



# REPORT

## ON BUSINESS PERFORMANCE OF THE INSURANCE INDUSTRY

IN 2013

REPUBLIC OF SLOVENIJA

INSURANCE SUPERVISION AGENCY

# REPORT ON BUSINESS PERFORMANCE OF THE INSURANCE INDUSTRY IN 2013

FOREWORD BY THE DIRECTOR OF THE  
INSURANCE SUPERVISION AGENCY

- I. REPORT ON BUSINESS PERFORMANCE OF THE  
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INSURANCE SUPERVISION AGENCY



# Foreword by the Director of the Insurance Supervision Agency

At the end of the financial year 2013, 14 insurance companies, two re-insurance companies, three pension companies, the Nuclear Insurance and Reinsurance Pool, the Guarantee Fund and the Compensation Body of the Slovenian Insurance Association, 98 insurance brokerage companies and 1,896 insurance agencies operated in the Republic of Slovenia. In addition, services were provided by 6 branches of insurance companies registered in the EU Members States, as well as 664 insurance companies from the EU Members States allowed to directly carry out insurance business in the Republic of Slovenia. In 2013 two financial conglomerates were registered in Slovenia and supervised by the Insurance Supervision Agency. The latter also supervised three insurance groups. In 2013 the number of insurance companies registered in Slovenia fell by 1 as the result of streamlining, i.e. consolidation of the insurance market, as the insurance portfolio of an insurance company was transferred to a related insurance company.

In their operations carried out in 2013, the Slovenian insurance entities were primarily facing the demanding economic environment on the domestic market. In 2013 Slovenia recorded a negative growth in the gross domestic product (GDP), the unemployment rate increased, and private consumption fell; a record-breaking number of bankruptcy proceedings were initiated - over 900, and the end of the financial year saw the beginning of the rehabilitation of the Slovenian banking system. All this was reflected in a volatile movement of the interest rates on securities issued by the Republic of Slovenia. In the last financial year, the movement of the required return on the 10-year bond of the Republic of Slovenia primarily reflected the changing of the credit ratings of the long-term sovereign debt. Interest rate margins thus reached enviable levels compared to other EU countries. In the autumn months of 2013, the interest rate on 10-year securities issued by the Republic of Slovenia even achieved 6.7% for several times (as a comparison, upon the preparation of this report, the interest rates on identical securities dropped to 3.4%). With all the turbulence in the domestic economic and financial environment, the financial year 2013 passed without any major catastrophic event that might significantly affect the claims ratio of the Slovenian insurance companies.

The negative economic growth, many bankruptcies and reduced purchase power of the inhabitants resulted in a lower demand for services provided by the Slovenian insurance and pension companies, and the volatility of the financial markets and rehabilitation of the banking system were reflected in the result of the investment portfolio of the entities operating on the Slovenian insurance market.

Nevertheless, the Slovenian insurance companies ended the financial year 2013 with an operating profit, making a net profit of EUR 101.8 million, the two reinsurance companies earned a net profit of EUR 21.4 million in the accounting period, and the pension companies ended the year with a minimum aggregate net loss of EUR -1.4 million. All the companies supervised by the Insurance Supervision Agency disclosed a surplus of available capital over minimum capital requirement: the insurance



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companies EUR 218.7 million and EUR 311.2 million in the life insurance segment and the non-life insurance segment, respectively, the reinsurance companies a total of EUR 44.4 million, and the pension companies EUR 13.6 million.

The data on the performance of the insurance companies supervised by the Insurance Supervisions Agency show that the premium income continues to decrease, with this trend being observed for several years on the Slovenian insurance market. In 2013 the Slovenian insurance companies thus recorded EUR 1,905.8 million of gross premiums written, which was EUR 50 million less than in 2012. The non-life insurance gross premium fell from EUR 976 million in 2012 to EUR 926 million in 2013, and the life insurance gross premium decreased from EUR 512 million in 2012 to EUR 498 million in 2013. The segment of voluntary health insurance operations recorded a positive trend in 2013, with the gross premium written in relation to voluntary health insurance growing from EUR 468 million in 2012 to EUR 482 million in 2013. The latter primarily resulted from the increase in the premium of supplementary health insurance in the middle of the financial year 2012 pursuant to the Fiscal Balance Act, which resulted in the change of the insurance covers of health insurance companies.

As already mentioned, the lowering of the premium income of the Slovenian insurance companies was influenced by the reduced private consumption (insurance is a product that consumers relatively quickly renounce, unless it is compulsory); partly, the lower volume of the premium written was also influenced by many bankruptcies and the increased competition, especially in the area of non-life insurance. In this segment of operations of the Slovenian insurance companies, the Insurance Supervision Agency has been observing decreasing in premiums for some time. Thus, for instance, the premium income from motor vehicle liability insurance has been falling for several years, with the number of vehicles registered in Slovenia not decreasing. The Insurance Supervision Agency pays large attention to such development trends, since motor vehicle liability insurance represents an important segment of operations on the Slovenian insurance market. The Agency assesses that this is a case of controlled competition, as the insurance companies manage the claims ratio relatively well despite the decrease in the premium income. A significant contribution to this is an increasing awareness of the drivers, high penalties for road traffic offences and, to a certain extent, also the deteriorated economic situation, influencing the volume of traffic and the manner of driving.

In the financial year 2012, the Slovenian insurance market did not record a decrease in premiums in the area of life insurance; therefore, in the past year, we already assessed that this stagnation in the fall of premium income could perhaps already lead to a recovery of this segment of operations of the Slovenian insurance companies. However, in 2013 the premium income in this segment dropped again by 2.7%. On the other hand, it is necessary to point out that the number of insureds and the number of policies in the life insurance segment has almost not been falling. What is falling, is the average premium per insurance policy. In the area of the so-called traditional life insurance (life insurance not linked to investment fund units), in 2013 the number of insurance policies even increased compared to 2012, by 2.6%, and the number of the insureds grew by 2%. Nevertheless, the premium income from traditional life insurance also fell in 2013, by 1.7%. All this also reflects the general economic situation. There has primarily been a significant drop in the premium income from life insurance linked to investment fund units (in 2013 it went down by 6%), which means that the inclination to this form of saving is decreasing. On the other hand, the number of traditional life insurance policies (ordinary or (pure) endowment insurance) taken out is growing, which also partly results from the economic crisis, as the main purpose of traditional life insurance is to provide for the heirs or dependants of persons in employment. In crisis situations, the sense of responsibility usually increases.

