insurance premium recorded below-average growth by 6.7%, property insurance premium by 15.5%, voluntary health insurance premium by 19.2%, and motor vehicle insurance (“kasko”) premium by 21.5%.

The abovementioned growth of the voluntary health insurance premium drove up its share in total premium from 10.5% in Q2 2023 to 11.0% in Q2 2024, with four insurance undertakings accounting for more than two-thirds of this market segment.

Accident insurance which among other things comprises mandatory insurance, such as accident insurance of passengers in public transport and insurance of

² At the average value of the NBS’s middle exchange rate for the period observed.

employees against occupational injury and illness and occupation-related diseases went up by 18.5%, with a slight increase of share in total premium (by 2.4%).

In terms of the total, non-life and life insurance premiums in Q2 2024, there was no change in the ranking of the top five insurance undertakings, which accounted for 74.1%, 74.6% and 82.3% of those categories of premiums, respectively.

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-Q2 2024, the HHI was 1,153³.

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

	30/6/2023			30/6/2024			Ranking change
	Amount	Share	Rank	Amount	Share	Rank	
by total premium							
Dunav	20440	26.0	1	23533	26.5	1	-
Generali	14978	19.1	2	15667	17.6	2	-
DDOR	8705	11.1	3	10029	11.3	3	-
Wiener	8443	10.7	4	9681	10.9	4	-
Triglav	6190	7.9	5	6964	7.8	5	-
by non-life premium							
Dunav	18423	28.8	1	21083	28.8	1	-
Generali	11101	17.3	2	11781	16.1	2	-
DDOR	7429	11.6	3	8635	11.8	3	-
Triglav	5818	9.1	4	6584	9.0	4	-
Wiener	5531	8.6	5	6539	8.9	5	-
by life premium							
Generali	3877	26.6	1	3886	24.7	1	-
Wiener	2912	20.0	2	3142	20.0	2	-
Dunav	2018	13.9	3	2450	15.6	3	-
Grawe	1973	13.6	4	2059	13.1	4	-
DDOR	1277	8.8	5	1394	8.9	5	-

Source: National Bank of Serbia.

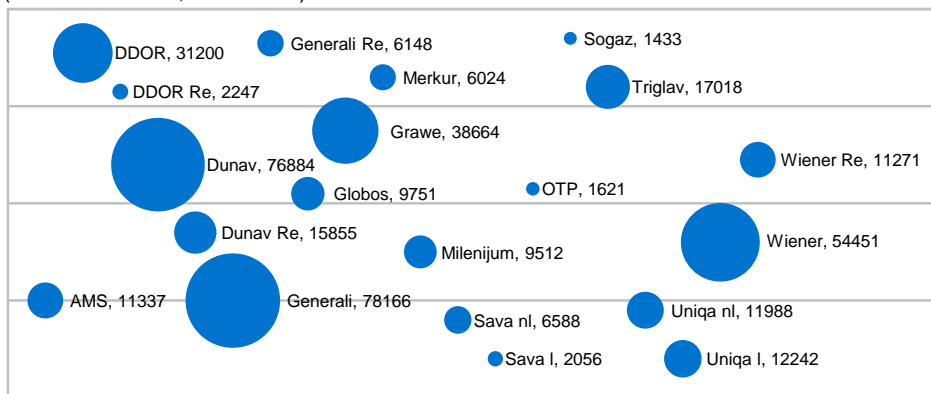
³ HHI up to 1,000 indicates that there is no market concentration in the sector; 1,000–1800 indicates moderate concentration; above 1,800 indicates high concentration.

1.3 Balance sheet total and balance sheet structure

Balance sheet total

Balance sheet total of (re)insurance undertakings increased at end-Q2 2024 to RSD 404.5 bn (EUR 3.5 bn or USD 3.7 bn)⁴, going up by 11.1% relative to end-Q2 of the previous year.

Chart 1.3.1 **Balance sheet total of (re)insurance undertakings**
(as at 30/06/2024, 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 Q2 2024 accounted for 75.8% of the total.

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

	30/6/2023			30/6/2024			Ranking change
	Amount	Share	Rank	Amount	Share	Rank	
Generali	77,362	23.0	1	78,166	21.2	1	-
Dunav	66,626	19.8	2	76,884	20.8	2	-
Wiener	50,959	15.1	3	54,451	14.8	3	-
Grawe	37,354	11.1	4	38,664	10.5	4	-
DDOR	27,961	8.3	5	31,200	8.5	5	-

Source: National Bank of Serbia.

⁴ At the middle exchange rate of the NBS on 30 June 2024.

