

# Andrei Unton

## Belarus Re General Director

**XPRIMM: How would you comment upon the results of 2019 in terms of contracts? What most successful insurance types can be noted in this regard?**

**Andrei Unton:** All the targets set in the business plan for 2019 were achieved. Total volume of GWP in 2019 amounted to BYN 95,1 million vs BYN 94,4 million a year ago. In 2019, the structure of the insurance portfolio underwent some changes: the share of insurance of property of legal entities and construction risks increased from 25,86% in 2018 to 45,57% in 2019; at that, the share of financial risks decreased from 36,56% to 25,63% respectively.

The most important projects implemented in the Republic of Belarus, to which Belarus Re provided reinsurance protection, are: the construction of a multifunctional complex in Minsk within the boundaries of Filimonova str.- Nezavisimosti ave. --Makayenka str. (insured is Gazprom Transgaz Belarus), organization of high-tech full-cycle agro-industrial production in the Minsk region (insured - CITIC Construction), construction of a photovoltaic station for electric energy production in the Minsk region (insured - POWER CHINA GUIZHOU ENGINEERING). In addition, creation of the Belarusian Nuclear Insurance Pool and its inclusion into the international system of risk distribution for nuclear damage, made it possible to conclude first contracts within the framework of the International system of nuclear insurance pools. In particular, the Belarusian nuclear insurance pool has already provided reinsurance coverage for nuclear risks from the Russian Federation, Ukraine, Canada, and Hungary.

**XPRIMM: How much was the increase of assumed liability in 2019 compared to 2018? What risks accounted for the largest shares in total volume?**

**A.U.:** Total volume of assumed liability in 2019 exceeded BYN 90,3 billion, having increased by 12,8 billion y-o-y.

The structure of the insurance portfolio in terms of assumed liability did not change significantly. Traditionally, the largest shares in this regard fall on insurance of aviation risks (67,05%), property of legal entities (20,48%), cargo insurance (3,46%), financial risks (0,97%), other types (2,85%). Due to implementation of large investment projects in construction field, as well as participation in obligatory reinsurance of liability assumed under internal (comprehensive internal) compulsory liability insurance of vehicle owners, reinsurance of the mentioned types accounted for 3,74% and 1,46% accordingly.



In the structure of ceded liability in 2019, reinsurance of aviation risks accounted for 81,50% of the portfolio, reinsurance of property of legal entities – 9,67%, construction and installation risks – 4,74%, cargo – 2,02%, reinsurance of other types – 2,07%.

**XPRIMM: What trends in facultative and obligatory reinsurance in 2019 would you note?**

**A.U.:** In terms of reinsurance forms, facultative reinsurance contracts prevail in the portfolio of Belarus Re. It is worth noting that during the last five years, their share has been fluctuating at the level of 75%, while obligatory contracts account for about 25%.

In terms of liability distribution in 2019, proportional reinsurance contracts accounted for BYN 78,3 million (82,3 %), disproportionate reinsurance reached BYN 16,0 million (16,8 %).

**XPRIMM: Were there any changes in 2019 of the volume of claim payments and loss ratio compared to 2018?**

**A.U.:** The loss ratio increased from 15,2% to 33,2%, due to the company's development, expansion of its activities in various regions of the world, and diversification of the product line. It should be noted that this loss indicator remains one of the best in the industry.

**XPRIMM: How would you judge the achievements in terms of profitability and net profit of the company last year?**

**A.U.:** 2019 year was successful for Belarus Re, the company ended it with profit: the profit from reinsurance operations increased by 22,8% y-o-y, to BYN 18,3 million. At the same time, net profit amounted to BYN 12,7 million, which made it possible for the company to rank first among insurance organizations of the Republic of Belarus.

This profit margin ensured the insurance profitability level at 21,7%, and profitability of financial and economic activities reached 10,6%, which is significantly higher than the targets set in the business plan: 0,8% and 7,0% accordingly.

Such results were achieved thanks to following the principles:

- ▶ Belarus Re's fulfillment of the existing obligations and ensuring implementation of strategic activities;
- ▶ formation of insurance reserves at a level sufficient to fulfill the company's obligations;
- ▶ effective functioning of the asset and liability management system, and their diversification;
- ▶ optimization of insurance inherent risks.

**XPRIMM: What trends and achievements of the last year would you note speaking about cooperation with participants of foreign insurance and reinsurance markets?**

**A.U.:** In 2019, Belarus Re continued to develop and expand its international business. The volume of the reinsurance premium written from foreign cedents in 2019 amounted to BYN 24,98 million or 26,2% of the total premiums written for the year.

After creation of the Belarusian nuclear insurance pool in 2019, the Belarusian insurance pool entered the International pooling system. Measures are being taken to expand cooperation with foreign nuclear pools. In 2019, the Standard rules were signed for facultative reinsurance between nuclear insurance pools with 13 foreign pools, including pools in the UK, France, Germany, Spain, Switzerland, China, Korea, and other countries.

The process of active cooperation is already ongoing. The Belarusian nuclear insurance pool is involved in reinsurance of civil liability risks for nuclear damage and property risks of foreign nuclear plants. We look forward to further positive dynamics in this direction.

It is worth noting that Belarus Re is constantly working on portfolio diversification. In 2019, the portfolio geography was significantly expanded thanks to participation in risks from Latin America.

Belarus Re has strengthened its position on the markets of the Middle East and India. We continued to participate in reinsurance programs of the Federation of Afro-Asian Insurers & Reinsurers (F.A.I.R.). It is also worth noting that the Indian insurance regulatory development authority (IRDAI) confirmed accreditation of Belarus Re on the Indian market. Belarus Re is one of the few companies with a rating below A that received this registration.

**XPRIMM: Given the impact of the coronavirus pandemic on the economy and insurance markets, how would you assess the company's development perspectives for 2020 and is this situation likely to have a significant effect on Belarus Re's portfolio and results this year?**

**A.U.:** If the economic situation worsens for organizations of the Republic of Belarus as a result of a decrease in economic activity

or suspension of entrepreneurial activity, we assume a decrease in the policyholders' interest in voluntary insurance of property of legal entities, both in terms of conclusion of new contracts and renewal of existing ones for a new period. Besides, we admit an increase in the number of requests for postponement of next installments of insurance/reinsurance premiums to a later period in connection with optimization of the insureds' expenses.

All that is due to the need to turn on the cost optimization regime, including reduction of costs for voluntary insurance.

Obviously, there will be a reduction in premiums under Green Card insurance contracts and cargo, which is associated with reduction of movement of individuals and legal entities by vehicles to neighboring countries.

Other insurance types occupy a small proportion in the portfolio of the state-owned enterprise. In this regard, a reduction in the number of insurance contracts concluded will not have a significant impact on the Belarus Re's volume of premium written.

On foreign markets, as well as in Belarus, a decrease in economic activity is expected, which will lead to a decrease in the number of concluded insurance contracts and, therefore, reinsurance. However, we do not expect a reduction in the share of premiums written from non-residents in the total volume of premium written. In 2019, the share of the premium written from non-residents amounted to 26,2% of the total. We expect this indicator to remain or slightly exceed the level of last year.

Taking into account the significant volume of the premium already written, which as of 12.05.2020 reached BYN 58,56 million or 55,69% of the amount set in the business plan (BYN 105,15 million), we expect that the annual volume of the reinsurance premium written will be achieved.

\*EUR 1 = BYN 2,3524 (31.12.2019)