

**THE IMPACT OF FINANCIAL CRISIS  
ON THE NON-LIFE INSURANCE MARKET  
IN LITHUANIA: WILL THE MARKET GROWTH  
EXPECTATIONS BE MET?**

***Ausrine Lakstutiene, Rasa Norvaisiene, Jurgita Stankeviciene,  
Rytis Krusinskas***

Department of Finance  
Kaunas University of Technology

**Key words:** insurance, financial crisis, growth, non life insurance.

**Abstract**

The article analyzes the insurance market trends, which have been determined by the financial crisis, and reveals the development features and prospects of non-insurance market, which accounts for almost 70% of the total insurance market, in Lithuania. The obtained results showed that after the market shrank by a quarter in 2009, the insurance sector is recovering, and while the volume of issued insurance premiums increased in 2013, they still remain lower than during the pre-crisis period. 2010 is a distinctive year for the Lithuanian non-insurance market due to a track of unusual abundance of adverse events. Throughout the analyzed period the structure of the non-insurance market issued portfolios remained the same in Lithuania, and throughout the whole analyzed period non-insurance market is dominated by Mandatory Third Party Liability Insurance (MTPLI), Voluntary vehicle insurance (CASCO) and Property insurances, which, according to estimates and analysts' forecasts, have growth potential.

**WPLYW KRYZYSU FINANSOWEGO NA LITEWSKI RYNEK UBEZPIECZEŃ  
MAJĄTKOWYCH – CZY RYNEK SPROSTA OCZEKIWANIOM?**

***Ausrine Lakstutiene, Rasa Norvaisiene, Jurgita Stankeviciene, Rytis Krusinskas***

Katedra Finansów  
Uniwersytet Techniczny w Kownie

**Słowa kluczowe:** ubezpieczenia, kryzys finansowy, wzrost, ubezpieczenia majątkowe.

**Abstrakt**

W artykule omówiono wynikające ze światowego kryzysu finansowego trendy na rynku ubezpieczeń i przedstawiono szczegóły rozwoju i perspektywy rynku ubezpieczeń majątkowych, które stanowią ok. 70% całego rynku ubezpieczeń na Litwie. Wyniki badań wskazują, że po redukcji rynku

o jedną czwartą w 2009 r., branża ubezpieczeń odżywa i chociaż w 2013 r. składka przypisana wzrosła, to przypis ten jest niższy niż w okresie przedkryzysowym. Na litewskim rynku ubezpieczeń majątkowych szczególnie obfitujący w nieprzychylnie wydarzenia był 2010 r. W całym okresie badań litewskiego rynku ubezpieczeń majątkowych struktura portfela składki przypisanej pozostała niezmienna, a w całym badanym okresie dominują ubezpieczenia OC, AC oraz pozostałe ubezpieczenia majątkowe, które według obliczeń i prognoz analityków mają potencjał wzrostowy.

## Introduction

Among financial intermediaries, in performing functions of financial system, insurance companies play important role (ĆURAK et al. 2009). Insurance companies and insurance intermediaries effectively redistribute the funds among economic sector units with a surplus, and economic sector units with a budget deficit using insurance policies in the financial system. Insurance is one of the main risk management instruments for both natural and legal persons, therefore, according to the theory, insurance sector could be one of the factors contributing to economic growth (ĆURAK et al. 2009, p. 31, 32, BALKEVIČIUS 2012, p. 87, LEZGOVKO 2003, p. 33, 34). The importance of insurance in Lithuania is undeniable. Insurance services have multiple effects on the country's economy: ensure the financial stability to businesses and individuals; increase the population saving rate, which in turn increases investments; reduce the budget means allocated to social security; raise public awareness of the potential risks and ways to manage them. The ongoing globalization of the financial markets has affected the insurance market as well; therefore national insurance markets throughout the world have experienced a number of significant changes. More and more countries are tied to the so called integration agreements, which aim to remove the operational barriers of the insurers in the countries-participants, providing services to national customers, in the national territories of other countries. These processes take place in the European Union countries, where due to the coherent actions of the last 50 years, a united insurance space has formed, where the actions of the insurers is regulated by the inclusive EU law, together with the national financial and civil laws (LEZGOVKO 2003, p. 34, 35). One of the advantages of the insurance market globalization is the foreign insurers' financial strength, which allows them to take risks that exceed the financial capacity of local insurers; this ensures reliability and uninterrupted operations of an insurance company. BERNAT, GRUNDEY (2007, p.189, 190) notice that market economy has long been the dominant market leverage in developed countries. However, in the new European Union countries, including Poland and Lithuania, that have stepped many market transformation phases, insurance market behavior is constructed according to the models of developed countries, which have long operated and are cost-effective. This

