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***PART 4***

**COMMISSION STAFF WORKING DOCUMENT**

***IMPACT ASSESSMENT***

*Accompanying document to the*

**COMMISSION REGULATION (EU) No ../..**

**on the application of Article 101(3) of the Treaty on the Functioning of the European Union to certain categories of agreements, decisions and concerted practices in the insurance sector**

{C(2010) 1746 final}

{SEC(2010) 326}

## ANNEX III

### THE EUROPEAN INSURANCE MARKET – BACKGROUND FIGURES

#### PURPOSE OF THIS ANNEX

This annex provides a snapshot of the economic and competitive situation in the insurance sector in the EU as a whole based on the figures available from the different sources consulted<sup>1</sup>, i.e. up to 2008.

This annex is intended to give an insight into the current state of the European Insurance market as a background to our proposal to partly renew and modify the BER which entered into force in 2003.

It is not intended to evaluate the economic impact of the BER (358/3003) since it came into force.

The evolution of the insurance market reflects the influence of a number of factors including technology and market regulation at a national level. The identification of the specific effects of the BER2003 would have required a large-scale and in-depth qualitative market survey well beyond the purpose of the consultation process organised by the Commission with a view to determining if and how the BER should be renewed.

The following charts and tables illustrate different characteristics of the European insurance market from different aspects, comparing in particular the situations in different individual Member States.

These graphs and charts describe the importance of the insurance market in terms of:

- total amount of premium collected;
- number of insurance companies;
- the average revenue of these companies;
- share of the sector in the economy (penetration);
- growth of the market; and
- level of concentration of the industry in the different Member States.

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<sup>1</sup> Tables and charts are based on three different sources of information: Eurostat, the Axco Insurance Market Reports database (Axco Website 2009 – Update 09/2009 <http://www.axcoinfo.com/>), the CEA database (CEA Website 2009 – CEA Statistics 36/2008 and 37/2009 <http://www.cea.assur.org/>)

## ECONOMIC IMPORTANCE OF THE MARKET

### Global

	Total Premium collected (Mio Euro)			Total Premium collected (% of EU27)			Number of companies			Number of companies (% of EU27)		
	2003	2008	%2008 /2003	2003	2008	%2008 /2003	2003	2008	%2008 /2003	2003	2008	%2008 /2003
EUR27	812.175	1.001.812	23,3%	100%	100%		4.815	4.819	0,1%	100%	100%	
EUR15	796.551	965.899	21,3%	98%	96%	-1,7%	4.434	4.405	-0,7%	92%	91%	-0,7%
EUR12	15.624	35.913	129,9%	2%	4%	86,3%	381	414	8,7%	8%	9%	8,6%

	GDP			Population			Average revenue (Mio Euro)			Market Penetration (Total Premium / GDP)		
	2003	2008	%2008 /2003	2003	2008	%2008 /2003	2003	2008	%2008 /2003	2003	2008	%2008 /2003
EUR27	10.076.680	12.501.366	24,1%	484.533	498.652	2,9%	169	208	23,2%	8,1%	8,0%	-0,6%
EUR15	9.552.929	11.519.882	20,6%	380.713	395.339	3,8%	180	219	22,1%	8,3%	8,4%	0,6%
EUR12	523.751	981.484	87,4%	103.820	103.313	-0,5%	41	87	111,5%	3,0%	3,7%	22,7%

The EU27 insurance market collected a total amount of premium of around €1.002 billion (down from €1.067 billion in 2007), an increase of 23% compared with the level of 2003 that is, approximately the same growth as observed in the Gross Domestic Product (GDP) and significantly more than the growth observed in the population of the Member States.

In the same period, the number of companies in the insurance sector stabilized at around 4.800 companies. As a consequence, the average revenue collected by each company grew by 23% in 5 years. The level of market penetration of the insurance sector, i.e. its share in the overall economy, grew by almost 7% until 2007 but came back to its 2003 level in 2008.

