

YEARBOOK 2003



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THE CONDITION OF THE HUNGARIAN ECONOMY IN THE YEAR 2002

The **recession** of the Hungarian economy reached its low point in the first quarter of 2002, followed by a modest rise accompanied by imbalance. The current value of the GDP for the whole of 2002 is estimated to be 16,980 billion HUF. The rate of economic growth in the first half of the year was 3% and in the second half of the year was 3.6%, and it slowed in comparison with the previous year, while still relatively high for the given period in international comparison. The growth was primarily the result of government and consumer (housing) investments picking up, as well as expansion in consumer spending.

The role of exports and business investments, which were the main force behind growth between 1995-2001, was driven into the background. The volume of export trade grew by 6% (which is still a considerable performance for the European recession period), but lags far behind the previous years' rates of around 20%. Business investments were much smaller – near 10% smaller in the processing industry – than in 2001.

Development of the **economic structure** also differs from that of previous years. The processing industry, which previously had served as motor (to the economy), showed a 3% growth. Telecommunications also showed a strong slow-down in growth, while expansion in the construction industry and in retail was quite rapid (20% and 10%, respectively). Considering the good crops of 2001, the performance of agriculture fell significantly. Transport stagnated. As a result of the prolonged recession, a new phenomenon was the withdrawal of capital from the country by certain foreign companies (while others were investing), and the financial standing of many companies deteriorated (without a decrease in profitability for the whole economy).

Employment essentially stagnated, with a decrease of 0.7% in the private sector, and an increase of 1.5% in the government sector (driven by increases in salaries). The unemployment rate grew by 0.5% over the course of the year and stood at 5.9% in the fourth quarter.

Inflation fell by almost 4 percentage points on an annual level, to 5.3%. This was made possible primarily by temporary and artificial means (for example, delaying the adjustment of energy rates to the world market prices). The faster than expected deflationary process stalled through autumn, due in part to the rise in oil prices on the world market.

Consumer incomes rose by an unprecedented measure (as a result of measures taken by the government for election reasons). Total available consumer income is estimated at 10,330 billion HUF. Gross income growth was 30% in the government sector, 13.3% in the business sector, with an average of 18.3%. The average annual income rose to HUF 122,453 per month. Net incomes grew by an annual average of 1.3% faster than gross incomes following the September increase in employee tax allowances, resulting in a 13.6% increase in real incomes, the highest rate in decades.

Growth in real income was well over 20% in the government sector and 10% in the business sector (exceeding three times the increase in productivity). Fast growth in wages in the business sector can be partly explained by the increase in the minimum wage and the resulting wage adjustment pressure effect, but is also likely to be partially connected to wage competition in the labour market. In 2002 the real value of pensions improved by nearly 10% based on automatism, or by 14%, taking into consideration one time corrections. Other incomes grew relatively slowly, resulting in a per capita real income growth of 11%.

Growing consumer income was spent on government-subsidised housing and real estate investment or used to expand consumption. Consumer spending expanded by more than 8%, and 31,500 new homes were built. However, net **savings** grew by only 306 billion HUF over the course of the year, its rate greatly reduced (from an earlier 4% to under 2%), and savings adjusted for inflation grew by only 164 billion HUF.

The **budget** deficit was increased by settling in 2002 of certain expenditures from previous years and from 2003, and the government debt grew to 55% of the GDP.

Because fiscal and monetary policy were not in harmony, (especially in the fourth quarter) contradictory processes appeared on the **financial markets**. Monetary policy set ambitious anti-inflationary goals, necessitating a strong forint and high interest rate. Returns, high compared with those in Europe, caused a continued strengthening of money-inflow. Hungarian state bonds officially owned by foreigners were 7.6 billion euros at the end of 2002, 3.2 billion euros more than in the previous year. The forint increasingly approached the strong side of the band.

National economy and insurance industry

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Gross Domestic Product* (GDP) (HUF in billions)	2943	3548	4365	5689	6894	8541	10087.4	11393.5	13172	14850	16980
Change of GDP in percentage of previous year (%)	117.8	120.6	123.0	130.3	121.2	123.9	118.1	112.9	115.6	112.7	114.3
Gross premium income (HUF in billions)	58.4	73.4	93.6	119.0	152.7	194.7	244.6	297.8	384.1	419.5	494.6
Change of gross premium income in percentage of previous year (%)	96.1	125.7	127.5	127.1	128.3	127.4	125.7	121.7	129.0	109.2	117.9
Total disposable personal income** (HUF in billions)	2051	2351	2885	3559	4383	5220	6098	6954	7674	8675	10330
Change of personal income in percentage of previous year (%)	118.0	114.6	122.7	123.4	123.1	119.1	116.8	114.0	110.4	113.0	119.1
Gross premium income in percentage of total personal income (%)	2.8	3.1	3.2	3.3	3.5	3.7	4.0	4.3	5.0	4.8	4.8
Per capita insurance premium (HUF)	5667	7130	9123	11635	14985	19218	24113	29519	38245	41185	48690
Per capita life insurance premium (HUF)	1132	1644	2350	3466	4733	6278	8755	11898	17687	17186	19937
Per capita non-life insurance premium (HUF)	4535	5486	6773	8169	10252	12940	15357	17621	20558	22868	28756

* Source: KSH

** Source: KSH, 2002 GKI estimation

DEVELOPMENTS IN THE LEGAL ENVIRONMENT FOR INSURANCE

The General Assembly once again marked as a special objective for the Association active participation in development of legal regulations related to insurance, with special consideration for European integration and modification of the insurance law.

Modification of the Insurance Law had priority over other objectives. This included:

- the working methods of the proponent *Finance Ministry* changed significantly, and broad-range professional debate and willingness to co-ordinate became characteristic,
- the *Association* placed at the forefront the liberalisation character of the EU directives, primarily so that hardening of regulations will not place the Hungarian market at a competitive disadvantage after accession,
- the *Supervision's* objectives were expansion of the authorities' arsenal, revitalisation of material elements, and bank-oriented uniformization of the legal regulation of financial services providers.

The tax environment for insurance changed favourably; legal steps were made towards increasing tax allowances for life and pension insurance. This means that 20% of fees paid in the tax year for a life or pension insurance policy with a Hungarian-headquartered insurer, as well as a further 10% of the portion of the fee paid in the tax year which exceeds the fee paid in the previous tax year (this is the new regulation, in effect as of 1st January 2003) reduces the tax payable. The maximum annual insurance tax allowance amount available to private individuals increased from 50 thousand forints to 100 thousand forints.

At the same time, the provision (effective 1 January 2001) discontinuing limitations on two-level use of tax allowances remained unchanged; thus that restricting regulation by which the total amount of allowances may not exceed 50% of the modified tax is not applicable to insurance tax allowances.

