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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: Croatia

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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 Croatian Financial Services Supervisory Agency – HANFA (*Hrvatska agencija za nadzor financijskih usluga*)<sup>1</sup> is an independent public authority, responsible for the supervision of financial markets including the insurance sector, financial services and entities providing those services. It was established in 2005, integrating three existing supervisory institutions: the Croatian Securities Commission, the Agency for Supervision of Pension Funds and Insurance, and the Insurance Companies Supervisory Authority. HANFA is accountable to the Croatian Parliament. Insurance companies need to obtain an authorisation from HANFA before being able to operate in the Croatian insurance market.<sup>2</sup>

On 1 January 2016, the new Insurance Act (*Zakon o osiguranju*) entered into force. The Act transposes the provisions of Solvency II into domestic law.<sup>3</sup> Pursuant to Article 4 of Solvency II, the Insurance Act incorporates special provisions in relation to small insurance undertakings.<sup>4</sup> These provisions relate for example to the undertaking's annual written premium income (does not exceed HRK 39 million<sup>5</sup>) and the total of the undertaking's technical provisions (does not exceed HRK 195 million<sup>6</sup>). These small insurance undertakings are not excluded from the scope of the Insurance Act, but they fall under a lighter supervision regime when it comes to risk management, internal control, solvency assessment, etc.

The Insurance Act does not apply to:

- savings and mutual assistance institutions whose remuneration varies depending on the available funds and where members' contributions are fixed on a flat-rate basis.<sup>7</sup>
- activities performed by non-legal entities with the aim of providing mutual coverage to their members without paying premiums or creating technical reserves (for non-life insurance).<sup>8</sup>
- assistance operations in relation to road accidents (subject to certain conditions).<sup>9</sup>
- mutual insurance undertakings which pursue non-life insurance activities, and which are completely reinsured by another mutual undertaking.<sup>10</sup>

With regard to composite companies, the Insurance Act states that an insurance undertaking which on 1 July 2013 simultaneously carried out life and non-life insurance operations can continue doing so, provided that these operations are managed separately.<sup>11</sup>

<sup>1</sup> HANFA's [website](#).

<sup>2</sup> Article 15(1) of the Insurance Act (Official Gazette 30/15).

<sup>3</sup> Article 2(5) of the Insurance Act.

<sup>4</sup> Article 6 of the Insurance Act.

<sup>5</sup> EUR 5.2 million at ECB annual average exchange rate for 2016.

<sup>6</sup> EUR 25.8 million at ECB annual average exchange rate for 2016.

<sup>7</sup> Article 4(4)(2) and 4(5)(1) of the Insurance Act.

<sup>8</sup> Article 4(4)(3) of the Insurance Act.

<sup>9</sup> Article 4(5) of the Insurance Act.

<sup>10</sup> Article 4(4)(6) of the Insurance Act.

<sup>11</sup> Article 453(2) of the Insurance Act.

An insurance undertaking may only be formed as:<sup>12</sup>

- a joint stock company (*dioničko društvo*)
- a European Company (*europsko društvo*)
- a mutual insurance company (*društvo za uzajamno osiguranje*)

Chapter I of Title XIX of the Insurance Act contains special provisions with regard to mutual insurance companies. Mutual insurance companies can undertake most types of insurance, both life and non-life, with the exception of some types of health insurance.<sup>13</sup> The Supervisory Board of a mutual insurance company must have at least three members.<sup>14</sup> There is also the possibility of transformation into a joint-stock company, whereby if not otherwise specified, the members of the mutual insurance company participate in the share capital.<sup>15</sup>

The establishment of insurance cooperatives is not foreseen by Croatian Legislation.

## Number of licensed insurance undertakings

At year-end 2015, there were 23 insurance companies (plus one reinsurance company) supervised by HANFA<sup>16</sup> operating in Croatia.<sup>17</sup> Out of these insurance companies, six were life insurers, nine were non-life insurers, and eight were classed as composite insurers.

In 2007, there was the same number (23) of insurance companies<sup>18</sup> active in the Croatian market (plus two reinsurance companies).

