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International Cooperative and Mutual Insurance Federation

Facts and figures

Mutual and cooperative insurance in Europe
Vol 2

Excerpt: Hungary

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 report¹ 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 societies² and protection and indemnity (P&I) clubs.^{3,4}

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.⁵ 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:

¹ 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.

² See chapter on the UK.

³ 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.

⁴ 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).

⁵ 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,⁶ 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.⁷ 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.⁸

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.

⁶ 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.

⁷ 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*.

⁸ 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 Hungarian financial sector, including the insurance sector, is supervised by the Hungarian National Bank – MNB (*Magyar Nemzeti Bank*).¹ The purpose of the supervision is to ensure timely recognition and appropriate management of risks, in order to avoid jeopardising the stability of the system and the confidence of the financial intermediary therein. Insurance and reinsurance activities can be performed in Hungary, subject to authorisation by the MNB.²

The insurance market in Hungary is governed by the Act LXXXVIII of 2014 on the Business of Insurance – Insurance Act (*2014. évi LXXXVIII. törvény a biztosítási tevékenységről*). The Insurance Act entered into force on 1 January 2016 and it transposes the provisions of Solvency II into domestic law.³ To that end, it contains special provisions in relation to small insurance companies, as defined in Article 4 of Solvency II.⁴ Small insurance companies are exempt from certain provisions regarding management, governance and the risk management system.⁵

The Insurance Act excludes from its scope:⁶

- insurance forming part of the compulsory social security system.
- operations of provident, mutual benefit and mutual assistance institutions whose benefits vary according to the resources available and in which the contributions of the members are determined on a flat-rate basis.
- the activities of voluntary mutual insurance funds, private pensions funds and institutions for occupational retirement provision.
- operations carried out by organisations that do not have legal personality with the purpose of providing mutual cover for their members without payment of premiums or maintenance of technical provisions.

Insurance companies in Hungary cannot be active in non-life and life insurance concurrently, with the exception of life insurance companies which want to pursue accident and sickness insurance and *vice versa*.⁷ Nevertheless, the Insurance Act states that any insurance company that was authorised to conduct both life and non-life insurance business on 1 January 2016 is entitled to conduct both classes simultaneously, as long as these activities are managed separately.⁸

An insurance company can be incorporated as:⁹

- a limited company (*részvénytársaság*)
- a European public limited-liability company (*részvénytársaság*)
- a cooperative society (*szövetkezet*)
- a mutual association (*egyesület*)
- a branch of an insurance company established in another Member State or of a third-country insurance company.

¹ MNB's website.

² Section 41(1) of the Act LXXXVIII of 2014 on the Business of Insurance – Insurance Act.

³ Section 453(7) of the Insurance Act.

⁴ Sections 209-211 of the Insurance Act.

⁵ Section 208(2) of the Insurance Act.

⁶ Section 2 of the Insurance Act.

⁷ Section 43 of the Insurance Act.

⁸ Section 446 of the Insurance Act.

⁹ Section 6(1) of the Insurance Act.

Cooperative insurance companies can provide the full spectrum of insurance activities within the branch and class of insurance for which they are authorised.¹⁰ The provisions of the Civil Code on cooperative societies apply for insurance companies set up as cooperative societies.¹¹ A cooperative insurance company can only be transformed into a limited insurance company.¹²

Mutual associations can also provide the full spectrum of insurance activities within the branch and class of insurance for which they are authorised.¹³ The relevant provisions of the Civil Code and the Civil Societies Act apply to mutual insurance associations.¹⁴ A mutual association can be transformed into a limited company.¹⁵

The Insurance Act includes special provisions concerning small insurance companies operating in the form of mutual associations.¹⁶ These are mutual associations whose premium income and revenues from membership fees for a year does not reach HUF 300 million¹⁷ in three consecutive years. They are subject to certain derogations in terms of organisation and activities, such as the derogation exempting them from the requirement to employ an internal controller and a senior risk management officer.

Number of licensed insurance undertakings

In 2015, there were 47 licensed insurance undertakings active in the Hungarian market,¹⁸ of which 26 were private joint stock insurance companies and 21 were (mutual) insurance associations.¹⁹ This represents a decline of 27% (or 18 companies) from the number of insurance undertakings in 2007 (66).