Legal regulations regarding money laundering, the PSZÁF recommendation prepared based on the regulations and supervisory practice (anti-money laundering regulations) made the market players' business significantly more difficult, primarily in making transactions. From the beginning, the Association proposed relaxed interpretation of the legal provisions and also significant modification of the legal regulations. The latter resulted in success. Provisions which took effect in May removed the areas we suggested from the client-identification sphere. It must be noted that the modified legal regulation contains relaxed regulations exclusively for insurance (and investment funds).

In the motor liability insurance area, the stalled liberalisation process of the past years ended its standstill, and the government accepted the recommendation to permanently abolish official fees. The move to liberalised

fees took place smoothly, similarly to the previous year's fee determination. The government agriculture subsidy system continues as part of fee subsidies for agricultural insurance, and this allowance was even *expanded* beginning in 2003 to include an allowance extending to insurance on material assets needed for agricultural production.

The national defence ministry rewrote regulations regarding compensation tasks originating from the international agreement (SOFA) on the stationing of NATO troops in Hungary and their possible transit through Hungary. The legislator assigned MABISZ the task of settling claims caused by the vehicles of foreign armed forces. The system has been operated by GKI for ten years without conflict.

Codification work on the Civil Code progresses as planned with the participation of MABISZ. The Association's standpoint regarding this, also supported by the General Assembly, was sent to the Codification Committee.

DEVELOPMENTS IN THE INSURANCE MARKET

There are currently 28 members of the Association; of these, 25 insurers operate in corporate form, while 3 operate in mutual form. Since our General Assembly **D.A.S. Legal Protection Insurance Co. Ltd.** and two corporate insurance companies of the **Hungarian Postal Service** applied for membership in the Association.

The policy portfolio increased by 10% in 2002, the number of insurance policies exceeding 12 million 508 thousand in number. Within this, the number of both life insurance policies and non-life insurance policies increased.

The number of life insurance policies grew by 5.3%. Among the other types of personal insurance, accident insurance experienced significant growth with its numbers increasing by more than 82%. The number of health insurance policies decreased by nearly 5%, and a strong (26%) increase in travel insurance was experienced.

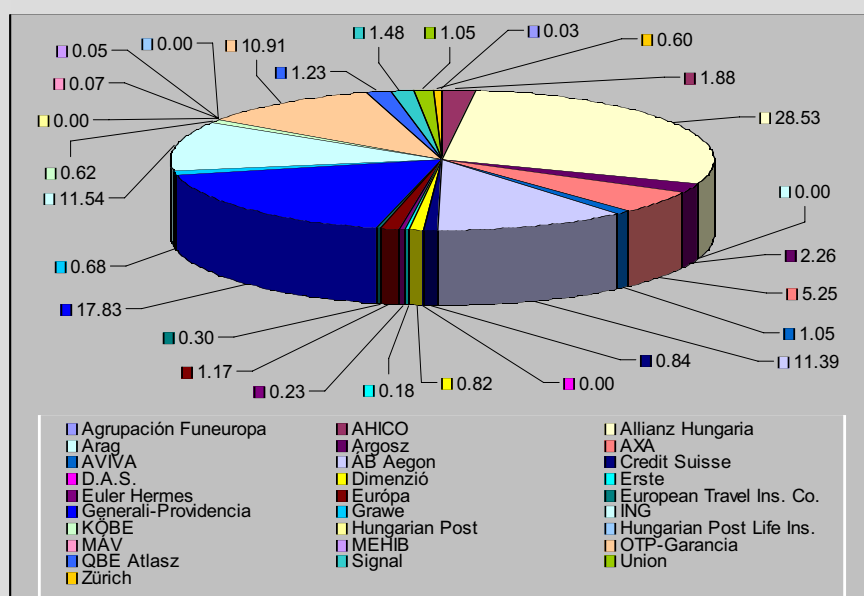
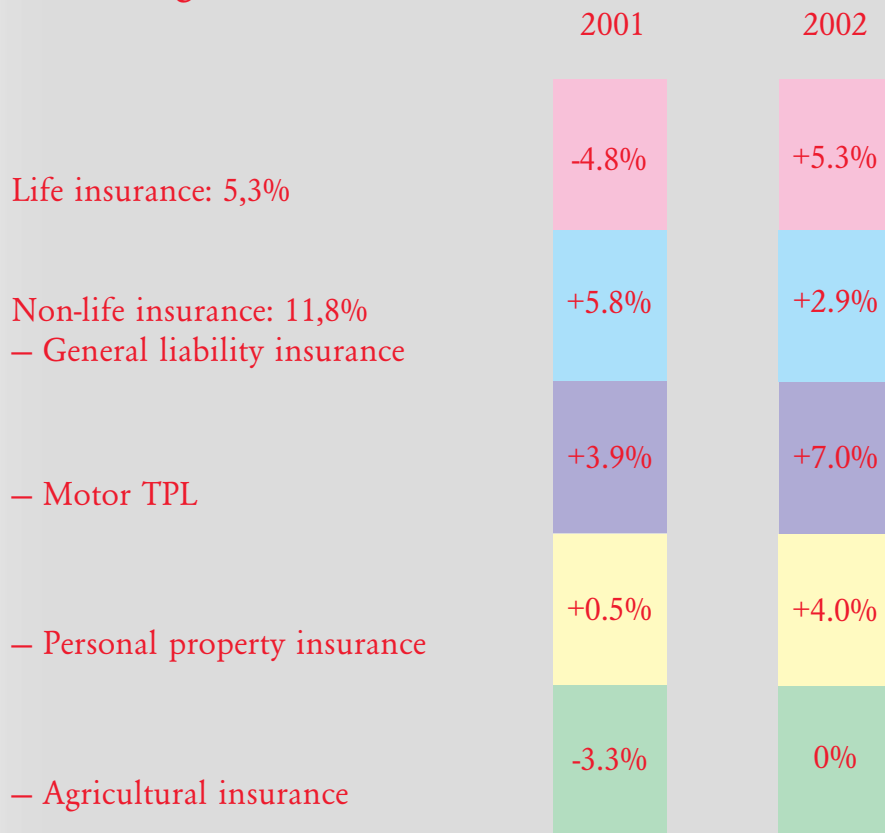
The number of non-life insurance policies grew by 11.8%, with corporate insurance policies continuing to experience the largest growth at 64%. The number of general liability insurance increased by 2.9% and motor insurance numbers rose by 7.5%, with own-damage insurance (casco) in the latter group achieving a 9.9% growth. The number of household property insurance policies increased by nearly 4% while agricultural policies practically stagnated.

