# Life insurance in Russia: Yesterday – Today - Tomorrow

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# Insurance market dynamics in 2014 by business lines

| Type of insurance | GPW, billion rubles | | % of growth |
|---|---|---|---|
| | 2013 | 2014 | 2014/2013 |
| MOD insurance | 212 307 | 218 554 | 2,9% |
| Voluntary medical insurance | 114 966 | 124 075 | 7,9% |
| Property insurance | 181 077 | 201 851 | 11,4% |
| CMTPL | 134 248 | 150 917 | 12,4% |
| Life insurance | 84 890 | 108 531 | 27,8% |
| **Total:** | **904 429** | **987 773** | **9,2%** |

**Life-insurance remains the most rapidly growing business line**

*Source: Expert RA*

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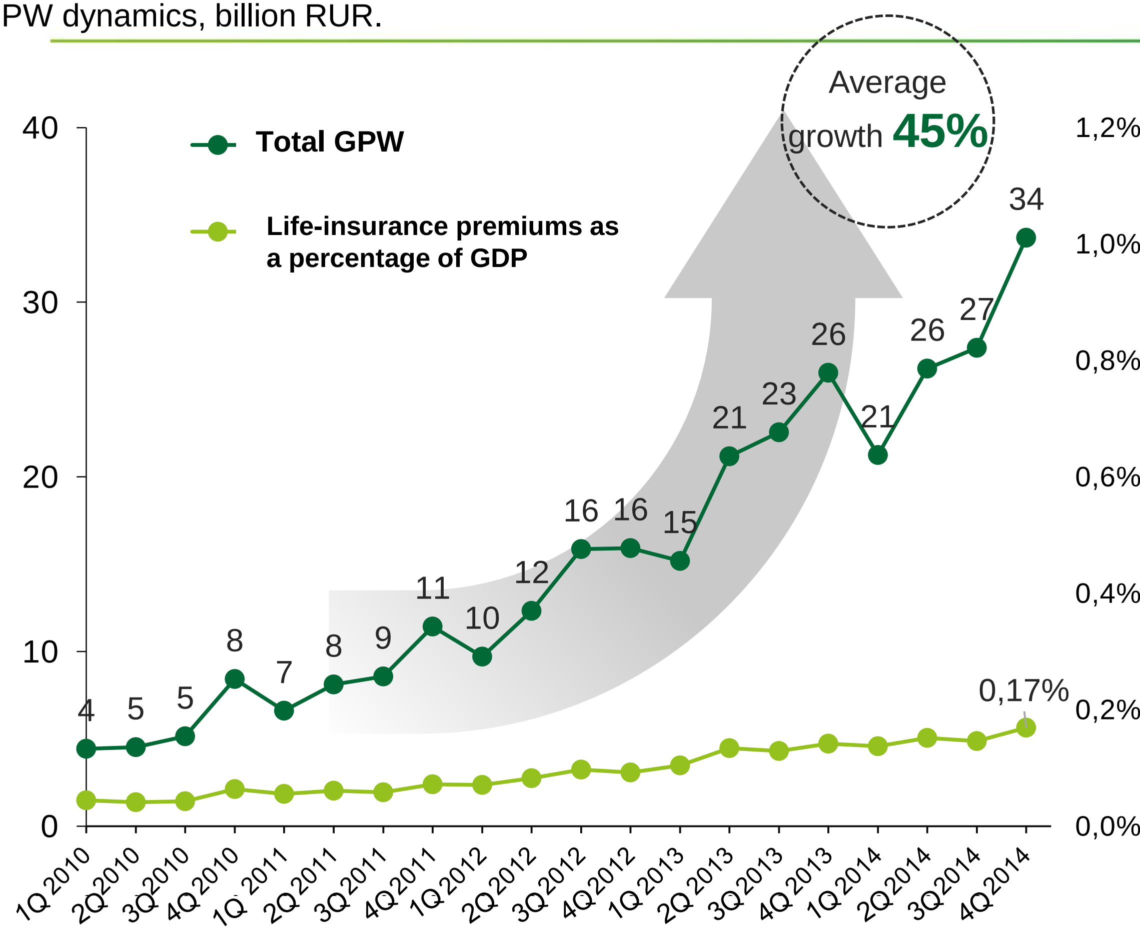
# Life insurance market

## Rapidly growing since the 2008-2009 crisis

GPW dynamics, billion RUR.



