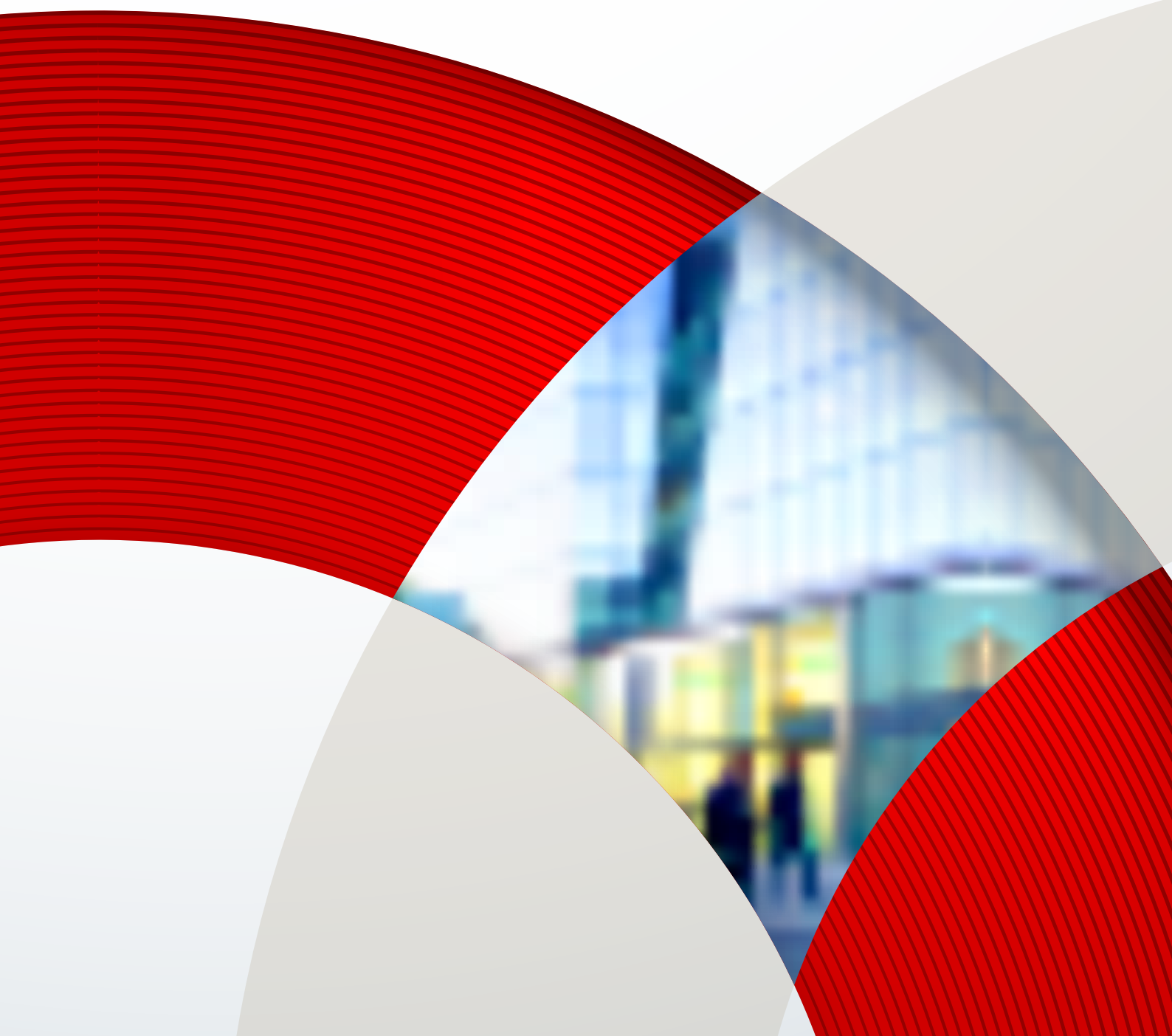


# CEET

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## Distribution Report 2020







# CEET

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**Authors:**

**Daniela GHETU**

Editorial Director, XPRIMM

**Gorazd ČIBEJ**

LL.M, Director, Insurance Supervision Agency Slovenia

**Prof. Klime POPOSKI**

Insurance department of St. Kliment Ohridski University, Macedonia

**July 2021**





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Address: 4-6 Prof. Ion Bogdan Street Bucharest, Romania, 010539  
e-mail: office@xprimm.com

EDITORIAL DIRECTOR: Daniela GHETU  
e-mail: daniela.ghetu@xprimm.com

SENIOR EDITOR: Mihaela CIRCU  
EDITORS: Marina MAGNAVAL, Andrei VICTOR  
CONSULTANT Irina Gabriela GHETU  
DTP Sabin VANA, Camelia ANGELESCU

## A NEW PERSPECTIVE ON THE INSURANCE DISTRIBUTION CHANNELS

The Central and East European region's insurance market is formed by a total of 17 very diverse markets of different sizes and stages of development, a diversity that also characterizes the insurance distribution systems. Depending on each market's history, the local culture, as well as on legal and fiscal aspects, the role and importance of the distribution channels differ from country to country. Yet, there is one thing that all markets have in common – insurance intermediaries are the backbone of the insurance markets, the living connection of insurers with customers.

It is surprising that so far, the literature dedicated to this segment of the insurance markets is rather poor, at least at regional level. Acknowledging the lack of information on this topic, XPRIMM and IAIS have enthusiastically joined forces for elaborating this report that is proposing you a different approach as compared with the previous attempts made by other entities: instead of considering the insurance distribution systems from a structural standpoint, by inventorying the number of players in each category of insurance distributors, we have chosen to define the importance of each category of distributors through assessing their contribution to the market GWP formation.

For this first attempt of analyzing the insurance distribution in the region, we have chosen to use data for the year 2019, the last “normal” year before the Covid-19 pandemic. The next edition of the report will allow us to evaluate the impact of the health crisis on the insurance distribution in the region.

We are warmly thanking to all national supervising authorities for supplying statistical data and information on the local regulations and business customs.

The Authors

# ROLE OF THE INSURANCE INTERMEDIARIES

by

**Prof. Klime POPOSKI**

Insurance department of St. Kliment Ohridski University, Macedonia

Most insurance services are very complex experience and credence goods. Therefore, an assessment of their features and the ability to choose among many diverse offers requires specialized knowledge. Because of high information asymmetries and high search costs insurance intermediaries play an important role in mediating between the two market sides. By reaping economies of scale and scope, they are able to reduce transaction costs and information asymmetries between insurance companies and customers.

Intermediaries help insurance consumers to identify their specific insurance needs, translate these needs into coverage that corresponds to the profile, and match this with the appropriate insurance products. They provide services to insurance companies and consumers that facilitate the insurance placement process.

There are several factors that intermediaries bring to the insurance marketplace that help to increase the availability of insurance generally:

Insurance intermediaries bring innovative marketing practices to the insurance marketplace. This deepens and broadens insurance markets by increasing consumers' awareness of the protections offered by insurance, their awareness of the multitude of insurance options, and their understanding as to how to purchase the insurance they need.

Intermediaries provide customers with the necessary information required to make educated purchases/ informed decisions. Intermediaries can explain what a consumer needs, and what the options are in terms of insurers, policies and prices. Faced with a knowledgeable client base that has multiple choices, insurers will offer policies that fit their customers' needs at competitive prices.

Intermediaries gather and evaluate information regarding placements, premiums and claims experience. When such knowledge is combined with an intermediary's understanding of the needs of its clients, the intermediary is well-positioned to encourage and assist in the development of new and innovative insurance products and to create markets where none have existed. In addition, dissemination of knowledge and expansion of markets within a country and internationally can help to attract more direct investment for the insurance sector and related industries.

Increased consumer knowledge ultimately helps increase the demand for insurance and improve insurance take-up rates. Increased utilization of insurance allows producers of goods and services to make the most of their risk management budgets and take advantage of a more competitive financial climate, boosting economic growth.

Quality of business is important to all insurers for a number of reasons including profitability, regulatory compliance, and, ultimately, financial survival. Insurance companies need to make sure the risks they cover are insurable – and spread these risks appropriately – so they are not susceptible to catastrophic losses. Intermediaries help insurers in the difficult task of spreading the risks in their portfolio. Intermediaries work with multiple insurers, a variety of clients, and, in many cases, in a broad geographical spread. They help carriers spread the risks in their portfolios according to industry, geography, volume, line of insurance and other factors. This helps insurers from becoming over-exposed in a particular region or a particular type of risk, thus freeing precious resources for use elsewhere.

By helping to reduce costs for insurers, intermediaries also reduce the insurance costs of all undertakings in a country or economy. Because insurance is an essential expense for all businesses, a reduction in prices can have a large impact on the general economy, improving the overall competitive position of the particular market.

The types of insurance intermediary in the market varies depending on the jurisdiction, reflecting different activities undertaken by intermediaries, as well as the legal and regulatory frameworks applying to the distribution of insurance products. Entities wishing to pursue insurance intermediation must receive permission by the supervisory authority in the vast majority of jurisdictions and for most intermediary types. Such authorization or licensing is granted provided that the intermediary fulfils certain criteria related to their capacity to mediate insurance.

Insurance intermediaries have, for many years, harnessed technology to optimize the speed, fluidity, efficiency and traceability of transactions in the insurance value chain and the overall market. The recent emergence of FinTech solutions has made the matching of insurance needs of policyholders with insurance products increasingly faster and more efficient, while providing more convenient and personalized offers to insureds who benefit from corresponding products. Increasing use of technological innovation responds to shifting consumer expectations, and allows traditional insurance intermediaries to leverage data and analytics to generate insights and better understand losses and underwriting risks. Technology-enabled intermediation is transforming the way insurance is distributed, providing efficiency, convenience and speed.

# COVID-19 AND OPERATIONAL CHALLENGES FOR INSURERS

by

**Gorazd ČIBEJ**

LL.M Director, Insurance Supervision Agency Slovenia

## General overview

The COVID-19 pandemic is extremely affecting how people engage with one another across the industries and countries. The physical distancing and other quarantine measures have shifted activities once considered critical to have in person to digital and remote channels. This change has been affecting insurance distribution—both in the near term, as physical distancing measures continue, and in the longer term. The society's relationship with technology and remote interactions is continuously emerging and accelerating. Insurers need to reassess their distribution model in relation to their insurance products, customers, to the sales force and to the equipment they use. It would allow them to prepare for the unpredictable.

### REMOTE WORKING

The mass shift to remote working is one aspect that immediately stands out across all of the insurers. In many ways, the situation has hugely accelerated the trend and the ambition that already existed. Many insurers have been looking at ways of increasing their operational digital footprint and connectivity, with a lower reliance on physical co-locations of people.

There is an increasing risk of consumer detriment due to the fact that great amount of information is given to the customer in written form; the customer might not read it or understand it.

### CYBER RISK & FRAUD ATTEMPTS

The remote working that is currently so widespread is likely to prompt an increase in hacking attempts by individuals seeking to exploit vulnerabilities for various purposes - to obtain customer data, siphon off financial information, or disrupt services. There is also increasing need for the mitigating against the potential for fraud – with the remote working we can see the growth in fraudulent claim attempts too.

### DIGITAL OPERATIONS

More advanced digital sales process, underwriting, claims, and administrative processes are in a much stronger position than others, even if processing time is slower now than in normal conditions. There is an increasing risk of losing

customers to more digitally-enabled competitors. Moreover, also the insurance market regulators across the countries require or allow more extensive use of technology, remote authentication to replace face-to-face underwriting processes, they relax requirement for insurance intermediaries to undertake face-to-face financial needs analysis and require insurers to be flexible in providing or extending insurance coverage without complete paper documentation.

### **CUSTOMER CONTACTS**

One of the biggest challenges is that all of this is happening at the same time as a huge boost in customer contacts, i.e. increase in customer inquiries, claims and complaints relating to their insurance products. Intermediaries are playing the crucial role of the customer interface, particularly in commercial and specialty lines. Insurers will have to communicate consistently and frequently via multiple channels (e.g., call centres and agent portals) and through intermediaries. The industry's response will shape policyholder trust and behaviour for years to come.

### **ADJUSTMENTS IN PRODUCT DESIGN, COVERAGE AND PRICING**

Insurers may need to adjust their operations in relation to the product design, coverage and pricing, in order to continue providing insurance services to financially distressed individuals and businesses and to overcome practical difficulties due to physical distancing measures. It may include the review of the products that may be impacted by COVID-19, so to ensure they continue to meet customers' needs and the adjustments of the insurance coverage due to movement restriction in certain business lines and the expansion of the insurance coverage for COVID-19 risks for hard-hit business lines (e.g. commercial property, workers' compensation, credit insurance for small and medium enterprises and mortgage insurance).

### **KEEPING THE DISTRIBUTION CHANNELS WORKING**

Another key operational area is insurers' interactions with the insurance intermediaries. Some intermediaries that lack IT infrastructure are having more difficulty providing administrative services. In numerous countries insurers still sell the business primarily through tied agents for all or some of their products. This business is largely sold face-to-face, even if there is some technology enablement. Some insurance intermediaries are facing a liquidity crunch – new business slows due to difficulties to visit the clients and so they lose their future revenue, but in some cases, they need to refund premiums already written as well. This has included intermediaries whose product premium is based on economic metrics, such as turnover or payroll, and intermediaries whose policyholders will seek mid-term adjustments or cancellations for policies not required during lockdown. In given circumstances the insurers in order to keep the distribution channels working change compensation rules, give credit or advance payments to their agents and support them in obtaining government assistance as they want to secure distribution capacity for the future.