## Number of mutual/cooperative insurers

There were five mutual/cooperative insurers present in Croatia in 2015, of which two were life insurers and three were composite insurers. There was one less mutual/cooperative insurer active in the market in 2015 compared to 2007 (see Figure 1).

All five mutual/cooperative insurers in 2015 were classed as mutual/cooperative-type insurers as subsidiaries of foreign mutual/cooperative-type insurers. Although mutual insurers in the legal form are allowed by Croatian insurance law, there were none present in the market in 2015.

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<sup>12</sup> Article 19(1) of the Insurance Act.

<sup>13</sup> Article 355(2) of the Insurance Act.

<sup>14</sup> Article 366(1) of the Insurance Act.

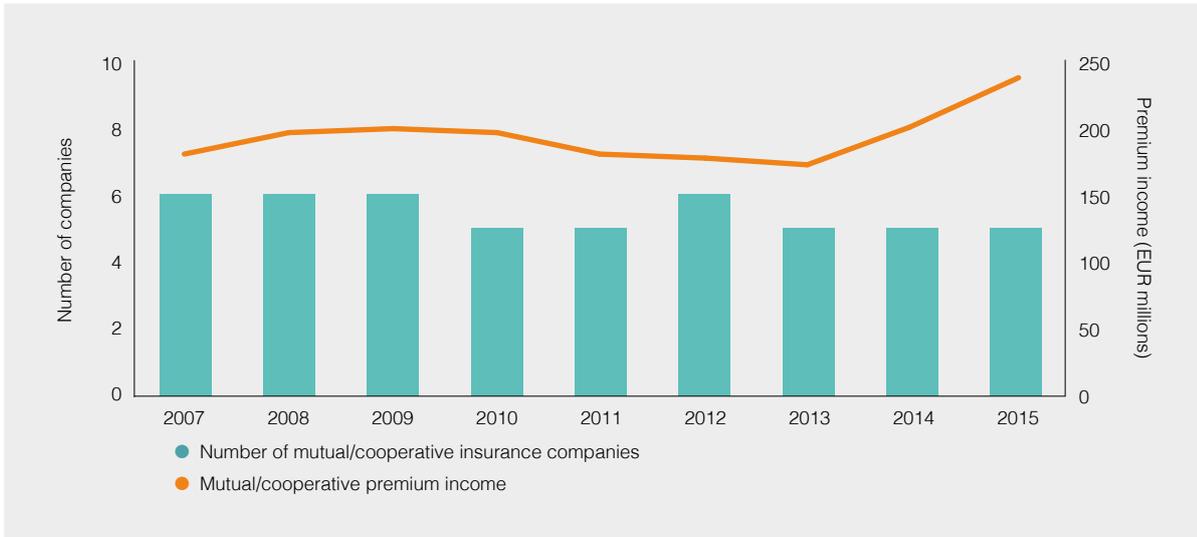
<sup>15</sup> Article 373(2) of the Insurance Act.

<sup>16</sup> HANFA (2016) *Croatian Financial Services Supervisory Agency Annual Report 2015*.

<sup>17</sup> In addition, HANFA also includes the Croatian Insurance Bureau (as an association of Croatia-registered insurance companies) and the Hrvatski Nuklearni POOL GIU (Croatian Nuclear Insurance and Reinsurance Pool EIG) as separate insurance market participants in Croatia. The Croatian Nuclear Insurance and Reinsurance Pool EIG consisted of five members as at 31 December 2015 (four insurance companies and one reinsurance company). Members of the pool jointly accept extraordinary risks with respect to insurance, co-insurance and reinsurance of nuclear plants, i.e. risks related to the exploitation of nuclear power for peacetime purposes.

<sup>18</sup> At year-end 2007, there were 5 life insurers, 8 non-life insurers and 10 composite insurers present.