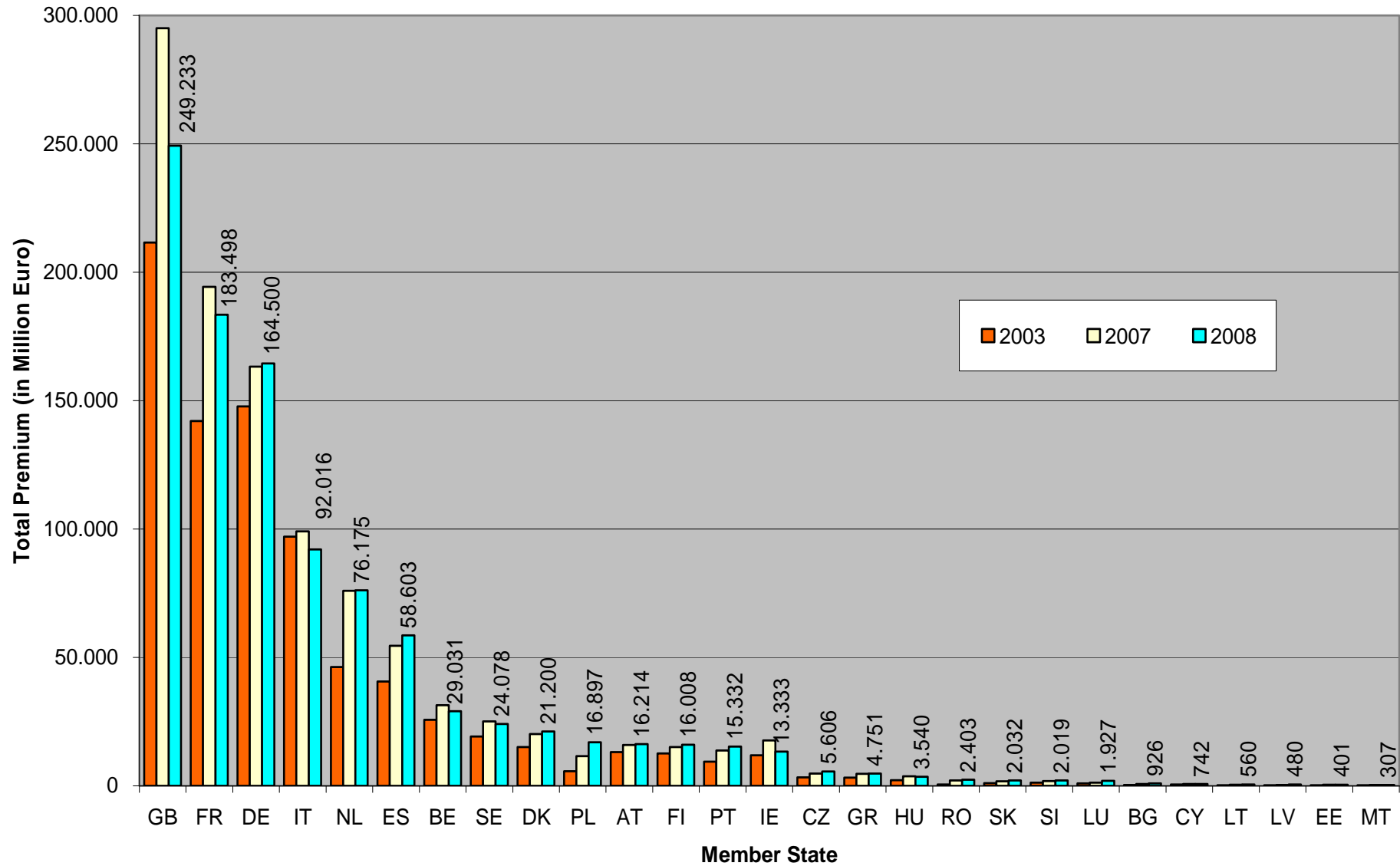
Looking at a less aggregated level provides a finer picture of the different situations behind these average figures. The EU15 markets clearly account for the largest share in the EU27 insurance market, both in terms of premium collected (96%) and number of companies established in their territory (91%). The value of the market penetration index, which offsets differences in GDP, is 3.7% for EU12 and 8.4% for EU15. In relative terms, as for GDP, the EU12 markets grow faster.

### National

The following charts describe the situation in 2008 of the insurance market of the 27 member states in terms of total amount of premium collected, number of companies (compared against 2003 and 2007) and average revenue per company. Situations in 2007 and 2008 are proposed to illustrate the situation in the period when the financial crisis developed.

**Chart n°1 - Total amount of Premium collected in 2008 (compared to 2003 and 2007)**

(Source: CEA statistics n°36/2008 and 37/2009)



**Chart n°2 - Number of Insurance Companies in 2008 (compared to 2003 and 2007)**  
 (Source: CEA statistics n°36/2008 and 37/2009)