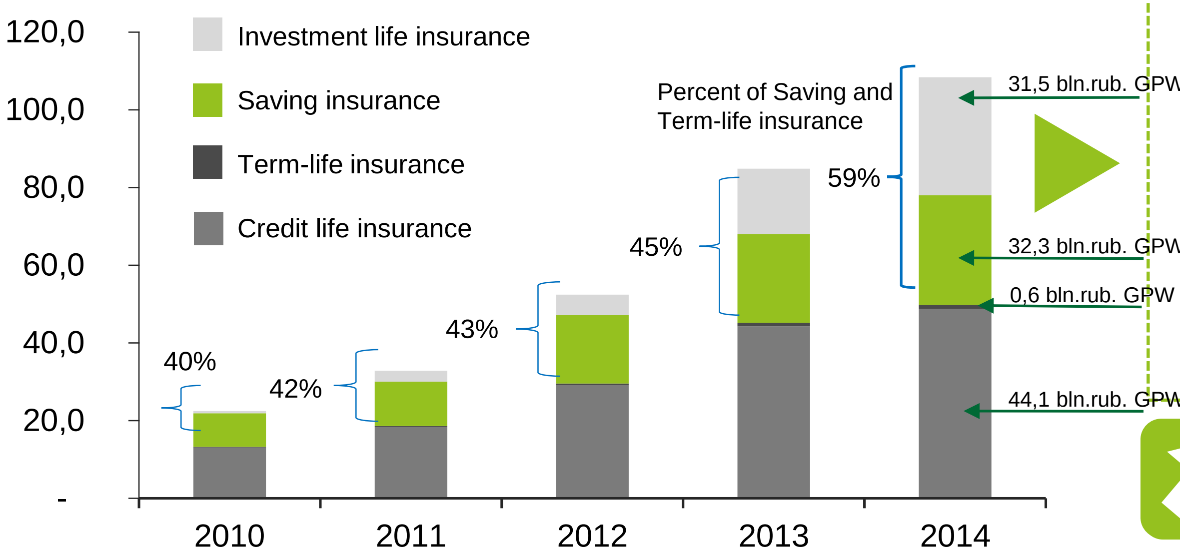

- Life insurance market has shown **an average 45% per year growth** in 5 years (28% in 2014)
- The number of agreements exceeded **12.5 billion** as for the end of 2014
- **Market dynamics repeats the model of many emerging markets**: the growth is based on bank assurance, development of innovative product solutions build on a hybrid of saving and investment insurance
- The following 5-7 years will decide the Life insurance market role in the national economy

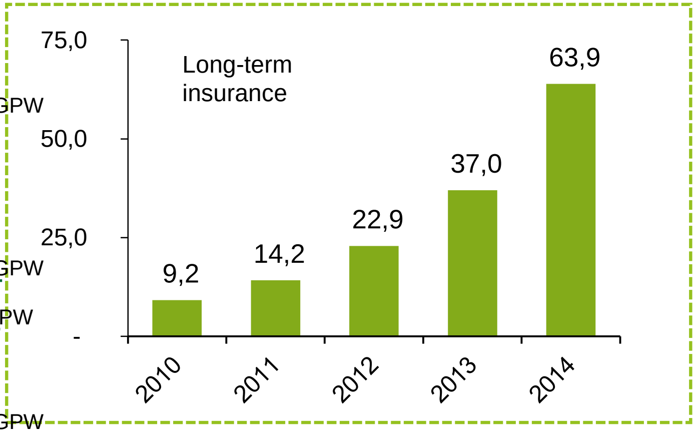
* **Life-insurance premiums as a percentage of GDP** (ROSSTAT)
** Strategy of insurance development in Russia till 2020

# Increase of Long-term insurance segment

## Basic growing long-term insurance segment on the market

Dynamics per business line in billion rubles of GPW




**The only growing long-term insurance segment amidst** the deceleration and instability of the economy

For the last 5 years long-term insurance programs have shown an average growth of **62%** per year (**72,7%** in 2014)

