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International Cooperative and Mutual Insurance Federation

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# Facts and figures

Mutual and cooperative insurance in Europe  
Vol 2

## Excerpt: Lithuania

*Facts and figures: Mutual and cooperative insurance in Europe Vol 2*

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# Methodology

## Business scope

The study focuses on the direct insurance sector and does not in principle include reinsurance. Therefore, the report is based on direct (gross) premiums written by insurance companies (in both the total market and mutual/cooperative market) and reinsurance premiums have, where possible, been eliminated.

## Types of insurers included

The main purpose of the study is to describe the mutual and cooperative insurance sector by highlighting the size, relevance and socio-economic importance of mutual and cooperative insurers in the region.

The definition of the “total mutual/cooperative insurance sector” in this report<sup>1</sup> includes insurance undertakings whose legal status is classified as “mutual” or “cooperative” in their national law, as well as insurers whose structure and values reflect the mutual/cooperative form (see definition 3 below).

Extending the definition in this way has enabled the study to include all organisations which operate on mutual/cooperative principles, in line with the report’s research objectives, without being restricted by legal definitions, of which there is a wide variety across Europe.

Insurance companies included in this study have been categorised by three definitions relating to their legal structure and ownership.

### 1. Mutual/cooperative insurers in the legal form (definition 1)

Mutual and cooperative insurers in a legal form of a (insurance) mutual or cooperative.

In addition, insurance undertakings whose legal structure corresponds to or is in some way aligned with the mutual/cooperative model and whose legal structure is different to a joint-stock (limited) company. These include friendly societies, community benefit societies<sup>2</sup> and protection and indemnity (P&I) clubs.<sup>3,4</sup>

### 2. Subsidiaries of mutual/cooperative insurers in the legal form (definition 2)

Subsidiaries of a (definition 1) mutual or cooperative insurer in the legal form.<sup>5</sup> These are commonly operated in the legal form of a joint stock or limited company. In any given market, insurance companies within this definition include subsidiaries of both domestic and foreign-based (including non-European markets) mutual/cooperative insurers in the legal form.

### 3. Mutual/cooperative-type insurers (definition 3)

This encompasses the remaining mutual/cooperative insurance companies not classified by definition 1 or definition 2. It includes companies that:

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<sup>1</sup> Note that while this definition is the same as the definition used by ICMIF in its *Global Mutual Market Share* reports, there are a number of instances where various companies’ data included in the ICMIF research have been excluded (or classified differently) in this study. These differences will be noted.

<sup>2</sup> See chapter on the UK.

<sup>3</sup> A P&I club is a mutual insurance association that provides risk pooling, information and representation for its members. Unlike a marine insurance company, which reports to its shareholders, a P&I club reports only to its members. Originally, P&I Club members were typically ship owners, ship operators or demise charterers, but more recently freight forwarders and warehouse operators have been able to join.

<sup>4</sup> Due to the international nature of P&I Clubs, premium data on domestic risks only (if known) are included in each chapter’s figures. For this reason, P&I Clubs in Europe (either registered in or operating within) have been excluded from the ranking of the largest mutual/cooperative insurers (see Top 100 chapter).

<sup>5</sup> The main condition for inclusion in this category is that the ultimate parent company is itself actively engaged in insurance activities, even if only to a limited extent.

- are owned by, governed by and operated in the interests of their members or policyholders;
- are inspired by mutualist and/or cooperative ideas; and/or
- are structured in such a way that they are not (majority) controlled by outside capital interests.

It features a range of different company structures, often in the legal form of a limited insurance company,<sup>6</sup> which is majority-owned by a non-insurance mutual or cooperative organisation or group (including banks). It also includes insurance undertakings that are owned by or governed by a membership or community organisation, charitable trust, foundation, union or other non-profit organisation.

*Note that when reference is made throughout the report to the “total mutual/cooperative insurance sector (or market)” or the “total number of mutual/cooperative insurance companies”, this refers to all definitions (1-3) of insurers categorised above.*

## Legal research

Desk research was carried out to produce the legal sections of the report. When information was not readily available, national supervisors, national insurance associations and trade bodies have been consulted where possible.

The ECB annual average exchange rates have been used in the legal part of the report where necessary.

## Total insurance market figures

In each chapter, the total number of licensed insurance undertakings has been taken from the national insurance regulator or supervisory body where available. In certain instances, the totals have been adjusted to include insurance undertakings that are licenced and operating within the market, but were not included in the figures produced by the supervisor. Where data was not available from the national supervisor, national insurance associations and trade bodies have been consulted where possible.