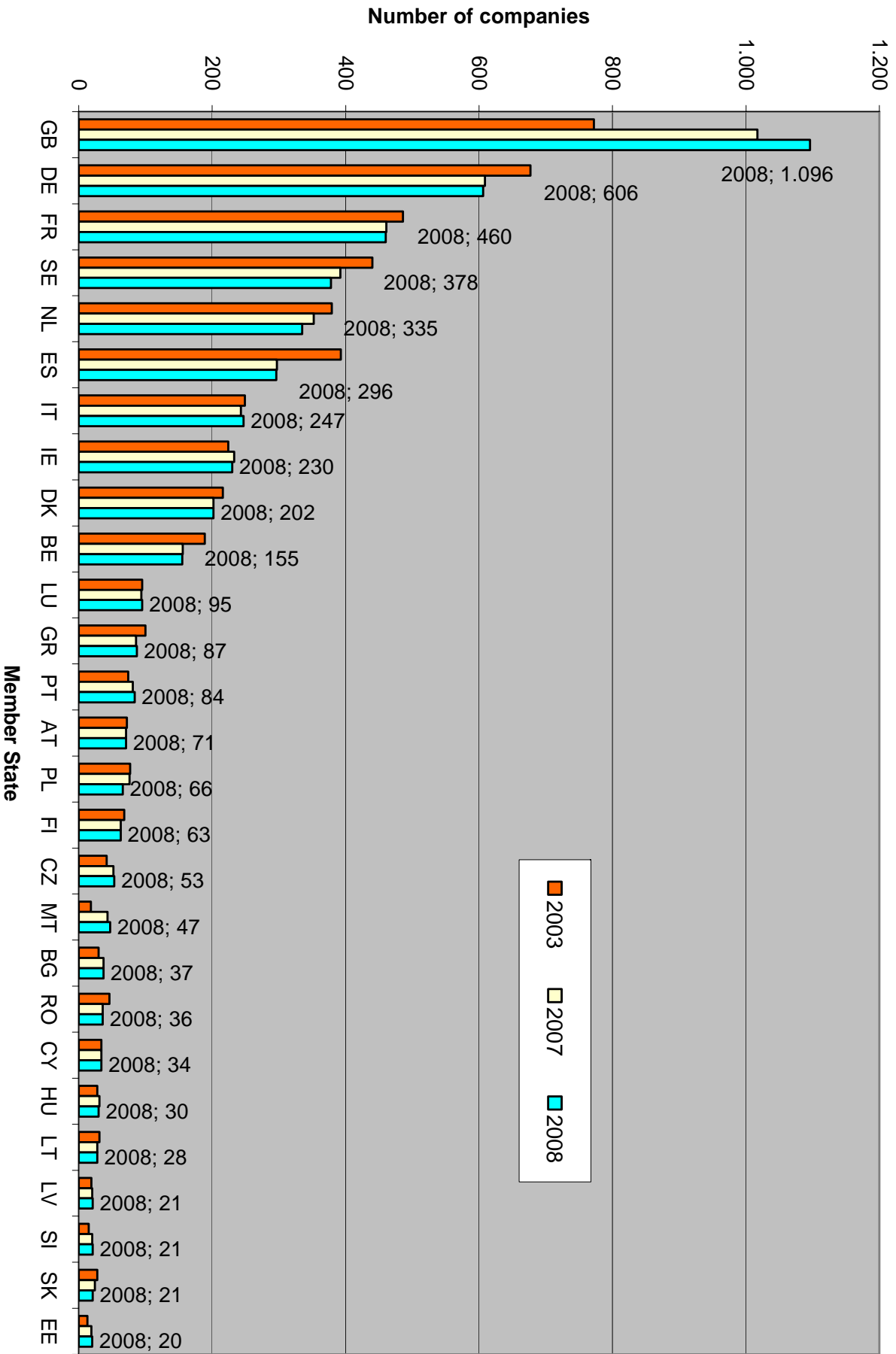
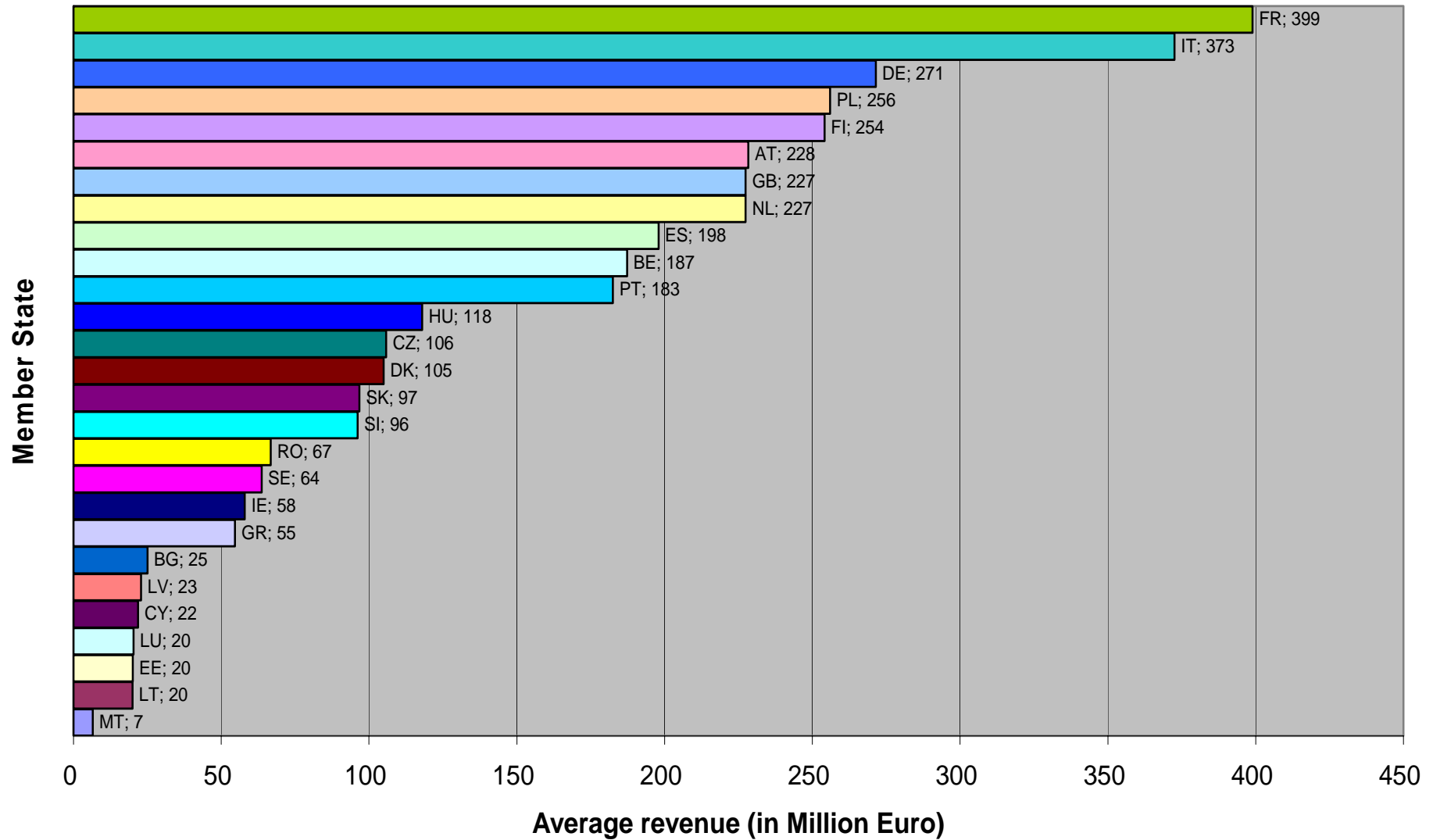