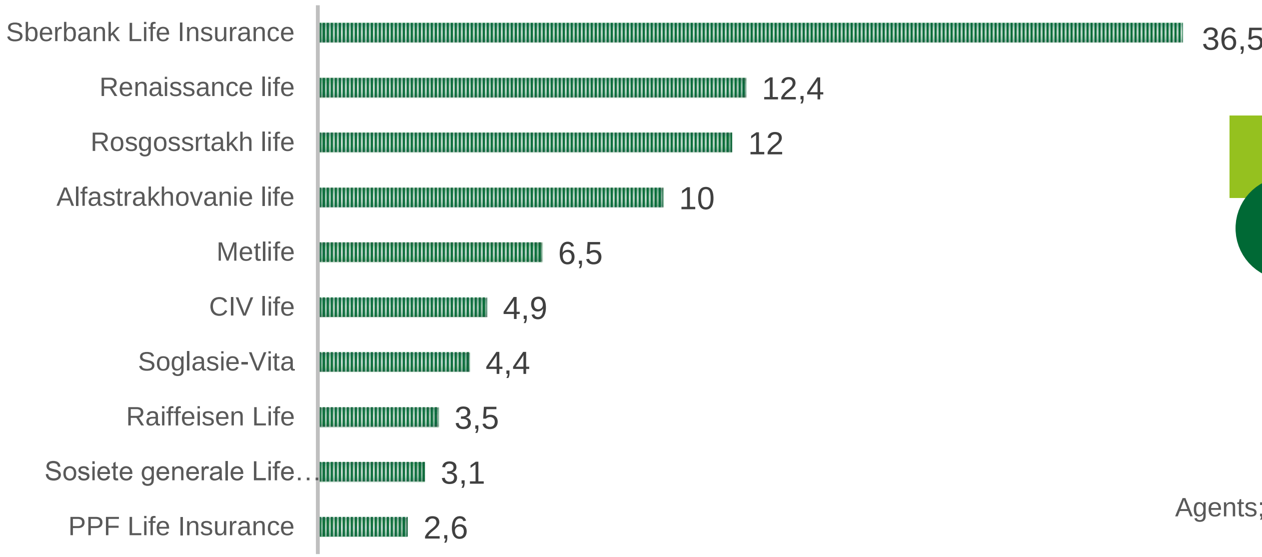
Insurants may become the main investors of long-term projects: the endowment portfolio duration is **more than 8 years**

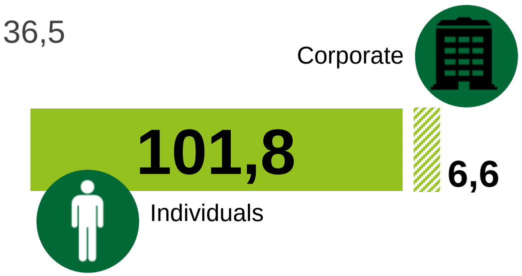
More than 60% of the investment portfolio consists of investments in long-term state and corporate bonds. The total amount of investments is more than **170 billion rubles.** (**+ 40 billion rubles** in 2014)

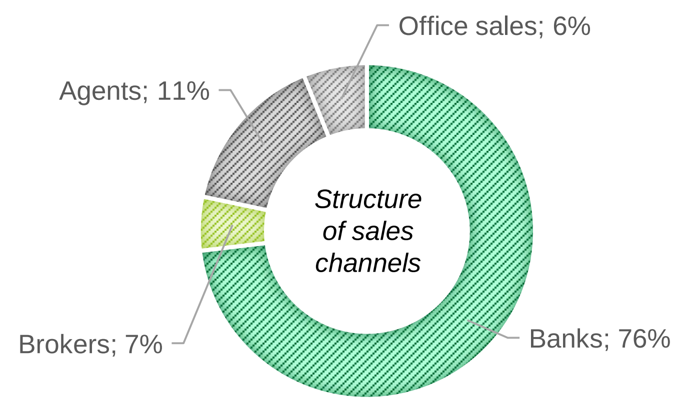
# Life insurance market structure in Russia