Number of mutual/cooperative insurers

A total of 30 mutual/cooperative insurers were present in the Hungarian market in 2015. Three of these were life insurers, 22 were non-life insurers and five were composite insurers.

Of the 21 mutual insurance associations (mutual insurers in the legal form) in 2015, one was a composite insurer and 20 were non-life insurers.²⁰ The remaining nine insurers were subsidiaries of foreign-owned mutual/cooperative insurers and mutual/cooperative-type insurers. There were no cooperative insurance undertakings present in the Hungarian market.

The number of mutual/cooperative insurance undertakings declined by over 30% since 2007 (see Figure 1). There were 44 mutual/cooperative insurers operating in 2007, including 35 mutual insurance associations.

¹⁰ Section 9(1) of the Insurance Act.

¹¹ Section 6(3)(c) of the Insurance Act.

¹² Section 16 of the Insurance Act.

¹³ Section 20 of the Insurance Act.

¹⁴ Section 6(3)(d) of the Insurance Act.

¹⁵ Section 28(1) of the Insurance Act.

¹⁶ Sections 230-236, Chapter XIX of the Insurance Act.

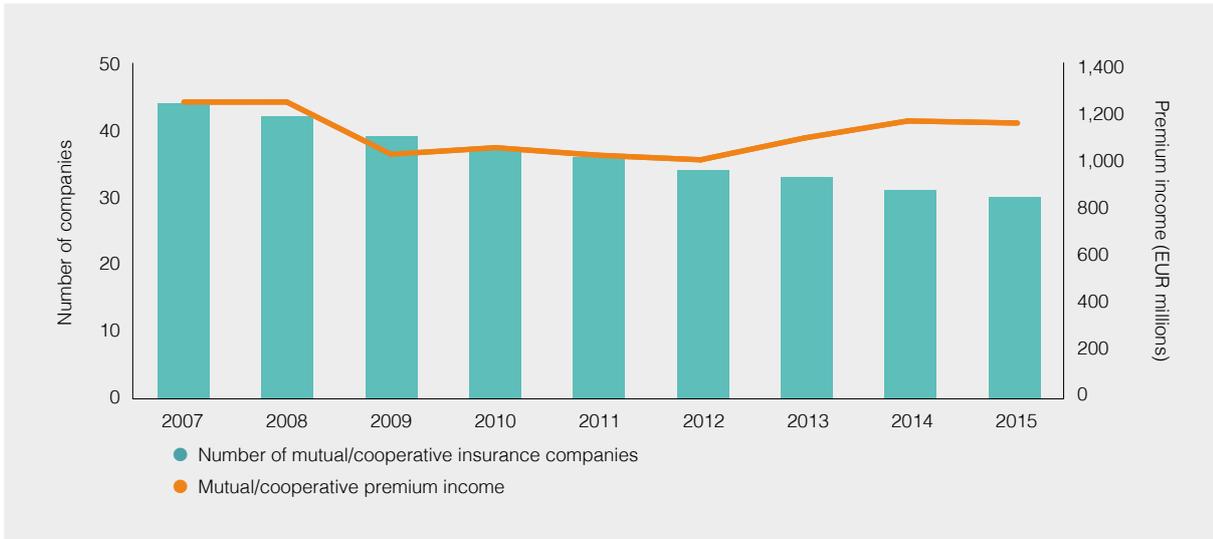
¹⁷ EUR 963,267 at ECB annual average exchange rate for 2016.

¹⁸ Magyar Biztosítók Szövetsége - MABISZ (2016) *Hungarian Insurers' Yearbook 2016*.

¹⁹ 24 of the 26 joint stock insurance companies registered in Hungary were members of MABISZ, the Hungarian national insurance association. Two (Dimenzió and KÖBE) of the 21 mutual insurance associations were also MABISZ members.

²⁰ The majority of these (19) were small (agricultural) mutual insurance associations, classified as mutual insurers in the legal form.