view is shared by ULBINAITE et al. (2013, p. 144) who suggest, that when speaking about insurance service consumption, Lithuania is usually seen as a market that has shared behavioral patterns within the group of Central and Eastern European countries. Since modern insurance is not limited by national borders, residents of one country may get insurance from a company, whose share capital's origin is physically distant from the place of the transaction. In addition, not only insurance companies engage in insurance activities – many banks, having received the necessary license, establish or buy insurers, provide their own name and integrate these services to the activities of the entire financial group. These options generate very different results in different countries as their legal systems, economic structure, purchasing power, the power of insurers and banking markets, consumer needs are different (LEZGOVKO, LASTAUSKAS 2008, p. 128). In the insurance market, we are dealing with the economic and social insurance. Social security insurance includes: retirement, disability, sickness and accidents. However, business insurance can be divided into property and casualty. Social security ensures the social minimum for people who: have reached retirement age, have had an accident or become sick. The objective is to protect economic security of property, and life and health of the insured. Institutions offering insurance cover should take care of the quality of services and quality customer service. And so the strategy of customer orientation in the insurance market seems to be the right course of action (WITKOWSKA, LAKSTUTIENE 2014, p. 104). In order for the consumer to be satisfied which results in the need for the consumer to insure, it is required that the client would actively participate in the entire quality assurance process (WITKOWSKA, LAKSTUTIENE 2014, p. 110). Since non-life insurance in Lithuania accounts for 68 percent of the whole insurance market, it is important to analyze the changes taking place in the non-life insurance market and make assumptions that enable to expand the quality and development of the insurance services offered. Therefore, the purpose of this article is to carry out the analysis of the effect of the financial crisis on the Lithuanian insurance market and reveal non-life insurance market development characteristics and prospects in Lithuania.

## **Data and methods**

The survey sample includes the registered insurance companies in the Republic of Lithuania operating from 2006 and branches of insurance companies of other European countries. The study period covers 2006–2013. Data of the Bank of Lithuania regarding insurance companies for the

mentioned period and the annual reports of the Insurance Supervisory Commission of the Republic of Lithuania for the period of 2006–2010 are used for carrying out the research.

Research methods used to reach the aim of the article and to solve the scientific problem are following: scientific literature review, analysis of analytical and empirical studies and synthesis of fragmentary knowledge on the subject, as well as mathematical statistical method – correlation and regressive analysis, and *P*-value negating the Null hypothesis. Indicators, describing the development level of non-insurance market – insurance penetration and insurance density – are calculated.

In general terms, insurance penetration is an economic indicator that reflects the ratio of insurance premiums issued during the research period to country's GDP. This indicator helps to compare the importance of insurance activities for the country's economy and helps to monitor the insurance sector (OECD.statExtracts 2014). Since the study is focused on the non-life insurance market, the calculations are based on formula (1):

$$\text{Penetration non life} = \frac{\sum_{i=1}^n D_1}{GDP} \cdot 100\% \quad (1)$$

Insurance density is an economic indicator that describes the development of the insurance market. Insurance density indicator shows the average amount of insurance premium per capita (OECD.statExtracts 2014). Since the study is focused on the non-life insurance market, the calculations are based on formula (2):

$$\text{Density non life} = \frac{\sum_{i=1}^n D_1}{\text{Population}} \quad (2)$$

$D_1$  is Direct gross premiums in formulas (1) and (2).

These formulas will allow calculating the non-life insurance penetration and density. It is recommended to interpret these indicators with caution because the contracts can be purchased by citizens of different countries than that where the insurance policy was issued; moreover, there might also be essential differences among countries' levels of development and standards of living.