Chart n°3.1. - Average Revenue of Insurance Companies in 2008

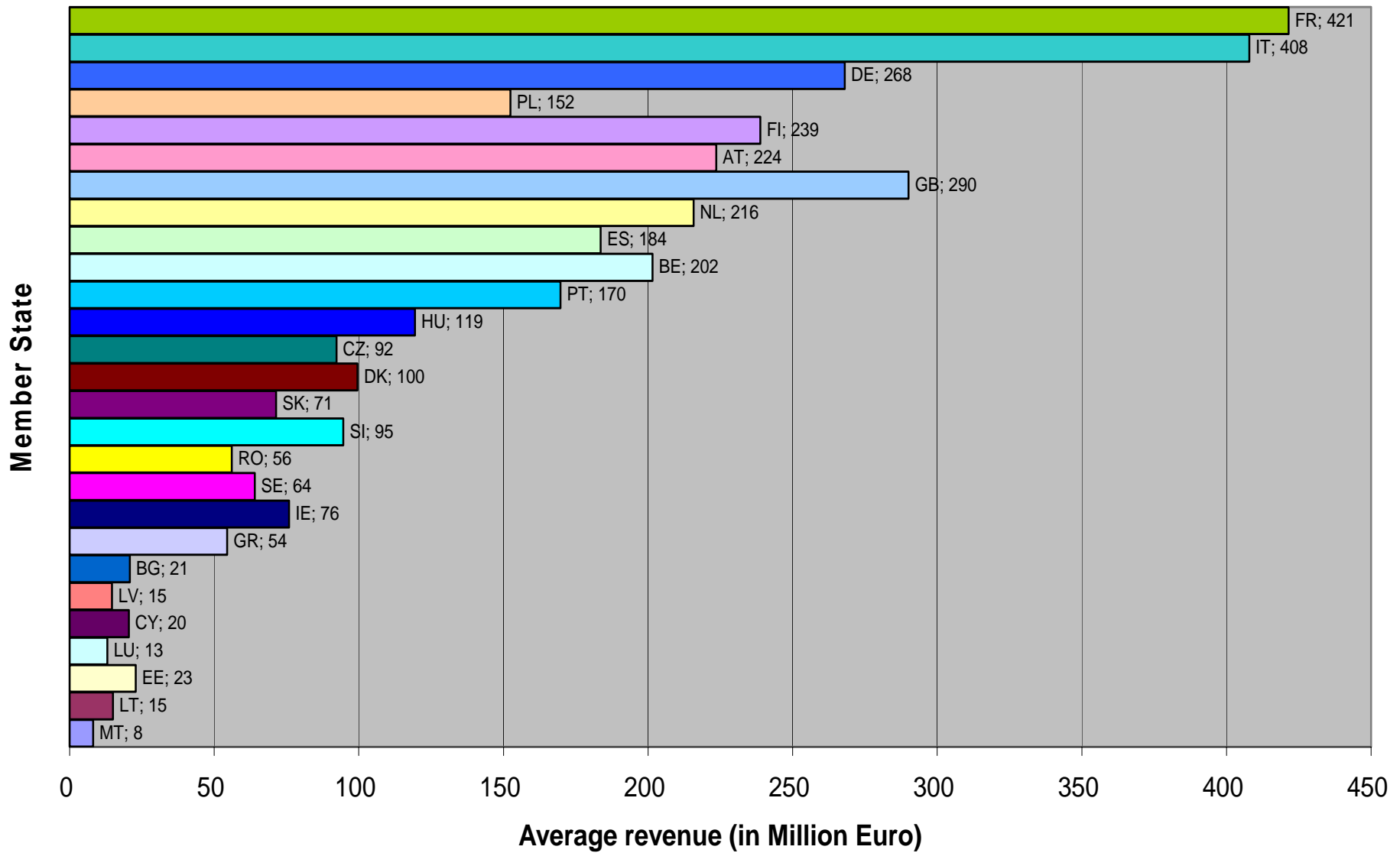
(Source: CEA statistics n°37/2009)



### Chart n°3.2. - Average Revenue of Insurance Companies in 2007

(countries ranked according to their position in 2008)

(Source: CEA statistics n°36/2008)