## 2014: companies and channels

TOP-10 Life insurance companies, *billion rubles GPW*



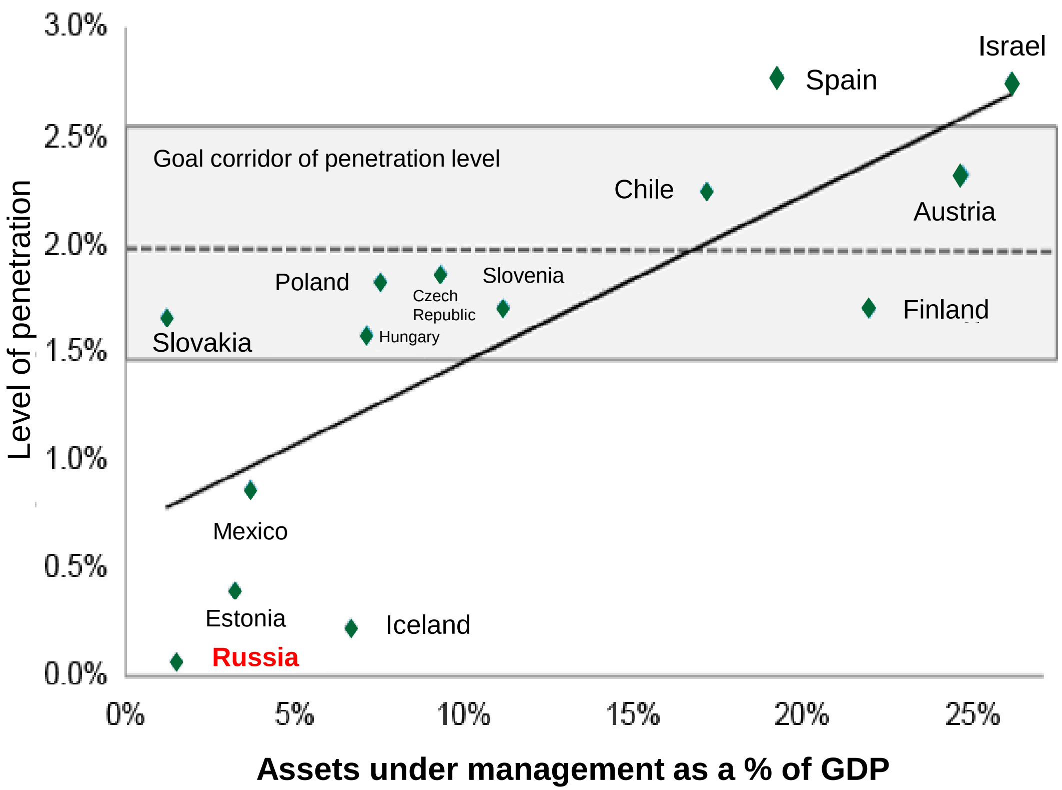

The Insurance market has **an advanced distribution system**. The coverage of the national market is provided by bank assurance and agency networks.

**94% insurance premiums are received from Individuals.**

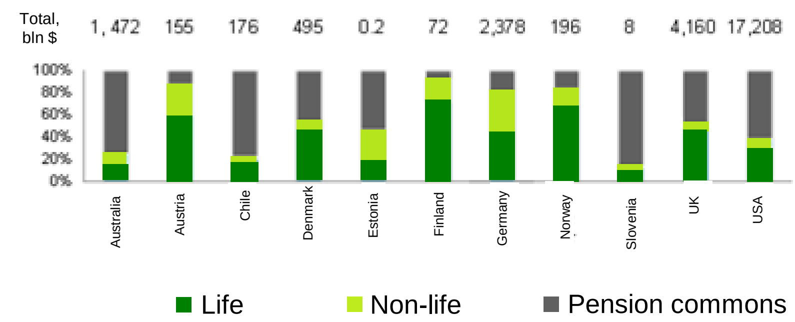
# Role of Life insurance market in the economy