## The impact of the financial crisis on the insurance market

Lithuanian insurance market immediately after the restoration of Lithuanian independence was small with regards to the number of insurance organizations, but the situation began to change over the time. In 1990, the Insurance Law of the Republic of Lithuania came into force, which made it possible to establish the first private capital insurance companies. The statistics of 1992 show, that more than 90 percent of the insurance market was managed by the State insurance company. 1993 is marked in the Lithuanian insurance history as a year of a very rapid establishment of insurance companies because 32 insurance companies were registered (*Draudimas Lietuvoje 2002. 2004*). But over time, some insurance companies went bankrupt, some merged, some withdrew from the market and already from 2006, the same tendencies as in 2013 can be seen, i.e. the number of Lithuanian insurers is decreasing while the number of insurers from other EU member countries is increasing. In the non-life insurance market, affected by the financial crisis, 8 branches of European insurance companies out of 11 non-life insurance companies were operating in Lithuania in 2008. In 2013, 12 non-life insurance companies are operating in Lithuania, 9 of them are branches of European countries; while 9 insurance companies are operating in the life insurance market out of which 4 are branches.

The year 2008 was unfavorable to the world market, especially the second half of the year when the consequences of the financial crisis were felt by most of world countries. For the first time since 1980, the real world insurance market growth rate was negative and amounted to -2.0 percent. In 2008, insurance premiums, issued in the world insurance market, amounted to 4.3 billion US dollars, i.e. 3.4 percent more than in 2007. The amounts of issued life insurance premiums, decreased by 3.5 percent if compared to 2007, while the non-life insurance premiums decreased by 0.8 percent (in the industrialized countries, the non-life insurance market declined by 1.9 percent, and the life insurance market declined by 5.3 percent). The average growth rates in Europe significantly differed between the Western Europe countries (where the growth rates were negative and amounted to -6.9 percent) and the Central and Eastern Europe countries (they experienced a positive growth rate which amounted to 18.7 percent in life insurance and 5.7 percent in non-life insurance markets). Rapid growth, which was typical to the Lithuanian insurance market for several years, took the opposite direction in 2008. As similar trends prevailed in the global insurance market, Lithuanian insurance input in it has not changed and amounted to 0.02 percent of global insurance market in terms of issued premiums – the same as in 2007 (World insurance report 2008).

2008 was a breakthrough year for the Lithuanian insurance market. Even though the issued premiums decreased only slightly (2.6 percent), the market went into decline, which was influenced by the change of the country's economic cycle, i.e. transition from growth to recession period. It is interesting to note that during the downturn, when the life insurance market decreased by 32.2 percent, the amounts of issued non-life insurance premiums increased by 15.4 percent; however the real growth rate was negative in 2008 (-12.6 percent; the real growth rate was positive in 2007 – 34.7 percent). If compared to other European countries, the insurance market shrank more than in Lithuania only in the United Kingdom – 13 percent, Estonia – 13.2 percent, Liechtenstein – 15.4 percent. The largest of the insurance market among European countries was in Poland – 30.5 percent (World insurance in 2009).

One of the main indicators that reflect the development of the insurance market is part of the life insurance in the whole market. In the developed countries, the life insurance market amounts to more than 50 percent of a country's insurance market, while it ranges for about 60 percent in the global market. Lithuanian insurance market is dominated by non-life insurance, which amounts to 70 percent of the whole insurance market on the average (in 2007 – 62 percent, in 2012 – 68 percent) (*Draudimas Lietuvoje 2008. 2010*). The life insurance market in Lithuania, which has been growing until 2007, shrank and in 2008 returned to the level of 2005 (26 percent). The decrease of Lithuanian life insurance market share was mostly influenced by the decrease of the attractiveness of investment life insurance, which was caused by the subprime mortgage crisis in the United States in 2007 as well as by the stock price drop. It did not meet the expectations of the insurers to gain from the investments and particularly reduced the number of single premiums.

Lithuanian insurance market is traditionally dominated by the non-life insurance, whose rapid growth was slowed down by the global financial crisis, declining agricultural and household income (AIDUKIENĖ, SIMANAVIČIENĖ 2010, p. 12). Changes in the conditions and economic environment encouraged both insurers and assurers to begin adequately assessing potential risks and their consequences. The threats of the emerged recession influenced the insurance business to find new opportunities. Insurance companies had to take a fresh look at the business strategy and pay more attention not only to the retention of the existing insurance portfolio, but also to the development of complex insurance products, simplification of procedures, service culture and performing obligations on time. Fair competition, whose evidence was not only service price, but the value added of the insurance companies, should also contribute to that.