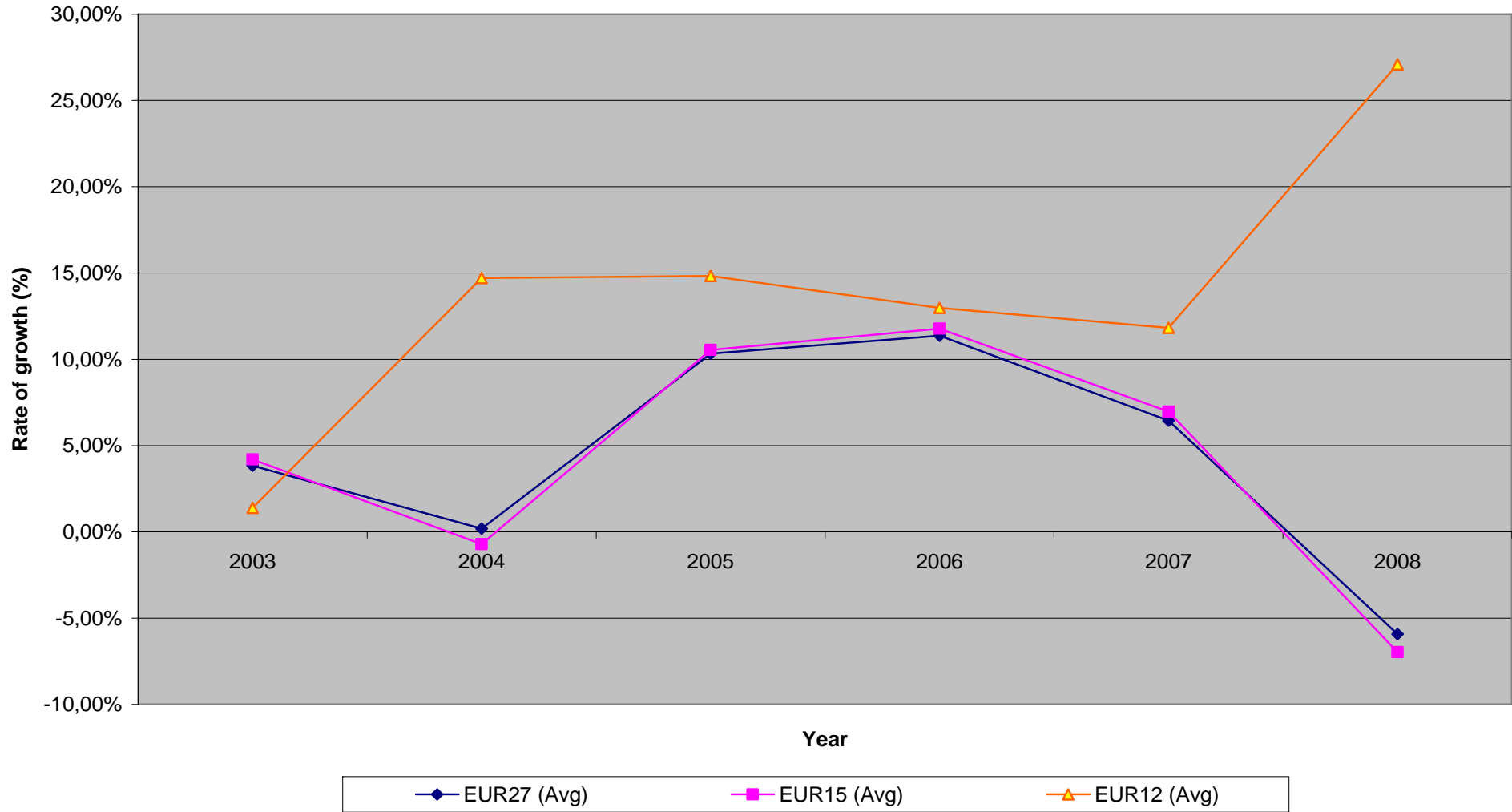




In order to improve our analysis we have attempted to offset country-related effects in order to take into account, for instance, the level of GDP. The two following charts respectively show the value of rate of growth of the average revenue per