



# International Business Strategy course

## Internationalization of Ingosstrakh

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# Agenda

- Ingosstrakh Profile
- Historical development
- Insurance industry
- Insurance market in Russia
  - Five forces analysis [M.Porter]
- Global insurance market
- Foreign Markets
  - General Statistics
  - Asia-Pacific market
  - Ingosstrakh Entry
  - Ingosstrakh Ratings
  - Exit from European market
- SWOT analysis of Ingosstrakh
- Value Chain Analysis
- Ingosstrakh Expansion Challenges
- Further discussion



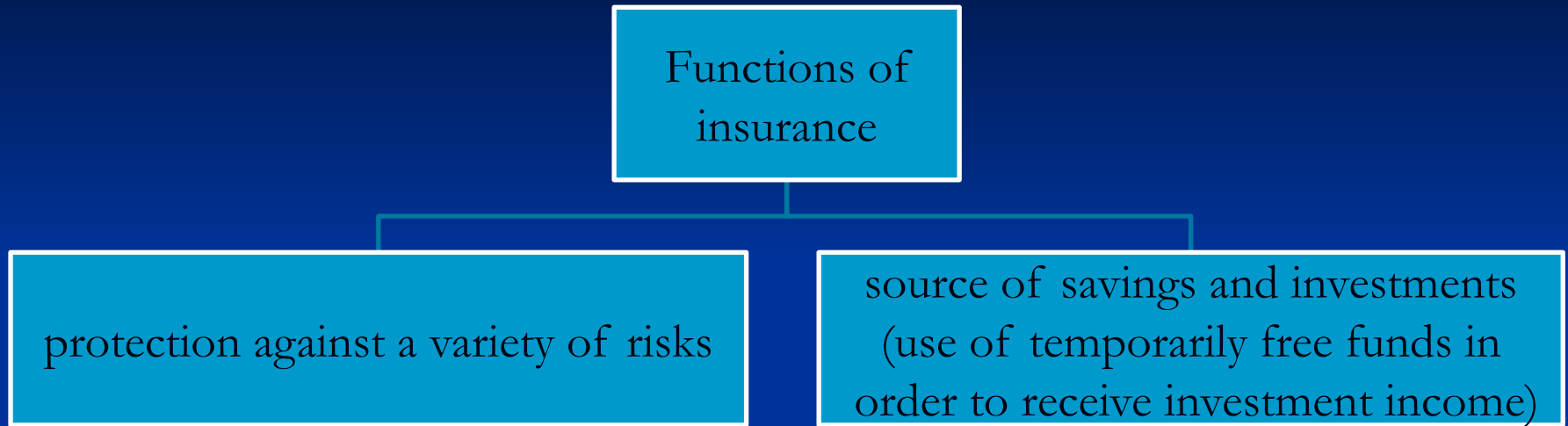
# Ingosstrakh Profile

- Stable member of the TOP-10 insurers companies in Russia
- Standard and Poor's agency rating BBB-, AA+ rating on the Russian scale of Expert RA
- Full range of insurance services: car insurance, property insurance, health insurance, life insurance, children insurance, traveling insurance, mortgage insurance, investment insurance, pension insurance
- Ingosstrakh products are available in 220 cities of Russian Federation and distributed through the regional network of 83 branches
- Representatives in Azerbaijan, Kazakhstan, Ukraine, India, China
- Colden Salamander award in 2010, Company of the Year 2009 award, Information and Open Organization of the year award received 10 times.