Figure 1
 Number of mutual/cooperative insurance companies and total mutual/cooperative premium income (2007-2015)



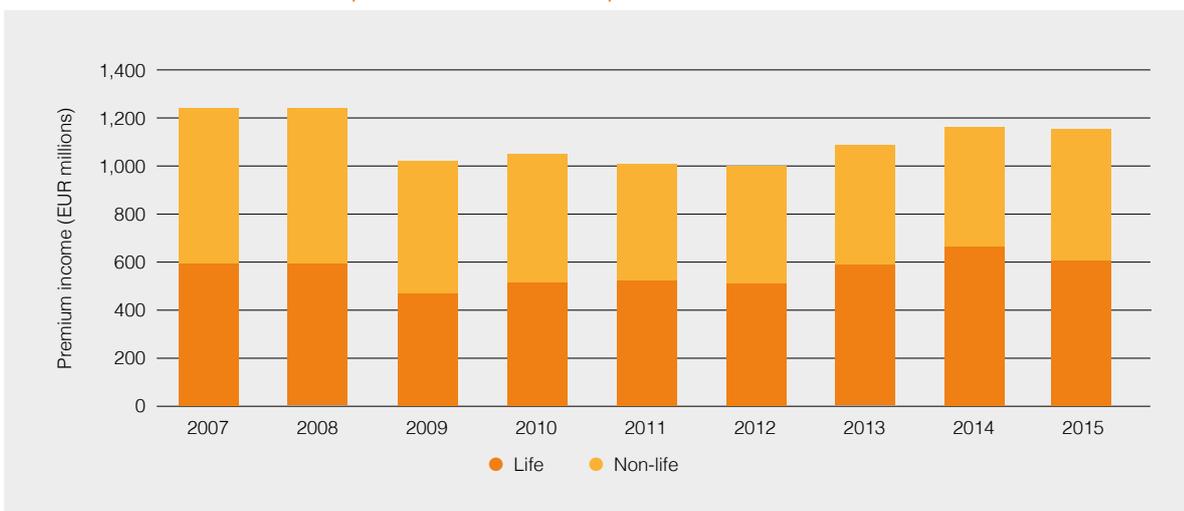
Size and growth of the mutual/cooperative insurance sector

Total

Total premiums written by the Hungarian insurance sector amounted to EUR 2.7 billion in 2015, a decrease of 7.9%²¹ from 2007 premium levels (EUR 3.6 billion). Just over half (54%) of insurance premiums in 2015 were written in the life sector and 46% written in the non-life sector.

The mutual/cooperative market in Hungary experienced a 14.5% premium growth in local currency terms, although premium volumes in EUR terms²² fell to EUR 1.1 billion in 2015 from EUR 1.2 billion in 2007 (see Figure 2). The collective CAGR of mutual/cooperative insurers in this period was 1.7%, a reverse of the negative CAGR of -1.0% for the total insurance market.

Figure 2
 Premium income of mutual/cooperative insurance companies (2007-2015)



²¹ All growth figures are in local currency (HUF) terms to avoid any misleading effects of exchange rate fluctuations.

²² In EUR terms, premium levels decreased by 7.2% between 2007 and 2015 due to the depreciation of the forint.

Life

In 2015, the EUR 1.4 billion in life insurance business in the Hungarian insurance market represented a decline of 11.3% from 2007 premiums (EUR 2.0 billion). This was equivalent to a CAGR over the eight-year period of -1.5%.

Life premiums of the mutual/cooperative sector expanded by over a quarter since 2007, increasing to EUR 603 million in 2015 (2007: EUR 592 million). Premiums grew by a CAGR of 2.9% during this period, more than four percentage points greater than the market average.

Non-life

Similar to the life sector, non-life premiums of the total Hungarian market declined by 3.6% between 2007 (EUR 1.6 billion) and 2015 (EUR 1.2 billion).

The mutual/cooperative sector wrote EUR 545 million in non-life insurance premiums in 2015, representing a growth of 4.2% from 2007 levels (EUR 645 million). The CAGR of the mutual/cooperative sector was moderate at 0.5% between 2007 and 2015, although it was greater than the total market CAGR (-0.5%).