The Insurance Supervision Agency has detected similar trends in the area of pension insurance. The gross premiums written by the pension companies in 2013 amounted to EUR 61.4 million, which was 10.1% less than in 2012, and the number of the insureds fell by 5% in the same period. The average monthly gross premium received by the pension companies thus decreased by around EUR 1.2. This means that the insureds pay less funds into the pension schemes. Here, I would also like to emphasise that most pension insureds have concluded collective pension contracts; an extremely small percentage of the Slovenian inhabitants decide to sign individual insurance contracts with pension insurance companies – at the end of 2013, there were merely 3,596 such insureds. In addition, surrendering of insurance policies also continued in 2013 in the area of pension insurance. In 2013 the pension companies thus aggregately disclosed almost EUR 100 million of expenses from payments of the sums insured or surrender value. Similarly, surrenders also continued at insurance companies underwriting pension insurance – in 2013, the value of such surrenders amounted to EUR 44.1 million. This trend has been present on the market since 2011, when the first insurance policies saw the expiry of the 10-year period after which the insureds are entitled to surrender the policy and redeem the funds saved.

The two Slovenian reinsurers also recorded a drop in premium income in 2013. The net premiums earned by the reinsurance companies thus amounted to EUR 181.9 million in 2013 (EUR 197.3 million in 2012). As opposed to the insurance companies, the premium collected by the two reinsurance companies on the domestic market did not decrease; the Slovenian reinsurers primarily recorded a fall in the premium income on foreign markets. Nevertheless, in 2013 the Slovenian insurance market disclosed a higher net profit than in the financial year 2012, growing from EUR 15.4 million in 2012 to EUR 21.4 million in 2013. In 2013 Slovenia did not record any major catastrophic loss events. Moreover, there were also no major catastrophic loss events on the foreign markets where the two Slovenian reinsurance companies operate. The reinsurance companies thus significantly improved the claims ratio and, consequently, increased the profits for the financial year 2013.

All segments of operations of the Slovenian insurance market were under the influence of the rehabilitation of the banking system in 2013. The investments of the Slovenian insurance, reinsurance and pension companies are concentrated on the domestic Slovenian market, accounting for 54% of all investments as at 31 December 2013 (60% in 2012). Therefore, the companies supervised by the Insurance Supervisions Agency were not able to avoid the negative effects of the rehabilitation of the banking system. In the financial year 2013 these effects were significant: the insurance companies, the reinsurance companies and the pension companies wrote off or made value adjustments of investments in subordinated securities and equity securities of certain Slovenian banks in the total value of EUR 77.6 million, EUR 7.6 million and EUR 26 million, respectively. Aggregately, the amount is EUR 111.2 million, accounting for 1.6% of the total investments of the insurance, reinsurance and pension companies at the end of the financial year 2013.

All the details about the performance are given below. Considering all the above-mentioned and described in detail below, the Insurance Supervision Agency assesses that in the financial year 2013 the Slovenian insurance, reinsurance and pension companies operated successfully. In particular, it is important in terms of insurance supervision that the capital adequacy of the Slovenian insurance system at the level of the country increased.

The Agency has increased its activities in relation to the supervision of insurance groups. The Slovenian insurance groups generate the bulk of their revenues on the domestic market; however, their activity is ramified and they also operate in the area of the so-called third countries, whose regulatory frameworks in the area of insurance usually deviate from the business rules known within the EU. The Insurance Supervision Agency therefore actively cooperates with the supervision authorities of third countries. In relation to the operations of the Slovenian insurance groups abro-

ad, we also carried out three joint inspections of operations together with other supervisors in 2013.

In the area of supervising financial conglomerates, in 2013 the Insurance Supervision Agency began the procedure to determine the existence of the financial conglomerate KD - AS, to which it issued the decision on its termination in January 2014. An important part of the financial conglomerate KD - AS was a stake in Deželna banka Slovenije d.d., which the KD - AS group reduced in 2013. The rehabilitation of the banking system also led to the initiation of the procedure to determine the existence of the financial conglomerate Triglav Group, since the latter no longer holds a significant stake in A banka Vipava d.d.

In addition to the regular supervision tasks, the Insurance Supervision Agency was also active in other areas in 2013. It prepared, amended and supplemented eleven implementing regulations, and adopted amendments and supplements to the Tariff-1. Most of them, nine implementing regulations, concern enforcement of the new Pension and Disability Insurance Act. In 2013 the Insurance Supervision Agency also cooperated in the preparation of the amendments to the existing Insurance Act, primarily relating to the provisions on insurance companies in insurance groups, as well as in the preparation of the Act Amending the Financial Conglomerates Act.

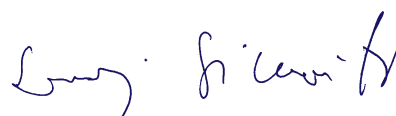
In 2013 the Agency also operated in the area of education and training: it organised two professional courses with international participation and consultations together with the Centre of Excellence in Finance, and one course together with the European Insurance and Occupational Pensions Authority (EIOPA).

The Insurance Supervision Agency is particularly active in the area of the adjustment of the Slovenian insurance market to Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), which must be transposed to the national legal orders of the Member States and enforced by 1 January 2016. Solvency II means a comprehensive change both in the operations of insurance companies and in the functioning of insurance supervision. The calculation of capital adequacy will be changed, new rules on insurance company management and new reporting standards will be introduced and, above all, the volume of reporting will be larger. In 2013 the EIOPA prepared the so-called interim Guidelines on preparing for Solvency II; the Insurance Supervision Agency also participated in their preparation. Although the interim guidelines are not legally binding, it is the duty of the Insurance Supervision Agency to ensure the introduction of the interim guidelines in the transition period pending the introduction of Solvency II and within the legal framework given, in order to enable the easiest possible and harmonised transition to the new business conditions within Solvency II. This will also be the priority of the Insurance Supervision Agency in the financial years 2014 and 2015.

Based on all the information and figures presented herein, I can conclude that in 2013 the performance of the Slovenian insurance companies was good, that the capital adequacy of the Slovenian insurance market was at a satisfactory level, but that the Insurance Supervision Agency is facing a period of changes introduced by the new Directive Solvency II, on which the Agency will focus in the coming months.