# Historical development

- Established in November 1947 by the Council of Ministers of the USSR
- Initial services included cargo insurance, marine hull coverage, fire insurance, liability insurance, and reinsurance
- Network of foreign offices since 1953
  - Pakistan
  - Egypt
  - Afghanistan
  - Algeria
  - Mali
  - Cuba
  - France
  - Syria
  - Lebanon
  - Sudan
  - Finland
  - China
- Became an open joint stock company in 1993
- Wide regional network

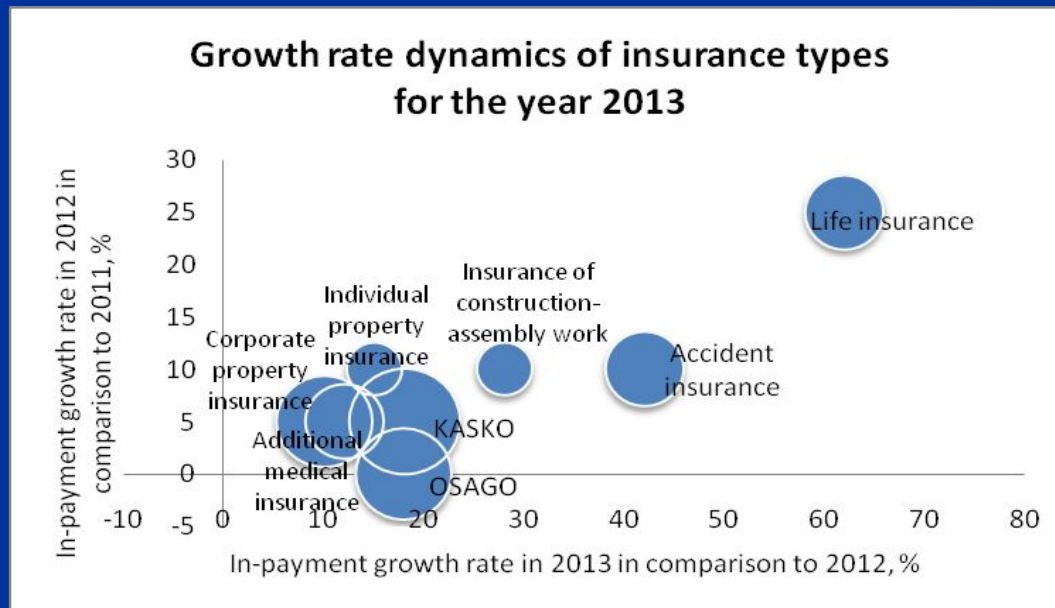
# Insurance industry



- Cyclical nature of insurance business, can be the reason for the bankruptcy
- Often international by the industry nature
- Solvency of the insurance companies usually regulated by government

# Insurance market in Russia

- Market growth by 64% in 2007-2009 (CAGR  $\approx$ 13%).
- Declining number of market players ( 857 in 2007 vs 579 in 2011)
- Biggest market players- Rossgosstrakh, SOGAZ, Ingosstrakh, RESO-Garantiia, Alfa insurance
- Federal players take leading positions in the regional markets
- Fragmentary character of the industry
- Strict government regulations hinder development of the market



# Five forces analysis [M.Porter]

## *Bargaining power of suppliers*

- specialized programs and sophisticated computer systems in use
- High switching costs to other suppliers

## *Bargaining power of buyers*

- individual clients mostly
- growing demand for insurance products
- Internet facilities allows to compare prices