Market share of mutual/cooperative insurance sector

The mutual/cooperative insurance sector accounted for 42.8% of the total Hungarian market in 2015 (see Figure 3).

Mutual/cooperative insurers in the legal form held a 2.9% share of the total market in 2015. They held a greater market share in the non-life sector (5.5%) compared to the life sector (0.7%), although overall market share of the mutual/cooperative insurance sector was only marginally greater in the non-life market compared to the life market (43.9% compared to 41.8%).

The overall market share of mutual/cooperative insurers in Hungary had grown consistently since 2007 (34.4%), rising by a proportional market share growth of 24% (see Figure 4). In 2015, there was a small decline in market share from the record share held in the previous year (2014: 43.9%). 2015 was the first year of market share loss since 2010 (34.9%). The market share of mutual/cooperative insurers in the legal form saw a small drop since 2007, falling from 3.3% to 2.9% in 2015. This was more than offset by strong growth by subsidiaries of mutual/cooperative insurers and mutual/cooperative-type insurers during this period.

Overall growth in mutual/cooperative market share since 2007 was stimulated by the life sector. Life market share grew from 29.5% in 2007 to 41.8% in 2015. Subsidiaries of mutual/cooperative insurers recorded the largest gain in market share over this period, growing from 16.0% in 2007 to 24.0%.

The mutual/cooperative insurance sector held a slightly larger share of the total non-life market in 2015 (43.9%) compared to the life market. Even though growth was not as strong as for the life sector, the mutual/cooperative non-life insurers collectively gained a further three percentage points of the market compared to 2007 share (40.6%). However, non-life market share of mutual/cooperative insurers in the legal form fell from 6.0% in 2007 to 5.5% in 2015.

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

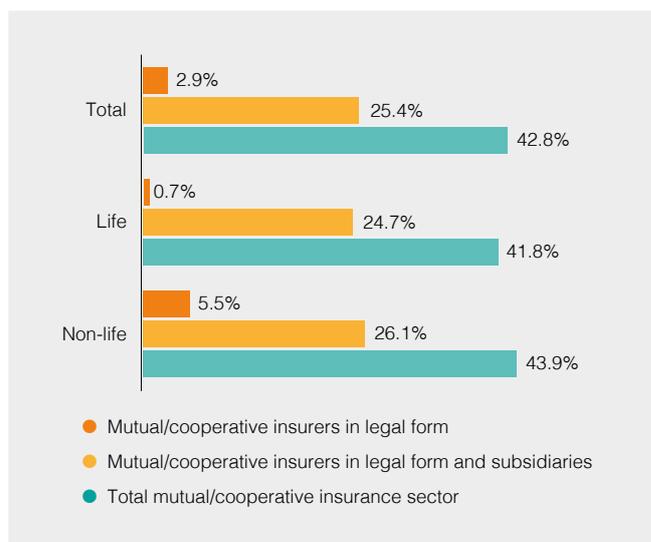
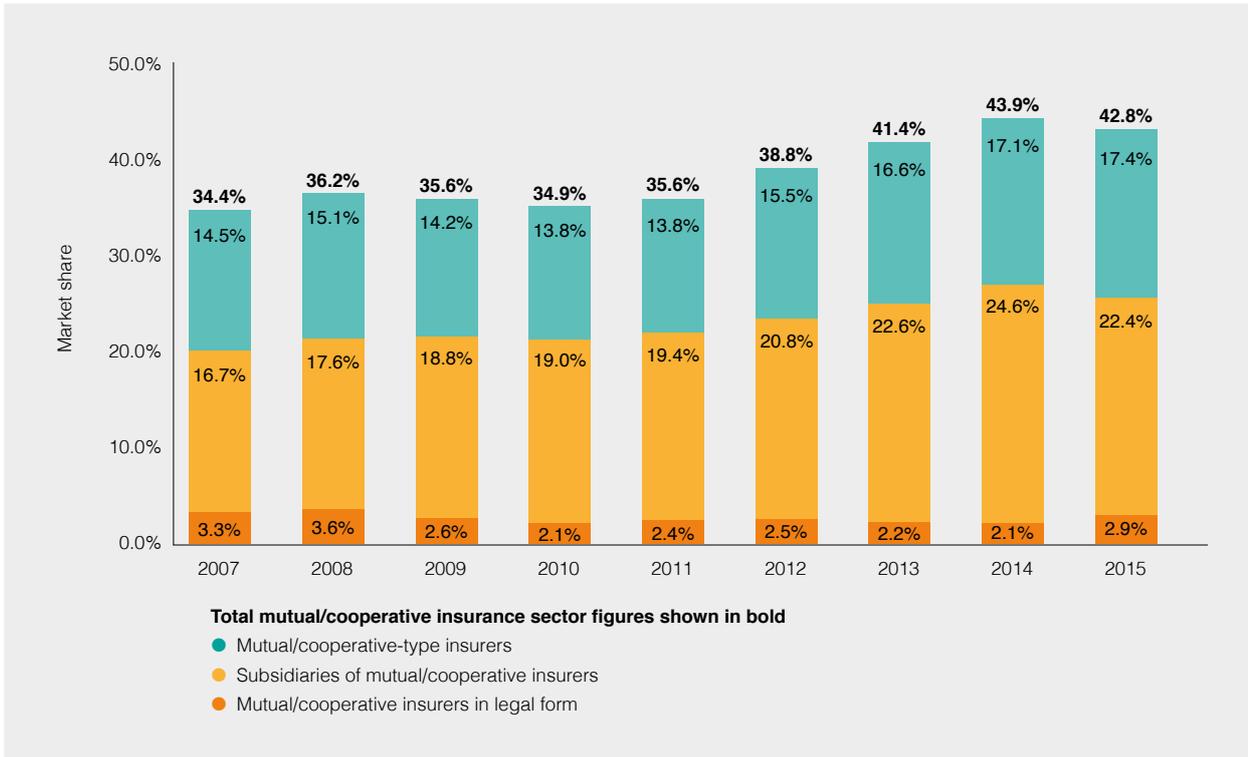