## Non-life insurance market: yesterday, today and what to expect tomorrow?

As it was already noted, the non-life insurance market grew by 15.4 percent even at the time of the economic recession. After accounting for the annual inflation, the real non-life insurance market growth amounted to 4.1 percent. The largest impact on the non-life insurance market growth was made by the property insurance premiums which increased by almost 58 percent. These increased results in this insurance group were determined by the increased insurance coverage in the agricultural sector. A faster growth rate was noticed in 2008 in the Mandatory Third Party Liability Insurance (MTPLI) – 8.2 percent, health insurance – 19.4 percent and credit insurance – 38.3 percent as well. However, the financial crisis, that emerged in the second half of 2008, determined that non-life insurance market shrank by 29.5 percent in 2009 (slightly later than in other economic sectors), and it was the most unfavorable year throughout the history of the Lithuanian non-life insurance market (see Table 1).

Table 1

Non-life insurance market indicators

Specification	2006	2007	2008	2009	2010	2011	2012	2013
Issued premiums [mill. Lt]	1,011	1,300	1,504	1,059	1,009	1,139	1,214	1,314
Claims paid [mill. Lt]	453	599	758	834	730	744	698	743

Source: own calculations based on data of the Central Bank of the Republic of Lithuania.

According to the insurers, the main factors that contributed to the market decline in 2009 were the following: unfavorable business environment, reduction of companies' solvency, increased distrust in the financial sector, the change in the legal framework. While the business kept changing, the competition intensified so in order to keep its market share, hasty decisions were taken which were not always justified, the risk assumed was underestimated. Given the strong decrease in the non-life insurance market, it was expected that the amount of claims paid should also decline, yet the total insurance payments made in 2009 were by 11.6 percent higher than a year ago and reached 834 million Lt. In general, the growth of the claim settlements was determined by the credit insurance premiums, whose sum rose more than 5 times and amounted to 154.3 mill. Lt. (*Draudimas Lietuvoje 2009 2011*). It should be noted that the year 2010 was not favorable to the non-life insurance market due to the slow recovery of country's economic areas related to the non-life insurance market. The ongoing recession in transport and construction sec-

tors, lack of effective measures to stimulate the economy limited the demand of non-life insurance products. Also, the unfavorable labor market indicators determined the fact that the population buying the services of this market has not been active. In 2010, the extent of non-life insurance market decline was increased by the credit insurance, whose insurance premiums decreased by 56.6 percent to 11.0 mill. Lt. Due to the high credit insurance premiums, one of the insurers withdrew from the credit insurance market, and other insurance companies started assessing credit risk much rigorously. However, it can be seen that the largest impact on the decline of the non-life insurance premium was made by the decrease of credit insurance claims by 33.3 percent (*Draudimas Lietuvoje 2010 2012*).

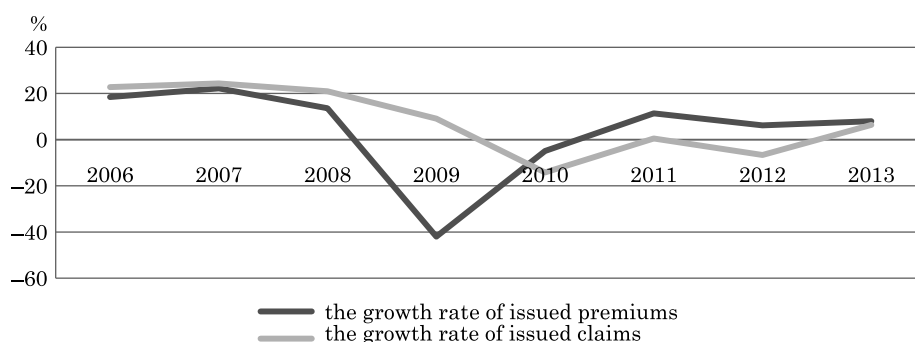


Fig. 1. The growth rate of issued premiums and claims, in percent

Source: Own study on the basis of data in Table 1.