## *Threat of new entrants*

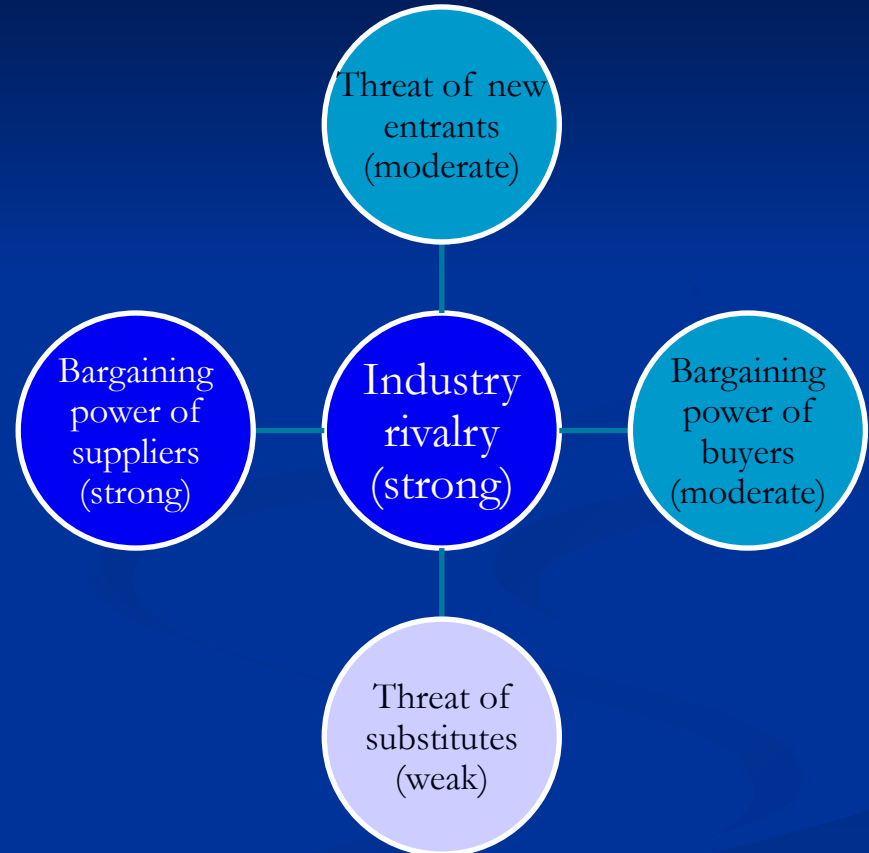
- newly established, diversified or internationalized companies
- online services complicate situation
- preliminary compulsory insurance purchases
- Non-differentiated products

## *Threat of substitutes*

- Savings and investments

## *Industry rivalry*

- Market fragmented with large companies



# Global insurance market

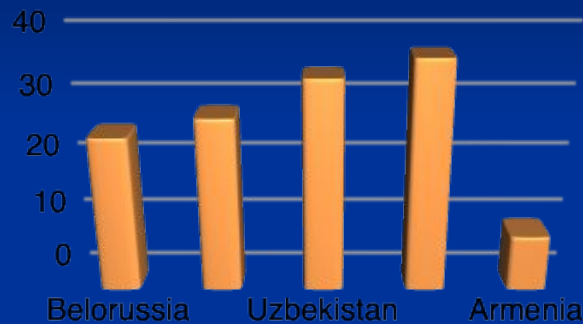
- Crisis affected insurance industry and companies focus more on managing risks to capital and investments and adapting strategies to changing environment
- Significant top-line growth opportunities in emerging markets: China, India, Latin America
- Global leaders:
- AIG Inc, Allianz, AXA, Generali Group, Prudential Financial, Inc...



