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International Cooperative and Mutual Insurance Federation

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# Facts and figures

Mutual and cooperative insurance in Europe  
Vol 2

## Excerpt: Latvia

*Facts and figures: Mutual and cooperative insurance in Europe Vol 2*

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# Methodology

## Business scope

The study focuses on the direct insurance sector and does not in principle include reinsurance. Therefore, the report is based on direct (gross) premiums written by insurance companies (in both the total market and mutual/cooperative market) and reinsurance premiums have, where possible, been eliminated.

## Types of insurers included

The main purpose of the study is to describe the mutual and cooperative insurance sector by highlighting the size, relevance and socio-economic importance of mutual and cooperative insurers in the region.

The definition of the “total mutual/cooperative insurance sector” in this report<sup>1</sup> includes insurance undertakings whose legal status is classified as “mutual” or “cooperative” in their national law, as well as insurers whose structure and values reflect the mutual/cooperative form (see definition 3 below).

Extending the definition in this way has enabled the study to include all organisations which operate on mutual/cooperative principles, in line with the report’s research objectives, without being restricted by legal definitions, of which there is a wide variety across Europe.

Insurance companies included in this study have been categorised by three definitions relating to their legal structure and ownership.

### 1. Mutual/cooperative insurers in the legal form (definition 1)

Mutual and cooperative insurers in a legal form of a (insurance) mutual or cooperative.

In addition, insurance undertakings whose legal structure corresponds to or is in some way aligned with the mutual/cooperative model and whose legal structure is different to a joint-stock (limited) company. These include friendly societies, community benefit societies<sup>2</sup> and protection and indemnity (P&I) clubs.<sup>3,4</sup>

### 2. Subsidiaries of mutual/cooperative insurers in the legal form (definition 2)

Subsidiaries of a (definition 1) mutual or cooperative insurer in the legal form.<sup>5</sup> These are commonly operated in the legal form of a joint stock or limited company. In any given market, insurance companies within this definition include subsidiaries of both domestic and foreign-based (including non-European markets) mutual/cooperative insurers in the legal form.

### 3. Mutual/cooperative-type insurers (definition 3)

This encompasses the remaining mutual/cooperative insurance companies not classified by definition 1 or definition 2. It includes companies that:

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<sup>1</sup> Note that while this definition is the same as the definition used by ICMIF in its *Global Mutual Market Share* reports, there are a number of instances where various companies’ data included in the ICMIF research have been excluded (or classified differently) in this study. These differences will be noted.

<sup>2</sup> See chapter on the UK.

<sup>3</sup> A P&I club is a mutual insurance association that provides risk pooling, information and representation for its members. Unlike a marine insurance company, which reports to its shareholders, a P&I club reports only to its members. Originally, P&I Club members were typically ship owners, ship operators or demise charterers, but more recently freight forwarders and warehouse operators have been able to join.

<sup>4</sup> Due to the international nature of P&I Clubs, premium data on domestic risks only (if known) are included in each chapter’s figures. For this reason, P&I Clubs in Europe (either registered in or operating within) have been excluded from the ranking of the largest mutual/cooperative insurers (see Top 100 chapter).

<sup>5</sup> The main condition for inclusion in this category is that the ultimate parent company is itself actively engaged in insurance activities, even if only to a limited extent.

- are owned by, governed by and operated in the interests of their members or policyholders;
- are inspired by mutualist and/or cooperative ideas; and/or
- are structured in such a way that they are not (majority) controlled by outside capital interests.

It features a range of different company structures, often in the legal form of a limited insurance company,<sup>6</sup> which is majority-owned by a non-insurance mutual or cooperative organisation or group (including banks). It also includes insurance undertakings that are owned by or governed by a membership or community organisation, charitable trust, foundation, union or other non-profit organisation.