company and the Market Penetration Index (Total Premium/GDP) which is given as a percentage and represents the revenues of the insurance industry compared to the global GDP of a country.

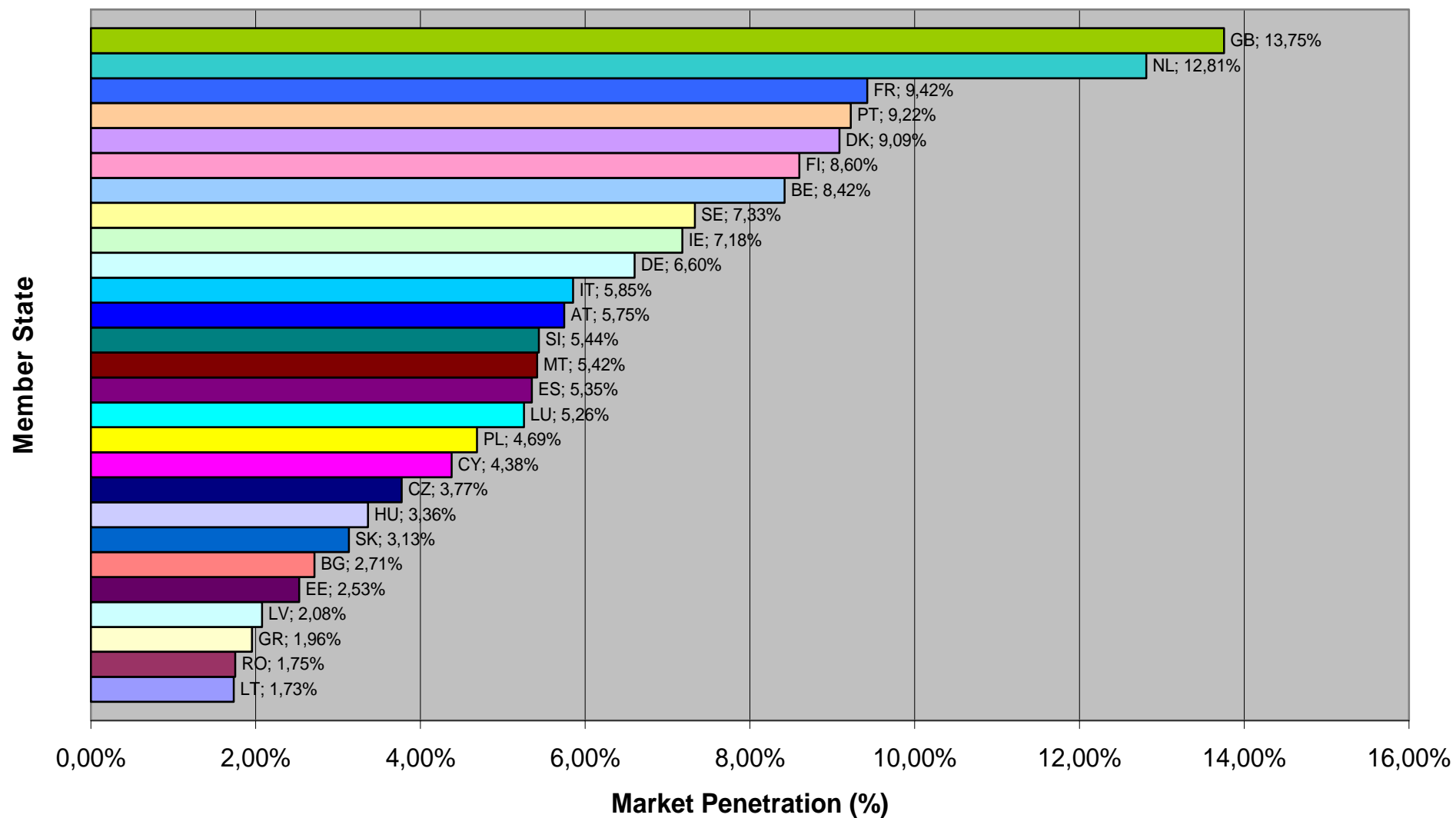
**Chart n°4 - Rate of (yearly) growth of average revenue (2003-08)**