# Foreign Markets. General Statistics

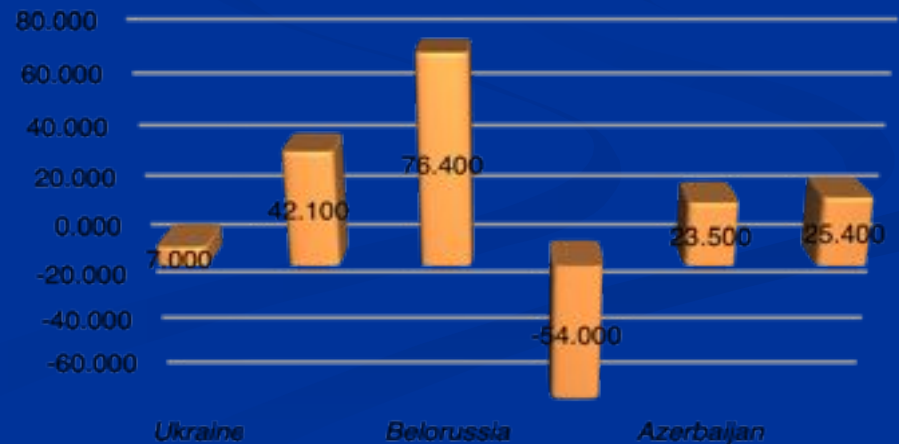
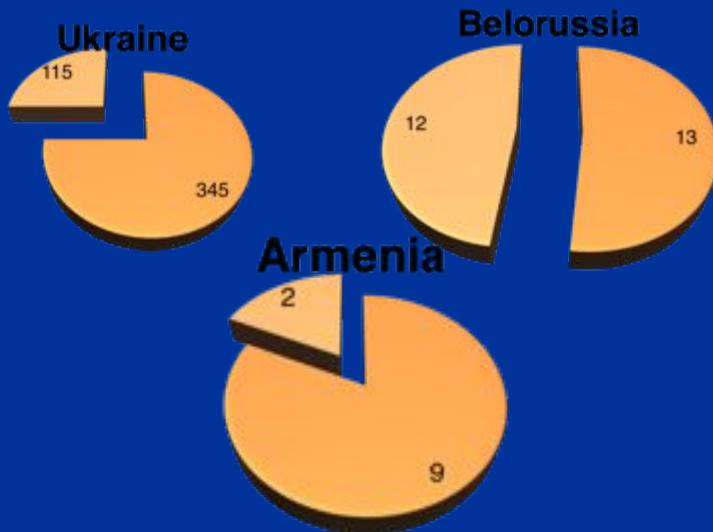
Amount of Companies on Different Markets

!!! UKRAINE: 460 companies



- different scales of market
- different shares of GDP
- different types of most developing sectors
- different levels of penetration

Growth Rate of Total Premium, %



# Foreign markets. Asia-Pacific market

## India

- The 4<sup>th</sup> largest market in Asia-Pacific
- \$74.2 billion of total premiums in 2011 (CAGR - 10.7% in 2007-2011)
- The CAGR of Indian market in the next 5 years is forecasted to be 16.3%.
- Reasonably fragmented
- Limited FDIs  $\leq 26\%$ , 49% in the future?
- Bacassurance grew by 33% in 2007-2011