In 2002, insurance companies had 494,589 million forints in revenues, which **was 17.9% higher** than the previous year's. The rate of growth was more than triple the amount of 2002's estimated annual inflation rate, and 3.6% higher than the rate of growth of the GDP (14.3%). However, it lagged behind the outstandingly large growth in available consumer income (19.1%) by 1.2%.

The position of market leader **Allianz Hungaria Insurance Co. Ltd.** remained unchanged and its market share in 2002 was 28.5%. In second place, as in previous years, was **Generali-Providencia Insurance Co. Ltd.** with a market share of 17.8%, which signals a strengthening of 0.7 percentage point. The third and fourth places were „switched”, as the market share (11.5%) of **ING Insurance Co. Ltd.**, which offers exclusively personal insurance products, passed up the market share of **ÁB-Aegon Insurance Co. Ltd.** (11.4%), if only by a minimal amount, putting the latter into fourth place. The market share of fifth-place **OTP-Garancia Insurance Co. Ltd.** wasn't far behind (10.9%), and it increased its market share by 0.8% percentage point more than in the previous year. The total market share of the five companies decreased to 80.2% from last year's 81.2%, which points to a slight reduction in market concentration.

Insurers' assets grew significantly in 2002 also, by 19.2%, with the amount of assets exceeding **900 billion forints**. The significance represented by insurers as institutional investors on the capital market continued to grow.

Changes in the number of insurance contracts



Market share by insurance companies

Gross premium income and market share by companies

	Premium Income (HUF in millions)			Market Share (%)		
	2000	2001	2002	2000	2001	2002
Agrupación Funeuropa	26	118	170	0.01	0.03	0.03
AHICO	7,097	7,451	9,295	1.85	1.78	1.88
Allianz Hungaria	103,128	120,016	141,120	26.85	28.61	28.53
Arag	—	—	4	—	—	0.00
Argosz	6,334	7,793	11,184	1.65	1.86	2.26
AVIVA	8,052	6,505	5,182	2.10	1.55	1.05
AXA	17,738	21,617	25,943	4.62	5.15	5.25
ÁB Aegon	57,885	53,600	56,330	15.07	12.78	11.39
Credit Suisse	5,820	5,776	4,168	1.52	1.38	0.84
D.A.S.	—	—	4	—	—	0.00
Dimenzió	—	3,498	4,074	—	0.83	0.82
Erste Sparkassen	—	41	896	—	0.01	0.18
Euler Hermes	622	1,016	1,127	0.16	0.24	0.23
Európa	2,005	2,314	5,775	0.52	0.55	1.17
European Travel Ins. Co.	850	1,170	1,479	0.22	0.28	0.30
Generali-Providencia	66,150	71,736	88,207	17.22	17.10	17.83
Grawe	1,910	2,486	3,355	0.50	0.59	0.68
ING N-N	55,173	52,644	57,054	14.36	12.55	11.54
KÖBE	412	1,732	3,086	0.11	0.41	0.62
MÁV	—	66	331	—	0.02	0.07
MEHIB	158	188	264	0.04	0.04	0.05
Hungarian Post	—	—	—	—	—	—
Hungarian Post Life Ins.	—	—	—	—	—	—
OTP-Garancia	38,834	42,255	53,946	10.11	10.07	10.91
QBE Atlasz	3,852	5,267	6,100	1.00	1.26	1.23
Signal	4,529	5,975	7,319	1.18	1.42	1.48
Union	2,451	4,371	5,194	0.64	1.04	1.05
Zürich	1,064	1,835	2,982	0.28	0.44	0.60
Total	384,090	419,470	494,589	100.00	100.00	100.00

LIFE INSURANCE BUSINESS

In comparison to the previous year's slight decrease, the total revenue from life insurance in 2002 rose by 15.7%, which is nearly triple the amount of annual inflation rate. Alongside this, the weight of life insurance within all revenues fell from 41.7% in 2001 to 40.9% in 2002.

The embodiment of secure trade and of significant investable capital, the life insurance reserve fund increased by 22.6%, representing 545.9 billion forints at the end of 2002.

Among the life insurance types, the single premium products' share increased while the share of various types of life insurance product groups remained essentially unchanged, and more than half of life insurance fees continue to come from the traditional combined type of life insurance policies (55.4%). The term life insurance policies' revenue increased by an above average amount, 25.4%, even so, their share within all types of life insurance is only 2.2%. Resulting from the continued „weakening” of the financial markets, the hit product of previous years, the „unit-linked” type of life insurance stagnated (35.5%).

Market leader **ING Insurance Co. Ltd.** maintained its market leader position, however, its market share changed from 30.1% in 2001 to 28.2% in 2002. There was no change in the second position, either: **ÁB-Aegon Insurance Co. Ltd.** also maintained its position, though its market share decreased from the previous year's 18.2% to 16.8%.

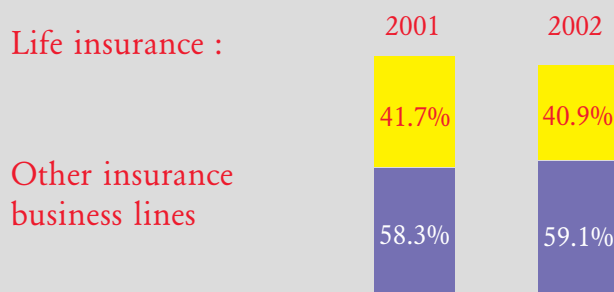
The third and fourth „switched places”: **Generali-Providencia Insurance Co. Ltd.** passed up last year's third-place **OTP-Garancia Insurance Co. Ltd.** The market share of the new third place holder is 14.5%, the fourth place holder's is 13.3%.

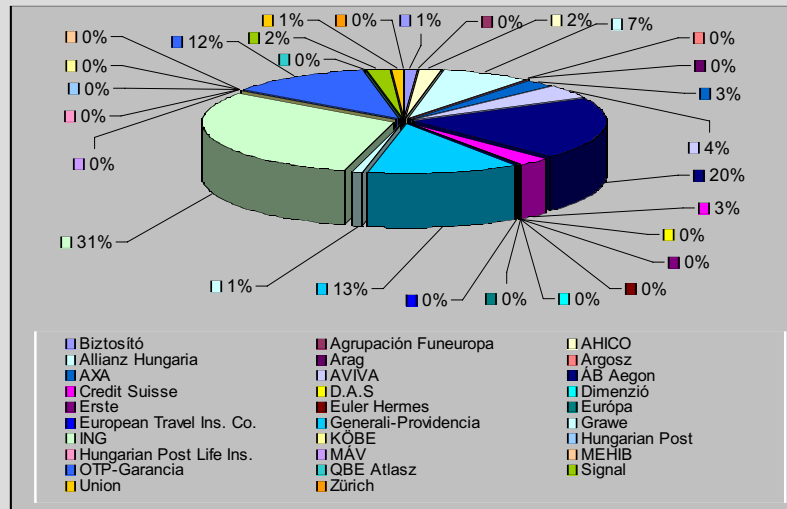
As a result of the relative standstill in unit linked type products which showed a significant growth dynamic in earlier years, **AVIVA (MÉBIT) Insurance Co. Ltd.** registered declines. At the same time, certain insurers which provide traditional products achieved significant growth (i.e. **Signal Insurance Co. Ltd., Union Insurance Co. Ltd.**).