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



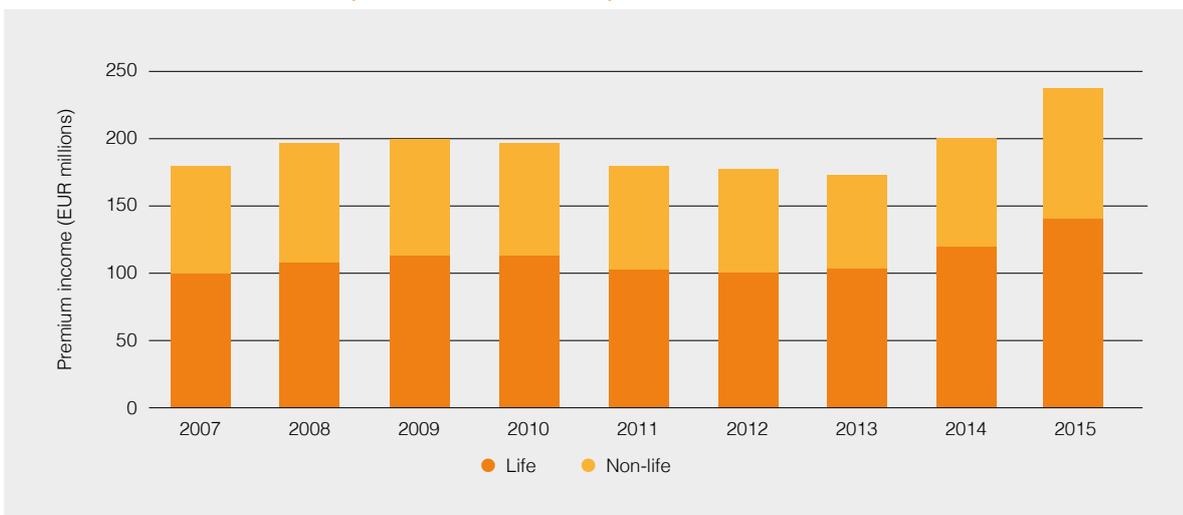
## Size and growth of the mutual/cooperative insurance sector

### Total

The total insurance market in Croatia was worth EUR 1.1 billion in 2015, of which EUR 384 million was in life insurance and EUR 761 million was in non-life insurance. Since 2007, the Croatian insurance market has shrunk by 3.9%,<sup>19</sup> falling from EUR 1.2 billion.

The mutual/cooperative insurance sector has posted a 36.7% growth in premium levels since 2007 (EUR 180 million), rising to EUR 237 million in 2015 (see Figure 2). This resulted in a CAGR of 4.0% for the mutual/cooperative sector, compared to a market average CAGR of -0.5%.

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



<sup>19</sup> All growth figures are in local currency (Croatian kuna) terms to avoid any misleading effects of exchange rate fluctuations.

## Life

Premiums of the life insurance sector in Croatia grew by 17.6% between 2007 (EUR 338 million) and 2015.

Life premiums of the mutual/cooperative sector increased to EUR 140 million in 2015, from EUR 99 million in 2007 (a growth of 46.3%). The eight-year CAGR of the mutual/cooperative life sector was 4.9%, more than double the total market CAGR (2.0%).

## Non-life

In the non-life market, premium levels were 12% lower in 2015 compared to 2007 (EUR 895 million). Mutual/cooperative insurers experienced a growth of 24.8% in premium levels since 2007, rising from EUR 80 million to EUR 97 million in 2015. This represented a CAGR of 2.8%, almost three percentage points ahead of the total market average (-1.6%).

## Market share of mutual/cooperative insurance sector

The mutual/cooperative insurance sector held a 20.7% share of the total Croatian market in 2015 (see Figure 3). In life insurance, mutual/cooperative insurers accounted for more than a third (36.6%) of the total life market, and in the non-life market, mutual/cooperative market share was 12.7%.

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

The market share of the mutual/cooperative insurance sector has seen an overall increase since 2007 (14.6%). The previous two years saw the strongest growth in market share (see Figure 4), which rose sharply in consecutive years from 14.3% in 2013 and 17.8% in 2014.

Since 2007, the market share of mutual/cooperative insurers in the Croatian life insurance market has increased from 29.4%. In non-life business, mutual/cooperative share has risen from 9.0% in 2007.