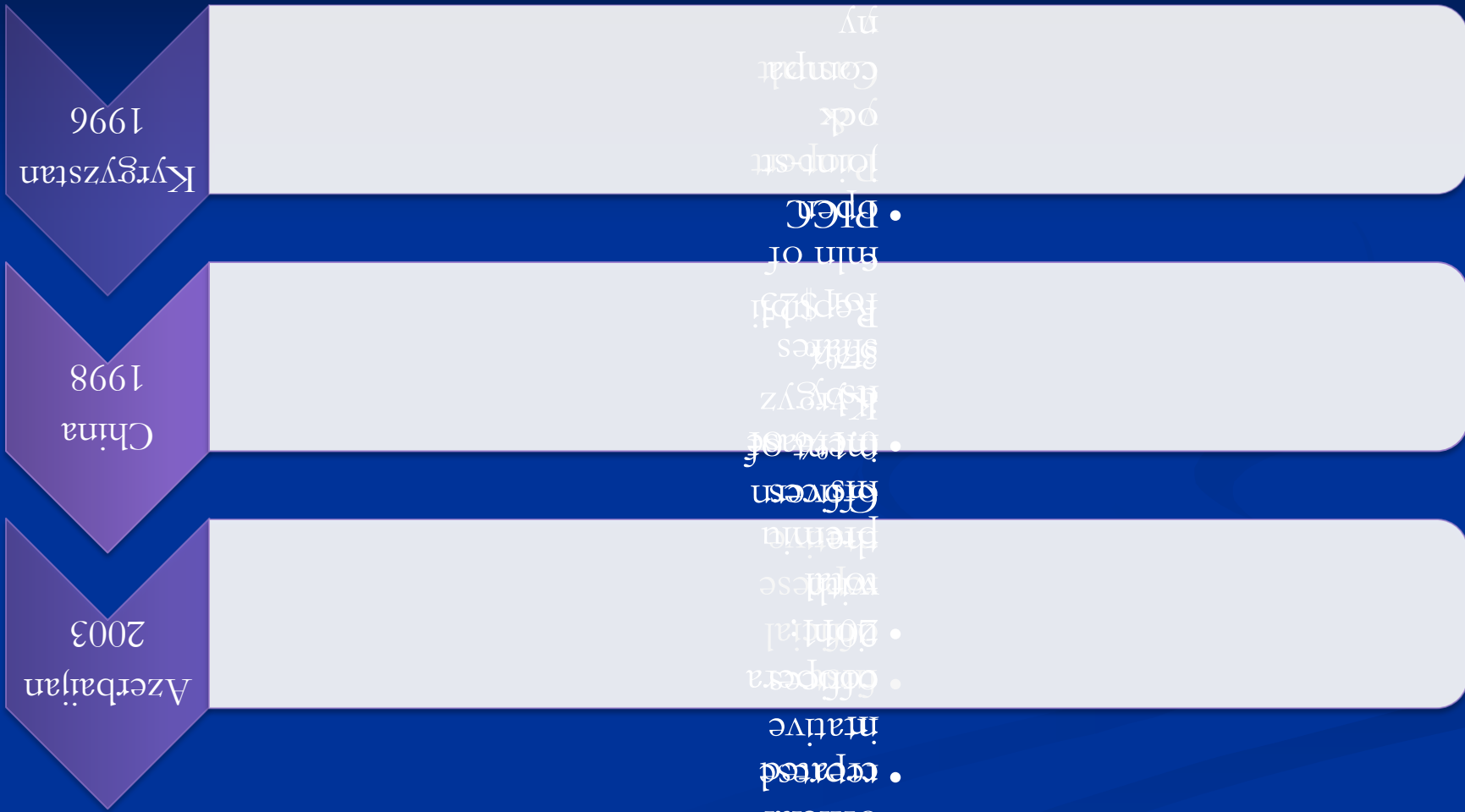
## China

- the 2<sup>nd</sup> largest market after Japan in Asia-Pacific
- \$222,2 billion of total premiums in 2011 (CAGR - 19.5% in 2007-2011)
- The CAGR of 12.3% in the period 2011-2016
- Fairly consolidated
- 1998-1998 – first international new comers