## Development of Life insurance market – a great growth potential for the Russian economy

**Assets under management as a % of GDP and life insurance penetration level:**




**Assets under management by types of institutional investors:**

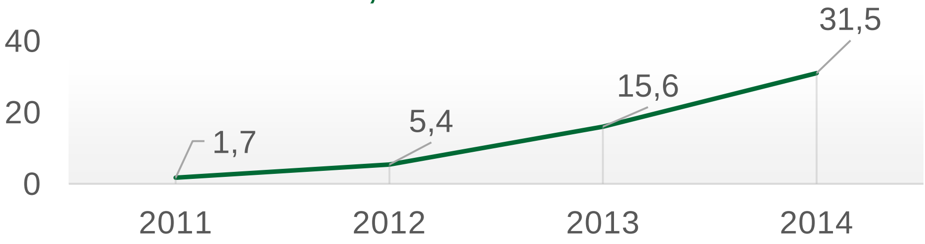



In developed nations the share of Life insurance market asserts in the investors portfolio is **more than 1/3**, **more than 50% of them are long-term investments to the economy**

Life-insurance as a percentage of Russian GDP makes **0,15%** (2% - target for CEE), as a percentage of total insurance market – **0,24%** (target: 4-5%) – **this significantly restrains the economy development**

# Investment life-insurance

**Investment life-insurance in the Insurance market, billion rubles GPW**

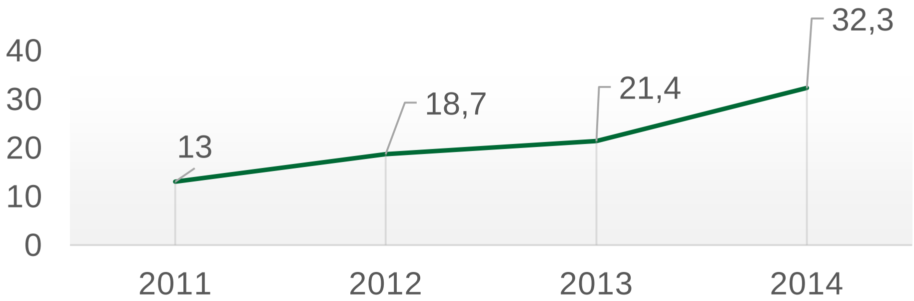



- **Investment life-insurance** is the flagship business line;
- First products launched **in 2009**;
- GPW has shown an increase from 1,7 billion rubles in 2011 to **31,5 billion rubles in 2014**;
- Successfully penetrated in product lines of many **major banks** (Premium and VIP).
  Already is included in product lines of **10 companies**;
- **High average premium** per policy;
- In 2014 **Investment life-insurance market volume** left behind the market of Open-end funds.

**There is a possibility of deceleration because of the macro economical situation and the new instrument of individual investment accounts.**

# Saving insurance

**Saving insurance in the Insurance market, billion rubles**

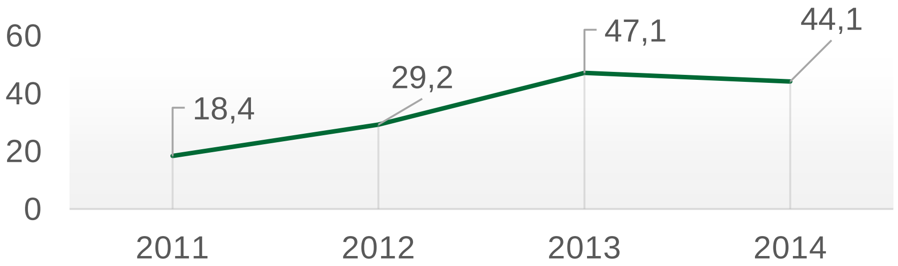



- GPW has shown an increase from 13 billion rubles in 2011 to **32,3 billion rubles in 2014;**
- The product is better sold in **Agent segment** than in Banks;
- The product **is more difficult to understand** for bank specialists than Investment life insurance programs;
- **Tax deduction for Saving insurance was implemented** in January 2014;
- **Packaged products for mass market** appeared for the first time.