**Sergej Simoniti**

Director of the Insurance Supervision Agency



Ljubljana, June 2014

# I. REPORT ON BUSINESS PERFORMANCE OF THE INSURANCE INDUSTRY IN 2013

The Report on business performance of the insurance industry in 2013 refers to the operations of those entities in the insurance sector that are supervised by the Insurance Supervision Agency (hereinafter: the Agency), unless indicated otherwise herein. The Report is based on the data and information available in the beginning of June 2014





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# 1. INTRODUCTION

At the end of 2013, the Slovenian insurance market included the following entities supervised by the Agency:

- 14 insurance companies: Adriatic Slovenica zavarovalna družba d. d. (hereinafter: Adriatic Slovenica), Ergo Življenjska zavarovalnica d. d. (hereinafter: Ergo Insurance Company), Generali zavarovalnica d. d. Ljubljana (hereinafter: Generali Insurance Company), Grawe Zavarovalnica d. d. (hereinafter: Grawe Insurance Company), Merkur zavarovalnica d. d., Ljubljana (hereinafter: Merkur Insurance Company), Modra zavarovalnica, d. d. (hereinafter: Modra Insurance Company), NLB Vita, življenjska zavarovalnica d. d. Ljubljana (hereinafter: NLB Vita), Prva osebna zavarovalnica, d. d. (hereinafter: Prva Personal Insurance Company), SID – Prva kreditna zavarovalnica d. d., Ljubljana (hereinafter: SID – Prva kreditna Insurance Company), Triglav, Zdravstvena zavarovalnica, d. d. (hereinafter: Triglav Health Insurance Company), Zavarovalnica Maribor d. d. (hereinafter: Maribor Insurance Company), Zavarovalnica Tilia, d. d., Novo mesto (hereinafter: Tilia Insurance Company), Zavarovalnica Triglav, d. d. (hereinafter: Triglav Insurance Company) and Vzajemna zdravstvena zavarovalnica, d. v. z. (hereinafter: Vzajemna);
- two reinsurance companies: Pozavarovalnica Triglav Re, d. d. (hereinafter: Triglav Re) and Pozavarovalnica Sava, d. d. (hereinafter: Sava Reinsurance Company);
- three pension companies: Moja naložba pokojninska družba d. d. (hereinafter: Moja naložba Pension Company), Pokojninska družba A, d. d. (hereinafter: A Pension Company) and Skupna pokojninska družba, d. d., Ljubljana (hereinafter: Skupna Pension Company);
- the commercial association Nuclear Insurance and Reinsurance Pool; and
- the Guarantee Fund and the Compensation Body organised within the Slovenian Insurance Association.

Three of the 14 insurance companies specialise exclusively in non-life insurance for a limited number of insurance classes, one insurance company specialises in health insurance, one in health and accident insurance, and one in credit and suretyship insurance.

Only one insurance company is specialised exclusively in underwriting life insurance policies. Out of the remaining 10 composite insurance companies, two mostly underwrite life insurance policies, as well as policies in the accident insurance class, one insurance company also primarily underwrites life insurance policies, as well as accident and health insurance policies, while seven insurance companies are traditional composite insurance companies, underwriting insurance policies in almost all insurance classes.

In 2013 the number of insurance companies registered in Slovenia decreased by one. Based on the authorisation of the Agency for partial division by acquisition of the assets of the transferring company KD Življenje, zavarovalnica, d. d. (hereinafter: KD Življenje) to the acquiring company Adriatic Slovenica, since 1 October 2013 the insurance portfolio of KD Življenje has been part of the Adriatic Slovenica insurance company, and the authorisation of KD Življenje to perform insurance operations was terminated.

Pension companies exclusively perform supplementary pension insurance operations, as the law does not allow them to perform operations in relation to other insurance types.

Besides these, the Agency also supervises the First Pension Fund of the Republic of Slovenia and its Guarantee Fund, managed by the Pension Fund Management Company (Kapitalska družba d.d.) until the foundation of Modra Insurance Company. The latter was established through a partial division of the Pension Fund Management Company and began to operate in October 2011. Upon establishment, it took over the management of the Closed Mutual Pension Fund for Civil Servants, the Capital Mutual Pension Fund, and the First Pension Fund of the RS and its Guarantee Fund.

In addition to these entities, six branches of foreign insurance companies and 664<sup>1</sup> foreign insurance companies directly performing insurance business also operated on the Slovenian insurance market last year. The Agency does not directly supervise the operations of the branches of foreign insurance companies directly performing insurance operations on the Slovenian insurance market.

<sup>1</sup> The figure refers to 31<sup>st</sup> December 2013.

In 2013, three insurance groups with the parent company registered in Slovenia operated on the Slovenian insurance market. The first group consisted of the controlling Triglav Insurance Company and its subsidiaries Triglav Re, Triglav Health Insurance Company and the associate Skupna Pension Company. In addition to the above subsidiaries registered in Slovenia, on 31 December 2013 Triglav Insurance Company also had seven subsidiary insurance companies registered in four markets of third countries and two subsidiary insurance companies registered in the markets of the EU Members States. The parent company in the second group was Sava Reinsurance Company, controlling Tilia Insurance Company and Maribor Insurance Company and participating in Moja naložba Pension Company as at 31 December 2013. In addition to the above subsidiaries registered in Slovenia, on 31 December 2013 Sava Reinsurance Company also had six subsidiary insurance companies registered in four markets of third countries and two subsidiary insurance companies registered in the markets of the EU Members States. The third insurance group consisted of Prva Personal Insurance Company, controlled by Skupina Prva, d. d. (Prva Group).

Besides, two financial conglomerates operated in the Slovenian market in 2013, namely the Triglav Group financial conglomerate and the KD-AS financial conglomerate. The latter terminated its operations in January 2014, following the relevant decision of the Agency.

## 2. LEGAL FRAMEWORK

The laws that are especially important for the operation of insurance and pension companies, as well as all other legal and natural persons doing insurance business in the Republic of Slovenia, are the following:

- Insurance Act,
- Pension and Disability Insurance Act,
- Financial Conglomerates Act,
- Macro-prudential Supervision Act,
- Prevention of Money Laundering and Terrorist Financing Act,
- Health Care and Health Insurance Act,
- Compulsory Motor Third-party Liability Act.