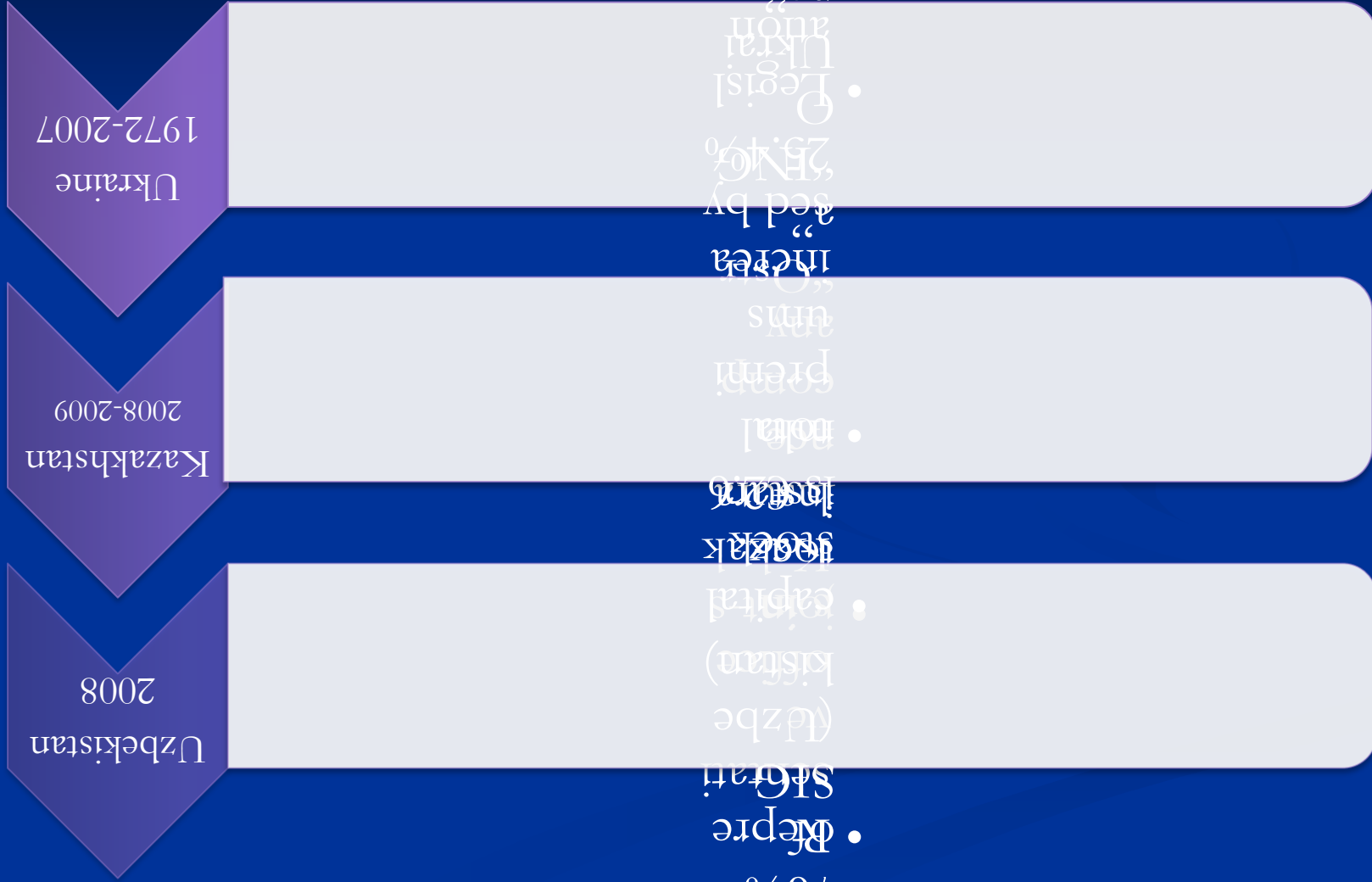
# Foreign Markets. Ingosstrakh Entry



# Foreign Markets. Ingostrakh Entry (2)



# Foreign Markets. Ingosstrakh Entry (3)



# Foreign Markets.

## Ingosstrakh Ratings

### Uzbekistan

НКЭИС "Узбекинвест"  
 ГАСК "Узагросугурта"  
 СК "Transinsurance plus"  
 ДПСК "Uvt inshurans"  
 СК "Asia Inshurans"  
 СЗАО "Инго Узбекистан"  
 ГАСК "Кафолат"  
 ОАО "Капитал Сугурта"  
 СК "Temiryo'l-Sug'urta"  
 ОАО "Agro Invest Sug'urta"

### Ukraine

АХА СТРАХОВАНИЕ  
 АСКА  
 ПРОВИДНА  
 УНИКА  
 КРЕМЬЕНЬ  
 ОРАНТА  
 ИНГО УКРАИНА  
 УКРАИНСКАЯ СТРАХОВАЯ  
 ГРУППА  
 АРСЕНАЛ СТРАХОВАНИЕ  
 АЛЬФА СТРАХОВАНИЕ

### Armenia

Ресо  
 Армения Иншуранс  
 Наири Иншуранс  
 Гарант-Лименс  
 Инго Армения  
 Сил Иншуранс  
 Росгосстрах-Армения