### **REVIEW OF THE EXISTING DISTRIBUTION MODELS**

The intermediaries and distribution models may be reviewed in some markets, especially in the small and medium companies and mid-market segments.

With more contact now taking place directly with customers as intermediaries struggle, some insurers may decide to do more business with customers directly themselves in the future, perhaps through digital channels, which in turn could impact how customized these products are in the future.

## **Insight into insurance topics affected by COVID-19 (source CCPFI)**

### **EIOPA's statement on POG's for affected products:**

On July 8, 2020 EIOPA issued a statement calling on insurance companies to review their product oversight and governance measures because of the potential impact the COVID-19 pandemic can have on products and their utility for customers. It is vitally important that insurance companies place the fair treatment of customers at the heart of their response to the COVID-19 pandemic.

Insurance manufacturers are asked to ensure the continuing fair treatment of customers in light of COVID-19. They are asked to:

- » Identify their products affected as a result of COVID-19
- » Assess possible unfair treatment of customers for these products
- » Consider proportionate remedial measures

## **How and which products are affected by COVID-19?**

### **Suspension of distribution of certain products**

With travel ban in place distribution of certain travel insurance covers was temporarily suspended in some MS. In life insurance some undertakings suspended the distribution of single premium unit-link products, others however launched new single-premium products.

### **Exclusion of pandemics from the contract**

Heterogeneous landscape can be observed in relation to the treatment of pandemics in MS, with differences ranging across markets, products and undertakings:

- » Most CCPFI Members and Observers have indicated that insurers exclude pandemics from their contracts, especially in the case of business interruption (BI) insurance;
- » A few CCPFI Members and Observers indicated that generally pandemics are not excluded in insurance policies in their market.

Moreover, some Members have reported they observed insurance undertakings taking actions with regard to the treatment of pandemics, following the WHO declaration:

- » Some Members indicated that since the 'pandemic declaration', some insurers have started to explicitly exclude pandemics from new contracts and at renewals; however, questions on whether such undertakings are undergoing a full POG process when making such significant adaptations remain open.
- » In a few Member States, some insurers have announced they would pay out claims despite exclusions (mainly for travel insurance policies).



In some instances, NCAs have intervened, for example by stating that “where there is a doubt about the meaning of a term, the interpretation most favourable to their customer should prevail”.

Outcome: clarification of insurance covers needed, claim rejections, ...

**Travel insurance**, has been among BI Insurance, impacted by the COVID-19 crisis:

The travel insurance industry has reacted, publishing communications and FAQs to help consumers understand their rights, but this has been done in an inconsistent manner and in some cases led to confusion and uncertainty around consumers rights arising from:

- » Unclear, confusing and mis-communication from insurers;
- » Changing circumstances in relation to lockdown measures and their relief, travel warnings and travel restrictions by the government, advice in relation to non-essential trips, instructions to interrupt the trip, etc.;
- » Inconsistent approach to declaring COVID-19 as a foreseeable event, therefore non-coverage by the travel insurance policy;
- » Vague terms and conditions leading to denied claims by the insurer;
- » Exclusions of pandemics and/or their effects from the coverage of the travel insurance policy;
- » Diverging set of conditions to be fulfilled in order to make a successful claim e.g.. the policy to be purchased before a certain date, trip to be cancelled no longer or not before a certain timeframe, etc.
- » Unclear and inconsistent approach to termination of single-trip insurance policies and reimbursements of the paid premium in case of non-usage of coverage due to cancellation or interruption of trips, and
- » Unilateral changes by insurers to existent products to exclude COVID-19 and related effects.

Some insurers have stopped selling *travel insurance* policies and introduced changes that explicitly exclude COVID-19 and COVID-19 related issues from new contract and at renewals; such insurers have most probably undergone a full POG process/rules when making such significant adaptation of the product.

For existing policies, medical treatment in relation to the infection with COVID-19 during travel would normally be covered. On the other hand, medical assistance would normally not be provided if the travel was maintained despite travel warnings in place by the national authorities

Insurance coverage for *trip cancellation* would reimburse expenses only after the policyholder has done all attempts for refunds from the service provider and only if no official warnings against travel to that destination apply. It would not reimburse expenses for the fear of travel or voluntary cancellation by the policyholder. Some insurers would not reimburse expenses for cancelled travel when the policyholder declined to accept vouchers from service providers or re-booking of travel for a later date.

Not all travel insurers explicitly exclude epidemics/pandemics from the coverage of their policies. In addition, those insurers that do exclude losses due to a pandemic would still accept *claims for events occurred* before March 11, 2020 – the date COVID-19 was formally declared a pandemic by the World Health

Organization, or any other different reference date when COVID-19 became a foreseeable event and would cover travel that took place between specific timeframes.

An additional element to be considered when assessing whether a claim would be successful or not is the *travel ban/restriction announced by a government*. For policies or trips booked after the announcement of travel bans/restrictions, consumers would most probably not be able to submit their claims. Additional exclusions could apply to quarantine expenses (e.g. hotel) for travellers that were forced to so during their holidays or travel.

### **Payment Protection Insurance (PPI)**

In some MS a specific law declaring a moratorium on repayments for certain loans and credits was adopted. The law does not encompass premium payments for insurance connected with affected loans. As the credit instalment usually includes the insurance premium, there is a risk, the policyholder may forget about the insurance and lose the coverage. The impacts and other potential risks are being assessed.

### **MTPL**

Some countries repay part of the premium of MTPL to policyholders due to mobility restrictions. Some countries make process changes if MTPL ended in the period of insurance undertakings shut down; policies were prolonged automatically.

### **The following areas have been affected due to COVID-19 shut down:**

#### **Consumer protection/Conduct**

- » No face-to-face distribution (offers, advice and sales; PRIIPs KID and other pre-contractual information cannot be provided in person). However, customers should be able to contact “their” insurance broker or “their” insurance undertaking by phone or email. This would primarily concern applications for insurance, contract changes, damage claims and policy cancellations.
- » Nevertheless, the availability of insurance undertakings and insurance intermediaries by phone or e-mail was affected by the pandemic distortions in everyday work: absence due to necessary childcare, short-term work in the home office without adequate IT -Infrastructure, quarantine or illness. This should particularly affect insurance intermediaries with only a few employees.
- » Changes in Claims handling processes and claims management: Damages could no longer be inspected and evaluated on site if a customer has been quarantined or had not let strangers into his apartment or property.
- » Barriers for non-digital customers: problems arose for consumers who could not communicate via the Internet (apart from the problems with potential network overload that may arise due to the current mass teleworking and home office).
- » There was an increased need for clarification and transparency among consumers to what extent damage caused by the pandemic was covered by

existing policies (covered or not covered).

- » Some policyholders were not able to pay their future premiums, or only in part, because they had a lower income due to short-time work, unemployment or the loss of mini-jobs cannot be forecast.
- » Possible terminations of life insurance contracts which also serve as savings products, for example (elimination of the necessary insurance coverage, and also loss of revenue due to surrender costs for the policyholder).
- » occurrence of irregularities - new, corona-related case designs. Due to the measures (e.g. quarantine, reduction of personal contacts), the existing interfaces in communication could be increasingly misused for bad causes, e.g. identification via phone, e-mail correspondence via unencrypted mail).
- » During the lockdown clients seem to be more exposed to rising scams.

#### Distribution issues:

- » Insolvencies in the intermediary sector - the contact person is no longer available for the customers (anyway the customer would certainly be attended by the insurance undertaking or another agent);

#### CPD requirements (Continuous professional training) issue for 2020:

The main aim of CPD is to ensure that distribution activities are pursued only by properly trained persons and to avoid consumer detriment.

EU Situation – no impact on CPD requirements:

- » all Member States have stated that there is the possibility of online training
- » the majority of MS answered that there is no limitation regarding maximum hours spent on online training i.e. whole 15 hours can be completed online
- » Several Member have taken actions related to online exams
- » possibility of cross- border online training and e-learning

The IDD's requirement of 15-hours per year may be achieved also for 2020.

The majority of the MS accepts distance trainings and education for the purpose of the continuous professional training of intermediaries (distributors and persons within the companies organisation structure who deals directly with distribution, and the management person responsible for distribution) required by the IDD. There is no need take any additional measures in this respect.

# 1. SCOPE AND METHODOLOGY

## Scope

The purpose of the present report is to evaluate the weight of the main insurance distribution channels in the Central and East European landscape. We have considered 16 markets under the scope of the report, regardless of their EU membership status: Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kosovo, Lithuania, Montenegro, North Macedonia, Poland, Republic of Serbia, Romania, Slovakia, Slovenia. Only countries that have not provided any information are not included in the report.

## Definitions

Approaching this topic, we have started from the first attempt made by EIOPA in 2018, at the European level, by publishing the report titled “Insurance Distribution Directive -Evaluation of the structure of insurance intermediaries’ markets in Europe”. Yet, our approach is different, focusing more on the contribution that each of the main channels has to the insurance distribution, in intermediated gross premium terms, than to their numerical structure.

As already stated by the above-mentioned EIOPA report, there is a large variety of distribution channels in the insurance industry. Naturally developing in line with the insurance industry’s evolution, each intermediation market has taken a shape adapted to the local specifics. At regional level, this resulted in a large diversity of channels whose definitions do not completely coincide between the various markets.

To obtain a consistent view on the CEE insurance distribution landscape, as much as possible, we have operated a series of simplifications in defining the categories of distribution channels. As a result, we have focused our report on four categories of insurance intermediaries:

**1. Insurance brokers** – defined as corporate entities that are mixing sales and consulting capabilities, acting for the best interest of the insurance consumers by identifying the insurance needs and presenting customers multiple options of coverage; in this respect, brokers are not working with the insurance undertakings on exclusive basis and are held to present in an objective manner insurers’ products, although in most cases they are remunerated by the insurance companies, not by the insurance buyer they represent. Brokers are also acting on behalf of insurers, especially on complex risks when co-insurance or reinsurance coverage are needed.

**2. Insurance agents** – a very large category of insurance intermediaries, including both employed and self-employed professionals or legal entities authorized to conduct business on behalf of insurance undertakings they represent. They operate under the terms of an agency agreement with the insurance company.

Besides these general characteristics, there are numerous typologies of agents, depending on the form of insurer-agent relationship form in which they are acting. Some of the most common types are:

- » Multi-tied agents, representing more than one insurance undertaking (in most cases, a small number of insurers)
- » Single-tied agents – operating on behalf of a single insurer in one geographic area or selling a single line of business for each of several insurance undertakings in one geographical area or even selling a single line of business for each of several companies; in some markets, local legislation may prohibit in one way or another exclusivity clauses in non-life distribution
- » Ancillary agents - businesses offering insurance as an add-on to products and services proposed by them. Typical examples include travel agencies or airlines offering travel insurance, sellers of electrical appliance proposing insurance against theft and damage or, as often is the case in the CEE region, auto repair workshops or car dealers offering motor insurance, especially MTPL policies.

**3. Bancassurance** – distribution partnerships between insurance undertakings and banks, acting as insurance agents or brokers through banking branches; yet, one should note that in some CEE markets, bancassurance is not considered a distribution channel by itself, banks involved in bancassurance partnerships being registered either as agents or brokers; thus, no data are available with regard to the business volume of this channel in these markets.

**4. Online sales** – under this general title we have considered comparison websites or price-aggregators, insurers' own online selling points etc.

According to the IDD provisions, comparison websites fall under the insurance distribution definition, referring to *"the provision of information concerning one or more insurance contracts in accordance with criteria selected by customers through a website or other media and the compilation of an insurance product ranking list, including price and product comparison, or a discount on the price of an insurance contract, when the customer is able to directly or indirectly conclude an insurance contract using a website or other media."*

Business volumes reported under this category should be carefully considered, as in many jurisdictions comparison websites, price-aggregators are owned and managed by other insurance intermediaries, usually brokers, while other internet apps belong to insurers and thus their business volume is included in another category's results.

**5. Direct sales** – comprising in any form of insurance distribution made directly by the insurance undertakings, without the intervention of any type of intermediary. Shortly, the category is formed by insurers' own sales networks, as well as by several distance communication distribution models (internet, email, phone etc.) used by the direct writers to sell their products.

**Special note:** as mentioned before, any analysis of the business volume intermediated by any of the above channels should be considered carefully, as in many cases there is an obvious superposition between channels. Given the reporting rules in place in each market, premiums intermediated through bancassurance or different online distribution solutions may be assimilated to other channels, as brokers – direct sales or insurance agents. However, as bancassurance and online distribution channels usually still play a marginal role,

the overall picture of the insurance intermediation business in the region is not affected by these superpositions in a significant manner.

### Data sources

All data presented in the report were provided by the national supervisory authorities either via a survey on distribution channels conducted among the supervisory authorities of the CEET region (the regional section of IAIS) or the public statistical reports published periodically. Data provided by the national competent authorities (NCA) were further used for the XPRIMM calculations.

When processing data for this report we have encountered several data limitations, both in quality and comparability terms, most of them arising from the rather spontaneous development of the intermediation markets and the later time at which they were regulated in a unitary manner in comparison with other segments of the insurance sector.

» Definitions of distribution channels are, broadly speaking, country specific, making classification into categories and comparisons difficult; in many cases for bancassurance and internet distribution there are intersection areas, where these channels are considered at least in part as instruments used by brokers, agents or insurers' direct sales, thus their contribution cannot be discerned;

» In many countries, the intermediaries' activity is less closely supervised than that of direct insurers; consequently, there are parameters observed in this report that were not available for all markets; also, the statistical data available are less granular than expected in some cases (for example, in some markets NCAs were able to provide information regarding the contribution of different channels to the total GWP formation only for the non-life insurance market segment, as a whole)

The above limitations were also encountered by EIOPA, when drafting the "Insurance Distribution Directive -Evaluation of the structure of insurance intermediaries' markets in Europe" report. As stated at the time, *"given the significant gaps and inconsistencies, more harmonized reporting would improve quality of the study"*.