*Note that when reference is made throughout the report to the “total mutual/cooperative insurance sector (or market)” or the “total number of mutual/cooperative insurance companies”, this refers to all definitions (1-3) of insurers categorised above.*

## Legal research

Desk research was carried out to produce the legal sections of the report. When information was not readily available, national supervisors, national insurance associations and trade bodies have been consulted where possible.

The ECB annual average exchange rates have been used in the legal part of the report where necessary.

## Total insurance market figures

In each chapter, the total number of licensed insurance undertakings has been taken from the national insurance regulator or supervisory body where available. In certain instances, the totals have been adjusted to include insurance undertakings that are licenced and operating within the market, but were not included in the figures produced by the supervisor. Where data was not available from the national supervisor, national insurance associations and trade bodies have been consulted where possible.

To ensure consistency across all markets in this study, figures on the total insurance market in each country have been taken from Swiss Re’s *sigma* data.<sup>7</sup> These have also been compared against additional data obtained from national supervisors/regulators, although some differences between Swiss Re’s data and supervisory data may be noted. In certain instances, figures produced by Swiss Re have also been adjusted to ensure reporting year consistencies and to include insurance business that is not covered in their data.

Life and non-life business in this study are categorised according to standard EU conventions, which is the same categorisation as in Swiss Re’s data. In relation to health insurance, this is classified as non-life insurance throughout the study, even where it is classified differently in individual markets.<sup>8</sup>

For the statistical part of the report, variable currency exchange rates have been used for the different years, with all figures converted into euros (EUR). To allow for more accurate market share calculations, exchange rates used for the mutual/cooperative insurance sector are the same as those used by Swiss Re in order to be consistent with the euro conversion of the total market figures.

Growth figures of individual markets have been calculated in local currency terms throughout the report unless otherwise stated in order to eliminate misleading effects of exchange rate fluctuations and thus ensure accurate year-on-year comparisons.

## Number of members/policyholders

The definition of “members/policyholders” in this instance may refer to the number of customers, clients or people insured by mutual/cooperative insurers, as there is no consistency between markets or companies regarding which figure (if any) is reported.

<sup>6</sup> In certain markets where insurance companies cannot take the legal form of a mutual or cooperative (or have restrictions on the line of business which they can offer), figures may nevertheless be indicated for the mutual/cooperative insurance market due to the presence of definition 2 and definition 3 insurers.

<sup>7</sup> Data has been taken from updated statistics, originally published in Swiss Re Institute’s *sigma World Insurance* reports. The most recent report was Swiss Re Institute, *Q3/2016 World insurance in 2015: steady growth amid regional disparities*.

<sup>8</sup> The major example of this is in Germany, where health insurance is classed as a life insurance product.

However, it should be noted that each policy issued by a mutual/cooperative insurer equates to a single member/policyholder. If an individual person or entity purchases more than one insurance product from mutual/cooperative insurers, that multiplicity of policies will be recognised in the overall member/policyholder figures for each country.



## Mutual/cooperative insurance companies

### Landscape

The Financial and Capital Market Commission – FKTK (*Finanšu un kapitāla tirgus komisija*) is an autonomous public institution which carries out the supervision and regulation of Latvian insurance companies, as well as banks, credit unions, pension funds and payment institutions.<sup>1</sup> Insurance undertakings in Latvia are required to obtain a licence from the FKTK in order to provide insurance services.<sup>2</sup>

The Latvian insurance market is governed by the Insurance and Reinsurance Law of 2015 – Insurance Law (*Apdrošināšanas un pārapdrošināšanas likums*) which transposes the Solvency II Directive into domestic law.<sup>3</sup>

The Insurance Law excludes from its scope the following operations:<sup>4</sup>

- national social insurance.
- the transactions of self-assistance funds, the amount of the disbursed indemnity of which is dependent on the available funds, and the contribution of the members of which is determined based on a single rate.
- operations carried out by organisations other than legal persons in order to provide mutual insurance to the members thereof without making premium payment or establishing technical provisions.
- certain mutual insurance cooperative companies, which are small in size (gross revenue not in excess of EUR 5 million, gross technical provisions not in excess of EUR 25 million), pursue insurance only in some non-life classes, and are completely reinsured by another mutual insurance cooperative company.