To ensure consistency across all markets in this study, figures on the total insurance market in each country have been taken from Swiss Re’s *sigma* data.<sup>7</sup> These have also been compared against additional data obtained from national supervisors/regulators, although some differences between Swiss Re’s data and supervisory data may be noted. In certain instances, figures produced by Swiss Re have also been adjusted to ensure reporting year consistencies and to include insurance business that is not covered in their data.

Life and non-life business in this study are categorised according to standard EU conventions, which is the same categorisation as in Swiss Re’s data. In relation to health insurance, this is classified as non-life insurance throughout the study, even where it is classified differently in individual markets.<sup>8</sup>

For the statistical part of the report, variable currency exchange rates have been used for the different years, with all figures converted into euros (EUR). To allow for more accurate market share calculations, exchange rates used for the mutual/cooperative insurance sector are the same as those used by Swiss Re in order to be consistent with the euro conversion of the total market figures.

Growth figures of individual markets have been calculated in local currency terms throughout the report unless otherwise stated in order to eliminate misleading effects of exchange rate fluctuations and thus ensure accurate year-on-year comparisons.

## Number of members/policyholders

The definition of “members/policyholders” in this instance may refer to the number of customers, clients or people insured by mutual/cooperative insurers, as there is no consistency between markets or companies regarding which figure (if any) is reported.

<sup>6</sup> In certain markets where insurance companies cannot take the legal form of a mutual or cooperative (or have restrictions on the line of business which they can offer), figures may nevertheless be indicated for the mutual/cooperative insurance market due to the presence of definition 2 and definition 3 insurers.

<sup>7</sup> Data has been taken from updated statistics, originally published in Swiss Re Institute’s *sigma World Insurance* reports. The most recent report was Swiss Re Institute, *Q3/2016 World insurance in 2015: steady growth amid regional disparities*.

<sup>8</sup> The major example of this is in Germany, where health insurance is classed as a life insurance product.

However, it should be noted that each policy issued by a mutual/cooperative insurer equates to a single member/policyholder. If an individual person or entity purchases more than one insurance product from mutual/cooperative insurers, that multiplicity of policies will be recognised in the overall member/policyholder figures for each country.



## Mutual/cooperative insurance companies

### Landscape

The Bank of Lithuania (*Lietuvos bankas*) is responsible for the supervision and regulation of financial market participants in Lithuania, including insurance undertakings.<sup>1</sup> Insurance undertakings that have been assessed as reliable by the Bank of Lithuania can be granted an operating licence.<sup>2</sup>

The Insurance Law of 18 September 2003 – Insurance Law (*Draudimo įstatymas*) is the main legal act governing the insurance industry in Lithuania. The consolidated version of 1 March 2017 implements the Solvency II Directive into Lithuanian law.<sup>3</sup> The Insurance Law contains no provisions to exclude insurance undertakings from its scope due to their size. However, it does exclude state social insurance schemes from its scope.<sup>4</sup>

Insurance undertakings in Lithuania cannot simultaneously carry out life and non-life insurance activities.<sup>5</sup> However, life insurers can obtain a licence to underwrite accident and sickness insurance, provided that these activities are managed separately.

An insurance undertaking in Lithuania can be established as:<sup>6</sup>

- a public limited liability company (*Akcinė bendrovė*)
- a private limited liability company (*Uždaroji akcinė bendrovė*)
- a European Company (*Europos bendrovė*)

The insurance legislation does not explicitly recognise mutual or cooperative insurers. However, Article 6.1017 of the Civil Code of the Republic of Lithuania (*Lietuvos Respublikos civilinis kodeksas*) contains the following provisions on mutual insurance:

- natural and legal persons may insure property interests on a mutual basis, joining the funds necessary for such insurance in self-insurance societies.
- the activities of self-insurance societies shall be regulated by law.
- the rules shall apply to mutual insurance unless other laws provide for otherwise.

Since the adoption of the Civil Code in 2000 there has been no further legislation specifically in relation to mutual/cooperative insurers.

<sup>1</sup> Bank of Lithuania's [website](#).

<sup>2</sup> Article 12(1) of the Insurance Law of 18 September 2003 as amended – Insurance Law (*Draudimo įstatymas*).

<sup>3</sup> Article 1(9) of the Insurance Law.