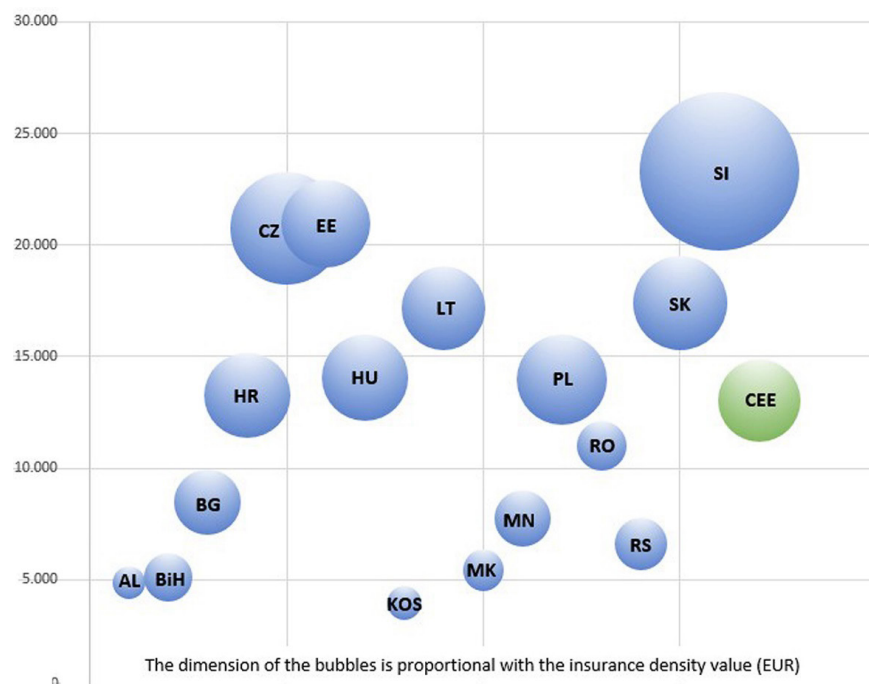
## 2. OVERVIEW OF THE CEE INSURANCE MARKET (2019 STATUS)

The CEE region's insurance market is formed by a total of 17 markets of very different sizes and stages of development. Overall, the region presents a significant growth potential for the insurance business, as it is still far behind the Western Europe in insurance density and penetration terms.

In 2019, the CEE average insurance penetration was of 2.5%, significantly lower than the EU average (6.67% in 2018, according to Insurance Europe). Among the CEE markets, the indicator took values between 1.03% (Albania) and 5.22% (Slovenia). The largest markets of the region – Poland, Hungary, the Czech Republic –, showed values closer to the average. The only notable exception was Romania, where the insurance penetration degree decreased in 2019 to 1.07%.

Insurance density in the region is also significantly lower than at EU level, with an average spending for insurance products of EUR 325 per capita, as compared with the EU average of EUR 2,170 per capita (2018 figures, according to Insurance Europe). Slovenia is by far the CEE market with the closest value to the EU average, of EUR 1,217 per capita. The Czech market shows the second-best value of the insurance density (EUR 614/capita), followed by Latvia (EUR 444/capita), Slovakia (EUR 419/capita) and Poland (EUR 395/capita).

**Fig.1 GDP/capita and insurance density in the CEE markets (EUR)**

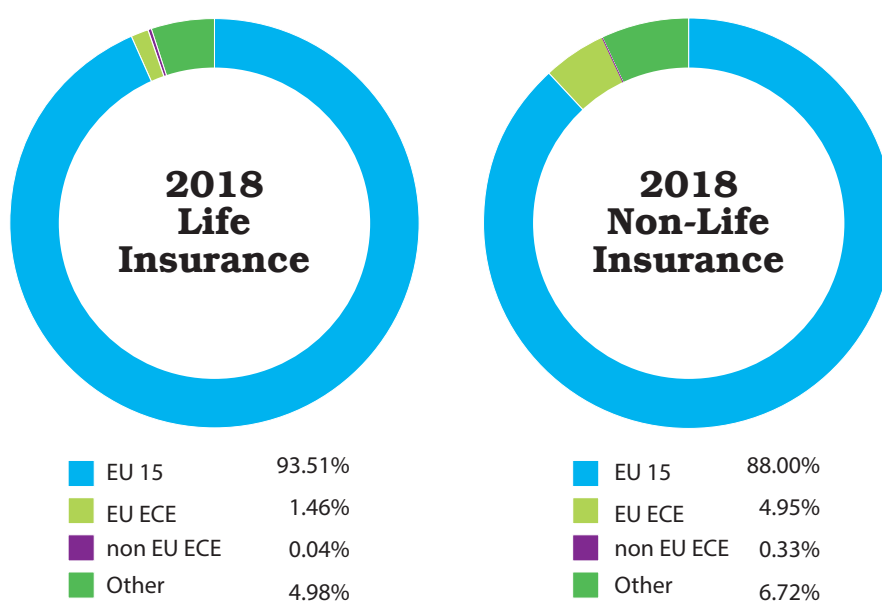


Sources: International Monetary Fund, World Economic Outlook Database, October 2019; NCAs

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The CEE regional insurance market's contribution to the total European one is rather low, especially on the life insurance side. As shown in fig.2, the CEE area provides for a little under 2% of the life insurance GWP and approx. 5.3% the non-life GWP.

**Fig.2 CEE regional market's contribution to the European GWP (2018)**



Note:

EU 15: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, UK

EU ECE: Bulgaria, Czech Rep., Croatia, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovak Rep., Slovenia

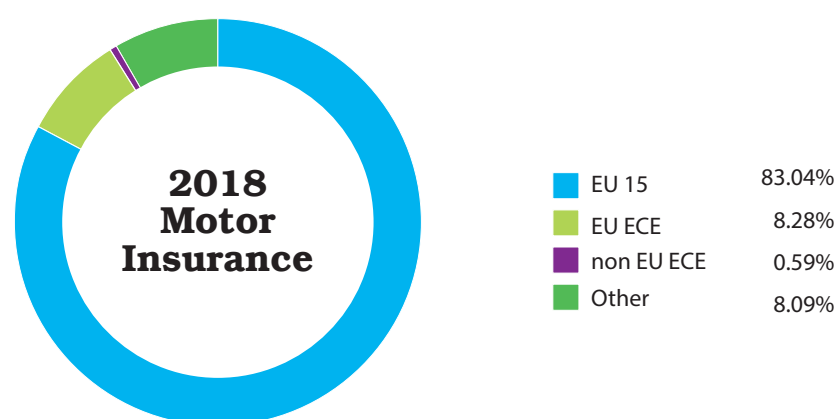
non-EU ECE: Albania, Bosnia&Herzegovina, Kosovo, North Macedonia, Montenegro, Serbia

Other: Cyprus, Malta, Turkey and EFTA countries (Switzerland, Liechtenstein, Iceland, Norway)



As shown in Fig.3, the only business segment showing a higher contribution of the CEE regional market to the total European one, of almost 9%, is motor insurance (Motor Hull and mandatory MTPL, including, where appropriate, Green Card, Border Insurance, CMR).

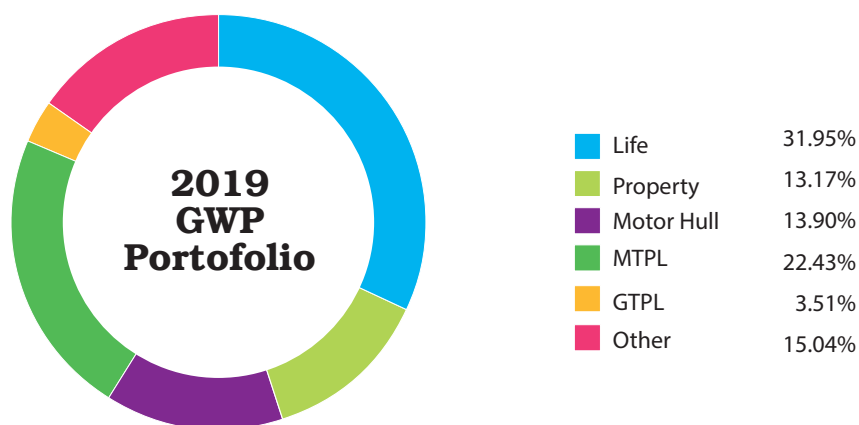
**Fig.3 CEE regional market's contribution to the European motor insurance GWP (2018)**



The higher relevance of the motor insurance lines in the European context is a direct consequence of the regional portfolio structure, dominated by non-life insurance, in particular by the motor insurance segment on which the mandatory MTPL line holds a dominant position.

Life insurance accounts for about 32% of the regional GWP[ 2019 data provided by NCAs and computed by XPRIMM], which is a significantly lower share than the life insurance weight in the European portfolio (58% in 2018, according Insurance Europe). Hungary and Slovakia are the only countries in the region with a significantly higher participation of the life insurance segment to the market portfolio (about 44%), while Poland and the Czech Republic are showing values very close to the CEE average. In the large majority of the CEE markets, life insurance accounts for

**Fig.4 CEE regional GWP portfolio (2019)**

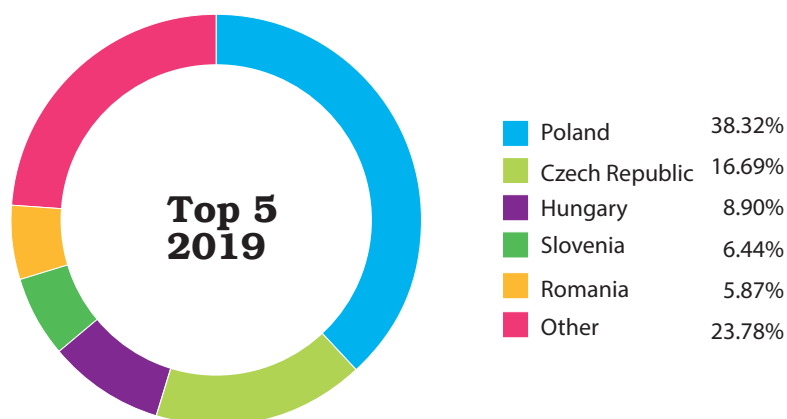


Source: XPRIMM calculations, based on NCAs data

about 20% of the market portfolio.

Non-life insurance plays the dominant role in the region, driven by the motor insurance lines and, to a smaller extent, by the property insurance lines. Motor insurance accounts, in total, for over 36% of the total GWP or almost 53% of the non-life premiums. Out of this total, the mandatory MTPL insurance line (class 10) accounts by itself for 22.3% of the regional GWP or a third of the non-life premiums. Property insurance (class 8 – fire insurance and allied perils and class 9 – other damages to properties) weights about 13% of the total GWP, a share that didn't visibly improve for years despite the rather high exposure that the

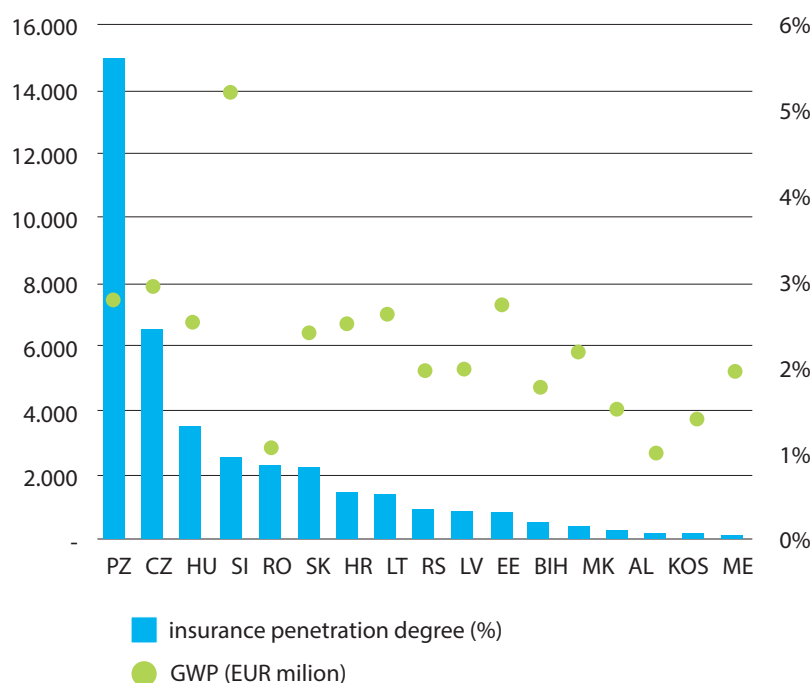
**Fig.5 Top 5 CEE market's share in the regional GWP portfolio (2019)**



Source: XPRIMM calculations, based on NCAs data

region has to both severe weather events and, in some areas, to earthquakes. Overall, CEE insurers have underwritten in 2019 gross premiums worth EUR 39.11 billion. Poland has provided for 38.3% of this total volume, followed by the

**Fig.6 GWP & insurance penetration degree by country (2019)**



Source: XPRIMM calculations, based on NCAs data

Czech market (16.7%), Hungary (8.9%), Slovenia (6.44%), Romania and Slovakia, with rather equal contributions to the regional business volume (~5.85%).