The number of non-life insurance contracts concluded in 2013 has been growing at a similar rate as for three consecutive years. Only during 2013, the Lithuanian non-life insurance market had 5.2 million units of insurance contracts; this is 3.7 percent more than in 2012, and even 18.3 percent more than in 2008 when non-life insurance market was of highest capacity in terms of premiums (Central Bank of the Republic of Lithuania 2013). The growth rate shows that the largest decline in paid non-life insurance claims was from 2009 until 2010 and amounted to 14.2 percent (see Fig. 1). In 2013, 742.6 million Lt of claims were paid in the non-life insurance market, or 6.5 percent more than in 2012. It was influenced by the growing volume of MTPLI insurance, therefore in 2013 the amounts paid increased significantly. During 2013, in the insurance group covering the largest part of the portfolio there were 271.3 million Lt paid as insurance benefits, 5.2 percent more than in 2008. After evaluating the changes in the number of claims, it was noted that both MTPLI and Voluntary vehicle insurance (CASCO) average insurance



benefits exceeded the average of the previous periods – the increase in the average amounts was due to the rising prices of services and auto detailing.

The analysis of the non-life insurance penetration indicator evidenced that 299 Lt of non-life insurance premiums were attributed per capita in 2006 (see Table 2). While the non-life insurance was growing, the number of premiums also increased, and that influenced the increase in insurance density in 2008 up to 449 Lt. After the beginning of the crisis, the residents of the country started insuring their property less, therefore the density decreased in 2009 as well and amounted to 318 Lt, while in 2011 – to 311 Lt. Since 2011, as the insurance market situation started improving, the number of payments also increased, therefore one resident of the country would on average spend 446 Lt for the non-life insurance services in 2013, which is almost the same as before the crisis.

Table 2

Non-life insurance density and penetration

Specification	2006	2007	2008	2009	2010	2011	2012	2013
Density [Lt]	299	386	449	318	311	356	407	446
Penetration [%]	1.22	1.31	1.34	1.15	1.06	1.07	1.07	1.11

Source: own calculations based on data of the Central Bank of the Republic of Lithuania

Non-life insurance penetration rate shows the rate of the non-life insurance premiums to gross domestic product. Since the non-life insurance premiums rose faster than the gross domestic product in Lithuania, the indicator has been rising every year until 2008 and amounted to 1.34 percent in 2008.

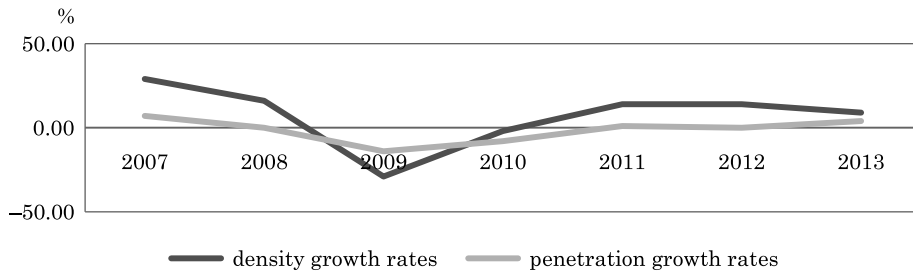


Fig. 2. The growth rate of the non-life insurance market density and penetration, in percent  
Source: Own study on the basis of data in Table 2.

After the crisis hit the country's economy in 2009, the amount of insurance premiums decreased, and the penetration rate in 2009 decreased to 1.15 percent, while in the 2010 it reached the lowest value of 1.06 percent.

During the period of 2011–2012, a slight increase was recorded (the penetration rate was 1.07 percent), and in 2013 it reached 1.11 percent. The analysis of the density and penetration growth rates evidenced that the greatest decline occurred in 2009. Since non-life insurance market growth depends on the demand for insurance in other sectors of economy, it is likely that as the main sectors of economy start growing, non-life insurance market should also grow and the sector of the commercial insurance should recover. As the competition in the non-life insurance market remains high, it is necessary to search for new progressive solutions in order to maintain the market share. After the country's economy returns to the growing tendencies, non-life insurance market is dominated by an optimistic forecast, because as the economy grows, the demand for the insurance products grows as well, and in the long run the main challenge remains to increase the customers' trust in insurance coverage.

### **Analysis and prospects of the MTPLI, CASCO and Property insurance market**

During the period analyzed, the Lithuanian non-life insurance premiums' portfolio structure was stable and throughout the whole period non-life insurance market is dominated by MTPLI, CASCO and property insurance. All road vehicles registered in Lithuania must be insured with Motor Third Party Liability Insurance. MTPLI insurance is an insurance that has the highest volume of signed contracts among all non-life insurance groups. In 2009, even though a little decreased, MTPLI insurance group remained the main non-life insurance market maker. In terms of premiums, it takes 34.4 percent of non-life insurance market (*Draudimas Lietuvoje 2009. 2011*). The number of contracts concluded in the largest insurance group (MTPLI) increased by 5.7 percent in 2013 (see Table 3).