(Source: CEA statistics n°36/2008 and 37/2009)



### Chart n°5 - Market Penetration of the Insurance sector in 2008

(Source: CEA statistics n°37 - Oct 2009 and Eurostat)





## **LEVEL OF CONCENTRATION**

Two different indicators illustrate the level of concentration of the insurance market in the various Member States: (1) the Herfindahl-Hirschman Index or HHI and (2) a "Top firms" index. The countries with the highest levels of concentration are mostly new Member States where the insurance industry only began to develop in the 1990s and/or countries with a small market.

Member State	Herfindahl-Hirschman Index (HHI)			Top firms			
	HHI	Level	Rank HHI	Country Size	Range	Top firms Index	Rank Top firms
AT	926	L	18	M	Top 5	63,3	18
BE	758	L	20	L	Top 10	72,7	14
BG	946	L	17	M	Top 5	63,0	19
CY	690	L	21	VS	Top 5	48,4	24
CZ	2.206	H	6	L	Top 10	96,4	2
DE	346	L	25	VL	Top 10	48,3	25
DK	1.245	M	13	M	Top 5	67,4	17
EE	2.174	H	7	S	Top 5	95,6	3
ES	275	L	26	VL	Top 10	43,9	27
FI	1.727	MH	11	M	Top 5	82,5	8
FR	1.082	M	15	VL	Top 10	69,0	16
GB	636	L	22	VL	Top 10	69,2	15
GR	476	L	24	L	Top 10	57,0	23
HU	1.870	MH	9	L	Top 10	80,9	10
IE	1.152	M	14	S	Top 5	62,9	20
IT	528	L	23	VL	Top 10	59,0	21
LT	2.046	H	8	S	Top 5	80,0	11
LU	2.231	H	4	VS	Top 5	82,5	9
LV	1.460	M	12	S	Top 5	75,0	13
MT	2.416	H	1	VS	Top 2	58,9	22
NL	270	L	27	L	Top 10	46,5	26
PL	2.208	H	5	L	Top 10	87,4	5
PT	863	L	19	L	Top 10	77,0	12
RO	1.057	M	16	L	Top 10	89,0	4
SE	1.818	MH	10	M	Top 5	84,4	6
SI	2.268	H	3	S	Top 5	97,0	1
SL	2.334	H	2	M	Top 5	83,7	7

Concentration Level in HHI		
Level	Concentration Ratio	HHI Index
H - High	from 80% to 100%	from 2000 to 10000
M - Medium	from 50% to 80%	from 1000 to 2000
L - Low	from 0% to 50%	from 0 to 1000

Source of data: Horizontal Merger Guidelines

Country Size (population)	
VL - Very Large	over 40.001
L - Large	from 10.001 to 40.000
M - Medium	from 5.001 to 10.000
S - Small	from 1.001 to 5.000
VS - Very Small	up to 1.000

Source:

Calculation of the HHI is based on market shares of up to 15 companies in 2007 collected from the Axco database (2009)