Besides the differences in size, the CEE markets also differ by the regulatory regime, mostly depending on the country's status of EU membership. The regulatory framework in the markets belonging to EU member countries (Bulgaria, Czech Rep., Croatia, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovak Rep., Slovenia) is fully aligned with the EU standards. At the same time, the legislation governing the insurance sector of the non-EU countries of the region (Albania, Bosnia & Herzegovina, Kosovo, North Macedonia, Montenegro, Serbia) is only partially aligned to the EU standards. Moreover, in some respects, the market is not fully liberalized, and the state intervention is still rather strong.

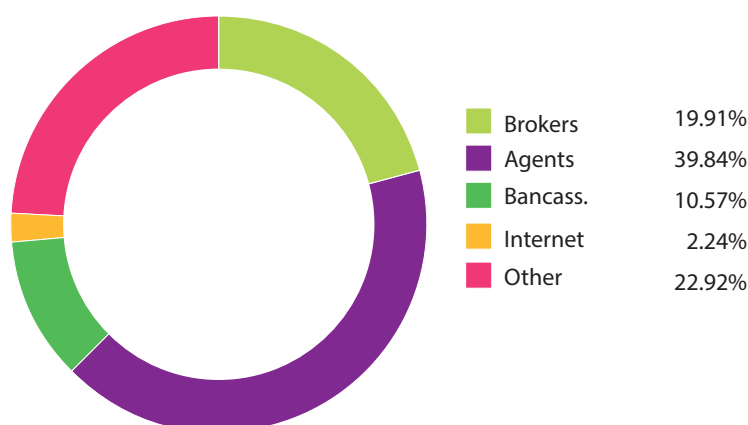
### 3. OVERVIEW OF THE INSURANCE DISTRIBUTION SYSTEM IN THE CEE REGION

Insurance intermediaries play a decisive role in the CEE insurance distribution chain, contributing not only to the actual sales process but also, by accomplishing the counselling side of their activity, to the public financial education.

As the CEE markets have emerged, throughout the last three decades, from the former planned economies of communist origin, their insurance distribution systems have evolved in step with the creation and evolution of the markets themselves. Depending on the local specific, the role and importance of the distribution channels differs from country to country. However, as a common trait, while the dominant role belongs to either brokers, agents or insurers' own sales networks, online distribution and bancassurance are lately gaining more importance and are expected to play a much more significant role in the future.

The previous study on the insurance distribution systems, published by EIOPA in 2018[ "Insurance Distribution Directive -Evaluation of the structure of insurance intermediaries' markets in Europe", EIOPA 2018] has attempted to describe the structure of the European insurance distribution channels considering the number of entities registered under each category. We have decided for a different approach, trying to assess the relevance of each category in the insurance distribution process by its contribution to the formation of the market portfolio, in Gross Written Premiums (GWP) terms. The main reason behind this option is that in many of the region's countries, there are natural or legal persons registered as insurance brokers or agents that are inactive, in some cases their number being quite significant. This situation led us to the conclusion that it would be interesting and relevant, at the same time, to assess each channel's weight in the market by its business result rather than by the numerical extension of the category.

**Fig. 7 Total CEE GWP by distribution channel in 2019 (%)**

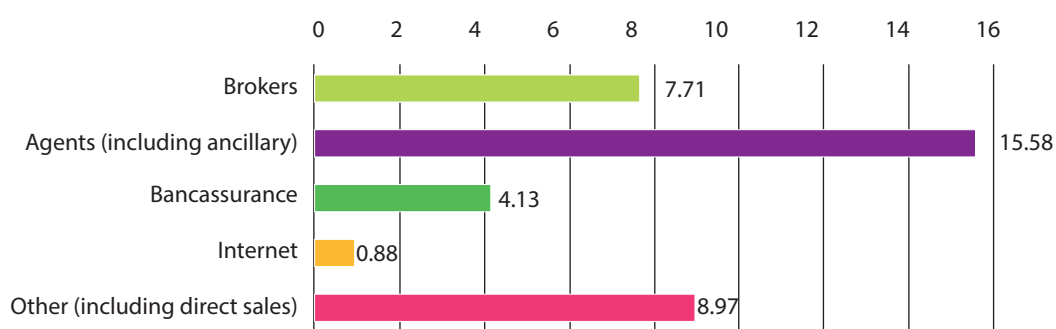


Source: XPRIMM calculations, based on NCAs data

Based on the information provided by NCAs participating in the survey and on the 2019 GWP data, as provided by the official statistics and computed in European currency by XPRIMM, last year's statistics show that insurance agents (including ancillary agents) have intermediated the largest share of the regional GWP volume, of almost 40%. Insurance brokers and the group of "other channels", consisting largely of insurers' own sales networks, are holding comparable shares, of about 20% and 23% respectively. Bancassurance distribution's weight was of about 10.6%, while internet (online) sales accounted for only 2% of the total intermediated premiums. Yet, one should keep in mind that online sales are in many cases included in other categories, as the sales internet platforms are owned and managed by insurers themselves or insurance brokers etc.

In absolute terms, insurance agents form the channel with the highest volume of intermediated GWP (EUR 15.58 billion in 2019), followed by direct sales and insurance brokers, with a volume of intermediated GWP close to EUR 8 billion each.

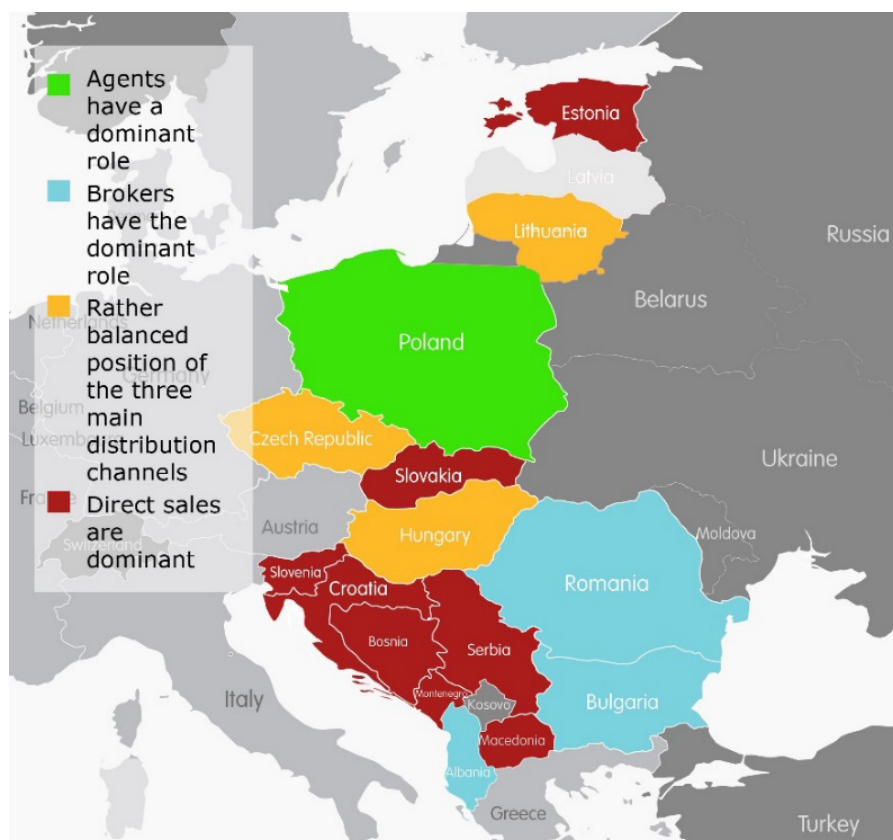
**Fig. 8 Total CEE GWP by distribution channel in 2019 (EUR billion)**



Source: XPRIMM calculations, based on NCAs data

Note: The NCA of Estonia has not provided distribution data at market level; the distribution structure for the total regional GWP was calculated by XPRIMM, based on the distribution data provided by the Estonian NCA for the life and non-life segments.

At market level, however, there are significant differences between the distribution systems' structure from country to country. Poland is the only market where insurance agents are holding an absolutely dominant position, with an over 65% share of the intermediated GWP. The very strong position on the largest market in the CEE, provides insurance agents' category the strongest position at regional level, although with very few exceptions, their share in the intermediated GWP for each country doesn't exceed 25%. Insurance brokers have a definitely dominant position in Romania, Bulgaria and Albania, all of them markets where they are intermediating more than half of the total GWP. Lithuania, Hungary and the Czech Republic show a rather balanced contribution of all the major distribution channels, while in Slovakia, the ex-Yugoslavian countries and Estonia insurance distribution stays mostly in the insurers' own sales networks hands.



Poland, Hungary and Croatia are the only few markets where bancassurance has a documented, significant contribution to the insurance products distribution. As shown by Table 1, in all other CEE markets, insurance distribution through banks either has a very small contribution to the market GWP formation, or is not monitored by the supervisory authority and documented. Finally, internet sales are also documented as a distinct distribution channel in a small number of markets. As shown in the table, their reported share in the total intermediated GWP is very small in most cases.

**Table 1 Distribution channels' weight in 2019 – overall GWP /CEE region (%)**

Country	Total market				
	Insurance brokers (%)	Insurance agents (incl. ancillary intermed.) (%)	Banks (Bancass.) (%)	Internet sales (%)	Other
Albania	55.83	0.10	3.12	N/A	40.95
Bosnia & Herzegovina (Rep. Srpska) <sup>1</sup>	3.01	21.75	3.20	N/A	72.04
Bosnia & Herzegovina (FBiH) <sup>1</sup>	N/A	8.87	N/A	N/A	91.13
Bulgaria	50.00	34.00	-	-	16.00
Croatia	8.35	20.74	19.39	N/A	51.52
Czech Rep.	23.00	30.00	19.00	9.00	28.00
Estonia <sup>2</sup>	26.79	20.883	N/A <sup>3</sup>	N/A	52.33
Hungary	33	35.00	30.00	2.00	2.00
Kosovo	22.38	0.03	0.26	N/A	77.33
Latvia <sup>4</sup>	N/A	N/A	N/A	N/A	N/A
Lithuania	45.80	48.80	2.30	3.10	0
Macedonia	29.60	18.40	4.80	N/A	47.20
Montenegro	9.50	20.40	3.60	N/A	66.50
Poland	12.30	65.39	9.84	1.26	11.21
Romania	66.00	26.00	N/A	N/A	8.00
Serbia (Rep. of)	10.00	10.00	6.00	0	74.00
Slovakia (Rep. of)	N/A	20.20	N/A	N/A	79.80
Slovenia	11.50	N/A	2.50	N/A	86.00

Note:

1 - Bosnia & Herzegovina is a federation of two autonomous regions, the Republika Srpska -RS and the Federation of Bosnia-Herzegovina FBiH, the insurance sector of each of them being supervised by a different market authority, reporting independently

2 – XPRIMM calculations based on the distribution data for life and non-life insurance provided by the Estonian market authority

3 - bancassurance included in the agents' category

4 – Latvian NCA has provided no data on the insurance intermediation structure

## 3.1 Distribution structure on main business lines

### 3.1.1 Life insurance

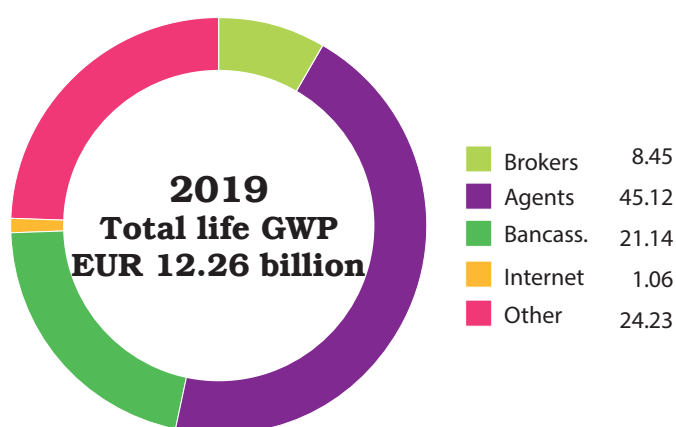
Life insurance distribution is mostly the prerogative of insurance agents in the CEE, while insurance brokers are usually very little involved with this line of business. This situation may be, in part, the result of the model of arborescent structures of sales agents used by many life insurers in the region, which allow large sales networks with rather modest employment expenses. Bancassurance arrangements have also an important role in life insurance sales: on one hand Payment Protection Insurance (PPI) policies tied with mortgages and bank loans for personal use may gather rather significant volumes of premiums; on the other hand, banks are a very good distributor for life insurance policies including an investment side, either as part of PRIPs (Packaged Retail Investment Products) or as simple life insurance savings products, Unit-Linked policies included.

Considering the 2019 results, in the CEE regional market's distribution structure, agents account for a share of over 45% of the life insurance GWP. Bancassurance and direct sales account each for a little less than a quarter of the written premiums (24.2% direct sales, respectively 21% bancassurance). Insurance brokers' share is of only 8.45%, while internet sales are rather symbolic for life insurance.

There are few exceptions from the above-mentioned hierarchy:

- » in Hungary bancassurance distribution accounts for 57% of the life insurance GWP, while insurance agents' share is significantly lower (36%);
- » North Macedonia is the only CEE market where insurance brokers have a dominant position on the life insurance segment (43.3% of life GWP);
- » Poland, Romania, Lithuania are markets where insurance agents' weight in the life distribution structure is significantly higher than the CEE average;
- » In most ex-Yugoslavian markets, but also in Slovakia and Slovenia, direct sales are by far the dominant distribution channel for life insurance.