The operation of the First Pension Fund is regulated by the First Pension Fund of the Republic of Slovenia and Transformation of Authorised Investment Corporations Act (ZPSPID, 50/1999, 106/1999 – ZPIZ-1, 31/2000 – ZP-L, 58/2002, 110/2002 – ZISDU-1, 61/2004, 54/2004 – ZDoh-1, 85/2009).

### 2.1. Insurance Act (ZZavar) and the Implementing Regulations Issued on the Basis Thereof

The Insurance Act (ZZavar, Official Gazette of the RS, nos. 99/2010 – official consolidated text, 90/2012, 102/2012, 56/2013, 63/2013 – ZS-K) is the basic act regulating the issues related to the establishment, operation, supervision and dissolution of insurance companies. This Act has introduced special rules applicable to insurance undertakings as an important group of non-monetary financial institutions, while, at the same time, insurance undertakings as companies must also comply with the legislation applying to the operation of companies in general.

In accordance with the Insurance Act, the Agency is authorised to prepare and adopt implementing regulations addressing the insurance area. The implementing regulations may be divided into four major groups:

- The first group comprises the implementing regulations laying down the very precise rules for meeting prudential standards. They stipulate the detailed rules for calculating the insurance companies' minimum capital; the detailed types and features of assets covering technical provisions; the detailed rules and minimum standards relating to the calculation of technical provisions; the method of evaluating the assets and liabilities of insurance companies; the method of calculating the liquidity ratios to be applied; the requirements concerning the calculation of the adjusted solvency requirement of parent insurance companies; and the methodology of calculating the insurance company's retention levels in the tables of maximum coverage.
- The second group lays down the detailed rules for reporting. The frequency of reporting depends on the type of report. An insurance company is obliged to calculate, monitor and report to the Agency, on a quarterly basis, the relevant data on the amount of capital, meeting of the capital requirements, capital adequacy, the amount of technical provisions, the value, types and spreading of assets covering technical provisions and investments not financed from technical provisions, as well as the statistical insurance data, and the balance sheet and income statement data.
- The implementing regulations laying down conditions for acquiring and examining the expertise required for performing the tasks of a certified actuary constitute the third group.
- The fourth group comprises the implementing regulations that lay down detailed conditions for acquiring and examining the expertise required in order to obtain an authorisation to transact the business of insurance agency and brokerage.

Two amendments were made to the Insurance Act in 2013. Before the enforcement of the directive Solvency II, there were unexpected complications and resulting delays. Therefore, the provisions of the Insurance Act had to be previously (before the enforcement of Solvency II) adjusted to the amendments of the currently applicable directives, i.e. the amendments of the Directive 98/78/EC of the European Parliament and of the Council of 27 October 1998 on the supplementary supervision of insurance undertakings in an insurance group, introduced by the Directive 2011/89/EU of the European Parliament and of the Council of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate.

The main purpose of the Act Amending the Insurance Act (ZZavar-J, Official Gazette of the RS, no. 56/2013) was to transpose to the Slovenian law the provisions of the Directive 2011/89/EU in the part amending the Directive 98/78/EC. An additional goal was to modernise and expand the supervision of insurance groups. Financial conglomerates include banks, insurance companies, investment companies and also management companies. The aim of the directive on supplementary supervision is to supervise potential risks arising from multiple use of capital and the so-called group risks, which include the risks of contagion, the complexity of managing many different legal entities, the risk of concentration and conflicts of interest that might appear when several authorisations to provide different financial services are joined.

The goal of ZZavar-J was also to eliminate administrative barriers in line with the Action programme for elimination of administrative barriers and reduction of burdens for 2012 and 2013, particularly as regards obtaining of evidence from official records kept by administrative units. The amended Article 154 of the Insurance Act somewhat expanded the range of purposes for which insurance companies are allowed to obtain and further process personal data. The database for the assessment of insurance cover and amount of damages/policy proceeds also includes historical data on the insured vehicle. The insurance company obtains the data on the vehicle from the databases of the ministry responsible for transport, the ministry responsible for internal affairs, organisations carrying out type approval and registration of vehicles, and official records kept by administrative units.

The second amendment to the Insurance Act was introduced by the Act Amending the Courts Act (ZS-K, Official Gazette of the RS, no. 63/2013), which somewhat changed the provisions of the Insurance Act on the jurisdiction to decide on judicial protection in accordance with the Insurance Act. The jurisdiction to decide on judicial protection was transferred from the Supreme Court of the Republic of Slovenia to the Administrative Court of the Republic of Slovenia. The change was introduced simultaneously with the change of jurisdiction to decide on judicial protection in other related laws, i.e. acts regulating banking, financial instruments, takeovers, auditing and prevention of restriction of competition. The Ministry of Justice of the Republic of Slovenia, which proposed the amendments to the acts, justified the change by explaining that, systemically, the above judicial protection procedures are not within the competence of the Supreme Court of the Republic of Slovenia, as decisions are made at the first instance about matters of administrative nature. The Agency and other supervisors were not informed about the intended amendment. After the amendment was adopted, the Agency and other supervisors informed the Ministry of Justice of the Republic of Slovenia about their opinion that the previous solution was more appropriate because of the complexity of and expertise required in the judicial protection procedures.

Based on the statutory authorisation (Article 256 of the Insurance Act), the Agency amended the following two implementing regulations in 2013:

- Decision amending the Decision on detailed contents of provisions of insurance contracts (Official Gazette of the RS, no. 16/2013),
- Decision amending the Decisions issued by the Insurance Supervision Agency, in those parts that regulate manner of reporting (Official Gazette of the RS, no. 62/2013).

In November 2013, the Agency also adopted amendments and supplements to the Tariff on fees, annual fees and lump-sum fees (Tariff-1, Official Gazette of the RS, no. 98/2013). The new Pension and Disability Insurance Act (ZPIZ-2, Official Gazette of the RS, nos. 96/12 and 39/13) changed the basis for the determination of the annual fee for supervision by the Agency in accordance with the provisions of the ZPIZ-2, and laid down that the Agency issues different authorisations and approvals pursuant to the ZPIZ-2. Consequently, the Agency had to amend the Tariff-1 accordingly. Compared to the previous Pension and Disability Insurance Act (ZPIZ-1, Official Gazette of the RS, nos. 109/06 – official consolidated text, 114/06 – ZUTPG, 10/08 – ZVarDod, 98/09 – ZIUZGK, 38/10 – ZUKN, 61/10 – ZSVarPre, 79/10 – ZPKDPIZ, 94/10 – ZIU, 110/11 – ZDIU12, 40/12 – ZUJF and 96/12), the ZPIZ-2 laid down an additional, larger amount of work for the Agency; however, the annual fee did not change with the amendment of the Tariff-1 despite the larger amount of work and higher burden on the Agency.

The Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), which replaced the previous directive, on which basis the existing Insurance Act was passed, must be transposed to the national laws of the Member States and enforced by 1 January 2016. Therefore, in 2013 the Agency, the Ministry of Finance of the Republic of Slovenia and, indirectly, the EIOPA actively cooperated in the area of legislation

The European Insurance and Occupational Pensions Authority (EIOPA) was established on 1 January 2011 with the Regulation of the European Parliament and of the Council of 9 November 2010 establishing a European Supervisory Authority (ESA) and replaced the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS). The European Insurance and Occupational Pensions Authority was established simultaneously with the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) as a response to the global financial crisis. The main task of the EIOPA is to connect the national supervisory bodies in order to standardise supervision regulations and practices.

Solvency II will be enforced gradually, as this is the only way to ensure an appropriate transition to the new regime by the insurance companies. Solvency II was already published in 2009; nevertheless, the necessary implementing regulations at the level of the European Union were not yet prepared in 2013. Since the relevant alignment took a long time, in 2013 the European Parliament set a new date for the implementation of Solvency II, namely 1 January 2016, as the original date, 1 January 2014, was not feasible due to technical details.

In 2013 the EIOPA published special Guidelines on preparing for Solvency II, intended for achieving uniform adjustment procedures across the EU insurance market. Consequently, the insurance companies and supervisors in EU Member States already began to prepare actively for the new rules brought by Solvency II. The Agency also began to prepare. With the exception of the guidelines laying down the internal models, it proposed implementation of the other three groups of guidelines, namely Guidelines on the System of Governance, Guidelines on Submission of Information to National Competent Authorities, and Guidelines on Forward Looking Assessment of Own Risks, in the part appropriate with regard to the current legislation and situation in insurance business on the Slovenian insurance market. The Agency began to prepare the proposal for amendments to the Insurance Act in 2013, and in May 2014, after obtaining the standpoints of the Slovenian Insurance Association, it submitted the final proposals to the Ministry of Finance of the Republic of Slovenia. The latter is preparing a proposal for amendments to the act, which will expectedly be submitted to the new government when it is formed. The Agency also began to prepare new implementing regulations, envisaged with the proposed amendments to the Insurance Act, and amendments to the existing implementing regulations which will have to be adjusted to the amended act.

The EIOPA issued the above Guidelines on preparing before the agreement was reached between the EU Council, the European Parliament and the European Commission regarding the Omnibus II Directive (OMDII) to support as much as possible a uniform preparation of the insurance industry across the whole internal EU market for the implementation of Solvency II. The Guidelines on preparing are addressed to the insurance supervision authorities of Member States, which have two options regarding the commitments from the Guidelines: they can follow the contents of the Guidelines, or indicate the reasons for failure to implement individual provisions of the Guidelines. When deciding to assume the commitments from the Guidelines, each Member State decides on the method of implementing the commitments in the regulatory and supervisory framework. The supervision authorities of Member State are obliged to report to the EIOPA about the preparations of insurance companies for Solvency II.

## 2.2. Pension and Disability Insurance Act (ZPIZ-2) and the Implementing Regulations Issued on the Basis Thereof

In December 2012, the new Pension and Disability Insurance Act (ZPIZ-2, Official Gazette of the RS, nos. 96/2012 and 39/2013) was passed and published. It entered into force on 1 January 2013, introducing many novelties in the area of voluntary supplementary pension insurance.

The ZPIZ-2 renamed voluntary supplementary pension insurance into supplementary insurance, carried out through a pension fund, which has three forms:

- mutual pension fund,
- umbrella pension fund, and
- long-term business fund (assets covering mathematical provisions).

In addition to the previously prescribed minimum guaranteed return and the guarantee of the operators of providing guaranteed return on the net premium paid, the ZPIZ-2 introduced as a novelty investment strategy of providing guaranteed return on the net premium paid and the life-cycle investment policy. Mo-

reover, according to the ZPIZ-2, each pension fund or group of long-term business funds based on which life-cycle investment policy is implemented must have, for collective insurance, a pension fund committee composed of five members, of whom three representatives of the members of the pension fund and two representatives of the employers.

The next important novelty includes introduction of a special pension scheme for annuities and the register of such pension schemes, and the requirement that annuities may not differ based on the gender of the person insured. The insureds no longer have the option to withdraw the saved funds financed by the employer after 120 months, as the ZPIZ-2 lays down that the payment of the collective insurance surrender value is only possible upon regular retirement and if the surrender value financed by the employer is lower than EUR 5,000. Pension scheme providers have two years of the entry into force of the ZPIZ-2 to align the pension scheme provisions with the statutory requirements.

A large novelty in the ZPIZ-2 is the introduction of the rules on pension fund management, which is a totally new document containing a multitude of provisions previously included in the pension scheme, the contents of which are substantially reduced in accordance with the ZPIZ-2. Pension schemes continue to be approved by the minister responsible for labour, while the rules on the management of pension funds established as long-term business funds are approved by the Agency. Moreover, the operator of a pension fund must prepare the plan for pension fund risk management and the statement on investment policy. When taking out supplementary insurance, the insureds must, in addition to the pension scheme, also obtain the rules on pension fund management and the statement on investment policy.

Preparations for the adoption of the implementing regulations based on the ZPIZ-2 already began in 2012. In 2013 the Agency adopted, based on statutory authorisation, the following nine implementing regulations:

- Decision on the minimum number of employees in a pension company who have appropriate expertise and experience in finance (Official Gazette of the RS, no. 62/13),
- Decision on reporting by the operator of a pension fund established as a long-term business fund on the amount of capital, on the amount of provisions to be set aside for unreached guaranteed value of assets and on the structure of investment from these provisions (Official Gazette of the RS, no. 62/13),
- Decision on detailed contents of the notification of the inclusion in collective insurance, the statement on the selection of investment policy and the statement on the inclusion in individual insurance (Official Gazette of the RS, no. 62/13),
- Decision on the detailed method of valuation of accounting items and subsidiary chart of accounts of pension funds established as long-term business funds (Official Gazette of the RS, no. 79/13),
- Decision on the annual report and interim financial statements of pension funds established as long-term business funds and groups of long-term business funds (Official Gazette of the RS, no. 79/13),
- Decision on the audit of the annual report of pension funds established as long-term business funds and groups of long-term business funds, and the contents of the auditor's report (Official Gazette of the RS, no. 79/13),
- Decision on the summary annual report of pension funds established as long-term business funds and groups of long-term business funds (Official Gazette of the RS, no. 79/13),
- Decision on the statement on investment policy of pension funds established as long-term business funds (Official Gazette of the RS, no. 98/13),
- Decision on reporting by the operator of a pension fund established as a long-term business fund (Official Gazette of the RS, no. 98/13).