Insurers in Latvia cannot pursue life and non-life insurance concurrently, except for the cases where life insurers want to also pursue accident and health insurance.<sup>5</sup> Nevertheless, an insurance company must ensure that life insurance is separated from non-life insurance.<sup>6</sup>

An insurance undertaking in Latvia can have one of the following legal forms:<sup>7</sup>

- a joint stock company (*akciju sabiedrība*)
- a European Company (*Eiropas komercsabiedrība*)
- a mutual insurance cooperative society (*savstarpējās apdrošināšanas kooperatīvā sabiedrība*)

Mutual insurance cooperative societies are permitted to underwrite either life or non-life insurance. Cooperative companies in Latvia are governed by the Law of 5 February 1998 on Cooperative Companies (*Kooperatīvo sabiedrību likums*).

<sup>1</sup> FKTK's [website](#).

<sup>2</sup> Section 4(1) of the Insurance and Reinsurance Law of 2015 – Insurance Law.

<sup>3</sup> Informative Reference to EU Directives, Insurance Law.

<sup>4</sup> Section 3 of the Insurance Law.

<sup>5</sup> Section 16 of the Insurance Law.

<sup>6</sup> Section 17 of the Insurance Law.

<sup>7</sup> Section 5 of the Insurance Law.

## Number of licensed insurance undertakings

At the end of 2015, there were eight insurance companies operating in Latvia,<sup>8</sup> of which two were life insurers and six were non-life insurers. In addition, there were 14 branches of foreign insurance companies (four life insurers and 10 non-life insurers) present in the Latvian market.

In comparison, at year-end 2007, there were 15 insurance companies operating in Latvia: four life insurers and 11 non-life insurers (plus seven insurance companies operating as subsidiaries of foreign insurers).<sup>9</sup>

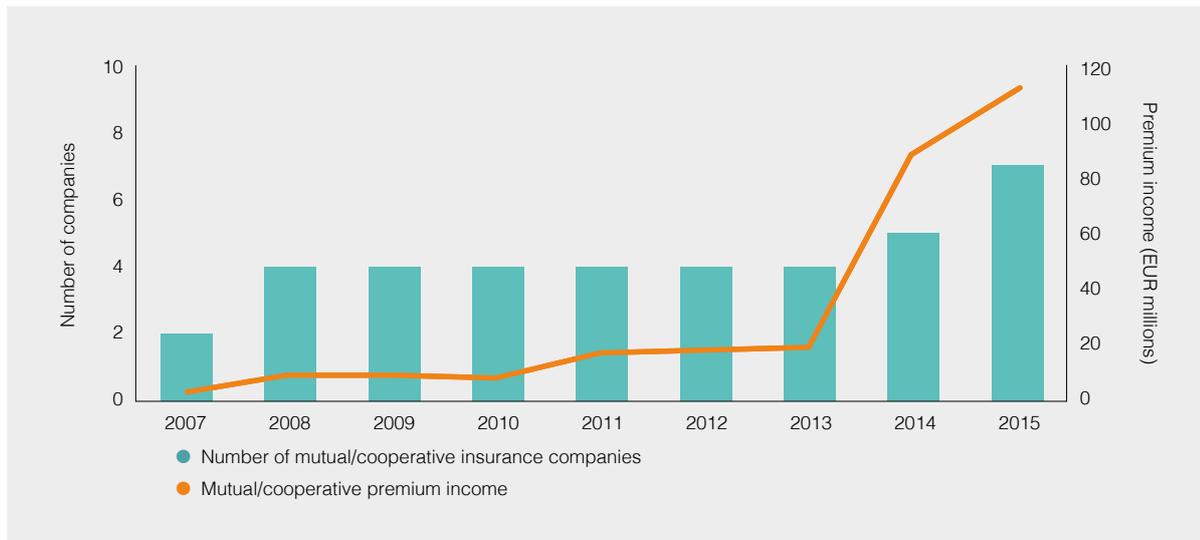
## Number of mutual/cooperative insurers