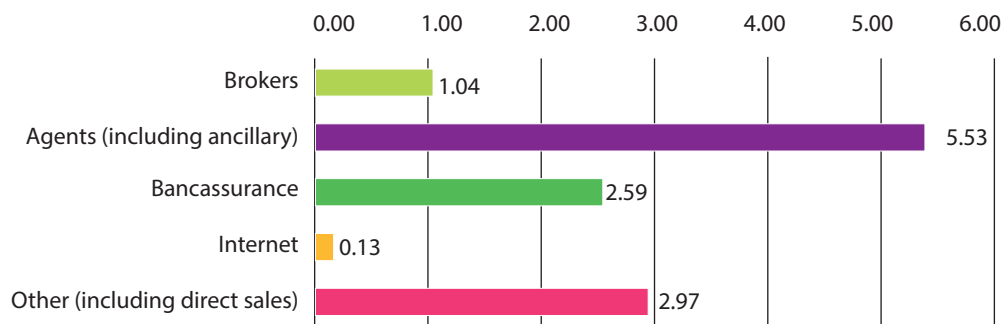
**Fig. 9 Total CEE life insurance GWP by distribution channel in 2019 (%)**



Source: XPRIMM calculations, based on NCAs data



**Fig. 10 Total CEE life insurance GWP by distribution channel in 2019 (EUR billion)**



Source: XPRIMM calculations, based on NCAs data

**Table 2 Distribution channels' weight in 2019 – life GWP /CEE region (%)**

Country	Total market				
	Insurance brokers (%)	Insurance agents (incl. ancillary intermed.) (%)	Banks (Bancass.) (%)	Internet sales (%)	Other
Albania	3.13	N/A	35.30	N/A	61.57
Bosnia & Herzegovina (Rep. Srpska) <sup>1</sup>	0.29	82.64	5.95	N/A	11.12
Bosnia & Herzegovina (FBiH) <sup>1</sup>	N/A	N/A	22.22	N/A	77.78
Bulgaria	20.00	67.00	N/A	N/A	13.00
Croatia	0.26	5.25	10.52	N/A	83.97
Czech Rep.	24.00	42.00	21.00	4.00	9.00
Estonia	1.00	37.00 <sup>2</sup>	N/A <sup>2</sup>	N/A	62.00
Hungary	7.00	36.00	57.00	0.00	0.00
Kosovo	3.10	N/A	N/A	N/A	96.90
Lithuania	3.00	70.40	9.60	17.00	0.00
Macedonia	43.30	19.20 <sup>3</sup>	21.50	N/A	16.00
Montenegro	22.50	40.80	8.10	N/A	28.60
Poland	3.85	60.67	22.22	0.00	13.26
Romania	14.00	82.00	N/A	N/A	4.00
Serbia (Rep. of)	3.00	19.00	16.00	N/A	62.00
Slovakia (Rep. of)	N/A	19.57	N/A	N/A	80.43
Slovenia	10.70	N/A	4.30	N/A	85.00
<b>Total</b>	<b>8.45</b>	<b>45.12</b>	<b>21.14</b>	<b>1.06</b>	<b>24.23</b>

Note:

1 - Bosnia & Herzegovina is a federation of two autonomous regions, the Republika Srpska -RS and the Federation of Bosnia-Herzegovina FBiH, the insurance sector of each of them being supervised by a different market authority, reporting independently

2 - bancassurance included in the agents' category

3 - Only insurance agent companies, for individual agents data are available only on aggregate level

**Unit-Linked life insurance products** make an individual category of life insurance products with a savings component. While just a rather small part of the premiums paid are covering the actual life insurance specific risks, the investment risk for the savings part of the product is transferred to the customer. As such, financial counselling is very important in the sales process of this type of policies. Yet, very few markets are monitoring the distribution structure for UL products: 9 markets of the total 17 in the CEE have provided data, although not in all cases all distribution channels have a known contribution to the UL products' distribution. In three markets (Albania, Bosnia-Herzegovina and Montenegro) UL products are not available yet on the market.

Statistical data on the U-L product's distribution are available for a small number of countries, including the most relevant markets for this line of business, all together accounting for about 85% of the U-L GWP in 2019. In this context, according to XPRIMM estimations, insurance agents and the bancassurance arrangements are the most relevant distribution channels for the U-L life insurance products, each of them accounting for close to EUR 900 million of the total about EUR 4 billion GWP. Insurance brokers' involvement is by far less extended, the total mediated GWP by them amounting to approx. EUR 330 million.

**Table 3 Distribution channels' weight in 2019 – U-L products GWP /CEE region (%)**

Country	Total market			
	Insurance brokers (%)	Insurance agents (incl. ancillary intermed.) (%)	Banks (Bancass.) (%)	Internet sales (%)
Albania	UL products NOT AVAILABLE on the market			
Bosnia & Herzegovina	UL products NOT AVAILABLE on the market			
Bulgaria	5.00	71.00		
Croatia	0.01	0.66	3.21	N/A
Czech Rep.	38.00	39.00	20.00	0.00
Estonia	No data			
Hungary	5.00	48.00	47.00	0.00
Kosovo	No data			
Lithuania	2.20	69.50	8.20	20.1
Macedonia	2.00	0.10*	0	N/A
Montenegro	UL products NOT AVAILABLE on the market			
Poland	No data			
Romania	4.00	95.00	N/A	N/A
Serbia (Rep. of)	0.30	25.00**	0.00	0.00
Slovakia (Rep. of)	No data			
Slovenia	0.00	N/A	6.20	N/A

Note:

\* Only insurance agent companies, for individual agents data are available only on aggregate level

\*\* including insurance agency undertaking, entrepreneur - insurance agent, leasing companies, post office and ancillary intermediaries

### 3.1.2 Motor insurance

NCA's from Poland, Slovakia and Estonia did not provide data concerning the distribution structure for motor insurance products, as they are not collecting information on this topic. As such, available data may provide a distorted image of the motor insurance distribution at regional level. Considering the Polish market's dimension, disregarding it when calculating the average weight of the different distribution channels is introducing a significant source of errors. This is why we have chosen to consider an approximation based on the non-life insurance sector's distribution structure, by extrapolating the same structure to the motor insurance sector. The same estimation was used also in case of Estonia and Slovakia. Although still imperfect, we hope this approximation will provide for a result closer to the real regional distribution structure.



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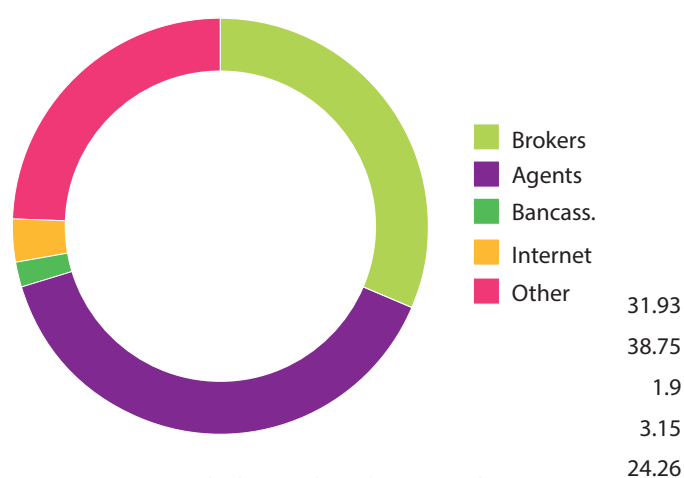
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### 3.1.2.1 CEE motor insurance distribution structure -estimation/ all countries

The motor insurance products (Motor Hull/class 3 and MTPL insurance/class 10) distribution is dominated, at regional level, by agents, who manage to intermediate about 39.2% of the gross premiums written on these lines.

Insurance brokers are intermediating about 31.9% of the motor GWP, a higher share than the one brokers are holding on other business lines, as well as on the total GWP distribution. In a few of the region's largest motor insurance markets (Romania, Bulgaria or Hungary), brokers are the main distribution channel for this category of products. This is the determinant factor leading to their stronger position on the motor segment in comparison with other lines of business, at regional level.

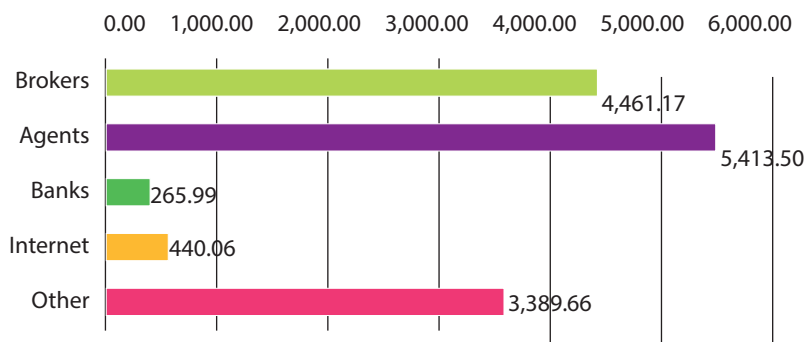
**Fig. 11 Total CEE motor insurance GWP by distribution channel in 2019 (%) – estimation**



Source: XPRIMM calculations, based on NCAs data

Direct insurance and other channels of marginal importance account for about 23.75% of the motor insurance GWP. Internet sales account apparently for only 3.15% of the motor insurance sales, but once again one should keep into account that in many cases the internet sales are controlled by other distribution channels. The Czech Republic is the only market reporting a relevant contribution of the internet sales (17% of the motor insurance GWP). Finally, bancassurance plays just a marginal role in the motor insurance distribution.

**Fig. 12 Total CEE motor insurance GWP by distribution channel in 2019 (EUR million)**



Source: XPRIMM calculations, based on NCAs data

**Table 4 Distribution channels' weight in 2019 – motor GWP /CEE region (%)**

Country	Total market				
	Insurance brokers (%)	Insurance agents (incl. ancillary intermed.) (%)	Banks (Bancass.) (%)	Internet sales (%)	Other
Albania	76.15	0.15	0.02	N/A	23.68
Bosnia & Herzegovina (Rep. Srpska) <sup>1</sup>	0.43	9.33	0.01	N/A	90.23
Bosnia & Herzegovina (FBiH) <sup>1</sup>	N/A	N/A	0.26	N/A	99.74
Bulgaria	63.00	28.00	N/A	N/A	9.00
Croatia	1.73	8.38	0.12	N/A	89.77
Czech Rep.	37.00	30.00	3.00	17.00	13.00
Estonia <sup>4</sup>	26.79	20.88	N/A <sup>2</sup>	N/A	52.33
Hungary	72.00	24.00 <sup>2</sup>	0.00	4.00	3.96
Kosovo	8.90	N/A	N/A	N/A	91.10
Lithuania	53.40	42.40	1.30	3.00	0.00
Macedonia	14.80	7.20	0.10	N/A	77.90
Montenegro	0.50	24.10	0.40	N/A	75.00
Poland <sup>3</sup>	16.52	67.75	3.65	1.89	10.19
Romania	85.00	9.00	N/A	N/A	6.00
Serbia (Rep. of)	4.40	9.61	0.00	0.00	86.00
Slovakia (Rep. of) <sup>4</sup>	N/A	20.20	N/A	N/A	79.80
Slovenia	6.20	0.15	0.10	N/A	93.70
<b>Total CEE</b>	<b>31.93</b>	<b>39.26</b>	<b>1.90</b>	<b>3.15</b>	<b>23.75</b>

Note:

1 - Bosnia & Herzegovina is a federation of two autonomous regions, the Republika Srpska -RS and the Federation of Bosnia-Herzegovina FBiH, the insurance sector of each of them being supervised by a different market authority, reporting independently

2 - bancassurance included in the agents' category

3 - XPRIMM calculations based on the total market GWP and Life insurance GWP structure

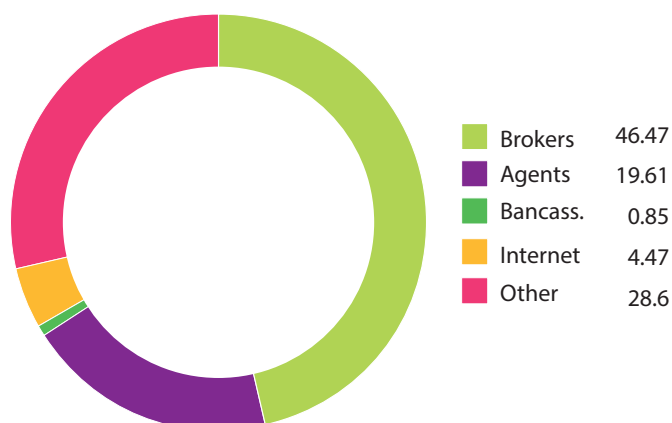
4 - Estonia and Slovakia – data for the total non-life GWP distribution

### 3.1.2.2 CEE motor insurance distribution structure - Poland, Estonia and Slovakia excluded

In Fig. 11 we are presenting the motor insurance regional distribution structure resulted by excluding the three markets for which information on the distribution structure for the motor classes were not provided: Poland, Estonia and Slovakia. One should take into account that because of the high GWP volume of the Polish market, accounting for almost 40% of the regional premiums, excluding this market from the calculation has a visible impact on the accuracy.

The structure that we have calculated and presented below, for the group of 13 countries that have provided the necessary data, shows significant differences in comparison with the estimated structure for 16 countries.