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

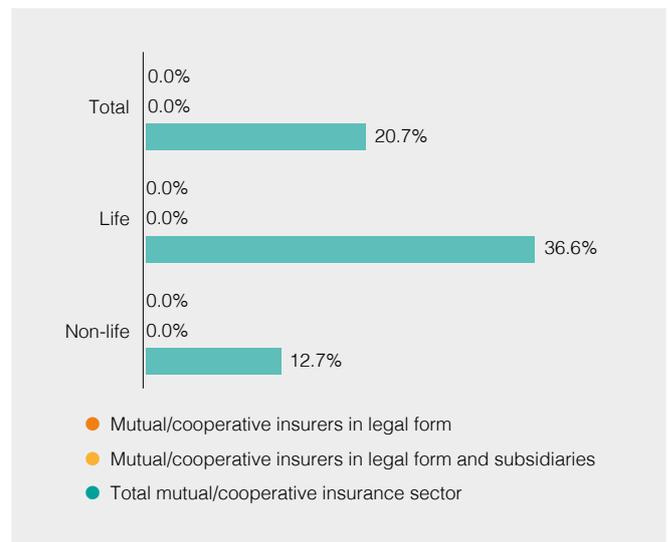
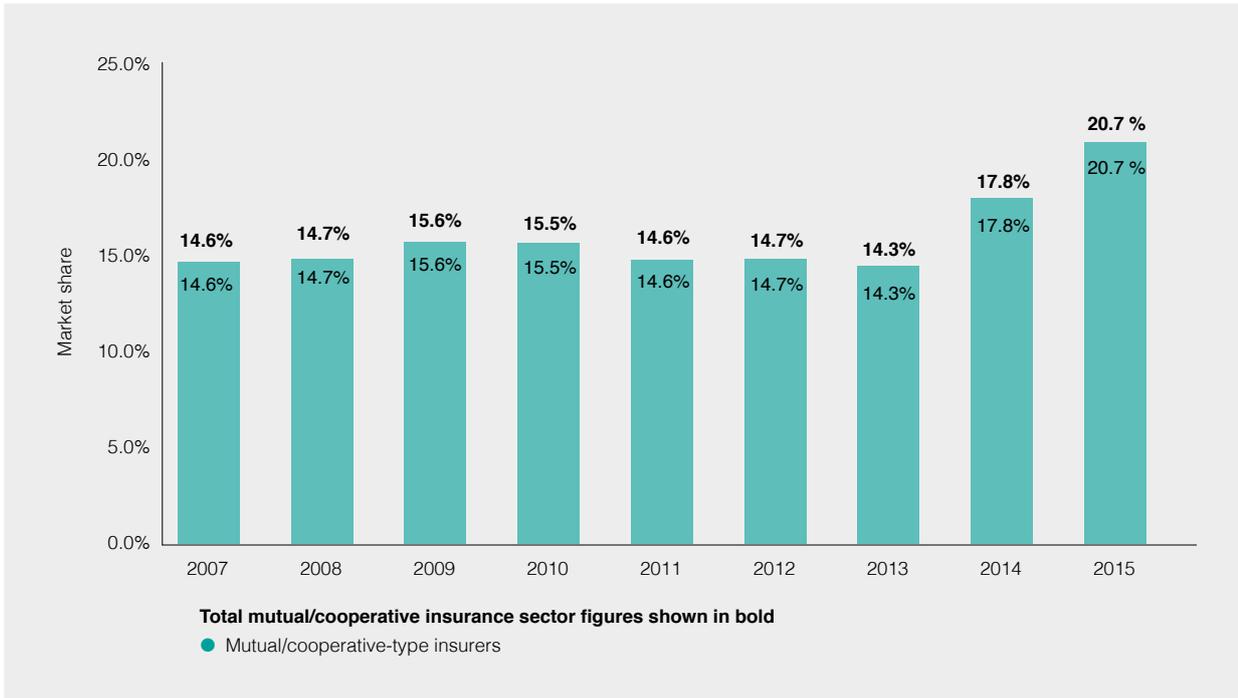


