

# THE DEVELOPMENT OF EUROPEAN INSURANCE MARKET INFRASTRUCTURE

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## Abstract

**The aim** is to consider the development of different elements of European insurance market infrastructure. The next tasks of the study were done: to generalize main indicators of the development of European insurance market from 2012 to 2016; to characterize elements of European insurance market infrastructure and define their collaboration with elements of the world insurance market infrastructure.

**Methodology.** Such methods were used to do an abovementioned tasks: information collection about elements of European insurance market infrastructure; analysis of tendencies of the main indicators of the development of European insurance market from 2012 to 2016; generalization to characterize the elements of European insurance market infrastructure, define their collaboration with the elements of the world insurance market infrastructure and make conclusions.

**Results.** Main indicators of the development of European insurance market were increasing from 2012 to 2014 and decreasing from 2015 to 2016. Total premium volume as a share in GDP of Europe (insurance penetration) did not exceed 7 % from 2012 to 2016 and as a share in the world GDP declined from 2.1 % in 2014 to 1.95 % in 2016. It was connected with results of the United Kingdom referendum on the European Union membership. The development of European insurance market is also under the influence of activity of elements of insurance market infrastructure such as Actuarial Association of Europe (AAE), Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE), European Financial Management Association (EFMA), European Insurance and Occupational Pensions Authority (EIOPA), European Federation of Insurance Intermediaries (BIPAR), European insurance and reinsurance federation (Insurance Europe), Geneva Association, Insurance Institute of London (IIL).

**Value.** This research indicates that the development of European insurance market infrastructure is caused by different factors: financial crises, legislation gap, improving the quality of information and others. Various of elements of European insurance market infrastructure were established to overcome such challenges and provide participants of insurance market with a necessary information, consultations, educational services and results of research, also through collaboration with elements of the world insurance market infrastructure. Results of this investigation can become a ground for further research in the field of defining an impact of activity of infrastructure elements on the development of an insurance market.

**Keywords:** insurance market, infrastructure, insurance intermediaries, insurance associations.

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## 1. Introduction

European insurance market infrastructure includes various elements such as associations of insurers, insurance intermediaries, authorities and other organizations. They are established to achieve different goals. Appearing of new challenges in the insurance market leads to founding of appropriate insurance associations to overcome them. Therefore a study of the development of European insurance market infrastructure is quite important.

Lots of publications reflects general issues of the structure, regulation and growth of European insurance market. The structure of the financial system of the European Union including the structure of insurance market are considered in [1, 2]. Different aspects of regulation of European insurance market are presented in [3–5]. The key indicators of European insurance market are disclosed in [6, 7]. However, far too little attention has been paid to European insurance market infrastructure.

## 2. Analysis of literary data and statement of the problem

Some authors investigate influence of financial crises [7, 9], political events such as Brexit [4, 8], regulatory acts such as Solvency II [3, 5] and entry of foreign insurance companies into national markets [2] on development of European insurance market and other markets. Another

authors defined the connection between indicators of insurance market development and economic growth of European countries [1, 6, 10]. But there is a lack of attention to elements of infrastructure as a factor of progress of European insurance market.

### 3. The aim and tasks of the research

The aim of this paper is to consider the development of different elements of European insurance market infrastructure.

The next tasks of the study were done:

- to generalize main indicators of the development of European insurance market from 2012 to 2016;
- to characterize elements of European insurance market infrastructure and define their collaboration with elements of the world insurance market infrastructure.

### 4. Materials and Methods

The following methods were used to do an abovementioned tasks: information collection about elements of European insurance market infrastructure; analysis of tendencies of the main indicators of the development of European insurance market from 2012 to 2016; generalization to characterize the elements of European insurance market infrastructure, define their collaboration with the elements of the world insurance market infrastructure and make conclusions. Information and data for this research are from official web sites of the elements of European insurance market infrastructure and Swiss Re Institute's publications

### 5. Results

Main indicators of the development of European insurance market were increasing from 2012 to 2014 and decreasing from 2015 to 2016, what is presented in **Table 1**.

**Table 1**

Indicators of the development of European insurance market from 2012 to 2016

Indicator	2012	2013	2014	2015	2016	Tendencies	
						2014/2012	2016/2014
Life insurance premium volume, bln of USD	881.00	933.72	1002.56	872.00	858.6	↑	↓
Non-life insurance premium volume, bln of USD	659.68	686.41	692.53	597.00	611.4	↑	↓
Total premium volume, bln of USD	1540.68	1620.13	1695.09	1469.00	1470.0	↑	↓
Insurance density: premiums per capita in USD	1724.4	1833.5	1902.0	1634.4	1620.0	↑	↓
Insurance penetration, %	6.73	6.82	6.83	6.89	6.73	↑	↓
Total premium volume as a share in the world GDP, %	2.17	2.19	2.19	2.0	1.95	↑	↓

Source: compiled by the author based on Swiss Re Institute's data [11–15]

**Table 1** shows that total premium volume as a share in Gross Domestic Product (GDP) of Europe (insurance penetration) did not exceed 7 % from 2012 to 2016 and as a share in the world GDP declined from 2.1 % in 2014 to 1.95 % in 2016. It was connected with results of the United Kingdom referendum on the European Union membership [14]. It is necessary to mention that the United Kingdom insurance market is the biggest in Western Europe.