<sup>4</sup> Article 1(3) of the Insurance Law.

<sup>5</sup> Article 8 of the Insurance Law.

<sup>6</sup> Article 13(1)(1) of the Insurance Law.

## Number of licensed insurance undertakings

As of year-end 2015, there were 23 insurance companies established in the domestic Lithuanian market,<sup>7</sup> of which 10 were insurance undertakings registered in Lithuania (and subject to supervision by the Bank of Lithuania) and 13 were branches of insurance undertakings established in other EU countries.

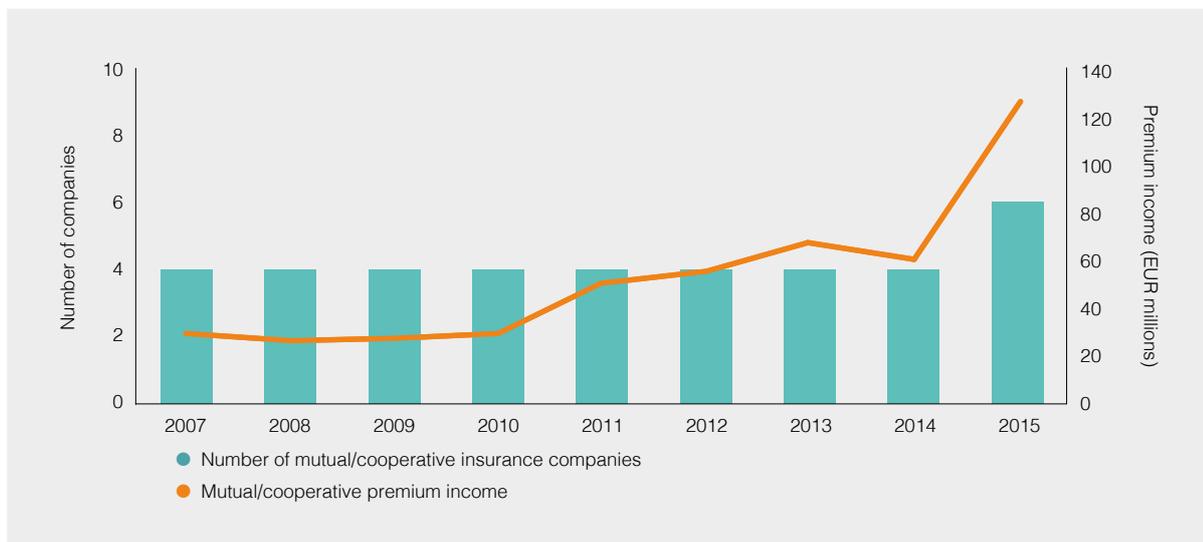
Of the 23 insurers operating in Lithuania in 2015, eight were engaged in life insurance and 15 in non-life insurance.

## Number of mutual/cooperative insurers

In 2015, there were six mutual/cooperative insurance companies operating in Lithuania (see Figure 1), all classified as mutual/cooperative-type insurers. This included four branches of foreign-based insurance undertakings in 2015 and two Lithuanian insurance undertakings.<sup>8</sup> Of these, one was a life insurer and five were non-life insurers.

Figure 1

Number of mutual/cooperative insurance companies and total mutual/cooperative premium income (2007-2015)



<sup>7</sup> Bank of Lithuania (2015) *Review of Lithuania's Insurance Market of 2015*.

<sup>8</sup> Both Lithuanian insurance undertakings in 2015 were owned by foreign mutual/cooperative-type insurers. ADB Gjensidige (previously known as UAB DK PZU Lietuva) was acquired by Gjensidige Forsikring (a Norwegian-based mutual/cooperative-type insurer) on 30 September 2015. UADB Compensa Vienna Insurance Group was formed as a private limited liability company on 30 July 2015, owned by Austrian-based Vienna Insurance Group (a mutual/cooperative-type insurer). However, the new company was not active during 2015; VIG still operated in the Lithuanian market through two branches: Compensa Life VIG (life insurance) and Compensa TU VIG (non-life).