### Belorussia

"Белэксимгарант"  
 ИС ЗАО "Генерали"  
 ЗАСО "ГАРАНТИЯ"  
 СООО "Белкоопстрах"  
 ЗАСО "КЕНТАВР"  
 ЗАСО "Белнефтестрах"  
 УСП "Белвнешстрах"  
 ОАСО "Би энд Би иншуренс Ко"  
 ЗАО "СК "ЭРГО"  
 ЗАСО "Дельта Страхование"  
 ОАСО "БАГАЧ"  
 ЗАО "СК"Белросстрах"  
 Росгосстрах  
 СБА ЗАСО "Купала"  
 ЗСАО "БелИнгосстрах"

# Exit from European market

- **2005** – focus on CIS countries (\$120 mln investments in CIS countries and in Russia)
- **2007** - selling of Finnish subsidiary Ingonord to Swedish group “Fundior AB”
- **2009** - selling of the last European subsidiary (Sovag) to Volga resources fund

## Reasons:

- Upcoming solvency requirements “Solvency II” (\$100 mln required investments in German subsidiary Sovag)
- No change in annual net income
- Need for additional €2-3 bln of investments to reach European competitors

# SWOT analysis of Ingosstrakh

CIS

ASIA Pacific

## Strengths

- Recognizable since Soviet Union times
- Ingosstrakh is aware of CIS countries business peculiarities
- Offers full product assortment
- Relatively big experience in international activities
- Ingosstrakh bought a share in Chinese leading company
- Business collaborations from Soviet times help to establish partnerships

## Weaknesses

- No strong image positioning
- Low competitiveness with western insurance companies in terms of serving industrial clients

## Opportunities

- Chance to cover underdeveloped market areas
- CIS insurance markets are growing
- Foreign insurance companies are more preferable than domestic
- Increasing demand for insurance
- Favorable demographic shifts
- Real estate investment opportunities

## Threats

- Lack of trust and understanding the need of insurance services among population
- Strong international competitors
- Regulatory issues
- Low living standards of population
- Increasing competition
- Increasing incidence and severity of catastrophes could affect profitability
- Regulatory mechanisms restrain companies for further development



# Value Chain Analysis

Infrastructure (developed over many years of operations and established network of partnerships in CIS and other countries)

Human resources management (selection the best practices developed throughout the company's existence and their adjustment)

Technology development (one of the activities Ingosstrakh has been praised for by the professional community)

Inbound logistics (claims processing and policy placement collections)

Operations (policy administration and underwriting)

Outbound logistics (product development and disbursement)

Marketing and sales (quotations, risk assessment, channel mgmt, and commission calculation)

Service (after sales support for customers)

**Margin**

# Ingosstrakh Expansion Challenges

- Communications
- Red Tape
- Human Resources
- Business Culture
- Identifying a True Market Need
- Dilution of Brand-Name Power
- Cultural Nuance
- Distance and Time
- Finding Reliable Partners
- Economic and Financial Challenges
- Nationalization
- National Controls
- Costs
- Market Competition in Host Country

# Further discussion

*What can help Ingosstrakh to successfully proceed with its international expansion?*

- Localization of services for the needs of each particular market
- Expansion of product lines
- More products for individual customers (medical, property, auto insurances)
- Opening of own medical centers for individual voluntary medical insurances
- Development of Ingosstrakh's net of retail sales
- Reduction of target audience in some countries of entry
- Positioning itself as the most reliable company in terms of insurance payments
- Concentration on the market it has already entered and neighboring ones.
- Bancassurance in India
- Positioning itself as a company which serves local customers since Soviet times (for further penetration in CIS markets)
- Expanding in Brazil and Africa, using China and India entering as a benchmark
- Developing and reaching the level of global companies in terms of IT software used and antifraud systems

*Thank you for your time!*