The number of life insurance policies at the end of the year was **3 million 346 thousand**.

In 2002 nearly 60% of life insurance policies were combined-type, meaning that they contained both risk and savings elements. The ratio of term life insurance policies increased from the previous year's 16.7% to 19.6%. The ratio of „unit linked type” life insurance, which is linked to investments, grew from the previous year's 13.9% to 15.2%.

Share of life insurance in total annual premium income



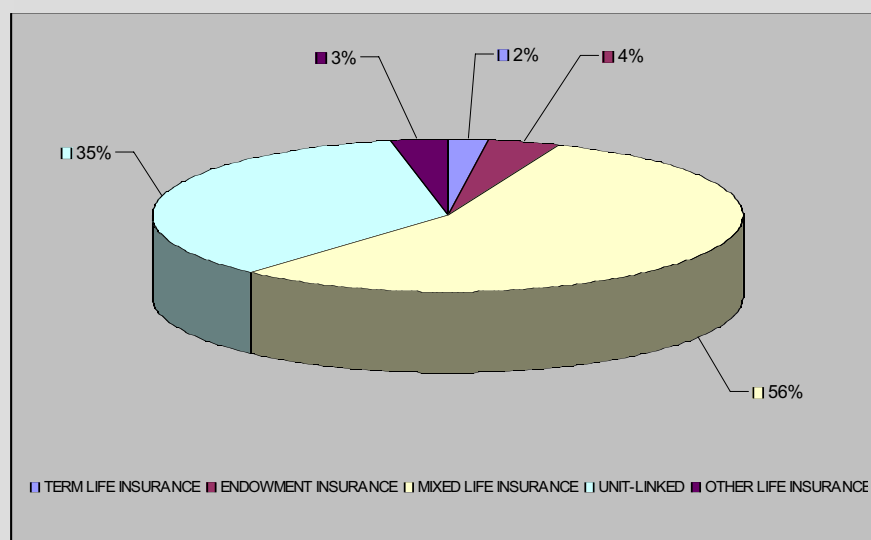


Life insurance premium income by companies

	Life Insurance Premium Income (HUF in millions)			Life Insurance Premium Reserve (HUF in millions)		
	2000	2001	2002	2000	2001	2002
Agrupación Funeuropa	—	—	—	—	—	—
AHICO	3,297	3,841	4,357	7,982	10,686	13,766
Allianz Hungaria	13,439	13,278	15,761	26,821	29,413	37,476
Arag	0	—	—	—	—	—
Argosz	43	48	43	—	—	8
AVIVA	8,052	6,505	5,182	2,005	2,737	3,607
AXA	4,653	5,253	6,318	2,524	11,103	14,461
ÁB Aegon	36,008	31,815	34,042	87,644	94,787	105,638
Credit Suisse	4,839	3,444	3,644	455	828	1,208
D.A.S.	—	—	—	—	—	—
Dimenzió	0	3,498	4,074	—	18,273	22,974
Erste Sparkassen	0	41	896	—	17	67
Euler Hermes	—	—	—	—	—	—
Európa	596	755	770	1,173	1,494	1,821
European Travel Ins. Co.	—	—	—	—	—	—
Generali-Providencia	22,700	21,101	29,413	42,153	52,230	69,766
Grawe	1,910	2,486	3,355	2,184	4,165	6,210
ING N-N	55,173	52,644	57,054	130,988	163,271	195,354
KÖBE	—	—	—	—	—	—
MÁV	0	—	—	—	—	—
MEHIB	—	—	—	—	—	—
Hungarian Post	—	—	—	—	—	—
Hungarian Post Life Ins.	—	—	—	—	—	—
OTP-Garancia	21,239	21,515	27,017	33,534	43,920	57,940
QBEAtlasz	187	251	243	74	109	203
Signal	3,369	4,626	5,799	5,152	7,106	9,375
Union	2,129	3,938	4,549	4,107	5,161	6,005
Zürich	0	—	—	—	—	—
Total	177,634	175,039	202,517	346,796	445,300	545,879

Main figures of personal insurance in 2002

	Premium Income (HUF in millions)	Benefits Paid by Insurers (HUF in millions)	Number of Contracts
TERM LIFE INSURANCE	4,571	1,073	654,228
including: single premium payment	1,466	279	90,396
including: regular periodical payments	3,105	794	563,832
ENDOWMENT INSURANCE	8,051	4,011	90,195
including: single premium payment	312	202	1,535
including: regular periodical payments	7,739	3,809	88,660
MIXED LIFE INSURANCE	112,350	62,093	2,000,993
including: single premium payment	11,053	3,542	73,043
including: regular periodical payments	101,297	58,551	1,927,950
UNIT-LINKED	71,636	37,763	509,741
including: single premium payment	27,856	17,479	142,436
including: regular periodical payments	43,780	20,284	367,305
OTHER LIFE INSURANCE	5,909	2,773	90,526
including: single premium payment	610	835	44,395
including: regular periodical payments	5,300	1,938	46,131
LIFE INSURANCE TOTAL	202,517	107,713	3,345,683
ACCIDENT INSURANCE	4,986	1,355	522,555
HEALTH INSURANCE	1,288	367	52,485
TRAVEL INSURANCE	6,292	1,552	1,437,088
PERSONAL INSURANCE GRAND TOTAL	215,083	110,987	5,357,811