When preparing the implementing regulations and handling the applications for approval of the management rules, the Agency found certain legal inconsistencies and deficiencies, which it notified to the ministry that had planned the amendment to the ZPIZ-2. The disputable legal provisions of the ZPIZ-2 have not yet been amended. The Agency believes that immediate amendments to the ZPIZ-2 are urgent.



## 2.3. Financial Conglomerates Act (ZFK)

The Financial Conglomerates Act (ZFK, Official Gazette of the RS, nos. 43/2006, 87/2011, 56/2013), passed in 2006, transposed into the Slovenian legislation the Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate, and provided for the supervision of regulated entities from the financial sector (banks, insurance companies, pension companies, stockbroking companies, management companies) when belonging to the same financial conglomerate. The ZFK supplements the Insurance Act (ZZavar-1) and the Banking Act (ZBan-1) concerning supplementary supervision at the highest level of a financial group. To this end, it also contains provisions aiming to coordinate the work of different supervisors of a financial group. The ZFK identifies the appropriate competent authority and requests that the coordinator (supervisor at the highest level) consults this authority regarding certain supervision issues.

The aim of the Act Amending the Financial Conglomerates Act (Official Gazette of the RS, no. 56/2013) was to partially transpose to the Slovenian law Directive 2011/89/EU of the European Parliament and of the Council of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate, in the part concerning the amendments to Directive 2002/87/EC. The main solutions brought by the amended act are that, to eliminate the deficiencies in identifying a conglomerate, the total assets under management are introduced as an alternative indicator over time, and simultaneously, appropriate conditions for groups below the threshold of EUR 6 billion and above it are appropriately distinguished. Further, total assets under management are introduced as an alternative indicator in the meeting of criteria, in the criteria for determining a financial conglomerate, and in the determination of the smallest and most important sectors. Moreover, to ensure an appropriate regulatory supervision, information about the legal structure and management and organisation structure, including all regulated persons, non-regulated subsidiaries and important branches of banks, insurance companies and financial conglomerates with cross-border activities, must be available to the appropriate competent authorities.

The detailed contents and method of cooperation between supervisory authorities are laid down in the Code of Practice for cooperation between supervisory authorities (Official Gazette of the RS, no. 23/2011).

## 2.4. Macro-prudential Supervision of the Financial System Act (ZMbNFS)

The aim of passing the Macro-prudential Supervision of the Financial System Act (Official Gazette of the RS, no. 100/2013) was to improve supervision over financial institutions which, owing to their ownership or other complexity, operate in different segments of the financial system. For this purpose, the working group for macro-prudential supervision was already established in 2012, consisting of the representatives of the Insurance Supervision Agency, the Securities Market Agency, the Bank of Slovenia and the Ministry of Finance of the Republic of Slovenia. The task of the working group for macro-prudential supervision was to prepare a draft act by which the Recommendation of the European Systemic Risk Board (ESRB) of 22 November 2011 on the macro-prudential mandate of national authorities would be implemented in the Slovenian legal order.

Sectoral supervision authorities continue to conduct micro-supervision of individual financial institutions, while macro-supervision is carried out by the Financial Stability Committee. The Committee designs the macro-prudential policy and dictates the measures to be implemented by the sectoral supervisors, including the Agency. One of the reasons for passing the act was also the finding of the International Monetary Fund that although the Republic of Slovenia has established a mechanism of cooperation between individual supervision authorities (the Bank of Slovenia, the Securities Market Agency and the Insurance Supervision Agency) in the form of coordination contributing to the stability of the financial system, individual supervisors do not have the legal authority to carry out macro-prudential supervision.

The main goal of the ZMbNFS is to establish a committee authorised to design such macro-prudential policy in the Republic of Slovenia that can contribute to the protection of the stability of the whole financial system, including the increase in the resilience of the financial system and prevention or decrease of accumulation of systemic risks, in order to ensure a sustainable contribution of the financial sector to economic growth.

## 2.5. Prevention of Money Laundering and Terrorist Financing Act

According to the provisions of the Prevention of Money Laundering and Terrorist Financing Act (ZPPDFT, Official Gazette of the RS, nos. 60/2007, 19/2010, 77/2011, 108/2012 – ZIS-E, 19/2014), the Agency supervises, within its powers, implementation of the provisions by the insurance companies authorised to perform insurance operations in the life insurance group, branches of insurance companies from third countries authorised to perform life insurance operations, insurance companies from the Member States establishing a branch in the Republic of Slovenia or authorised to directly perform life insurance operations in the Republic of Slovenia, and the founders and managers of mutual pension funds and pension companies. The Agency also conducts supervision based on the ZPPDFT over legal and natural persons providing insurance agency services and insurance brokerage services in the conclusion of life insurance contracts.

The Agency participates in the drafting of the list of indicators for the identification of clients and transactions in relation to which there are reasons to suspect money laundering or terrorist financing.

In 2013 the Agency participated in the Permanent Coordination Group for prevention, detection and prosecution of money laundering and terrorist financing, established by the Office of the Republic of Slovenia for Money Laundering Prevention. Besides, it cooperated in the implementation of the action plan for meeting the recommendations of the Committee of Experts of the Council of Europe MONEYVAL in the preparations for Slovenia's reporting to the Committee about the progress achieved. At the plenary meeting of the MONEYVAL Committee of the Council of Europe at Strasbourg on 9 April 2013, the Slovenian delegation presented the report on the progress, which was approved, and Slovenia was commended for the progress made. Slovenia was thus, as the first country among other members of the MONEYVAL committee, excluded from the procedure of further reporting to the committee; so that it will only present the next report on the progress after two years.