**Fig. 13 Total CEE motor insurance GWP by distribution channel in 2019 (%) – Polish, Estonian and Slovak markets excluded**



Source: XPRIMM calculations, based on NCAs data

\* information concerning the distribution structure for the motor insurance lines for Poland, Slovakia and Estonia are not available

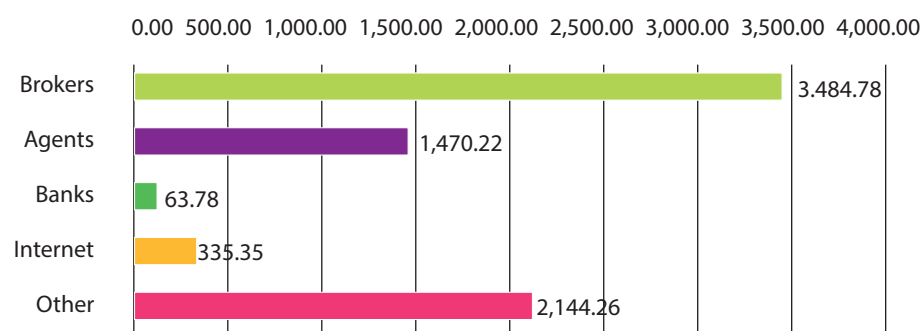
In this case, insurance brokers have a dominant position in the motor insurance products (Motor Hull/class 3 and MTPL insurance/class 10) distribution, intermediating about 46.5% of the gross premiums written on these lines. Their weight is significantly higher than the one brokers are holding on other business lines, as well as the one they have in the total GWP distribution or in the motor insurance distribution calculated for the full list of CEE markets.

Agents' contribution to the motor insurance products distribution is of about 20%, while direct insurance and other channels of marginal importance account for about 28.6% of the motor insurance GWP. Internet sales account apparently for only 4.5% of the motor insurance sales, but once again one should keep into account that in many cases the internet sales are controlled by other distribution channels. The Czech Republic is the only market reporting a relevant contribution of the internet sales (17% of the motor insurance GWP).

Letting aside calculations the Polish market – the largest in the region, but with

an insurance distribution dominated by agents, gives more relevance to the rest of the top regional markets, where brokers are the main distribution channel in motor insurance, i.e. Romania, Bulgaria, Hungary. As such, the balance changes completely, in favor of the intermediation by brokers, which in fact is not a realistic image of the regional market.

**Fig. 14 Total CEE motor insurance GWP by distribution channel in 2019 (EUR million)**  
– Polish, Estonian and Slovak markets excluded



Source: XPRIMM calculations, based on NCAs data

### 3.1.3 Property insurance

NCAs from Poland, Slovakia and Estonia did not provide data concerning the distribution structure for motor insurance products, as they are not collecting information on this topic. As such, available data may provide a distorted image of the motor insurance distribution at regional level. Considering the Polish market's dimension, disregarding it when calculating the average weight of the different distribution channels is introducing a significant source of errors. This is why we have chosen to consider an approximation based on the non-life insurance sector's distribution structure, by extrapolating the same structure to the motor insurance sector. The same estimation was used also in case of Estonia and Slovakia. Although still imperfect, we hope this approximation will provide for a result closer to the real regional distribution structure.

#### 3.1.3.1 CEE property insurance distribution structure - estimation/ all countries

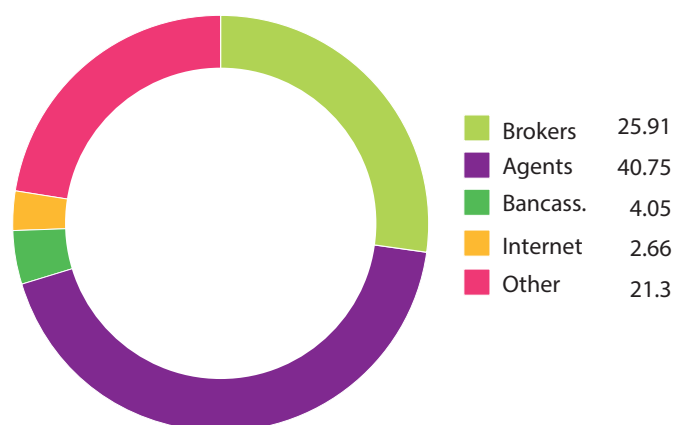
The property insurance products (Fire and allied perils/class 8 and Other damages to property/class 9) distribution structure is dominated, at regional level, by agents, who manage to intermediate about 40.75% of the gross premiums written on these lines.

Insurance brokers are intermediating about 25.9% of the property GWP, a higher share than the one brokers are holding in the total GWP distribution. In a few of the region's largest property insurance markets, as Romania or Hungary, brokers are the main distribution channel for this category of products even if their market

share is lower than on the motor insurance segment. They are also holding the largest share of the property insurance distribution in several of the smaller markets. Yet, in comparison with the motor insurance case, insurance brokers are holding the “second best” position as intermediaries on the property insurance segment.

Direct insurance and other channels of marginal importance account for about 21.3% of the property insurance GWP. Internet sales account apparently for only 2.66% of the property insurance sales, but once again one should keep into account that in many cases the internet sales are controlled by other distribution channels. The Czech Republic is the only market reporting a relevant contribution of the internet sales (11% of the property insurance GWP). Finally, bancassurance accounts for an about 4% share of the property insurance distribution.

**Fig. 15 Total CEE property insurance GWP by distribution channel in 2019 (%) – estimation**

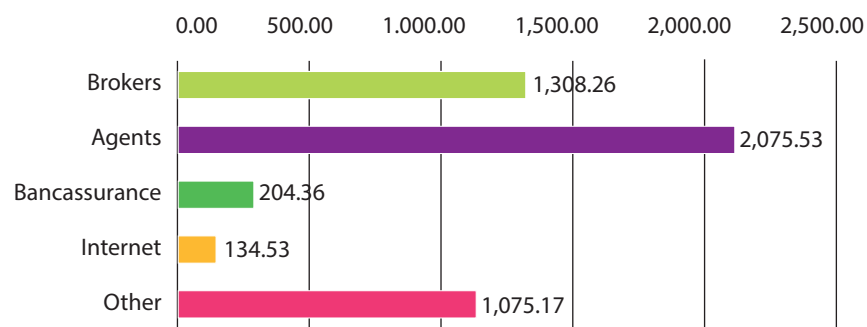


Source: XPRIMM calculations, based on NCAs data

Out of the total EUR 5.05 billion in property insurance premiums written across the CEE region in 2019 (except for the Latvian market for which we have not received data on the insurance distribution), insurance agents have intermediated about EUR 2.05 billion, followed by insurance brokers (EUR 1.3 billion) and direct sales (included here in the “other” category, together with some other really marginal distribution channels) that totaled about EUR 1.08 billion. However, considering the necessary approximations made in case of the Polish, Estonian and Slovak markets, the values of the intermediated premiums amounts may contain errors in the range of tens of million euros. Bancassurance and internet sales are of a low relevance in the property insurance distribution.



**Fig. 16 Total CEE property insurance GWP by distribution channel in 2019 (EUR million) – estimation**



Source: XPRIMM calculations, based on NCAs data

**Table 5 Distribution channels' weight in 2019 – property GWP /CEE region (%)**

Country	Total market				
	Insurance brokers (%)	Insurance agents (incl. ancillary intermed.) (%)	Banks (Bancass.) (%)	Internet sales (%)	Other
Albania	11.84	N/A	5.03	N/A	83.13
Bosnia & Herzegovina (Rep. Srpska) <sup>1</sup>	6.36	5.59	0.95	N/A	87.1
Bosnia & Herzegovina (FBiH) <sup>1</sup>	N/A	N/A	2.43	N/A	97.57
Bulgaria	38.00	28.00	N/A	N/A	34
Croatia	3.09	2.68	0.61	N/A	93.62
Czech Rep.	31.00	33.00	10	11	15
Estonia <sup>4</sup>	26.79	20.882	N/A <sup>2</sup>	N/A	52.33
Hungary	50.00	43.00	4	3	0
Kosovo	1.50	N/A	N/A	N/A	98.5
Lithuania	24.60	70.10	4.2	1.1	0
Macedonia	5.10	5.00	0.5	N/A	89.4
Montenegro	30.00	3.50	1.9	N/A	64.6
Poland <sup>3</sup>	16.52	67.85	3.65	1.89	10.09
Romania	61.00	22.00	N/A	N/A	17
Serbia (Rep. of)	19.90	9.61	3	0	67.49
Slovakia (Rep. of) <sup>4</sup>	N/A	20.20	N/A	N/A	79.8
Slovenia	21.7	N/A	0.1	N/A	78.2
<b>Total CEE</b>	<b>25.91</b>	<b>40.56</b>	<b>4.05</b>	<b>2.66</b>	<b>21.49</b>

Note:

1 - Bosnia & Herzegovina is a federation of two autonomous regions, the Republika Srpska -RS and the Federation of Bosnia-Herzegovina FBiH, the insurance sector of each of them being supervised by a different market authority, reporting independently

2 - bancassurance included in the agents' category

3 - XPRIMM calculations based on the total market GWP and property insurance GWP structure

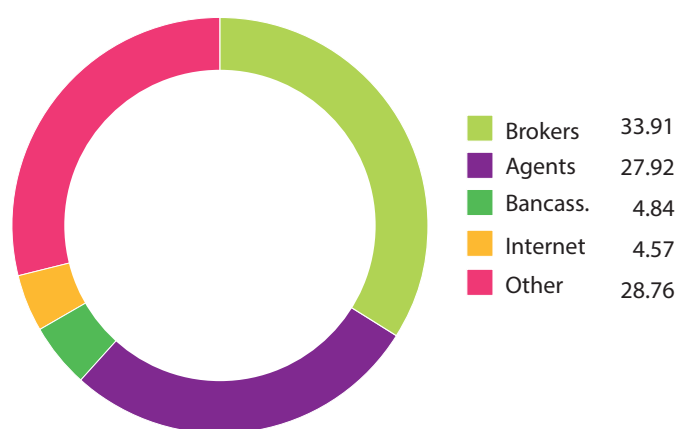
4 - Estonia and Slovakia – data for the total non-life GWP distribution

### 3.1.3.2 CEE property insurance distribution structure - Poland, Estonia and Slovakia excluded

By excluding from the regional market analysis, the three markets for which NCAs have not provided a specific structure of the distribution system, the hierarchy of the top positions changes significantly in favor of the insurance brokers. The main difference is owed to removing the Polish market, a market that accounts for about 35% of the total regional property insurance GWP and is strongly dominated by the distribution through insurance agents. As such, the higher relevance of the insurance brokers in some of the other larger markets and several of the smaller ones is making the difference, increasing brokers' share in the regional insurance distribution landscape to over 33%. Insurance agents and direct sales account each, in this hypothesis, for about 28% of the portfolio of mediated premiums, while the bancassurance and internet channels' position is almost unchanged.

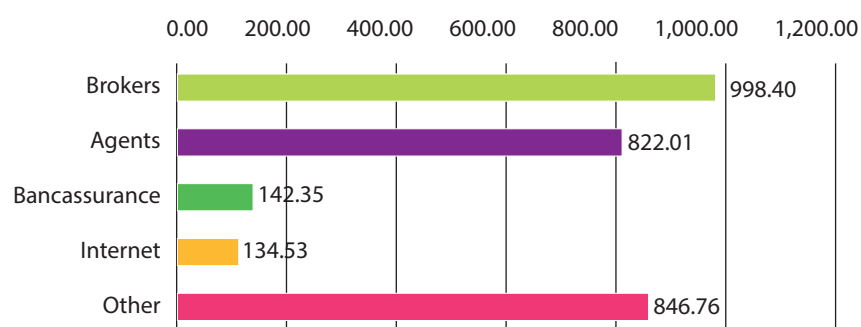
The absolute figures describing each distribution channel's contribution to the total property insurance sales also reflect the significant role played by the Polish market's dimension.

**Fig. 17 Total CEE property insurance GWP by distribution channel in 2019 (%) - Poland, Estonia and Slovakia excluded**



Source: XPRIMM calculations, based on NCAs data

**Fig. 18 Total CEE property insurance GWP by distribution channel in 2019 (EUR million) - Poland, Estonia and Slovakia excluded**



**Table 6 Average acquisition costs in the CEE insurance markets (%)**

Country	Average acquisition cost rate (%)	LoBs with an above average acquisition cost rate	Caps on the commissions fees	Observations
Albania	28.70%	Marine Aviation	no caps	for insurance companies in financial distress, the market authority may impose a temporary cap on the acquisition fees, in line with the average
Bosnia (Rep. Srpska)	N/A			
Bosnia (FBiH)	30%		40% for all lines except MTPL 15% for compulsory MTPL	
Bulgaria	16% life 23% non-life	Endowment Term life insurance	no caps	the calculation of the market acquisition cost does not reflect the specifics of life-insurance contracts and the manner of payment of the acquisition commissions (during the first 1-5 years of the contracts are highest)
Croatia (Republic of)	20.02%	Accident insurance (36,23%) Property insurance (25,45%) Unit-Link (8%) -> Other life insurance (27%)	no caps	
Czech Republic	17% life 20% non-life	Assistance (16%) -> Medical or misc. financial losses (38%) travel insurance	no caps	There are rules for the calculation of the maximum deductible amount if life insurance contract surrenders in the first 5 years i.e. rules on proportionate distribution of acquisition costs.
Estonia	10-20%		no caps	
Hungary (2018 data)	15.8% 11.2% life 19.9% non-life	Other life insurance (26.7%) Medical expense; Legal expenses; Assistance; Miscellaneous financial loss; Credit and suretyship (>30%)	no caps - except for life insurance	Caps on the acquisition fees are applied for "life insurance-based investment products" (e.g. U-L): • the amount of commission paid may not exceed the amount of the premium the undertaking has received by the time of payment of the commission, but • commission may be paid on the first year calculated from the date of the contract - at the earliest after the first premium payment is received by the undertaking - in an amount not exceeding the premium due for twelve months
Kosovo	N/A		Yes, for MTPL	
Lithuania	approx. 16%		no caps	
Macedonia	23.2% 20.6% life 24.3% non-life		no caps	In MTPL insurance there is severe competition for market share which leads to pressures to increase the acquisition costs above the average, and even sometimes to be difficult to calculate the relevant indicator due to individual cases of insurance companies which do not recognize in their accounting the allowed amounts to their intermediaries as acquisition cost but as value adjustments to receivables from intermediaries. In life insurance, total acquisition costs are recognized during the first four years after the year of initial recognition of the contract, with around 60% of the total acquisition costs recognized in the first year.
Montenegro	6.5%		no caps	
Poland	20.35% 16.24% life 22.55% non-life	Life insurance (20,11%) Legal expenses (70,70%) Miscellaneous financial loss (45,69%) Sickness (37,31%) Accident (including industrial injury and occupational diseases) (35,82%)	no caps	
Serbia (Republic of)	21.01%	Travel assistance Insurance of vessels	no caps, except for compulsory MTPL 5% on compulsory MTPL	
Romania	17.52% 42.82% life		no caps	
Slovakia	N/A		no caps	
Slovenia	6.9% life 5.3% non-life	Ship insurance (insurance of vessels) Miscellaneous financial loss insurance Legal expenses insurance Insurance against fire and natural forces (nearly two times higher than average)	no caps	

