

Insurance in Eastern Europe: a growth industry on the way towards market structures

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The latest issue of the Swiss Re publication sigma deals with the insurance markets of Eastern Europe. It provides an analysis of the regulatory and structural developments, since the opening of the market in 1989, and an overview of the future prospects for insurance in this region. In addition, the study contains a survey of premium development, company structures, market regulations and the regulatory environment. Countries covered in detail are Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Poland, Russia, Slovakia, Slovenia and the Ukraine.

Following a painful period of contraction, the insurance markets of Eastern Europe have since 1994 been increasingly showing signs of recovery. At the same time, privatisation and demonopolisation have also been making progress in the insurance industry. The former state monopolies are losing some of their importance whilst new companies are gaining ground.

In Eastern Central Europe it is particularly foreign-controlled companies which have been making headway. Market concentration is correspondingly on the decline. Whilst new companies are being established, others are ceasing to exist due to insufficient reserves. Eastern Central Europe has made comparatively good progress in terms of the regulatory environment. In Southeast Europe, Russia and the Ukraine, however, there still exist great deficiencies although improvements can be observed in these countries too.

According to lines of business motor, property and fire insurance dominate premium volumes in practically all countries. Agricultural insurance is declining in importance. Life insurance accounts for only a low level of premium volume, though this is quite typical for countries with such low income levels.

In the forthcoming years, insurance companies in Eastern Europe will be faced with the challenge of maintaining their position in an increasingly efficient market which is opening up more and more to foreign companies. This will lead to considerable restructuring, particularly in the case of former state companies. The structural changes will, however, be taking place in an altogether favourable environment. A new and promising area of demand is arising due to the privatisation of large companies. In addition, there is increasing macroeconomic stability; overall economic growth will significantly exceed that of the industrialised countries in the next five years and inflation will fall. The insurance sector, as a growth area and one which is dependent on stability, will enjoy particularly good prospects. In the 1997-2002 period, we anticipate inflation-adjusted premium volume growth in Eastern Europe averaging 5-8% in non-life and 7-12% in life insurance.

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