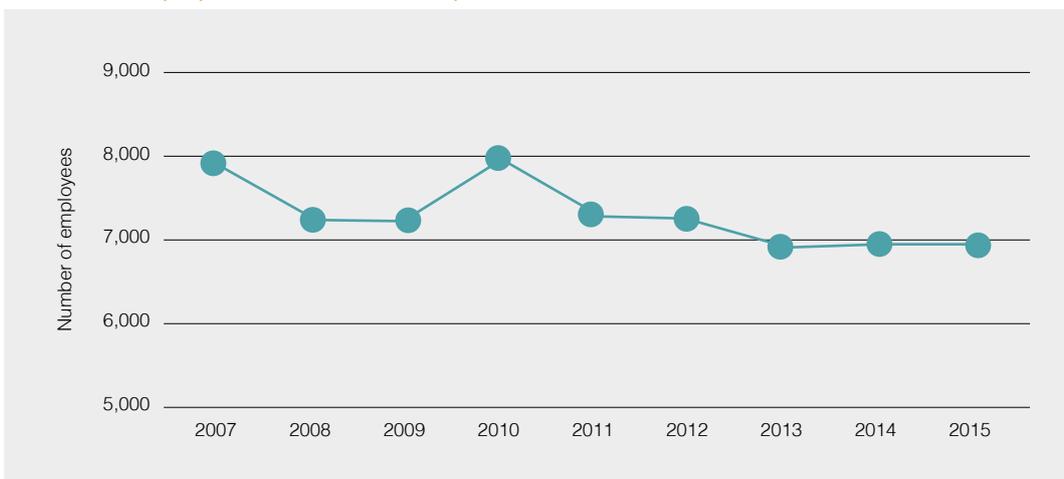
Figure 4
Market share of the mutual/cooperative insurance sector (2007-2015)



Number of employees

The number of employees of Hungarian mutual/cooperative insurers in 2015 (6,948) was 12% lower than in 2007 (7,936). Despite this, employment numbers have been relatively consistent since 2007, with a peak at just below 8,000 employees in 2010 (see Figure 5).