Life insurance premium and number of contracts by companies in 2002

	HUF in millions/Number of contracts																	
	TERM LIFE			ENDOWMENT			MIXED LIFE			UNIT-LINKED			OTHER			GRAND TOTAL		
	Premium Income	Number of Contracts		Premium Income	Number of Contracts		Premium Income	Number of Contracts		Premium Income	Number of Contracts		Premium Income	Number of Contracts		Premium Income	Number of Contracts	
Agrupación Funerropa	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
AHICO	124	2,839	1,651	23,101	2,308	42,013	—	—	—	—	—	274	139	43,57	4,357	68,092	—	—
Allianz Hungaria	273	13,884	6	121	10,450	190,732	2,638	24,604	2,393	45,729	15,761	275,070	—	—	—	—	—	—
Arag	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Argosz	43	5,293	—	—	—	—	—	—	—	—	—	—	—	—	43	5,293	—	—
AVIVA	75	586	528	2,863	732	5,011	3,847	26,932	—	—	—	—	—	—	5,182	35,392	—	—
AXA	11	680	196	5,294	4,822	78,337	1,288	2,896	—	—	—	—	—	—	6,318	87,208	—	—
ÁB Aegon	1,059	43,060	0	10	18,625	809,230	13,955	173,732	403	620	34,042	1,026,652	—	—	—	—	—	—
Credit Suisse	68	430	208	858	464	5,734	2,903	14,547	—	—	—	—	—	—	3,644	21,589	—	—
D.A.S.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dimenzió	300	30,263	3,773	27,385	—	—	—	—	—	—	—	—	—	—	4,074	57,648	—	—
Erste Sparkassen	94	5,819	—	—	42	777	751	2,722	9	7	896	9,325	—	—	—	—	—	—
Euler Hermes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Európa	11	1,560	40	723	480	9,708	57	307	183	330	770	12,628	—	—	—	—	—	—
European Travel Ins. Co.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Generali-Providencia	173	23,631	—	—	24,257	328,546	4,188	35,018	795	8,126	29,413	395,321	—	—	—	—	—	—
Grawe	—	—	—	—	3,275	29,000	—	—	80	4,446	3,355	33,446	—	—	—	—	—	—
ING N-N	617	5,601	—	—	40,837	349,979	14,810	62,523	788	9,655	57,054	427,758	—	—	—	—	—	—
KÖBE	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
MÁV	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
MEHIB	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Hungarian Post	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Hungarian Post Life Ins.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
OTP-Garancia	1,317	445,861	331	13,198	3,352	101,674	21,996	146,690	21	10	27,017	707,433	—	—	—	—	—	—
QBE Atlasz	3	121	—	—	205	1,727	—	—	35	425	243	2,273	—	—	—	—	—	—
Signal	330	72,085	58	925	2,299	44,334	2,220	8,223	892	18,489	5,799	144,056	—	—	—	—	—	—
Union	72	2,515	1,259	15,717	200	4,191	2,982	11,547	37	2,529	4,549	36,499	—	—	—	—	—	—
Zürich	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	4,571	654,228	8,051	90,195	112,350	2,000,993	71,636	509,741	5,909	90,526	202,517	3,345,683	—	—	—	—	—	—

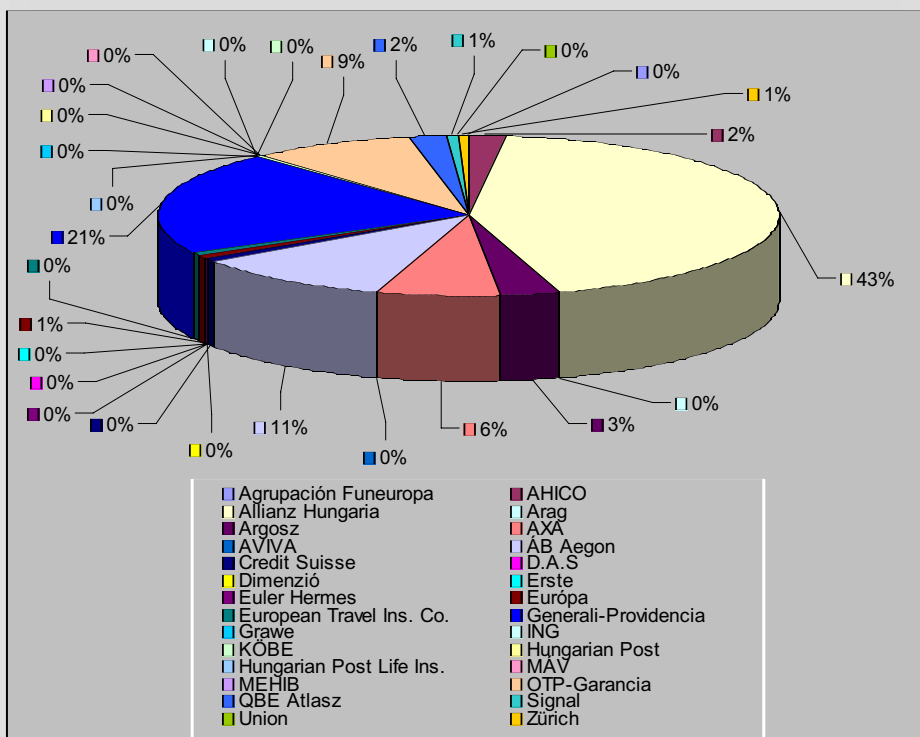
NON-LIFE INSURANCE BUSINESS

The revenue from non-life insurance products increased from 244,431 million forints in 2001 to 292,072 million forints. The rate of growth was **19.4%**, which can be called exceptionally high at more than three times the annual inflation rate (5.3%). **29.9%** of the combined gross revenue from asset and liability insurance was represented by the compulsory motor liability insurance portion.

Within non-life insurance revenues, 55.5% originated from the motor classes, 13.1% from business property insurance, 14.8% from household property insurance, 3.9% from general liability insurance, 5.2% from agricultural insurance, and 1.2% from M.A.T. insurance.

Gross claim costs (claims paid and changes in reserves) increased by 11%, **substantially less** than the previous year's 24.1% growth.

The market leader **Allianz Hungaria Insurance Co. Ltd.**'s market share was 42.9%, which indicates a slight decline of 0.8% compared to the previous year's 42.9%. The second-place **Generali-Providencia Insurance Co. Ltd.**'s market share changed from 20.7% to 20.1%. In the third and fourth places there was a „switching places” here, too, as **OTP-Garancia Insurance Co. Ltd.** surpassed the previously third-place **ÁB-Aegon Insurance Co. Ltd.** The latter's 2001 share changed from 8.9% to 7.6%, while OTP-Garancia Insurance Ltd's share grew from 8.5% in 2001 to 9.2%.



