

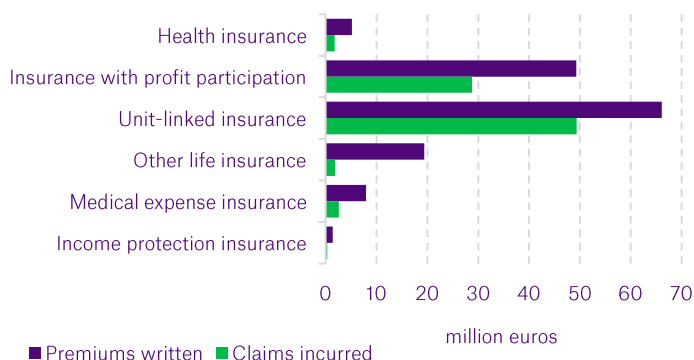
## Overview of life insurance undertakings in the 3rd quarter of 2016

	Q2 2016	Q3 2016
• Volume of premiums written	51	↓ 49 million euros
• Volume of claims incurred	28	↓ 27 million euros
• Volume of assets	1.06	↑ 1.10 bn euros
• Volume of liabilities	812	↑ 823 million euros
• Ratio of costs to net insurance premiums (cumulative)	16.4%	↑ 16.6%
• Profit <sup>1</sup>	7.5	↑ 7.8 million euros
• Solvency capital requirement (SCR) coverage	164%	↑ 174%

The volume of insurance premiums written by life insurance undertakings operating in Estonia amounted to 49 million euros in Q3 2016, i.e. 2.5% less than in Q2. In annual comparison, the volume of premiums has also declined: during the first three quarters of the year, premiums amounted to 149 million euros or 1.4% less than a year before.

Unit-linked insurance products make up the largest share of the premiums in life insurance: these totalled 22 million euros in Q3 or 2.9% less than in Q2. During the first three quarters of 2016 unit-linked insurance premiums were written in the amount of 66 million euros or 44% of all premiums. This is followed by insurance with profit participation with 49 million euros which makes up about third of all premiums.

Life insurance premiums collected and claims incurred during the first three quarters of 2016



Life insurance claims incurred amounted to 27 million euros in Q3, i.e. 3% less than in Q2. During the first three quarters of 2016 the claims reached 85 million euros. Similar to premiums written, the most claims incurred also in unit-linked life insurance: 49 million euros or 58% of all claims.

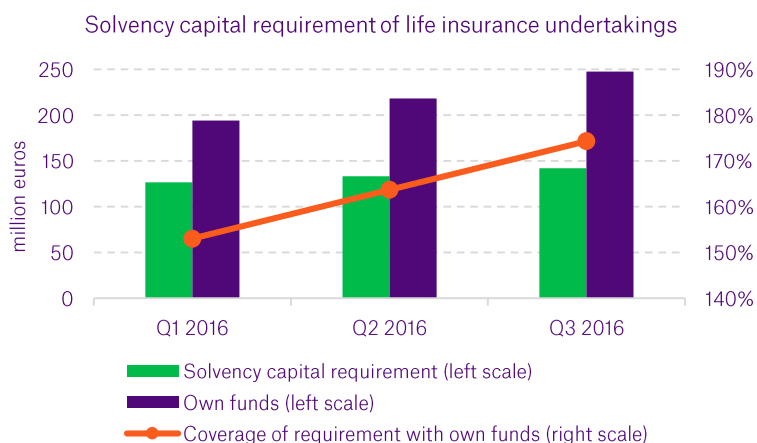
The volume of assets of life insurance undertakings increased to 1.1 billion euros during Q3. Liabilities related to insurance contracts have grown to 823 million euros. The excess of assets over liabilities has increased, probably due to profits earned. The structure of assets and liabilities as well as the excess of assets over liabilities is very different among insurance undertakings because business models vary too.

The ratio of costs to net insurance premiums did not change much during Q3 and was 16.6% in the cumulative view. In annual comparison, however, the expenditure ratios have risen for most of the life insurance undertakings.

<sup>1</sup> Profit for the whole sector is based on public reports, not on the supervisory reports of Finantsinspeksioon.

## Finantsinspeksioon

The solvency capital requirement (SCR) which shows the actual risk profile of an insurance undertaking in the Solvency II framework, is covered with suitable own funds, amounting to 174% in Q3. SCR is met by all life insurance undertakings. Even more, the coverage of the requirement has improved for most undertakings during the year due to profits earned and a very small increase in liabilities. The minimum requirement is covered by 6.6 times.



## Main developments and risks

- The environment of low interest rates does not favour the sale or development of products with an interest guarantee. The insurance undertakings are thus concentrating on the sale of risk and unit-linked products. Such an interest rate environment has particularly affected life insurance undertakings with long-term financial guarantee obligations to policyholders.
- The new insurance supervisory framework Solvency II came into force in the beginning of 2016. This has increased the costs of insurance undertakings as they need to enforce new regulations and meet the requirements of law.