Structure of assets

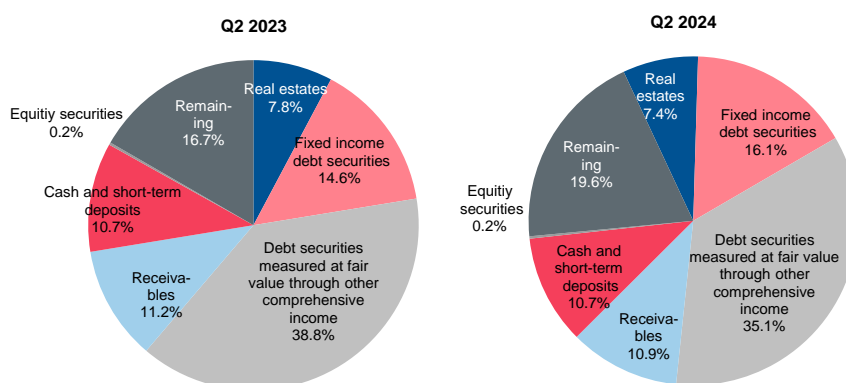
In the structure of (re)insurance undertakings' assets as at 30 June 2024, the major part were debt securities, specifically debt securities measured at fair value through other comprehensive income (35.1%) and fixed-income debt securities (16.1%), followed by: receivables (10.9)%, cash and short-term deposits (10.7%), technical provisions charged to coinsurer, reinsurer and retrocessionaire (10.4%, as a part of the category "Other"⁵ in Chart 1.3.2), property, plant and equipment (7.4%), and other.

Compared to end-Q2 of the previous year, it can be concluded that, on the one hand, the share of technical provisions charged to coinsurer, reinsurer and retrocessionaire went up, while, on the other, that of debt securities went down, despite increasing in absolute terms.

Structure of liabilities

In the structure of liabilities of (re)insurance undertakings at end-Q2 2024, technical provisions accounted for 70.1%, and capital for 18.5%.

Chart 1.3.2 **Structure of assets**
(as at 30/06/2023 and 30/06/2024)



Source: National Bank of Serbia.

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.

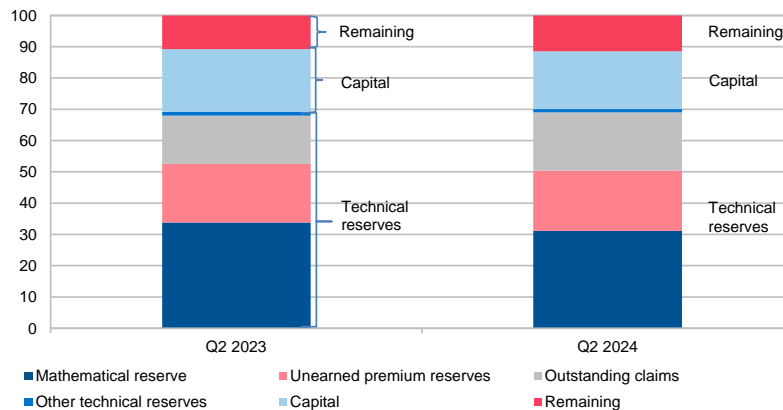
At RSD 73.5 bn, capital rose in y-o-y terms, at a rate of 2.1%. Technical provisions amounted to RSD 278.9 bn, posting 12.3% growth at end-Q2 2024. Mathematical reserve kept the dominant share in technical provisions, with a modest y-o-y growth rate of 2.2%.

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

Chart 1.3.3 Structure of liabilities
(in %)

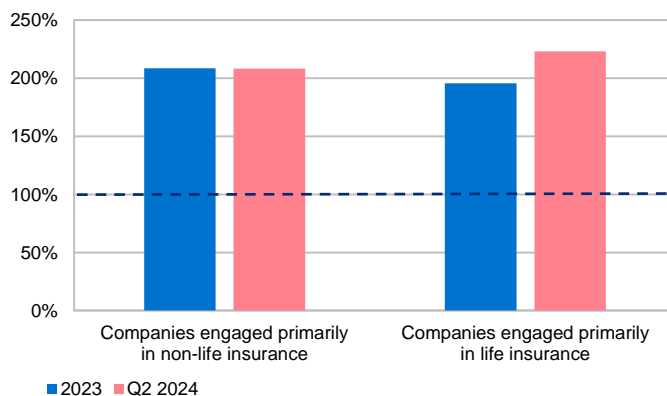


Source: National Bank of Serbia.

available solvency margin.

The available solvency margin of (re)insurance undertakings in Serbia as at 30 June 2024 amounted to RSD 58.1 bn, and the required solvency margin to RSD 27.3 bn. In undertakings engaged mainly in non-life insurance, the main **capital adequacy ratio** (the ratio of the available to required solvency margin) was 208.3%, and for all predominantly life insurers in Serbia it equalled 223.2%.