In total, there were seven mutual/cooperative insurance companies present in the Latvian market in 2015. Of these, two were non-life insurance companies (both wholly-owned subsidiaries of foreign mutual/cooperative-type insurers) and five were branches of foreign mutual/cooperative insurance companies (one engaged in life insurance and four in non-life activities).

Up until 2012, there was one mutual/cooperative insurer in the legal form operating in Latvia: Lauto Klubs (Mutual Insurance Cooperative Union – MICU), a non-life mutual insurance cooperative society.<sup>10</sup>

Overall, there were an additional five mutual/cooperative insurance companies operating in 2015 compared to 2007 (see Figure 1), when there were only two mutual/cooperative insurers present (one non-life mutual/cooperative insurer in the legal form and one non-life branch of a foreign mutual/cooperative-type insurer).

Figure 1  
Number of mutual/cooperative insurance companies and total mutual/cooperative premium income (2007-2015)



<sup>8</sup> FKTK (2016) *Annual Report and Activity Report of the Financial and Capital Market Commission for 2015*.

<sup>9</sup> FKTK (2008) *Annual Report of the Financial and Capital Market Commission for 2007*.

<sup>10</sup> In 2012, the Financial and Capital Market Commission revoked the insurance licence issued to Lauto Klubs.

## Size and growth of the mutual/cooperative insurance sector

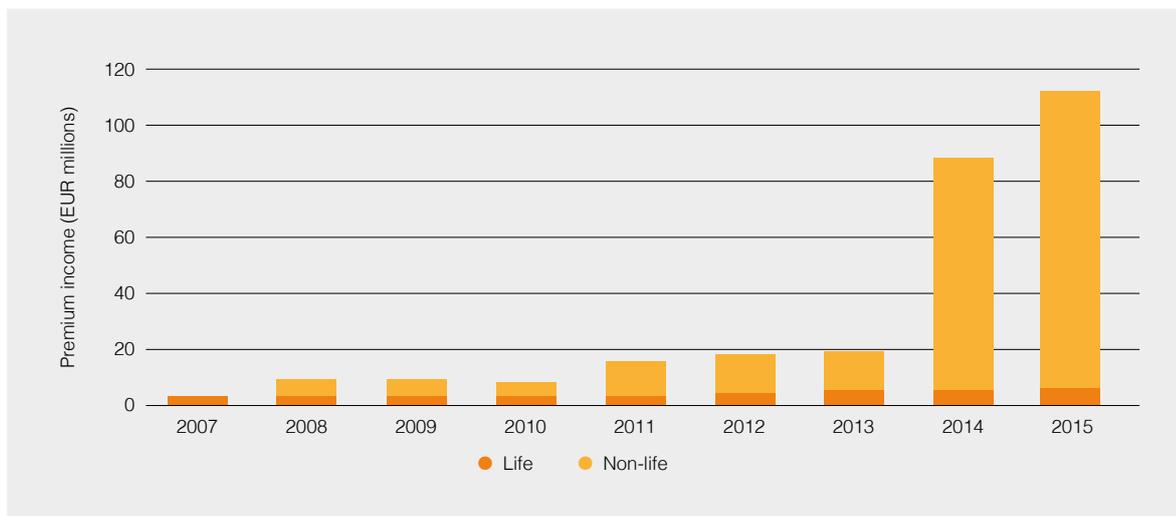
### Total

The Latvian insurance market amounted to EUR 379 million in premiums in 2015, of which the majority (88%) was written in the non-life sector (EUR 333 million). Since 2007, the total market has contracted by 13.1%,<sup>11</sup> dropping from an aggregate premium income of EUR 436 million in 2007.