The development of European insurance market is also under the influence of activity of elements of insurance market infrastructure such as Actuarial Association of Europe (AAE), Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE), European Financial Management Association (EFMA), European Insurance and Occupational Pensions Authority (EIOPA),

European Federation of Insurance Intermediaries (BIPAR), European insurance and reinsurance federation (Insurance Europe), Geneva Association, Insurance Institute of London (IIL) (**Table 2**).

**Table 2**

Characteristic of elements of European insurance market infrastructure

Element	Characteristic
Actuarial Association of Europe (established in 1978)	Its purpose is to provide advice and opinions to the various organizations of the European Union – the Commission, the Council of Ministers, the European Parliament, EIOPA and their various committees – on actuarial issues in European legislation. The AAE currently has 36 member associations in 35 European countries, representing over 22,000 actuaries. Advice and comments provided by the AAE on behalf of the European actuarial profession are totally independent of industry interests
Association of Mutual Insurers and Insurance Cooperatives in Europe (established in 2008)	Provides a platform for mutual and cooperative insurers of all sizes to combine resources and expertise, exchange experiences across national borders and discuss key issues and concerns relating to planned legislative and regulatory changes and developments
European Financial Management Association (established in 1971)	Not-for-profit association formed by bankers and insurers, specializes in retail financial marketing and distribution. More than 3,300 brands in 130 countries are EFMA members including over 80 % of Europe's largest retail financial institutions
European Insurance and Occupational Pensions Authority (established in 2001)	The core responsibilities are to support the stability of the financial system, transparency of markets and financial products as well as the protection of policyholders, pension scheme members and beneficiaries. EIOPA is commissioned to monitor and identify trends, potential risks and vulnerabilities stemming from the micro-prudential level, across borders and across sectors
European Federation of Insurance Intermediaries (established in 1937)	Primary mission is to promote a European regulatory environment in which intermediaries can prosper and that, at the same time, can ensure fair competition, an adequate level of consumer protection and a sound insurance and financial market. BIPAR is also a platform to develop coordinated actions in the interest of the European community of insurance and financial intermediaries
European insurance and reinsurance federation (founded in 1953)	Mission is: To draw attention to issues of strategic interest to all European insurers and reinsurers in a sustainable manner To raise awareness of insurers' and reinsurers' roles in providing insurance protection and security to the community as well as in contributing to economic growth and development. To promote – as the expert and representative voice of the insurance industry – a competitive and open market to the benefit of the European consumer as well as corporate clients
Geneva Association (established in 1973)	Activity is connected with high-quality research and analysis on strategic insurance issues such as: Financial Stability and Regulation, Extreme Events and Climate Risk, Global Ageing, Cyber and Innovation, The Protection Gap
Insurance Institute of London (established in 1907)	To ensure: "The cultivation of knowledge and information in all matters relating to the various branches of insurance" through its lecture and visits programmes, its journal and its research

Source: compiled by the author based on information from: [16–23]

Various abovementioned elements of European insurance market infrastructure were established in XX–XXI centuries to develop and support different aspects of insurance market: legislation, protection interests, education, research. It is difficult without collaboration with elements of the world insurance market infrastructure (**Table 3**).

**Table 3**

Collaboration with elements of the world insurance market infrastructure

Element of European insurance market infrastructure	Element of the world insurance market infrastructure
Actuarial Association of Europe	International Actuarial Association
Association of Mutual Insurers and Insurance Cooperatives in Europe	The International Cooperative and Mutual Insurance Federation (ICMIF) – is a global partner of AMICE
European Federation of Insurance Intermediaries is a member of WFII	World Federation of Insurance Intermediaries (WFII)
European Insurance and Occupational Pensions Authority is a member of IAIS	International Association of Insurance Supervisors (IAIS)

Source: compiled by the author based on information from: [16, 17, 19, 20]

The information from **Table 3** makes possible to generalize that most elements of European insurance market infrastructure collaborate with its members, different organizations at micro level and with elements of the world insurance market infrastructure at macro level to achieve set goals, plans and positive results.

## 6. Discussion

Results of this investigation can become a ground for further research in the field of defining an impact of activity of infrastructure elements on development of the insurance market.

## 7. Conclusions

This study gives a possibility to make the next conclusions:

- indicators of the development of European insurance market is caused by different factors: financial crises, legislation gap and others;
- various of elements of European insurance market infrastructure were established to overcome such challenges and provide participants of insurance market with a necessary information, consultations, educational services and results of research, also through collaboration with elements of the world insurance market infrastructure.

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