



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

France

• Egypt

• Syria

Afghanistan
 Lebanon

AlgeriaSudan

• Mali

Finland

Cuba

China

- Became an open joint stock company in 1993
- Wide regional network

Insurance industry

Functions of insurance

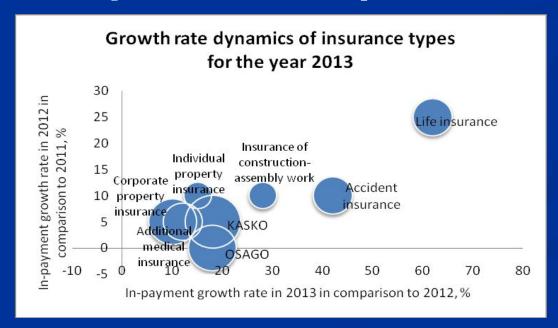
protection against a variety of risks

source of savings and investments (use of temporarily free funds in order to receive investment income)

- ☐ 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

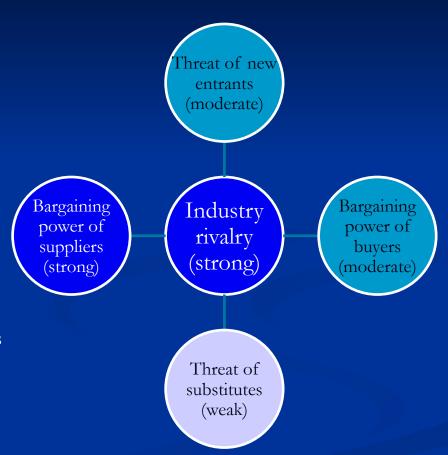
- newly established, diversified or internationalized companies
- online services complicate situation
- preliminary compulsory insurance purchases
- Non-differentiated products

Threat of substitutes

Savings and investments

Industry rivalry

Market fragmented with large companies



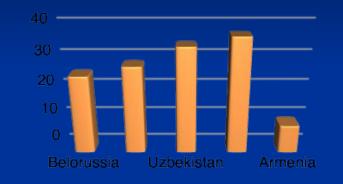
Global insurance market

- 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

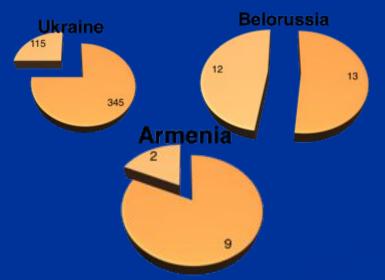
Amount of Companies on Different Markets

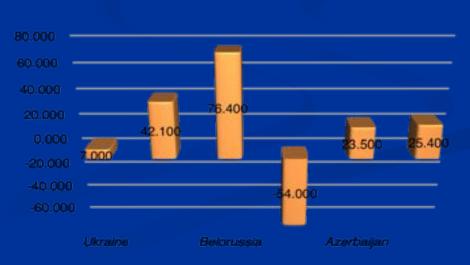




- different scales of market
- □ different shares of GDP
- □ different types of most developing sectors
- □ different levels of penetration

Growth Rate of Total Premium, %





Foreign markets. Asia-Pacific market

India

- The 4th 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 ≤ 26%, 49% in the
- Bacassurance grew by 33% in 2007-2011

China

- the 2nd 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

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Foreign Markets. Ingostrakh Entry



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Foreign Markets. Ingostrakh Entry (2)

Kyrgyz Instrak

Southern 1996

Kyrgyzstan 1996

Selection 1996

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Azerbaijan 2003

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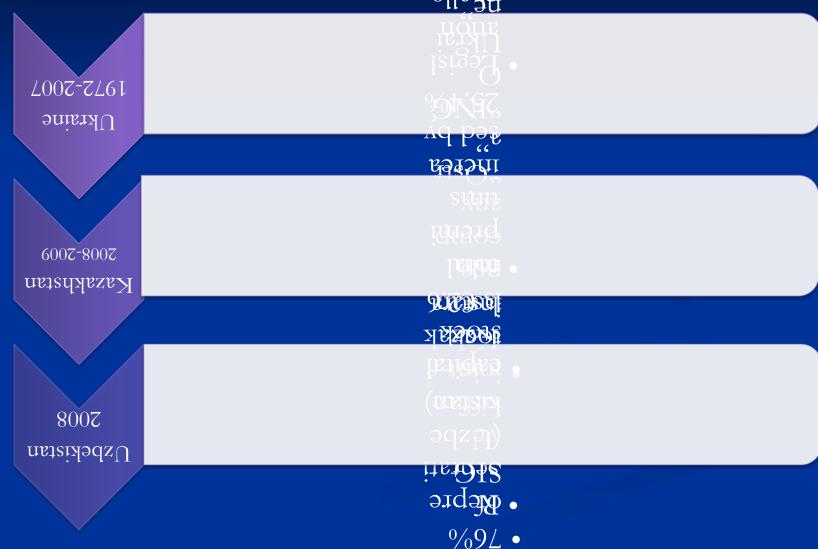
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Foreign Markets. Ingowstrakh Entry (3)

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Foreign Markets. Ingosstrakh Ratings

Uzbekistan

Ukraine

Armenia

Belorussia

НКЭИС "Узбекинвест"

ГАСК "Узагросугурта"

CK "Transinsurance plus"

ДПСК "Uvt inshurans"

CK "Asia Inshurans"

СЗАО "Инго Узбекистан"

ГАСК "Кафолат"

ОАО "Капитал Сугурта"

CK "Temiryo'l-Sug'urta"

OAO "Agro Invest Sug'urta"

АХА СТРАХОВАНИЕ

ACKA

ПРОВИДНА

УНИКА

КРЕМЕНЬ

OPAHTA

ИНГО УКРАИНА

УКРАИНСКАЯ СТРАХОВАЯ

ГРУППА

АРСЕНАЛ СТРАХОВАНИЕ

АЛЬФА СТРАХОВАНИЕ

Peco

Армения Иншуранс

Наири Иншуранс

Гарант-Лименс

Инго Армения

Сил Иншуранс

Росгосстрах-Армения

"Белэксимгарант"

ИС ЗАО "Генерали"

ЗАСО "ГАРАНТИЯ"

СООО "Белкоопстрах"

3ACO "KEHTABP"

ЗАСО "Белнефтестрах"

УСП "Беланешстрах"

ОАСО "Би энд Би иншуренс Ко"

3AO "CK "ЭРГО"

ЗАСО "Дельта Страхование"

ОАСО "БАГАЧ"

ЗАО "СК"Белросстрах"

Росгосстрах

СБА ЗАСО "Купала"

ЗСАО "БелИнгострах"

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	Operations	Outbound	Marketing	Service (after
logistics	(policy	logistics	and sales	sales support
(claims	administratio	(product	(quotations,	for
processing	n and	development	risk	customers)
and policy	underwriting)	and	assessment,	
placement		disbursement	channel	
collections))	mgmt, and	
			commission	
			calculation)	

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!