Non-life premium income and claim costs by companies

HUF in millions

	Non-life Premium Income			Gross Claims Costs		
	2000	2001	2002	2000	2001	2002
Agrupación Funeuropa	26	118	170	10	48	61
AHICO	3,800	3,610	4,938	1,713	1,425	1,205
Allianz Hungaria	89,689	106,738	125,360	54,436	65,904	74,529
Arag	—	—	4	—	—	0
Argosz	6,291	7,745	11,141	3,599	4,012	6,640
AVIVA	—	—	—	—	—	—
AXA	13,085	16,365	19,625	7,519	12,243	12,721
ÁB Aegon	21,877	21,785	22,288	11,662	11,602	8,650
Credit Suisse	981	2,332	524	89	139	299
D.A.S.	—	—	4	—	—	1
Dimenzió	—	—	—	—	—	—
Erste Sparkassen	—	—	—	—	—	—
Euler Hermes	622	1,016	1,127	326	77	1,255
Európa	1,409	1,559	5,005	506	507	2,057
European Travel Ins. Co.	850	1,170	1,479	285	322	437
Generali-Providencia	43,450	50,635	58,794	24,227	31,122	30,820
Grawe	—	—	—	—	—	—
ING N-N	—	—	—	—	—	—
KÖBE	412	1,732	3,086	142	1,429	2,266
MÁV	—	66	331	—	23	40
MEHIB	158	188	264	76	21	-806
Hungarian Post	—	—	—	—	—	—
Hungarian Post Life Ins.	—	—	—	—	—	—
OTP-Garancia	17,595	20,741	26,929	10,287	12,548	15,286
QBE Atlasz	3,665	5,016	5,856	790	1,438	1,763
Signal	1,160	1,349	1,520	332	774	313
Union	322	433	645	105	89	114
Zürich	1,064	1,835	2,982	180	574	1,739
Total	206,456	244,431	292,072	116,284	144,298	160,196

Some figures of non-life insurance* in 2002

	HUF in millions/Number of contracts				
	Premium Income	Number of Contracts	Claims Costs	Claims Costs in the Relevant Year	Number of Insurance Events in the Relevant Year
MOTOR INSURANCE	161,974	4,079,242	109,087	106,442	360,523
including CASCO	77,865	665,513	43,245	44,352	159,279
including Compulsory TPL	84,109	3,413,729	65,842	62,090	201,244
GENERAL LIABILITY INS,	11,467	148,255	4,674	2,842	8,249
CORPORATE INSURANCE	38,258	206,306	12,707	12,436	34,028
HOUSEHOLD PROPERTY INSURANCE	43,272	2,656,992	17,699	13,737	489,440
AGRICULTURAL INSURANCE	15,254	19,032	10,759	10,112	5,571
including Crop Insurance	9,393	2,992	7,757	7,094	2,391
including Livestock Insurance	3,587	8,403	1,595	1,312	1,435
MARINE INSURANCE	3,428	8,992	1,041	1,456	1,310
CREDIT INSURANCE	1,451	268	1,542	1,642	145
OTHER NON-LIFE INSURANCE	4,401	31,437	1,343	1,730	2,151
GRAND TOTAL NON-LIFE INSURANCE	279,505	7,150,524	158,852	150,397	901,417

* Except accident, health and travel insurance

Non-life insurance premium income and number of contracts* by companies in 2002

	HUF in millions/Number of contracts													
	Household Property			General Liability			Corporate			Other			TOTAL	
	Premium Income	Number of Contracts	Premium Income	Number of Contracts	Premium Income	Number of Contracts	Premium Income	Number of Contracts	Premium Income	Number of Contracts	Premium Income	Number of Contracts	Premium Income	Number of Contracts
Agrupación Funerropa	—	—	—	—	—	—	—	—	—	—	—	—	—	—
AHICO	52	1,256	1,253	276	1,993	201	574	110	3,872	9,014	165	9,014	165	9,014
Allianz Hungaria	8,619	521,454	3,823	33,083	14,857	103,617	95,399	2,143,097	122,699	—	—	—	—	—
Arag	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Argosz	1,054	65,883	154	3,664	770	8,150	9,163	332,444	11,141	—	—	—	—	—
AVIVA	—	—	—	—	—	—	—	—	—	—	—	—	—	—
AXA	898	40,299	644	3,585	2,449	10,855	15,415	189,829	19,406	—	—	—	—	—
AB Aegon	16,859	1,110,982	154	1,518	1,109	2,738	4,041	189,733	22,163	—	—	—	—	—
Credit Suisse	—	—	3	4	4	—	—	—	—	—	—	—	—	—
D.A.S.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dimenzió	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Erste Sparkassen	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Euler Hermes	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Europa	357	14,463	147	4,318	616	3,872	3,242	90,228	4,362	180	1,127	180	1,127	180
European Travel Ins. Co.	—	—	10	10	—	—	8	—	—	9	18	19	18	19
Generali-Providencia	8,649	400,173	2,828	39,300	8,056	43,224	36,822	766,047	56,356	—	—	—	—	—
Grawe	—	—	—	—	—	—	—	—	—	—	—	—	—	—
ING N-N	—	—	—	—	—	—	—	—	—	—	—	—	—	—
KÖBE	—	—	62	1,758	—	—	3,024	92,984	3,086	—	—	—	—	—
MÁV	5	240	285	7	—	—	—	—	291	—	—	—	—	—
MEHIB	—	—	—	—	—	—	264	86	264	—	—	—	—	—
Hungarian Post	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Hungarian Post Life Ins.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
OTP-Garancia	5,935	457,063	930	59,842	3,759	18,428	15,637	306,596	26,260	—	—	—	—	—
QBE Atlasz	275	10,445	602	169	1,986	3,436	805	5,509	3,668	—	—	—	—	—
Signal	466	25,974	—	—	717	9,326	—	—	1,183	—	—	—	—	—
Union	103	8,760	16	115	290	1,085	—	—	408	—	—	—	—	—
Zürich	—	—	554	606	1,653	1,374	775	11,513	2,982	—	—	—	—	—
Total	43,272	2,656,992	11,467	148,255	38,258	206,306	186,509	4,138,971	279,505	4,138,971	279,505	7,150,524	279,505	7,150,524

* Except accident, health and travel insurance

MOTOR INSURANCE

Revenue from compulsory motor liability (MTPL) insurance increased by 12.3 billion forints compared with the previous year. Beyond premium increases, the growth can be attributed in part to growth in the number of automobiles, and in part to the decrease in uninsured motorists resulting from the linking of the records systems of the insurers and the Ministry of the Interior. As a result of the two latter effects the number of policies increased by more than 7%.

Within this segment the market leader **Allianz Hungaria Insurance Co. Ltd.**'s market share decreased from 53.1% to 51.4%, while second-place **Generali-Providencia Insurance Co. Ltd.**'s market share decreased from 21.0% to 19.4%. In the third place there was again a change: last year's third place **OTP-Garancia Insurance Co. Ltd.**'s 7.6% market share decreased to 6.1%, putting it into the fourth place. In the third place, **Argosz Insurance Co. Ltd.** stands as result of 67% premium income growth, its market share increased from 5.4% in 2001 to 7.7%.