## 2.6. Health Care and Health Insurance Act (ZZVZZ)

The Health Care and Health Insurance Act (ZZVZZ, Official Gazette of the RS, no. 9/1992 et seq.) sets the framework of the health care and health insurance system, the scope of rights and obligations of the insured, and institutions responsible for health care and their tasks, regulates the relationship between the provider of the compulsory health insurance, providers of health services and the insured.

Health insurance consists of compulsory and voluntary insurance. The provider of compulsory health insurance is the Health Insurance Institute of the Republic of Slovenia, while voluntary health insurance operations may be performed by insurance companies holding the relevant authorisation. The ZZVZZ allows insurance companies to perform four types of voluntary health insurance: supplementary health insurance, substitutional health insurance, additional health insurance and parallel health insurance.

## 2.7. Compulsory Motor Third-party Liability Act (ZOZP)

The Compulsory Motor Third-party Liability Act (ZOZP, Official Gazette of the RS, no. 70/1994 et seq.) regulates the following compulsory transport insurance classes: accident insurance of passengers in public transport (except passengers in air transport), motor vehicle liability insurance or coverage of the owner of the motor vehicle, vessel and aircraft for damages caused to third persons, and aircraft owner liability insurance for damages caused to passengers, baggage and freight. In the EU, this particular area is regulated by a special set of directives, which are incorporated into the ZOZP.

The ZOZP has been amended several times. In 2012 the Fiscal Balance Act (Official Gazette of the RS, no. 40/2012) amended the fifth paragraph of Article 18 of the ZOZP, so that the lump-sum compensation payable in advance (which insurance companies must pay to the Health Insurance Institute of Slovenia) now amounts to 8.5% of the gross insurance premium written for compulsory motor insurance (before, it amounted to 6.5%).

## 3. INSURANCE COMPANIES

### 3.1. Structure of the Slovenian Insurance Market

#### 3.1.1. Structure of the Insurance Market by Type and Class of Insurance

In 2013 the insurance companies recorded EUR 1,905.8 million of gross premiums written in total, of which EUR 926.3 million or 48.6% in the group of non-life insurance contracts (without voluntary health insurance), EUR 497.5 million or 26.1% in the group of life insurance contracts, and EUR 482 or 25.3% in the health insurance class.

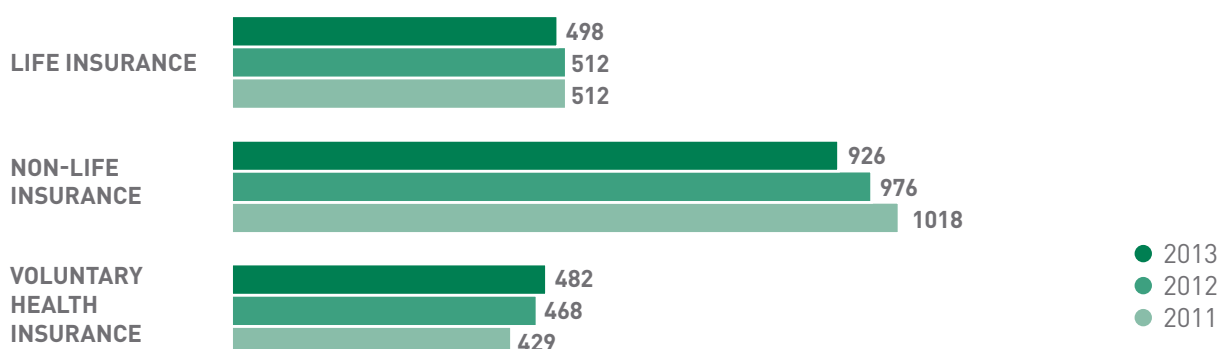
In total, the volume of operations expressed in gross premiums written which the insurance companies disclosed for 2013 was EUR 50.3 million or 2.6% lower than in 2012. Moreover, taking into account the average annual growth rate of consumer prices, measured by the harmonised consumer price index (HICP), increasing by 0.9% in 2013, the gross insurance premium written fell by 3.5% in real terms. In the gross domestic product (GDP) for 2013, the share of the insurance premium accounted for 5.5%, which was the same as in 2012.

The insurance companies place part of the gross premium written with reinsurers and co-insurers. In 2013 the insurance companies placed EUR 219.4 million or 11.5% of the gross premium written and EUR 3.2 million or 0.2% of the gross premium written with reinsurers and co-insurers, respectively.

In 2013 the gross premiums written were lower in the non-life insurance and life insurance groups, while in voluntary health insurance group they recorded a higher level than in 2012. Compared to the preceding year, gross premiums written decreased by 5% in the non-life insurance group and by 2.9% in the life insurance group (in 2012, they increased by 0.02%), while in the group of voluntary health insurance they grew by 2.9%.

In 2013, the share of non-life insurance premiums written in the aggregate premium fell by 1.3 percentage points compared to 2012, the share of life insurance premiums written decreased by 0.1 of a percentage point, while the share of voluntary health insurance premiums written rose by 1.4 percentage points.

**Figure 1:**  
Movements in gross insurance premiums written by insurance companies in the period 2011-2013 by type of insurance (in EUR million)



Source: St-23 and St-50 Forms.

Figure 1 presents the movements in the gross insurance premiums written in the last three years by basic type of insurance. Until including 2008, insurance companies recorded continuous growth in gross premiums written, while in 2009 there was a fall in gross premiums written in life insurance for the first time. In 2010 gross life insurance premiums written rose somewhat compared to the preceding year, but in 2011 they fell again somewhat and stayed almost unchanged in 2012, which was followed by a fall in 2013. Similarly, the gross non-life insurance premiums written continued to decrease in 2013, while the upward trend of the gross voluntary health insurance premiums written continued as well.