Figure 5
Number of employees of the mutual/cooperative insurance sector (2007-2015)

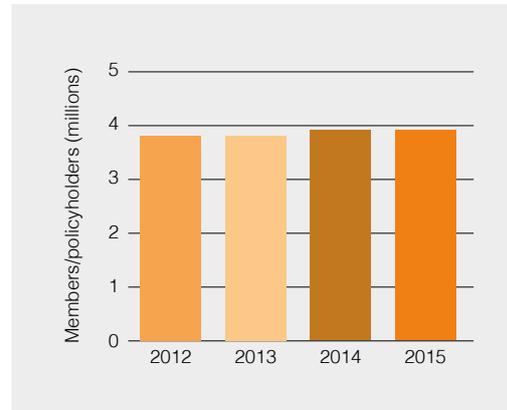


Number of members/policyholders

In 2015, there were just under 4 million members/policyholders* of mutual/cooperative insurance companies (see Figure 6).

This figure has grown year-on-year since 2012, increasing from 3.8 million. The aggregate growth during this three-year period was 3.5%, although the majority of this growth stemmed from the 2.6% annual increase (equivalent to just under 100,000 members/policyholders) recorded in 2014.

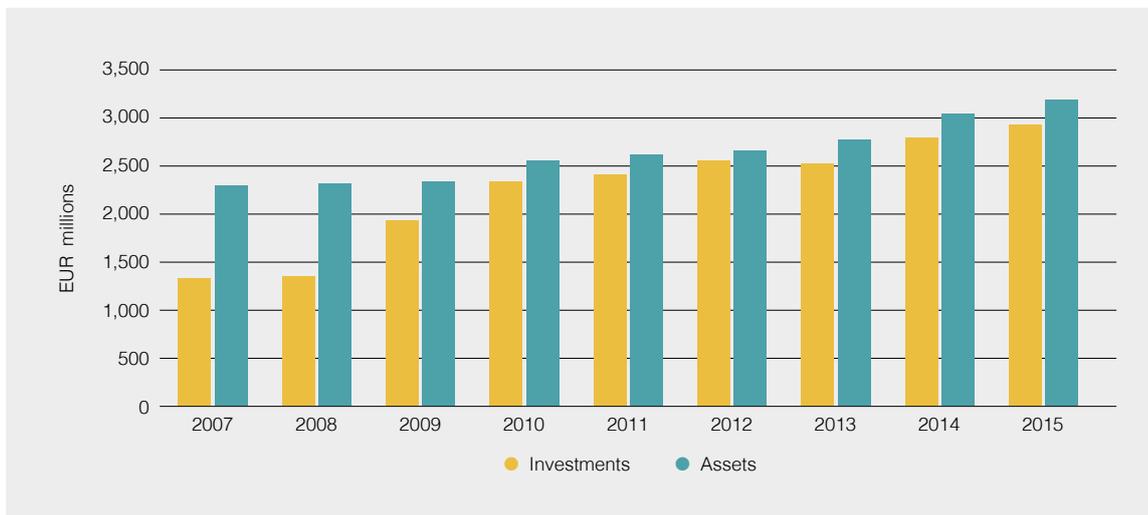
Figure 6
Number of members/policyholders of the mutual/cooperative insurance sector (2012-2015)



Assets and investments

Hungarian mutual/cooperative insurers collectively held assets of EUR 3.2 billion in 2015 (see Figure 7). Total assets increased by 71% compared to 2007 values (EUR 2.3 billion). Invested assets experienced even stronger growth over the eight-year period, growing to EUR 2.9 billion in 2015 from EUR 1.3 billion in 2007 (a 172% increase).

Figure 7
Total assets and investment assets of the mutual/cooperative insurance sector (2007-2015)



* See methodology.

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The International Cooperative and Mutual Insurance Federation (ICMIF) is a best practice organisation committed to giving its members from around the world a competitive advantage. ICMIF helps to grow its mutual and cooperative insurance member organisations by sharing strategies and the latest market intelligence.

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The Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE) represents the interests of mutual and cooperative insurers in Europe with one united voice and ensures the interests of its members are taken into account in securing a level playing field for all insurers in Europe regardless of their legal form.



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