The mutual/cooperative insurance sector in Latvia have seen considerable development since 2007, increasing total premiums levels from EUR 3 million to EUR 112 million in 2015 (see Figure 2). Rapid premium growth was particularly notable in the two years from 2013, following the new inclusion of business from two further mutual/cooperative-type insurers in the Latvian mutual/cooperative market figures.<sup>12</sup>

Figure 2

#### Premium income of mutual/cooperative insurance companies (2007-2015)



### Life

Life insurance premiums in Latvia reached EUR 46 million in 2015. This represented a 76.5% growth from EUR 26 million of life business reported in 2007.

There was only one company (a mutual/cooperative-type insurer) that contributed to the life insurance figures for the mutual/cooperative sector. In 2015, premiums for this entity amounted to EUR 6 million (2007: EUR 3 million).

### Non-life

In the non-life sector, total premiums of the Latvian market declined in the period since 2007 (EUR 410 million), falling by 18.7% to EUR 333 million in 2015.

Over 94% of total Latvian mutual/cooperative business was written in the non-life insurance sector in 2015. Premium volumes exceeded EUR 100 million for the first time in 2015 (EUR 106 million) and showed massive growth since 2007, when just EUR 0.2 million of premiums were written.

<sup>11</sup> As Latvia adopted the euro on 1 January 2014, all growth figures are in euro terms.

<sup>12</sup> In 2014, the business of non-life insurer branch Seesam Insurance AS Latvijas filiāle was included in the total mutual/cooperative insurance figures following the "mutualisation" of its ultimate parent company, OP-Pohjola (see chapter on Finland); and in 2015, Vienna Insurance Group (Austria) completed the acquisition of Latvian non-life insurer Baltikums (subsequently renamed, Baltikums Vienna Insurance Group).

## Market share of mutual/cooperative insurance sector

The market share of the mutual/cooperative insurance sector in Latvia reached 29.5% in 2015 (see Figure 3). The mutual/cooperative sector held a 12.5% share of the Latvian life market and a 31.8% share of the non-life market.

Market share figures in 2015 (for both life and non-life business) were made up solely of mutual/cooperative-type insurers (see Figure 4). In 2011, the last year that Lauto Klubs was active, the market share of mutual/cooperative insurer in the legal form was just 0.1%.

The overall market share of the mutual/cooperative sector grew significantly from a negligible market share in 2007 (0.8%). In the life sector, market share remained similar compared to 2007 (12.1%), however there was sizeable growth in the non-life sector since 2007 when less than 0.1% of the market was held by mutual/cooperative insurers.

Figure 3  
Market share of mutual/cooperative insurance companies (2015)