The growth of MTPLI insurance premiums in 2012 was determined by the changed amount of insurance for a single accident in Lithuania, as well as increasing losses due to damages abroad. In 2013, 469 million Lt of MTPLI insurance premiums were issued, i.e. 6.3 percent more than before the crisis in 2008. As the business volume of MTPLI insurance grew, the amounts paid increased significantly (Central Bank of the Republic of Lithuania 2013). The insurance group covering the largest part of the portfolio paid 271.3 million Lt of insurance benefits in 2013, or 11.4 percent more than in 2012, and 5.2 percent more than in 2008. Commercial MTPLI insurance in Lithuania is much less common than the non-commercial, yet every year the number of commercial vehicles is almost twice if compared to non-commercial. The part of commercial vehicles, when compared with non-commercial decreased signifi-

Table 3  
The indicators of Mandatory Third Party Liability insurance, CASCO and Property insurance

Specification	2006	2007	2008	2009	2010	2011	2012	2013
Mandatory Third Party Liability insurance								
Concluded contracts [th. Units]	2,314.4	2,571.0	2,354.6	2,248.1	2,336.5	2,472.3	2,535.7	2,680.4
Contract growth [%]	20.7	11.1	-8.4	-4.5	3.9	5.8	2.6	5.7
Issued premiums [mill. Lt]	366.2	450.1	480.9	376.7	374.6	390.0	425.0	469.1
Claims paid [mill. Lt]	187	239	268.5	256.3	232.6	234.9	243.5	271.3
Commercial insurance [%]	38	38	34	28	32	36	36	39
Non-commercial insurance [%]	62	62	66	72	68	64	64	61
CASCO insurance								
Concluded contracts [th. Units]	163.1	170.5	186.3	167.6	169.8	178.7	210.6	237.4
Contract growth [%]	6.7	1.05	8.5	-10.9	1.4	5.6	15.3	11.1
Issued premiums [mill. Lt]	301.0	411.8	401.0	245.3	223.3	256.3	287.0	307.3
Claims paid [mill. Lt]	163.1	210.2	258.5	225.1	212.1	212.1	198.4	213.3
Commercial insurance [%]	67	67	66	57	57	59	59	60
Non-commercial insurance [%]	33	33	34	43	43	41	41	40
Property insurance								
Concluded contracts [th. Units]	430.7	496.2	519.8	863.3	952.4	989.4	1,051.1	1,090.5
Contract growth [%]	8.2	15.2	4.6	39.8	9.3	3.7	5.9	3.7
Issued premiums [mill. Lt]	165	219	345.2	223.2	207.8	243.3	234.6	255.2
Claims paid [mill. Lt]	50.0	101.1	126.1	122.7	121.5	170.4	104.4	77.7
Commercial insurance [%]	56	57	62	52	47	49	43	43
Non-commercial insurance [%]	44	43	38	48	53	51	57	57

Source: own calculations based on data of the Central Bank of the Republic of Lithuania

cantly in 2009 (in 2008 it was 34 percent) (see Table 3), and it was determined by the shrinkage of the business sector due to the financial crisis. After the number of companies decreased, the number of commercial vehicles decreased as well, which resulted in the decrease in compulsory vehicle insurance. However, there is a new trend in 2013 – since the economy and business sectors are recovering, the share of commercial insurance in the whole market is also increasing.

After Lithuanian car park slowly upgraded, CASCO insurance group amount increased to 307.3 million Lt in 2013, i.e. 7.1 percent more than in 2012. Unlike contracts, there were more payments issued in the commercial insurance segment. The slower relative of growth of insurance contracts concluded in MTPLI, if compared to the growth of premiums, shows the growth of average premium in this insurance group; yet the trends of CASCO insurance are the opposite – the relative growth of concluded insurance contracts was higher than the growth in premiums which resulted in the

decline of average payments. It should be noted that the fixed CASCO insurance average premium was the lowest over the last ten years, while MTPLI insurance average premium in the commercial segment was the highest, but lower in the population segment if compared to 2008. The relative growth of CASCO insurance benefits was lower than that of TPVCA insurance – 7.5 percent. After evaluating the change in the number of benefits, it was noted that average benefits of both MTPLI and CASCO insurance exceeded the average paid amounts of previous periods – the increase in the average sums was determined by the rising prices in repair and car parts.