For being what it is, the **Traffic Insurance Mutual Company (KÖBE)** achieved very significant growth, quadrupling its revenues and thus increasing its market share from 0.6% to 2.3%.

Motor insurance premium income and claim costs by companies

	MTPL			HUF in millions		
	Gross Premium Income			Claims Costs		
	2000	2001	2002	2000	2001	2002
AHICO	77	—	—	49	—	-1,366
Allianz Hungaria	34,022	38,124	43,242	24,910	30,119	36,236
Argosz	2,710	3,851	6,446	2,062	2,308	4,618
AXA	2,631	3,332	4,273	1,829	3,353	4,337
ÁB Aegon	5,703	4,060	3,360	4,253	2,568	996
Europa	—	—	1,956	—	—	938
Generali-Providencia	13,750	15,106	16,324	9,305	11,519	11,982
KÖBE	397	1,707	3,009	138	1,422	2,246
MÁV	—	—	30	—	—	15
OTP-Garancia	5,647	5,514	5,141	4,596	4,935	4,144
QBE Atlasz	—	—	—	—	—	—
Zürich	—	134	329	—	156	330
Total	64,937	71,827	84,109	47,142	56,379	65,842

	CASCO			HUF in millions		
	Gross Premium Income			Claims Costs		
	2000	2001	2002	2000	2001	2002
AHICO	93	—	—	55	—	-6,144
Allianz Hungaria	29,467	36,678	41,793	17,288	21,931	23,314
Argosz	1,172	1,273	1,538	592	587	764
AXA	6,820	8,620	10,546	4,340	5,021	5,985
ÁB Aegon	664	623	580	502	346	859
Europa	—	—	1,204	—	—	479
Generali-Providencia	11,339	13,635	16,331	6,268	7,555	8,463
KÖBE	10	13	15	3	6	12
MÁV	—	—	—	—	—	—
OTP-Garancia	2,822	3,501	4,855	1,578	2,219	2,668
QBEAtlasz	301	735	677	88	323	459
Zürich	—	165	327	—	125	248
Total	52,688	65,244	77,865	30,714	38,113	43,245

In the compulsory automobile liability insurance segment, **claim costs** increased by 16.8%. As a result the loss ratio changed from the previous year's 78.5% to 78.3%.

Revenue growth in the **motor own-damage insurance (casco)** segment continues to be significant, and the favourable tendency of previous years continued, with the segment's revenue surpassing the previous year's by 12.6 billion forints.

The market leader **Allianz Hungaria Insurance Co. Ltd.** fell back from 56.2% in 2001 to 53.7%, the second-place **Generali-Providencia Insurance Co. Ltd.**'s market share was essentially unchanged, moving from 20.9% in the previous year to 21.0%. The third-place **AXA-Colonia Insurance Co. Ltd.**'s market share grew from 13.2% to 13.5%.

In casco insurance segment, claims costs improved in comparison with the previous year, falling from 58.4% in 2001 to 55.5%.

All of the 10 insurers (8 corporations and 2 mutuals) offering compulsory motor liability insurance are members of the Association. **UNION Insurance Co. Ltd.** will began operating its motor insurance segment in the first half of the year, and TIR Mutual Company, which is not a member of MABISZ, also received licence for this line of business.

Number of persons employed by companies in 2002

	person					Total
	Administration	Full-time	Sales Part-time	Entrepreneur	Other	
Agrupación Funeuropa	23	—	—	166	76	265
AHICO	103	18	—	202	46	369
Allianz Hungaria	1,025	1,048	12	2,118	1,198	5,401
Arag	6	—	—	1	—	7
Argosz	131	44	—	559	34	768
AVIVA	67	—	—	343	—	410
AXA	255	—	—	936	—	1,191
ÁB Aegon	510	50	—	2,786	98	3,444
Credit Suisse	74	—	—	507	—	581
D.A.S.	5	—	—	63	—	68
Dimenzió	34	—	18	—	—	52
Erste Sparkassen	21	—	—	10	—	31
Euler Hermes	14	16	—	—	—	30
Európa	111	69	6	617	21	824
European Travel Ins. Co.	12	6	—	2	—	20
Generali-Providencia	1,081	2,139	37	2,747	61	6,065
Grawe	13	—	—	—	—	13
ING N-N	225	33	—	1,834	35	2,127
KÖBE	43	—	—	61	66	170
MÁV	10	—	—	—	1	11
MEHIB	19	17	—	—	—	36
Hungarian Post	16	1	—	—	—	17
Hungarian Post Life Ins.	14	2	—	—	—	16
OTP-Garancia	629	804	629	1,625	192	3,879
QBE Atlasz	79	38	—	201	32	350
Signal	118	108	—	622	15	863
Union	78	—	—	439	—	517
Zürich	32	30	—	—	—	62
Total	4,748	4,423	702	15,839	1,875	27,587

RESERVES, INVESTMENTS, RESULTS

At the end of 2002 every insurance company had the legally required reserves. The insurers' insurance technical reserves' amount stood at **770,975 million forints** at the end of the year, of which **545,879 million forints** was the life insurance reserve. The non-life insurance reserve's amount was 225,096 million forints.

The combined amount of the insurers' own and non-proprietary assets stood at **906,242** million forints at the end of 2002.

Government bonds continued to play a dominant role in insurers' investments, and investment in government bonds grew by more than 100 billion forints, thus representing a total of 704 billion forints, accounting for 77.7% of all investments.

In 2002, 7.4% of investments were **bank** deposits or securities issued by banks, their share doubling in comparison with the previous year.

In spite of a rise in the demand for **real estate**, the share of investment in real estate and real estate investment funds continues to be insignificant, their share remaining at the 2001 level of 1.0%.

Due to the continued weakness of the stock market, the share of **stocks** decreased to 5.1% from a share of 6.4% in 2001.

The share of **securities** issued by local governments or other institutions fell from the previous year's 6.7% share to 5.8% in the insurers' investment portfolio.

The share of **loans** extended to policyholders in the investment portfolio continues to be relatively low, making up 0.7% of all investments, while other forms of investment not listed represented 2.2% in comparison with the previous year's 2.3%.

Insurers closed a **successful** business year in 2002. Insurance technical reserves performance grew from the previous year's 2.4 billion forint profit to a 4.2 billion forint profit, which came as a result of the life insurance segment's near 3,589 million forint insurance technical profit and the non-life insurance segment's 594 million forint insurance technical profit. Both segments' insurance technical performance improved in comparison to the previous year.

Insurers' total **profit after tax** grew by nearly 40% compared to the previous year's, nearly reaching a profit of 23.5 billion forints.