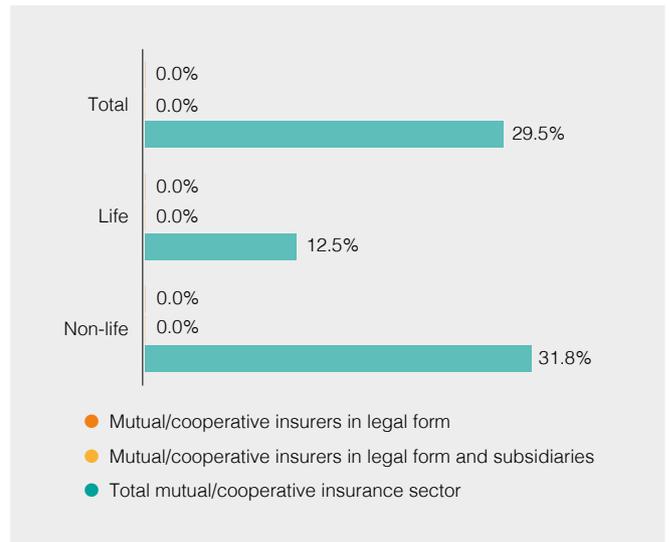
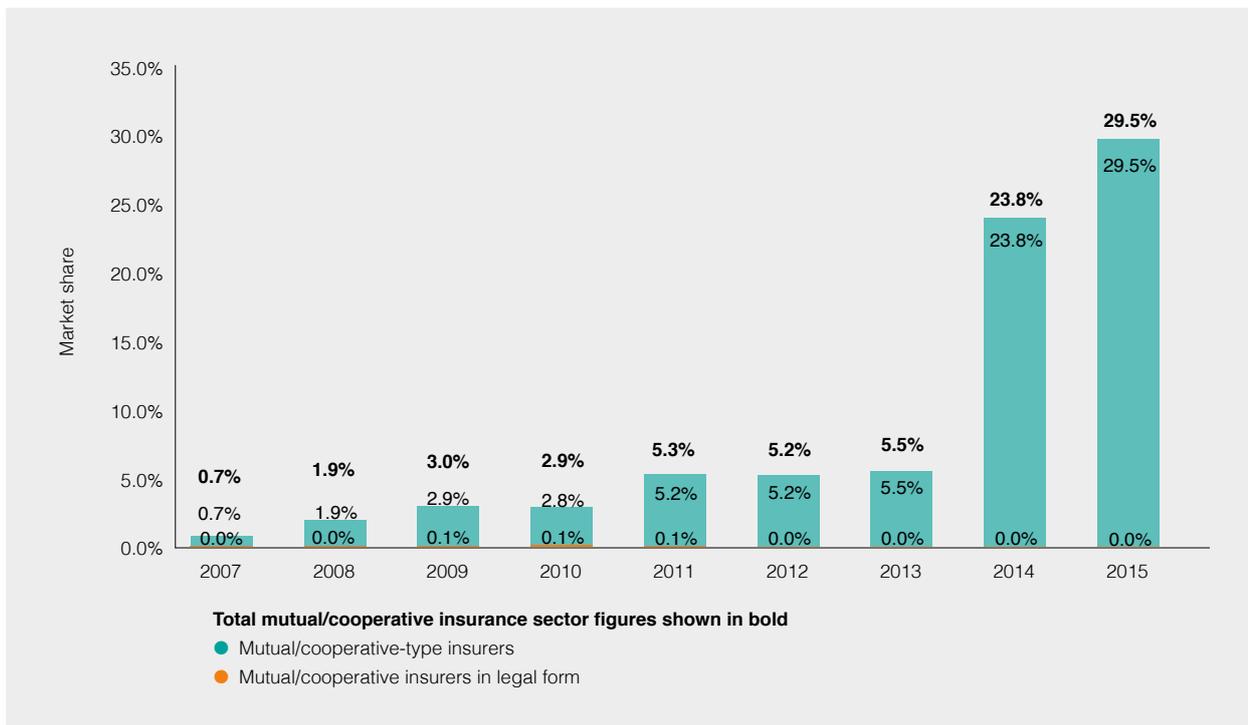


Figure 4  
Market share of the mutual/cooperative insurance sector (2007-2015)



## Number of employees

Data on the number of employees of the Latvian mutual/cooperative sector were only available for the two most recent years and from just two companies. In 2015, there were 376 employees (2014: 116).

## Number of members/policyholders

No data were available on the number of members/policyholders of mutual/cooperative insurers in Latvia.

## Assets and investments

Data on the total amount of assets and investments of mutual/cooperative insurers in Latvia were also only available for 2014 and 2015. In 2015, mutual/cooperative insurers held EUR 114 million in assets (2014: EUR 71 million) and EUR 90 million (EUR 69 million) in investments.

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The Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE) represents the interests of mutual and cooperative insurers in Europe with one united voice and ensures the interests of its members are taken into account in securing a level playing field for all insurers in Europe regardless of their legal form.



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