## Size and growth of the mutual/cooperative insurance sector

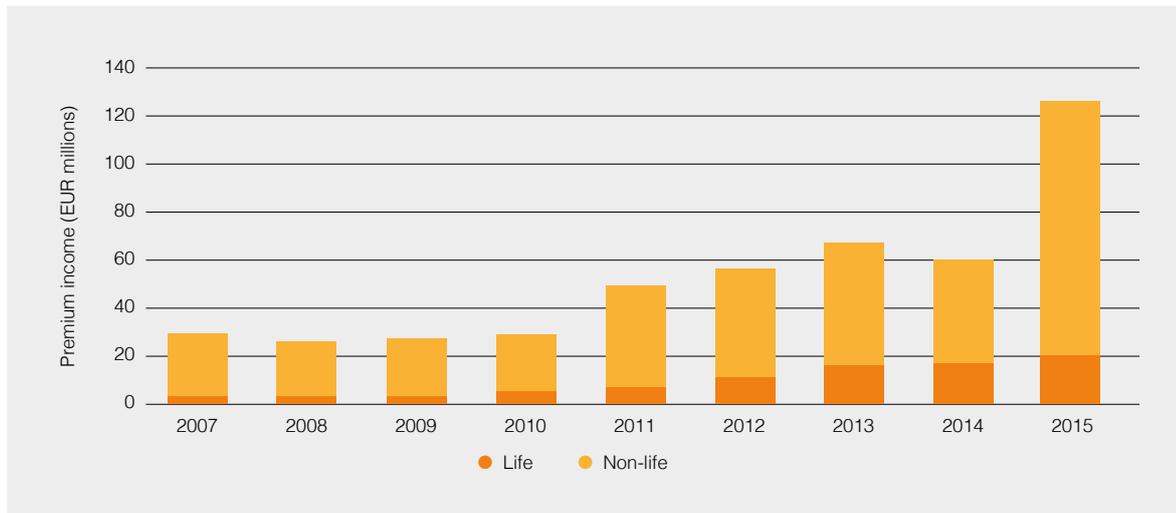
### Total

The total insurance market in Lithuania wrote premium volumes of EUR 645 million in 2015. Since 2007, premium revenues grew by 14.4% (2007: EUR 564 million).<sup>9</sup>

Collectively, mutual/cooperative insurers in Lithuania experienced a significant surge in premiums written over the period since 2007 (see Figure 2), rising to EUR 126 million in 2015 (from EUR 29 million). In total, the CAGR of the mutual/cooperative sector since 2007 was 20.2%, significantly greater than the total market average (1.7%) over the same period. The acquisition of ADB Gjensidige<sup>9</sup> in 2015 resulted in premium levels more than doubling from the previous year (2014: EUR 60 million).

Figure 2

#### Premium income of mutual/cooperative insurance companies (2007-2015)



### Life

The life insurance sector in Lithuania reported premiums levels of EUR 236 million in 2015. This represented a 17.4% growth since 2007 (EUR 201 million), equivalent to a CAGR of 2.0%.

Just under EUR 20 million in life insurance premiums were written by the mutual/cooperative sector in 2015. This was a sizeable increase in comparison to 2007 levels of EUR 3 million (CAGR of 17.4%).

### Non-life

In non-life business, total premiums in 2015 amounted to EUR 409 million, a 12.7% growth from EUR 363 million written in 2007.

Mutual/cooperative insurers collectively wrote EUR 106 million in non-life business in 2015, a four-fold expansion from 2007 volumes (EUR 26 million). This resulted in a CAGR of 19.3%, ahead of the total market CAGR of 1.5%.

<sup>9</sup> As Lithuania adopted the euro on 1 January 2015, all growth figures are in euro terms.

## Market share of mutual/cooperative insurance sector

Mutual/cooperative insurers in Lithuania held an aggregate market share of 19.5% in 2015 (see Figure 3). In the life insurance sector, market share was only 8.4%. However, in non-life business, the mutual/cooperative sector held a higher proportion of the total market in 2015, reaching 25.9%.

As there were no mutual/cooperative insurers in the legal form (or subsidiaries) present in the Lithuanian market, these market share figures were made up solely of mutual/cooperative-type insurers.

The mutual/cooperative insurance sector saw an overall increase in market share from 5.1% in 2007 (see Figure 4) to 19.5% in 2015. 2015 saw the largest upturn in market share, gaining a further nine percentage points from the share held in 2014 (10.8%).

Since 2007, the market share of mutual/cooperative insurers in the life market increased from just 1.5% to 8.4% in 2015. In non-life business, mutual/cooperative share rose from 7.1% in 2007 to more than 25% in 2015.