Property insurance was the fastest growing insurance type in all non-life insurance market until 2008 when the economic crisis sharply reduced the volume of insurance premiums. The premiums issued in 2008 amounted to 345.22 million Lt. This growth was determined by the rising inflation, which increased value of the private and commercial property throughout the mentioned period quite significantly. As the asset prices rose, so did the insurance premiums for any movable or immovable property. However, the amount of issued premiums decreased by 39.8 percent already in 2008 (*Draudimas Lietuvoje 2010. 2012*). The property insurance market began to recover from the second half of 2010; even though the amount of claims paid remained huge, the number of premiums and contracts increased.

One of the most successful periods for the non-life insurance market was 2013. There were no huge natural disasters during this period in Lithuania. The decrease of the amounts paid in the property insurance group (25.6 percent, to 77.7 million Lt) was determined by the smaller amounts paid to the legal persons. The amount of property insurance benefits for the residents increased by 8.7 percent, up to 45.4 million Lt and exceeded the amounts paid to the legal entities by 40 percent (Central Bank of the Republic of Lithuania, 2013). This indicates that the residents insure their property more actively than the business and the amounts of the property insurance of the residents exceeds the amounts of property insurance of the legal entities for several years now. The premiums issued in the property insurance segment for residents amounted to 145.1 million Lt, i.e. the most during the last ten years.

As for non-life insurance market prospects, AIDUKIENĖ, SIMANAVIČIENĖ (2010, p. 13), note that insurance market indicators are related to social environment factors such as unemployment level, the decrease in purchasing power of population, migration, etc. Therefore, when predicting results of MTPLI, CASCO and property insurance, it was determined that the strongest relation was between the issued MTPLI premiums and the average monthly gross wages ( $r = 0.90$ ,  $P$ -value = 0.002), between the property insurance premiums and the unemployment rate ( $r = 0.94$ ,  $P$ -value = 0.001), and

between the CASCO insurance premiums and the unemployment rate ( $r = 0.98$ ,  $P$ -value = 0.000). After determining the determination coefficients and regression equations, it is likely that if the unemployment rate in 2014 is 10 percent, and the average monthly gross salary rises to 2274.4 Lt (Central Bank of the Republic of Lithuania, forecast), the growth of these three main non-life insurance groups is expected to be about 7 to 10 percent. This forecast is in line with the forecast of Deputy Director of the Maintenance Office Prudential Supervision department of the Bank of Lithuania M. Šalčius, who states that the Lithuanian non-life insurance, in terms of premiums should grow by 8 to 10 percent in 2014 if compared to 2013, if the economic trends remain unchanged (Central Bank of the Republic of Lithuania 2013). In summary, the property commercial insurance demand should increase both due to the development of individual business areas and urbanization, public spending on infrastructure projects. Vehicle insurance coverage will increase if new car sales increase, higher household income will increase the demand for property insurance, but if similar trends of the development of loss ratios remain, non-life insurance market growth in the future will be accompanied by inevitable increase in insurance prices.

## **Conclusions**

Developing economy, agriculture and business sector resulted in rapid expansion of insurance market and until 2008 Lithuanian insurance market developed rapidly. However, as the crisis began in 2008, both life and non-life insurance markets shrunk. After a very large (by a quarter) decrease of the market in 2009, it is noticed that the insurance sector is recovering. However, though the volume of premiums issued in 2013 increased if compared to 2012, they still remain lower than during the pre-crisis period.

It can be said that the changes in the insurance market is determined by the efforts of the market participants and the environment in which the market operates. The year of 2010 is distinguished in the Lithuanian non-life insurance market with a track of unusual abundance of adverse events. Unexpected natural disasters were additional challenges for the economy and population of the country which has been recovering hard from the crisis. However, the insurers had no problems, when compensating for the losses due to disasters, the companies' trust in the insurance as a mean to protect from unexpected losses increased, and that encouraged a rapid growth in the main non-life insurance groups, whose results can be seen already today.

Throughout the whole period analyzed the structure of the portfolio of the issued premiums in Lithuanian non-life insurance market remained stable and

non-life insurance market is dominated by MTPLI, CASCO and property insurance. The identification of customer needs and search of the opportunities to offer them attractive products, retention of existing customers, monitoring and analyzing of the market situation and reacting to the market changes remain as priorities which should result in non-life insurance market growth.

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