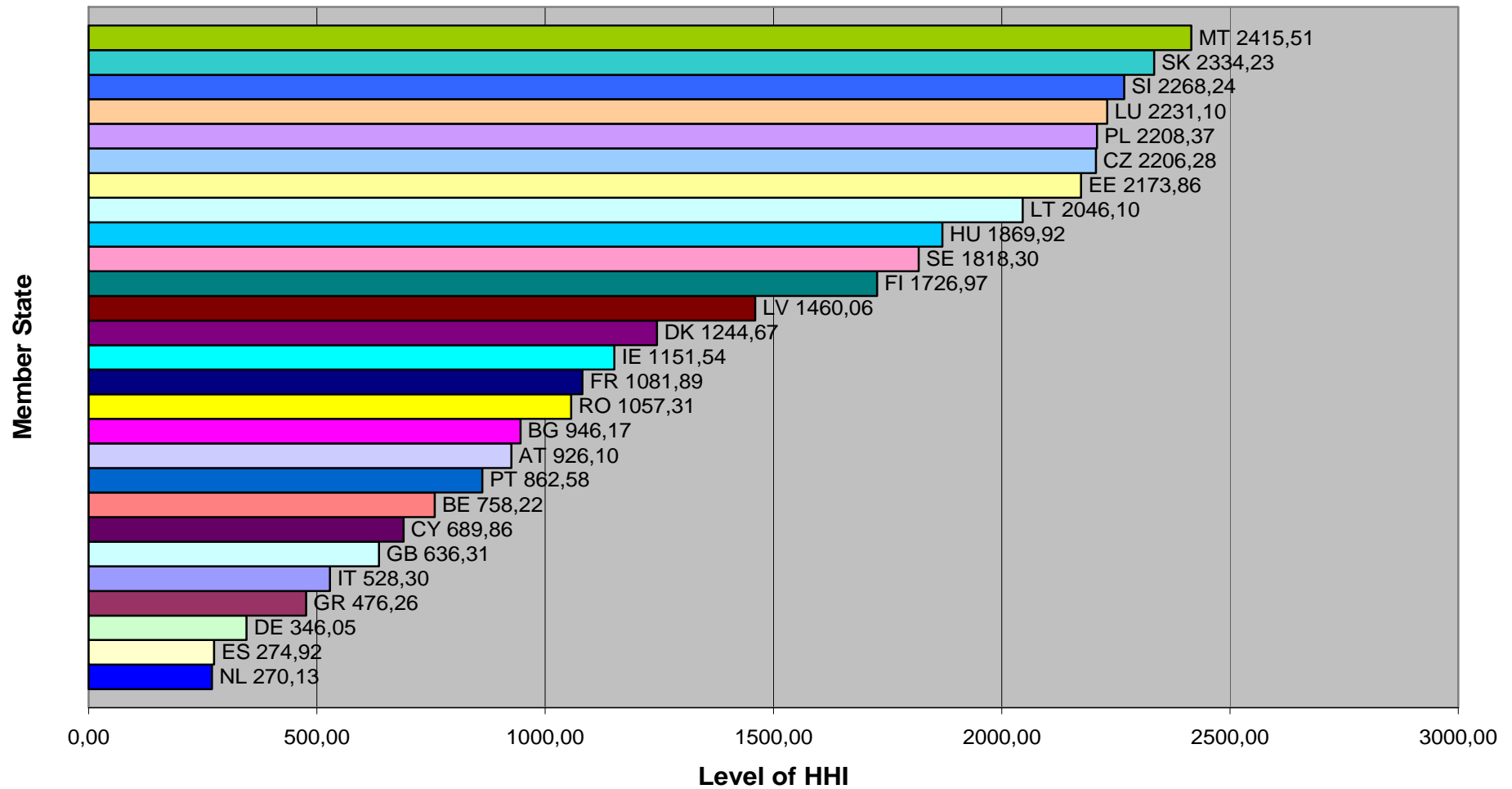
Calculation of the Top firms index is based on data from Axco and Eurostat "Population at 01 01 2007 in million of inhabitants"

1. The Herfindahl index, also known as Herfindahl-Hirschman Index or HHI, is a measure of the size of firms in relation to the industry and an indicator of the amount of competition among them. This index is defined as the sum of the squares of the market shares of the leading firms

(up to 15 in our case depending on the national market) and can range from 0 to 10000 moving from a huge number of very small firms to a single monopolistic producer.

**Chart n°6 - Level of concentration - Herfindahl-Hirschman Index (HHI)**

(Source of data: Axco Database 2009 - data 2007)



2. The "top firms" index which is calculated as the sum of the market shares of the leading firms. To accommodate the differences in size of the market, we calculated the total market share of the top 10 firms for large countries (with respect to their population), and the top 5 or top 2 for small and very small markets.



**Chart n°7 - Top firms concentration index 2007**

(Source of data: Axco Database 2009 - data 2007)