Companies issued dividends of 14 billion forints, considering which the **audited net income** was a profit of 9.6 billion forints.

Corporate tax of 5.6 billion forints was paid by the insurers.

*



In every table in this annual, under revenue data „gross written premium” data appears.

Although the „earned premium” category is used by the insurance accounting regulations as well, due to the Hungarian regulation of insurance technology reserves (the possibility for facultative creation of unearned premium reserves in life insurance) it appears to be more expedient to continue to use the „gross written premium” data in the interest of being better able to compare the companies’ revenue performance.

In preparing the profit and loss statement, with MEHIB Ltd we only took into account export credit insurance data taken on a business basis.

Investments of the assets of insurance companies by classes of investments in 2002

HUF in millions

	Government Securities	Bank Deposits and Bank Securities	Real Estate and Property Investment Securities	Shares	Other Securities	Loans to Policyholders	Other	Total
Agrupación Funeuropa	77	690	3	—	—	—	—	770
AHICO	15,934	637	301	—	1,074	227	119	18,292
Allianz Hungaria	126,883	2,732	106	11,997	6,536	14	13,501	161,769
Arag	483	44	0	—	—	—	—	527
Argosz	8,244	943	35	—	—	—	4	9,226
AVIVA	4,532	318	38	391	51	20	—	5,349
AXA	24,053	—	126	1,563	3,332	150	2,117	31,340
ÁB Aegon	119,490	36,472	2,740	5,397	10,721	492	2,639	177,951
Credit Suisse	5,733	573	175	715	739	4	900	8,839
D.A.S.	223	24	—	—	—	—	—	247
Dimenzió	19,631	311	1,318	2,964	444	—	40	24,709
Erste Sparkassen	441	24	2	36	656	—	5	1,165
Euler Hermes	616	80	157	—	—	—	0	853
Europa	3,311	—	177	45	209	—	18	3,761
European Travel Ins. Co.	1,095	—	—	77	—	—	—	1,172
Generali-Providencia	84,145	6,796	484	5,393	20,207	147	280	117,452
Grawe	6,760	545	117	125	—	8	—	7,555
ING N-N	194,047	7,610	309	12,394	756	5,187	544	220,847
KÖBE	1,247	171	2	—	—	—	—	1,421
MÁV	221	71	—	—	—	—	50	342
MEHIB	3,480	—	—	—	6	—	22	3,508
Hungarian Post	306	337	—	—	—	—	0	643
Hungarian Post Life Ins.	306	1,266	—	—	—	—	—	1,573
OTP-Garancia	60,463	1,301	2,501	4,932	5,518	—	—	74,715
QBE Atlasz	1,771	78	608	—	96	—	23	2,576
Signal	10,798	1,351	—	31	1,769	—	5	13,954
Union	9,703	4,054	—	—	485	1	—	14,243
Zürich	410	1,025	—	—	—	—	9	1,443
Total	704,404	67,454	9,199	46,061	52,600	6,248	20,277	906,242

Technical reserves by companies

Technical Reserves (in HUF millions)

	2000	2001	2002
Agrupación Funeuropa	9	39	1
AHICO	9,104	12,066	15,154
Allianz Hungaria	99,853	112,206	131,876
Arag	—	—	2
Argosz	3,146	3,914	5,798
AVIVA	7,955	3,436	4,277
AXA	16,351	21,840	26,900
ÁB Aegon	121,238	130,340	142,981
Credit Suisse	4,208	5,048	5,970
D.A.S.	—	—	—
Dimenzió	—	19,454	24,314
Erste Sparkassen	—	25	76
Euler Hermes	55	119	192
Európa	1,879	2,242	2,917
European Travel Ins. Co.	108	161	211
Generali-Providencia	67,179	82,312	105,963
Grawe	2,468	4,549	6,765
ING N-N	143,472	174,174	205,090
KÖBE	178	268	476
MÁV	—	9	54
MEHIB	439	4,862	451
Hungarian Post	—	—	—
Hungarian Post Life Ins.	—	—	—
OTP-Garancia	39,520	12,143	68,584
QBE Atlasz	1,153	1,055	1,433
Signal	6,612	9,829	12,857
Union	4,276	5,275	8,150
Zürich	124	202	485
Total	529,327	605,568	770,975

Important figures of aggregate financial statement of Hungarian insurance companies – 2002

HUF in thousands

A) Non-Life

Premium Earned	224,771,233
Gross Premium	292,071,760
Claims Costs	147,175,124
Gross Claims Paid	145,066,187
Change in the Reserves for Claims	15,245,068
Changes in Mathematical Reserves	2,684,207
Net Operating Costs	65,083,554
Acquisition Costs	50,154,492
TECHNICAL RESULT	- 594,471

B) Life

Premium Earned	179,406,635
Gross Premium	202,517,257
Revenue of Investments	54,616,017
Claims Costs	60,184,126
Gross Claims Paid	70,505,790
Changes in Mathematical Reserves	79,017,566
Changes in Other Technical Reserves	32,042,884
Changes in Unit-Linked Reserves	30,472,204
Net Operating Costs	50,281,165
Acquisition Costs	35,263,161
Technical expenditure of investments	12,812,828
TECHNICAL RESULT	3,589,190

C) NON-TECHNICAL ACCOUNT

PROFIT FROM ORDINARY BUSINESS ACTIVITIES	28,767,701
PROFIT BEFORE TAXES	29,094,765
PROFIT AFTER TAXES	23,452,050
RETAINED PROFIT OF THE YEAR	9,558,765



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- ARGOSZ INSURANCE CO. LTD.
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- MÁV GENERAL MUTUAL CO.
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- OTP-GARANCIA INSURANCE CO. LTD.
- POST INSURANCE CO. LTD.
- POST LIFE INSURANCE CO. LTD.
- QBE ATLASZ INSURANCE CO. LTD.
- SIGNAL INSURANCE CO. LTD.
- UNION INSURANCE CO. LTD.
- ZÜRICH INSURANCE CO. LTD.



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WORKING SECTIONS

Accident and Health Insurance Section

Actuarial Section

Agricultural Insurance Section

Cargo Insurance Section

Communication Section

Finance and Accounting Section

Information Technology Section

Legal Section

Life Insurance Section

Marine Insurance Section

Medical Underwriting Section

Motor Insurance Section

- Information Technology Committee
- Claims Settlement Committee
- Motor Loss Prevention and Property Safety Committee
- Motor Property Safety Committee

Property Insurance Section

- Liability Insurance Committee
- Homeowners' Insurance Committee
- Technical Insurance Committee
- Property Safety and Loss Prevention Committee

Reinsurance Section

Sales and Marketing Section

Travel Insurance Section