Figure 3  
Market share of mutual/cooperative insurance companies (2015)

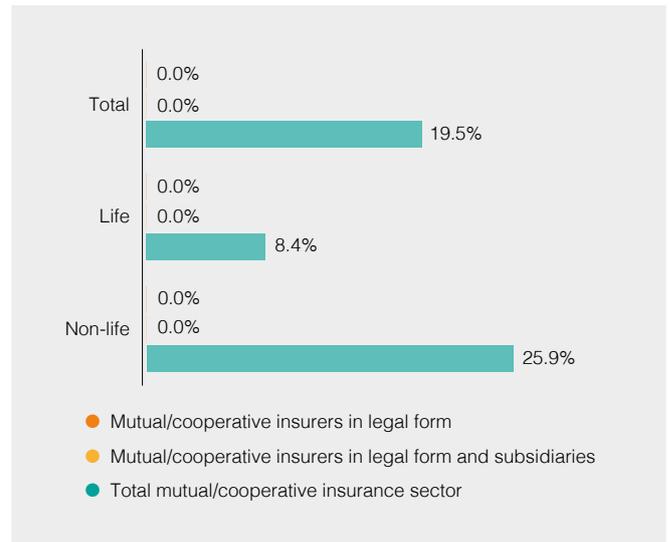
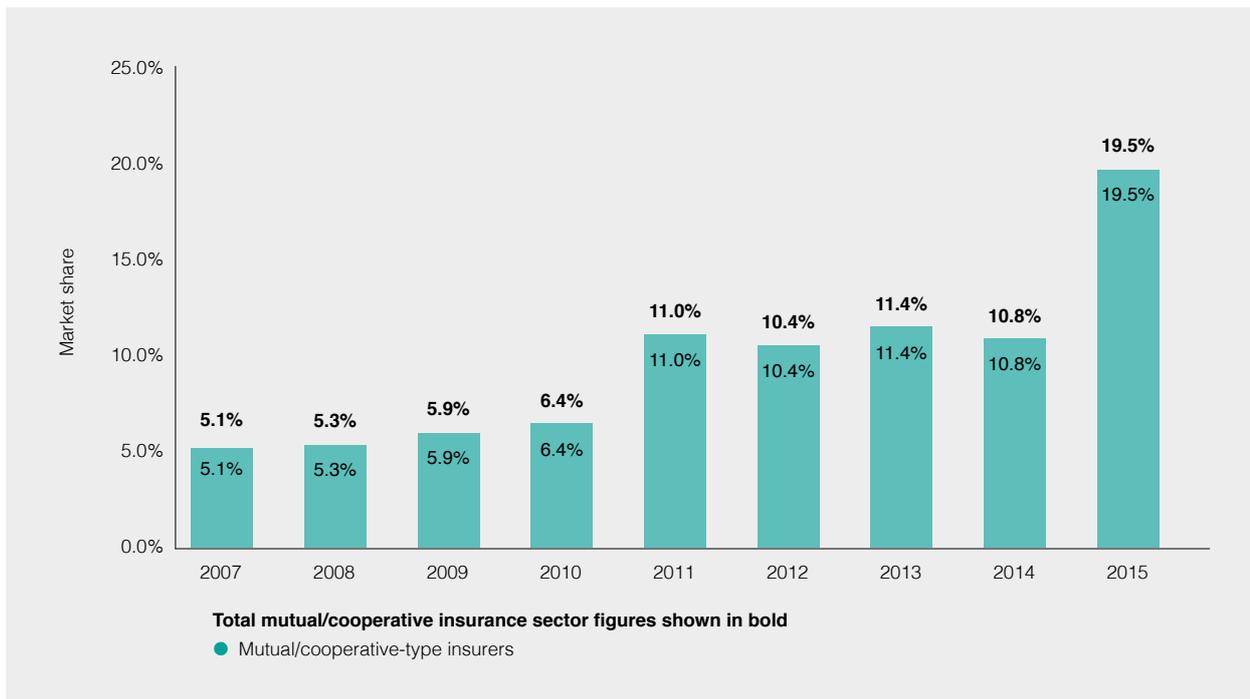


Figure 4  
Market share of the mutual/cooperative insurance sector (2007-2015)



## Number of employees

Data on employment levels were only available for one of the mutual/cooperative insurers in Lithuania, which had a total of 332 employees in 2015.

## Number of members/policyholders

There were no data available on the number of members/policyholders of mutual/cooperative insurers in Lithuania.

## Assets and investments

There were no data available on the total assets or investments of mutual/cooperative insurers in Lithuania.

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