Chart 2.1 Capital adequacy of insurance undertakings



Source: National Bank of Serbia.
Извор: Народна банка Србије.

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 20.6% at end-Q2 2024, compared to slightly lower 20.3% at end-2023.

For undertakings engaged primarily in life insurance, this ratio edged down mildly from 7.3% at end-2023 to 7.1% at end-Q2 2024.

2.3 Investment of technical provisions

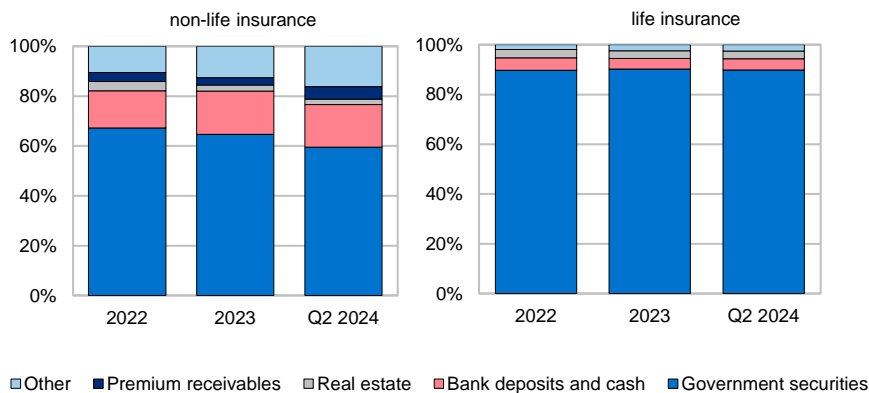
In order to protect the interests of the insured and third damaged parties and to ensure timely payment of damage claims, insurance undertakings need not only allocate adequate technical provisions, but also invest these assets to ensure that their real value is maintained and increased, so that the 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 Q2 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.

Non-life insurance technical provisions of all Serbian insurance undertakings were mostly invested in government securities (59.6%), bank deposits and cash (17.1%), technical provisions charged to coinsurer, reinsurer and retrocessionaire (15.6%), insurance premium receivables (5.0%) and real estate (2.2%). Compared to last year's end, on the one hand, the share of government securities 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) and unearned premium receivables – went up. This calls for careful consideration, for the sake of managing liquidity and other risks.

There was no major change in the structure of investment of life technical provisions – investment in government securities edged down mildly, to 89.8%, while the share of bank deposits and cash increased slightly, to 4.6%.

Chart 2.3 Structure of investment of technical reserves



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 slightly, from 92.5% in Q2 2023, to 92.2% in Q2 2024, as a result of a somewhat stronger growth of the earned net premium relative to the sum of net claims and underwritten 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 ratio⁶ for all (re)insurance undertakings, though showing a declining tendency, measured 103.0% in Q2 2024, suggesting that liquid assets were sufficient for servicing short-term liabilities of the insurance sector.

3 Motor third party liability

At end-Q2 2024, 11 insurance undertakings engaged in compulsory MTPL insurance – unchanged from the same period last year.

In Q2 2024, the MTPL premium rose by 6.6%⁷ y-o-y.

Portfolio concentration in this segment dropped slightly, bearing in mind that three insurance undertakings with the largest share in the MTPL premium accounted for 57.4% of the market in Q2 2024, compared to 58.1% in the same period last year.

4 Conclusion

The comparison of indicators for Q2 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 increased employment in the sector by 0.1% to 11,444 persons;
- the insurance sector balance sheet total rose by 11.1% to RSD 404.5 bn;
- capital went up by 2.1% to RSD 73.5 bn;
- technical provisions gained 12.3%, coming at RSD 278.9 bn and were fully invested in the prescribed types of assets;
- total premium increased by 13.2% and came at RSD 88.9 bn;
- non-life insurance continued to account for the dominant share of total premium (82.3%). Non-life insurance premium rose by 14.4%, with more prominent insurance types, such as: property insurance, voluntary health insurance and full coverage motor vehicle insurance (“kasko”) recording a two-digit percentage growth;

⁶ 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.

⁷ 5.26% increase in the minimum tariff of MTPL insurance premium is effective since 1 May 2024.

- 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 Insurance Distribution Directive (IDD) and implementation of Solvency II.

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.

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 conditions of rising global uncertainty induced by multiple intertwined crises over the past four years, the role of the insurance sector in providing protection to citizens and insured persons and ensuring continuity in the provision of insurance services is increasingly gaining importance. 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. The NBS will also 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.