**An increase is forecasted due to people's commitment to saving and protecting money as well as implementation of tax deduction.**

# Credit life insurance

**Credit life insurance in the Insurance market, billion rubles GPW**

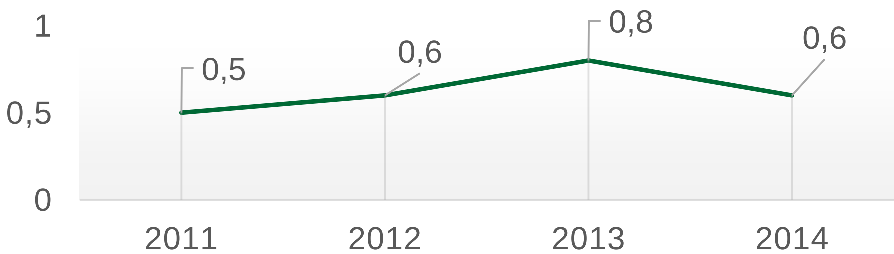


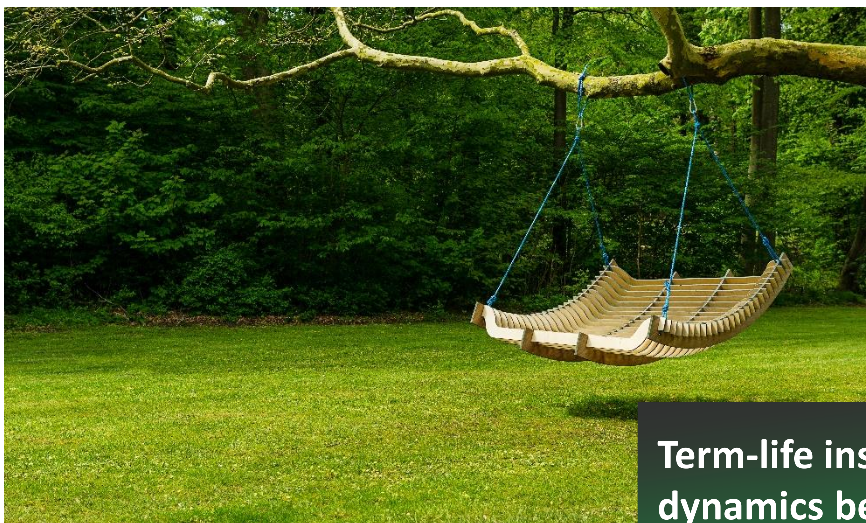

- For the 5 past years Credit life insurance was **the main insurance market growth engine**;
- This product is **the main source of banks fee income**;
- Is characterized by **a high level of commission fee**;
- In 2H2014-1H2015 the product shows **negative trends** following the decline of crediting in Russia.

**In 2014 the percent of life insurance premiums for the first time was below 50% in the total amount.**

# Term-life insurance

**Term-life insurance, billion rubles GPW**



- In bank assurance is presented mainly by **packaged products**, in the agent network – by individual products;
- Has a great **growth potential** in both areas of bank assurance;
- Potentially could become the main product for increasing the **penetration** of life insurance.

**Term-life insurance could possibly show additional dynamics because of small starting volumes.**

# Life insurance products:
# Yesterday – Today - Tomorrow

| | **Yesterday**<br>2009-2013 гг. | **Today**<br>2014-2015 г. | **Tomorrow**<br>2016-2017 гг. |
|---|---|---|---|
| **Credit**<br>life insurance |  |  |  |
| **Saving**<br>insurance |  |  |  |
| **Investment**<br>life-insurance |  |  |  |
| **Term-life** insurance |  |  |  |

# Life insurance market after 2014: Changes and new opportunities

- New **macro economical reality**;
- Changes in **consumer behavior**: reducing planning horizon, growing mistrust of financial institutions, economy and currency; decrease of consumer demand;
- Less loans – **more savings**;
- Increase of demand for **inflation secured endowment products;**
- **Pension system crisis;**
- Necessity to compensate loses from the **decrease of Credit life insurance sales;**
- Necessity to increase **the quality of sales** and the operational model.

**Possibilities:**

- **Simple packaged products**
- **Maximum usage of tax deduction**
- **Variety of risk coverage**
- **Development of direct sales**

# Government relationship

## Engines of fast market development

- Extension of tax relief basis from 200 000 RUR to 400 000 RUR;
- Simplifying the process of getting tax deduction for income taxes (for example, with the help of employer);
- Stimulation of tax regulation for companies regarding corporate social investment programs;
- Selling on-line insurance policies for Pension and Investment insurance;
- Including insurants in long-term pension programs;
- Changes for the development of Investment life-insurance;
- Federal awareness campaign of Life insurance and Pension fund scheme.

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# Thank you for attention!

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