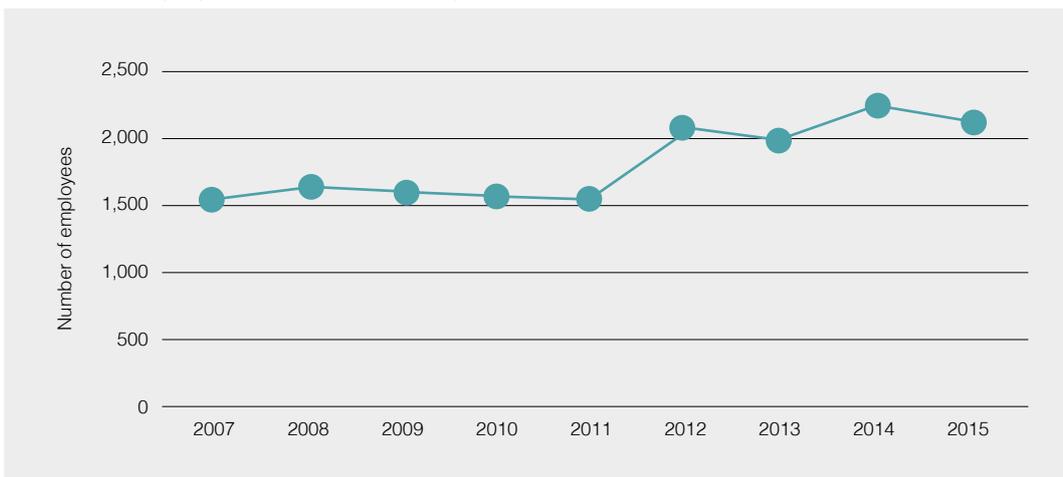
Figure 4  
Market share of the mutual/cooperative insurance sector (2007-2015)



## Number of employees

There were just over 2,000 employees of the Croatian mutual/cooperative insurance sector in 2015 (see Figure 5). This represented an overall increase of 37.5% from just over 1,500 employees in 2007.

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



## Number of members/policyholders

There were only two years' worth of (limited) data available on the number of members/policyholders of mutual/cooperative insurers in Croatia. In 2015, there were just under 700,000 members/policyholders (compared to 600,000 in 2014).

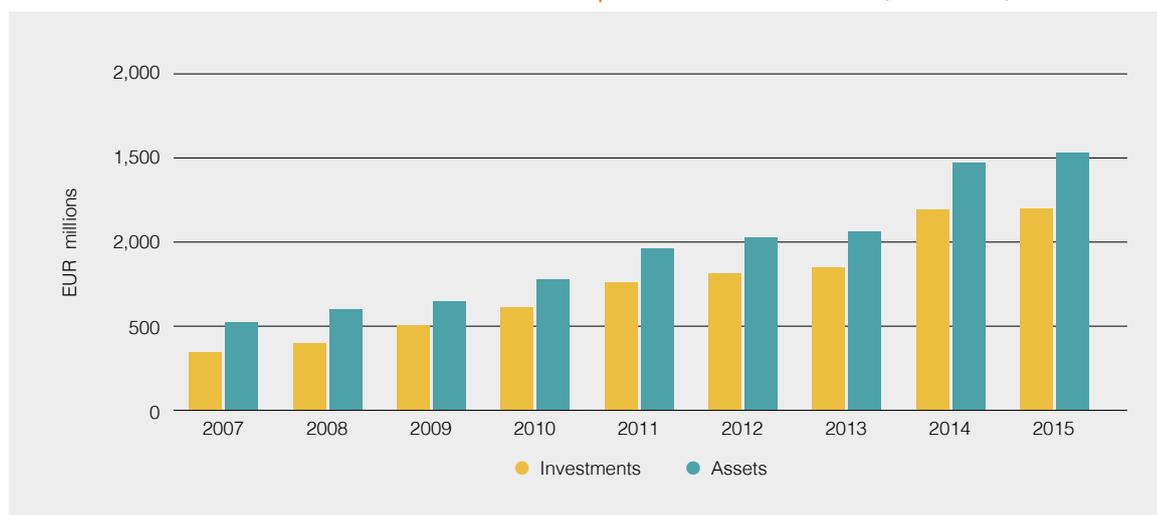
## Assets and investments

Total assets held by the mutual/cooperative insurance sector were valued at EUR 1.5 billion in 2015 (see Figure 6). Asset values had almost tripled compared to 2007 (EUR 520 million).

Invested assets of mutual/cooperative insurers in Croatia reached EUR 1.2 billion in 2015, more than EUR 850 million greater in comparison with 2007 (EUR 340 million).

Figure 6

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



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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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