### 3.2 Acquisition costs

Insurance intermediaries in the CEE are usually remunerated through a commission paid by the insurer, as a percentage of the intermediated premium value. In rather rare cases, there are insurance brokers that get paid by the insured customer, especially in case of corporate insurance contracts. Slovakia is the only market that has reported completely different remuneration rules for brokers and agents, with brokers being allowed to ask for remuneration only from clients. According to information provided by the local market authority, this might be the main reason behind the very low development of the insurance brokerage activity in comparison with the distribution through agents (there are only 3 active insurance brokers, while the number of registered insurance agents reached 405). Average acquisition costs, in 2019, seem somehow lower on the non-life insurance segment, than of the life insurance one, with one of main reasons of this difference being the specifics rules of life-insurance contracts and the manner of payment of the acquisition commissions. Yet, there are also exceptions, mostly in the markets with a significant predominance of the motor insurance business and a highly competitive character.

### 3.3 Legal aspects

Out of the 17 insurance markets within the CEE region, 11 belong to EU member countries, their legislation in the insurance distribution field being fully aligned to the EU directives and standards. Basically, most of the insurance distribution aspects are regulated by legal provisions derived from the Insurance Distribution Directive (IDD) of 2016.

In the remaining 6 countries (Albania, Bosnia & Herzegovina, Kosovo, Macedonia, Montenegro and Serbia), the insurance distribution regulations are largely aligned to the EU standards, at least in what the distribution through agents and brokers is concerned. As such, in most cases, the current legislation provides for a level playing field for all actors of the insurance distribution market, as well as for the customers protection. All legal provision in force for disclosures, product analysis, customer recognition non-discrimination etc. are the same for all distribution channels and for all types of products. Yet, in a few cases, there are still some differences between the legal requirements for brokers and agents:

» Montenegro - Legal provisions exist for disclosure both for brokers and agents. However, the difference exists in respect of obligation/duty towards the client: agents act in the name and on behalf of the insurer, their primary obligation being in respect to the company. In contrast, the obligation of the broker lies primarily with the client, and the duty towards the insurer exists only in regards of information that the client her/himself would be obliged to disclose;

» Serbia - In accordance with Ar. 94 of the Insurance Law, only insurance brokerage undertakings provide explanations and advice to the insurance/reinsurance policyholder and/or the insured about circumstances essential for the conclusion and implementation of an insurance/reinsurance contract.

Some differences in the legal provisions for brokers, compared to those addressing agents' activity are also present in the insurance legal framework of the markets belonging to EU member states, usually consisting in a somehow stricter approach towards the brokers activity.

For example, in Slovenia, there are stricter provisions for brokers in comparison to agents:

- » regarding the registration requirements (e.g. higher level of knowledge required, PII policy),
- » regarding the obligations in relation to customers in the sales process itself (on top of the once defined for agents),
- » regarding the services they shall provide for the client after sales (e.g. checking the policy, helping the client during the policy duration, claim procedure, regular information to the client),
- » regarding regular reporting to the AZN (including the reporting on the professional indemnity insurance – PII).

The Slovenian example is, in fact, applicable to most markets, as insurance brokers are considered a distribution channel with higher service standards, dealing mostly with corporate customers and more complex risks. Yet, most obligations for all insurance distributors are similar, being required by the IDD framework implemented in the EU.

## 4. OVERVIEW OF THE CEE INSURANCE DISTRIBUTION BY CHANNEL

Out of the insurance distribution channels active in the CEE we will review in the next pages insurance brokers, agents, bancassurance and internet sales, based on the information provided in this survey by CEE NCAs.

### 4.1 Insurance brokers

Insurance brokers are defined as corporate entities that are mixing sales and consulting capabilities, acting for the best interest of the insurance consumers by identifying the insurance needs and presenting customers multiple options of coverage; in this respect, brokers are not working with the insurance undertakings on exclusive basis and are held to present in an objective manner insurers' products, although in most cases they are remunerated by the insurance companies, not by the insurance buyer they represent. Brokers are also acting on behalf of insurers, especially on complex risks when co-insurance or reinsurance coverage are needed.

In the CEE, insurance brokers are a rather "new" distribution channel, that has mostly developed at a larger scale throughout the last three decades, when the region's insurance markets have "reborn" in a free market environment.

Looking at the regional insurance landscape, one may easily observe that insurance brokers' have different levels of relevance in each market, mostly determined by cultural and historical reasons. According to the answers received to the Survey we have conducted among the NCAs in the region, the insurance brokers' relevance was appreciated as follows:

- » High - in case of Estonia, Hungary, Bulgaria, Lithuania, Macedonia and Romania
  - For Estonia, it was mostly appreciated their utility for foreign insurers interested to develop their business in the country without opening a local office
  - The high degree of intermediation on the Romanian non-life insurance market was appreciated as a peculiarity of the market which contrasts with the situation in most European countries, where the share of sales through insurance brokers is lower, and the share of direct sales (through its own network of agents or through the online environment) is more significant.
  - In Macedonia insurance brokers play a significant role especially on the life segment, which is rather a local characteristic. On the non-life side, insurance brokers play a significant role mainly on the MTPL line.
- » Medium – in case of Croatia, Czech Republic and Serbia
  - Although the number of insurance brokers registered in Croatia is almost six times smaller than that of the agents, when it comes to realized GWP, brokers realize more than 50% of the amount of realized GWP of insurance agencies.
  - Currently, there are 73 insurance brokers in Serbia, representing 36% of all entities involved in the insurance distribution. Yet, their contribution to the market GWP is still rather modest, of 10% of all earned premium.

» Limited relevance – Albania, Bosnia & Herzegovina, Kosovo, Montenegro, Poland, Slovakia, and Slovenia

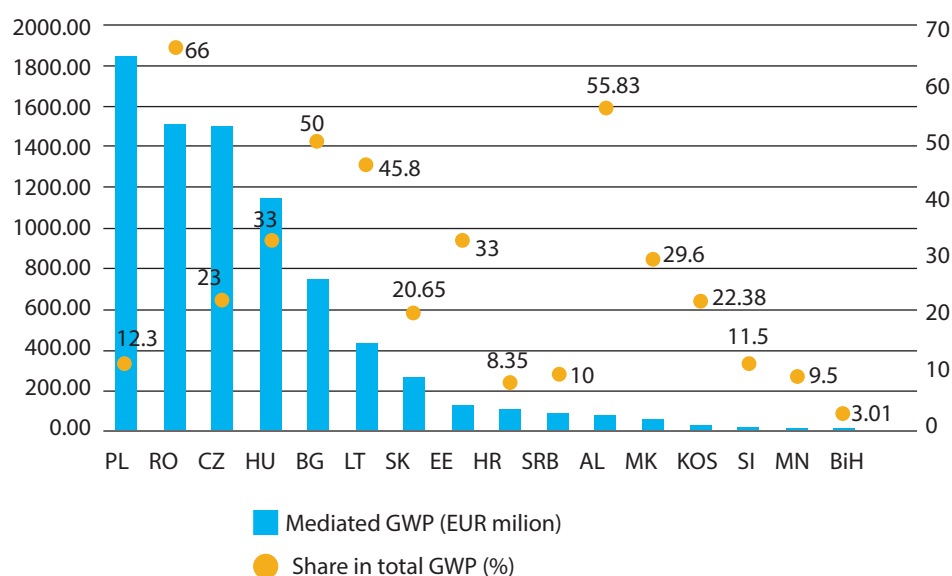
- In Montenegro, insurance brokers have a significant contribution mostly to the distribution of life insurance and class 9, other damages to property products. Still, since these classes are holding small shares in total GWP, the overall contribution of brokers to the total market GWP is very limited, but continuously increasing.

- In Slovenia, brokers are active primarily and basically in non-life insurance (life insurance via brokers represents only 0,2% of the life GWP). They primarily work with companies and insure industry risks (big risks, big volumes, high premiums), where advice and recommendation are necessary.

- In Albania, due to the small market, based mainly on compulsory insurance products (especially in motor insurance), 95% of the premiums mediated by brokers and brokerage companies are related to these lines of business.

Overall, insurance brokers have mediated at regional level, GWP worth EUR 7.97 billion in 2019. Out of this total amount, 23% belongs to the Polish market, as although brokers' contribution to the market GWP is rather modest, of 12.3%, the market itself is the largest in the region, with GWP accounting for about 40% of the regional GWP. In Romania and the Czech Republic, brokers are providing for quite similar volumes of premiums, their contribution to the market GWP, in relative terms, being somehow inversely proportional with the markets dimensions.

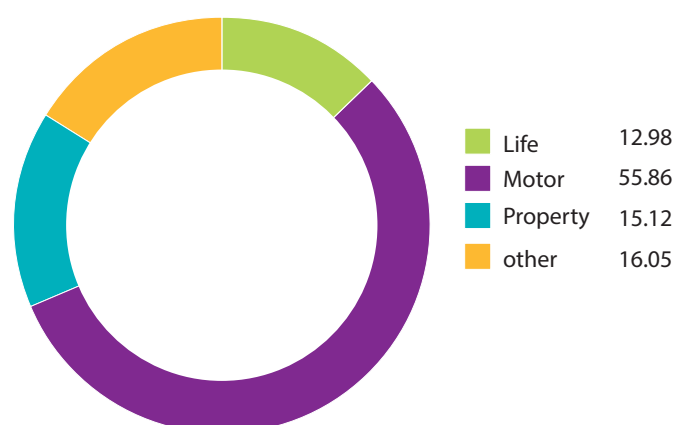
**Fig. 19 Insurance brokers' mediated GWP (EUR mil.) and share in the market GWP**



Source: XPRIMM calculations, based on NCAs data

According to XPRIMM calculations, in most CEE markets insurance brokers' operations are mostly related to the non-life insurance business lines, in particular to the motor insurance lines. In some of the largest motor insurance markets in the region, as Romania, Hungary or Bulgaria, insurance brokers have an essential contribution to the market GWP formation. Slovenia and the Czech Republic are the only markets where the portfolio of mediated by brokers have a rather balanced structure, at least in what the three business segments considered in the present report are concerned. Finally, while in most markets life insurance is far from being a significant part of the portfolio of GWP mediated by brokers, there are a few exceptions, as Macedonia and Montenegro, where this category of intermediaries is focused particularly on the life insurance business.

**Fig. 20 Insurance brokers' portfolio of mediated GWP (%) in 2019**



Source: XPRIMM calculations, based on NCAs data

## 4.2 Insurance agents

A very large category of insurance intermediaries is covered by the general denomination of insurance agents, including both employed and self-employed professionals or legal entities authorized to conduct business on behalf of insurance undertakings they represent. They operate under the terms of an agency agreement with the insurance company.

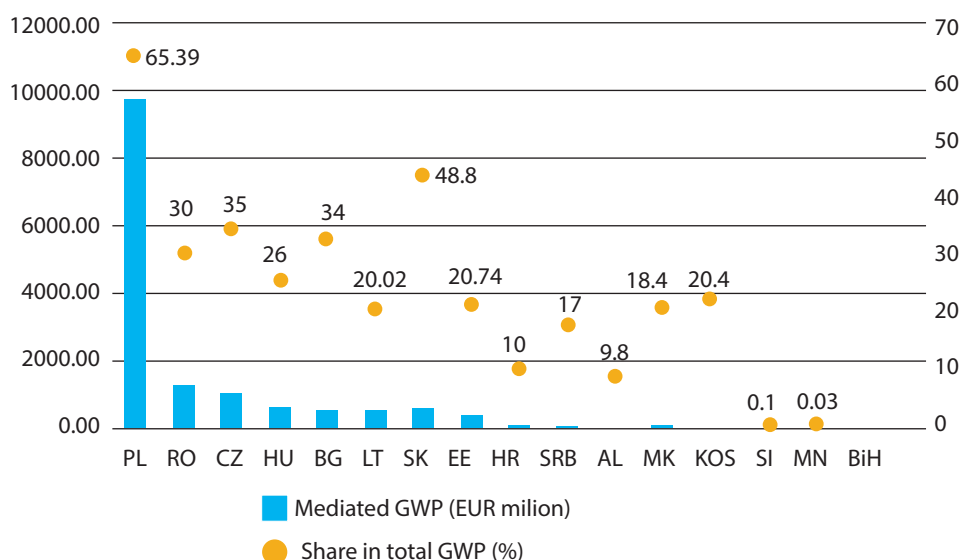
There are numerous typologies of agents, depending on the form of insurer-agent relationship form in which they are acting. Some of the most common types are:

- Multi-tied agents, representing more than one insurance undertaking (in most cases, a small number of insurers)
- Single-tied agents – operating on behalf of a single insurer in one geographic area or selling a single line of business for each of several insurance undertakings in one geographical area or even selling a single line of business for each of several companies; in some markets, local legislation may prohibit in one way or another exclusivity clauses in non-life distribution
- Ancillary agents - businesses offering insurance as an add-on to products and services offered within their core business scope. Typical examples

include travel agencies or airlines offering travel insurance, sellers of electrical appliance proposing insurance against theft and damage or, as often is the case in the CEE region, auto repair workshops or car dealers offering motor insurance, especially MTPL policies.

Insurance agents form the largest category of intermediaries and also the oldest one, in historical terms. In many of the region's markets they are both the most numerous category and the strongest one, in business volume terms.

**Fig. 21 Insurance agents' mediated GWP (EUR mil.) and share in the total GWP**



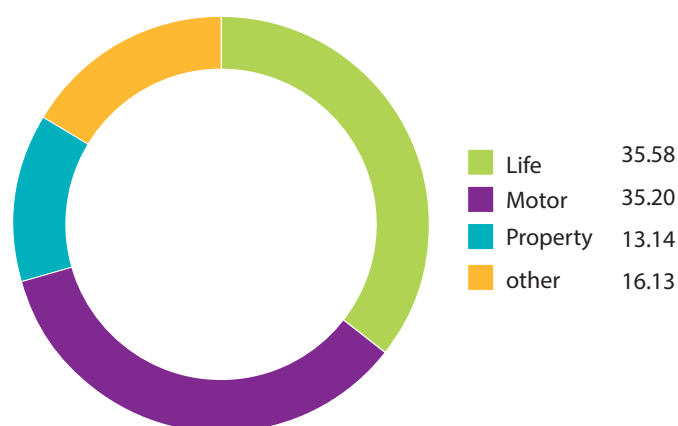
Source: XPRIMM calculations, based on NCAs data

Overall, insurance agents have mediated at regional level, GWP worth EUR 15.58 billion in 2019. Out of this total amount, 63% belongs to the Polish market, as not only the market itself is the largest in the region, with GWP accounting for about 40% of the regional GWP, but it is also the market where insurance agents have the most relevant contribution to the insurance products distribution.

In most other markets, insurance agents' contribution to the market GWP formation stays in between 20% - 35%. The only markets where the insurance agents are less relevant are those of the non-EU countries in the Western Balkans, where insurance distribution is highly dominated by the insurance companies own sales networks.



**Fig. 22 Insurance agents' portfolio of mediated GWP (%) in 2019**



Source: XPRIMM calculations, based on NCAs data

### 4.3 Bancassurance

Bancassurance is largely defined as a distribution partnership between insurance undertakings and banks, acting as insurance agents or brokers through banking branches; yet, one should note that in some CEE markets, bancassurance is not considered a distribution channel by itself, banks involved in bancassurance partnerships being registered either as agents or brokers; thus, no data are available with regard the business volume of this channel in these markets.

Given the different statutes of the banks involved in insurance distribution across the region (agents or brokers), a real and precise evaluation of the bancassurance distribution's contribution to the region's premiums production is not possible. Yet, based of the data provided by NCAs in this survey, we can at least assess that it is of over 10.5% of the total GWP, i.e. in the range of about EUR 4.1 billion, with about 60% of this volume coming from the life insurance side.

In most countries, bancassurance is primarily relevant as a distribution channel for credit insurance and payment protection insurance, lines of business directly linked to the bank lending activity. While products connected to loans are dominant, at least in what the number of sold policies is concerned, bancassurance is an important distribution channel for other products without a link to a credit.

In this context, banks also play significant role in distribution of standalone life insurance products, like Unit-Linked insurance. For example, according to data provided by the Polish NCA, in the first half of 2019 banks acting as an insurance agent were responsible for 23,9% of the sales of unit-linked policies. Non-life insurance products are less distributed via bancassurance, the list of products offered by banks being usually rather limited to several types of insurance that are more or less linked to the banking products. Property/household and travel insurance (credit card benefit) are frequently sold via banks. In some countries, as Romania, banks are also distributing motor vehicle insurance, medical equipment or agricultural equipment insurance, professional liability insurance for a wide range of liberal professions.

In most of the Western Balkans markets, bancassurance has a very short history, of less than a decade and its relevance as an insurance distribution channel is still very low, although quite fast increasing. In other countries, as the Czech Republic, Hungary or Croatia bancassurance has a significant contribution to the market GWP, banks being major life insurance sellers.

## 4.4 Internet sales

The term “internet sales” covers a large variety of digital solutions used in the insurance distribution which often are part of the distribution strategy of the other insurance intermediaries. Comparison websites or price-aggregators, insurers’ own online selling points etc. are all internet sales solutions, but rarely considered as a standalone distribution channel.

Very few NCAs are monitoring these sales solutions in a distinct manner. In most jurisdictions, comparison websites, price-aggregators are owned and managed by other insurance intermediaries, usually brokers, while other internet sales solutions belong to insurers and thus their business volume is considered as a direct sales result. As such, data in the sales volumes realized through internet solutions are only punctual and a clear regional image, in premiums value terms, is not possible to achieve.

It is also worth noting that in many countries, the online insurance acquisition process is not possible in full, at least nor for all types of insurance products. Paperless policies sales are not yet possible everywhere, in part because of the legal requirements, in part because of the still small-scale use of the digital signature or other technologies needed for client identification etc. It is worth noting that insurance distribution is a two ends process and developing online sales on a large scale is only possible if at the both ends (insurance provider and insurance buyer) the appropriate technology is available.

Here are the country by country answers that we have received concerning the internet distribution of insurance and especially the possibility of fully completing the sales process online.

- Albania -Online sales are not specifically regulated by law. AFSA (Albanian Financial Supervisory Authority) has not yet issued an act regulating online sales, but the law in force does not prohibit online sales. Insurance companies in Albania have started to sell some insurance products online. A customer online can fully complete the acquisition process, except the signing of the contract.
- Bosnia (FBiH)- insurance intermediaries may deliver in electronic form to the insured/insurance contractor all the informative or contractual materials needed in the sales process, yet as far as we understand from the information received, the process has to be finalized on paper, the customers’ signature in original being required;
- Czech Republic - for insurance contracts providing coverage for less than one year the written form is not required. For insurance contracts providing coverage for more than one year, the contract has to be signed, but the signature is presumed if the insurance holder has paid the premium on time, meaning that in the end the insured can conclude the contract just by paying. Other parts of the acquisition process may be carried out online (establishing the demands and needs, recommendation, advice). Disclosure requirements

may be fulfilled online only on condition that the customer opted so and that the online way is appropriate in the context of the business conducted between the insurance distributor and the customer.

- Estonia - fully completing the sales process in a digital manner is possible in all classes of insurance. Estonia uses widely digital signature and e-channels for insurance distribution. Also claims management may be done online, if there is no need for on-site proceedings.

- Hungary - From a legal point of view, every insurance acquisition process can be completed without a direct (personal) contact with the seller, except in the case of life insurance where the beneficiary must be designated on paper and sent to the insurer. Beneficiary can be also designated with a valid electronic signature.

- Kosovo - online sales are only incipient and not regulated

- Lithuania - fully completing the sales process in a digital manner is possible in all classes of insurance

- Macedonia - insurance online sales are not yet regulated. Few companies have started to offer online products; however, they require final physical signature of the documents, except for MTPL and travel insurance.

- Montenegro - online acquisition is possible for products that do not require physical presence at the time of conclusion; therefore, it is still not possible to fully complete the process online for life insurers. It is also not possible for non-life insurance products acquisition where the company does not make use of the possibility of electronic signature, and the policyholder/insured does not use an electronic signature.

- Poland - There are no specific legal limitations on conclusion of insurance contracts fully online, although it's much more popular in non-life business than in life insurance business. The only limitation is connected with Unit-Linked sales. Before the UL contract is concluded, the insurance undertaking is obliged to check whether the product is suitable for customer needs, knowledge and financial situation. If not, Unit-Linked contract may be concluded only on a written request by consumer.

- Serbia - The Law on the protection of financial service consumers in distance contracts regulates the rights of financial service consumers in negotiating distance contracts on the provision of financial services by using means of distance communication (e.g. internet), as well as the terms and manner of exercising and protecting those rights. Online insurance acquisition process is possible in full mostly for a few insurance products (eg. travel health insurance). For most insurance products, customer should get in direct contact with the seller to complete the insurance acquisition process by signing documents.

- Romania - the online insurance acquisition process is available to customers and may be fully completed if certain requirements are fulfilled. The insurance products offered to them are different based on the portfolio of the insurance undertakings. Either motor insurance, travel insurance, house insurance etc., may be purchased online. However, the issuance of the policy in the online environment may be done only after the confirmation of its acceptance expressed by the payment of the insurance premium. The entire process is regulated by Rule no. 19/2018.

The Electronic marketing is organized on two distinct sections and clearly delimited with secure access, as follows:

**1.** the first section is intended for the personnel of the entities referred to in art. 50 par. (2) of the Rule no. 19/2018 issued by the Financial Supervisory Authority carrying out the activity of issuing insurance contracts and/or secondary intermediaries and their personnel, if any, who are entitled to issue on the basis of holding a RAF code; in this section, the authentication of the above mentioned persons is done using secure authentication techniques provided by the entity that uses electronic means of marketing of insurance contracts and even permits the issuance of an insurance contract; for insurances concluded in the distributors' sections running on mobile terminals, electronic or biometric signing mechanisms of insurance contracts may be developed and used; the storage of electronic signature data (qualified electronic certificate) or the biometric signature characteristics captured on a touch screen (speed, rhythm, acceleration, pressure) are secured by specific mechanisms to ensure the non-repudiation of this operation.

**2.** the second section is intended for potential and/or final customers, which allows for the submission of offers, comparisons, registrations of bidding and/or order requests; this section may allow the contract to be issued once the legal requirements for the issue of remote insurance contracts have been met, provided that the platform is fitted with a user registration, administration and authentication system, using secure authentication techniques provided by the entity using electronic means of marketing of insurance contracts, and the user/customer launching the order for issuing the contract is authenticated; for the purpose of issuing the insurance contract, for data security and customer identification, he/she will log in through an access account.

- Slovakia - Fully completing the sales process in a digital manner is possible. Currently, online sales are used mostly for non-life products as MTPL, CASCO, travel, property, etc.

- Slovenia - From a legal point of view an online insurance acquisition process is possible in full for all insurance lines, with sufficient technical support for client identification etc.

Considering the special situation created by the Covid-19 pandemics and insurance markets response to the need of operating as much as possible remotely, we expect internet sales to see a significant advancement in many markets.

## 5 CONCLUSIONS

The CEE insurance distribution landscape is a very diverse and uneven one, as are the markets themselves: cultural, historic and economic differences have determined different evolution paths for the insurance and insurance intermediation markets in the area. Yet, there are also common elements, at least for smaller groups of markets.

Overall, insurance intermediaries are providing for about 72% of the total GWP in the region, the remaining 28% being attributable to the insurers' own sales networks. In absolute terms, insurance intermediaries have mediated in 2019 GWP worth about EUR 28.3 billion.

The insurance distribution structure may be largely described by classifying markets into 4 categories:

- Markets where distribution is dominated by insurance agents: Poland
- Markets where distribution is dominated by insurance brokers: Romania, Bulgaria, Albania
- Markets with a rather balanced distribution structure: Hungary, Czech Rep., Lithuania
- Markets where direct sales by insurers prevail: Estonia, Slovakia, the ex-Yugoslavian area (Slovenia, Croatia, Bosnia & Herzegovina, Montenegro, Serbia, Macedonia)

With few exceptions, bancassurance and internet sales are still playing a rather modest role in the insurance distribution across the region. While bancassurance arrangements are seen mainly as a distribution channel for life insurance, internet sales are mainly used on the non-life segment and mostly for rather standardized products as travel insurance, compulsory MTPL etc.

According to our survey's findings, the prevalence of a distribution channel over the other ones is not attributable to legal provisions that might favour its evolution, but rather to the historical and cultural conditions.

From the customers' perspective, insurance conditions and purchasing price do not differ from an insurance distribution channel to the other, although there may be differences in the range of services obtained. The eventual differences in price, if any, are usually a result of special commercial discounts.

From the legal standpoint, the regulatory frameworks of all markets are similar and, depending of the EU membership status of the country, aligned in different degrees to the Insurance Distribution Directive. In some of the non-EU countries, there are still differences between the legal requirements for insurance brokers and agents.

The development stage and legal status of the internet sales differs from country to country. While allowed everywhere, insurance internet sales are only in an incipient stage in some countries and not at all regulated (Albania, Macedonia, Kosovo). In other countries, the completion of sales process over the internet is only possible for a small number of non-life insurance products, while life insurance products sales still require in at least the final stages of the process the physical presence of the customer. At the opposite end, there are some markets where a full online sales process is possible for the largest part of the insurance products portfolio in offer (Estonia, Hungary, Slovakia, Slovenia).

Because of the diversity of the registration and categorization criteria, especially in what insurance agents are concerned, it is almost impossible to draw a precise statistical image of the insurance distribution at regional level. Therefore, all statistics presented in the present report should be cautiously considered. Moreover, in some of the CEE countries, NCAs are not closely monitoring the distribution structure or the granularity of the data is rather low (no data available on insurance classes).



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