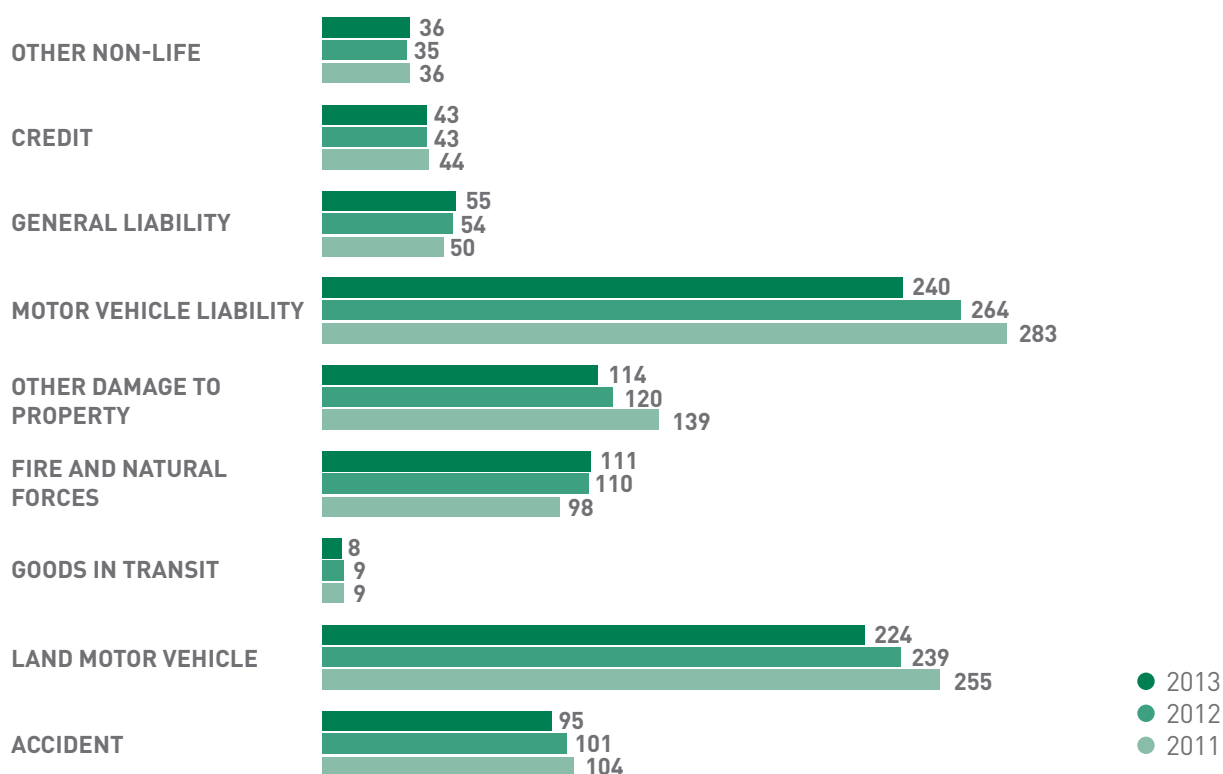
The comparison of gross insurance premiums collected by **non-life insurance** classes shows that 84.7% of non-life insurance premiums were collected in only five insurance classes, namely motor vehicle liability insurance, land motor vehicle insurance, other damage to property insurance, accident insurance, and fire and natural forces insurance. Among the latter, in the period observed there was a slight increase only in the share of the insurance class fire and natural forces insurance (by 0.8 of a percentage point, compared to the preceding year the premium grew by 1.3%). The shares of other two important insurance classes were lower than in 2012: the share of motor vehicle liability insurance fell by 1.1 percentage points (the gross premium written for this insurance class was 9% lower than in 2012), the share of land motor vehicle insurance decreased by 0.3 of a percentage point (the gross premium written was 6.2% lower than in 2012) and other damage to property insurance fell by 0.1 of a percentage point (the gross premium written was 5.8% lower than in 2012). The drop in the insurance premiums was influenced by the growing unemployment and the poor state of the Slovenian economy, and in certain segments also the increased competitiveness on the Slovenian insurance market.

While in the previous years motor vehicle insurance accounted for almost 55% of the total non-life insurance premium of insurance companies, in 2012 this share fell below 52%, and decreased additionally to 50.1% in 2013. The decrease arises from the increased competition in the market of motor vehicle insurance and the resulting lowering of premiums, as well as the reduced purchase power of the inhabitants. Considering gross premiums written, two other insurance classes were also important: other damage to property insurance, accounting for 12.3% in the non-life insurance premium (12.4% in 2012), and fire and natural forces insurance, accounting for 12% (11.3 in 2012). They were followed by accident insurance with 10.3% (10.4% in 2012) of the total gross non-life insurance premium written.

The highest growth rate of gross insurance premium written among non-life insurance classes was recorded in suretyship insurance (by 24.6%), followed by aircraft insurance (by 22.2%) and miscellaneous financial loss insurance (by 5.1%), but these three classes did not represent a significant share in the non-life insurance premium in terms of their premium volume (all three classes together only account for a 0.6% share in the gross premium written).

**Figure 2:**

**Non-life insurance premiums written in the period 2011-2013, other than health insurance** (in EUR million)



Source: St-23 and St-50 Forms.

**Table 1:**

**Gross insurance premiums written and gross claims paid in 2012 and 2013 by major insurance classes** (in EUR million)

Insurance class	Leto 2012			Leto 2013		
	Gross premiums written (1)	Gross claims paid* (2)	Paid claims ratio (2/1)	Gross premiums written (1)	Gross claims paid* (2)	Paid claims ratio (2/1)
Accident	101.0	35.1	0.35	95.3	34.2	0.36
Land motor vehicle	238.8	175.0	0.73	224.0	175.4	0.78
Goods in transit	9.0	2.7	0.30	8.2	1.8	0.22
Fire and natural forces	110.0	46.3	0.42	111.4	54.4	0.49
Other damage to property	120.5	73.3	0.61	113.5	62.8	0.55
Motor vehicle liability	263.8	143.8	0.55	240.1	143.4	0.60
General liability	54.2	25.4	0.47	54.5	28.0	0.51
Credit	42.8	31.7	0.74	43.1	29.8	0.69
Other non-life	35.3	18.3	0.52	36.2	19.2	0.52
<b>TOTAL</b>	<b>975.4</b>	<b>551.6</b>	<b>0.57</b>	<b>926.3</b>	<b>549.0</b>	<b>0.59</b>
Voluntary health	468.4	400.4	0.85	482.0	415.5	0.86
Life	512.3	348.6	0.68	497.5	361.8	0.73
<b>TOTAL</b>	<b>1,956.1</b>	<b>1,300.6</b>	<b>0.66</b>	<b>1,905.8</b>	<b>1,326.3</b>	<b>0.70</b>

\* Not including claim assessment costs.  
Source: St-23 and St-27 Forms.

Table 1 shows gross premiums written, gross claims paid and paid claims ratios, i.e. the share of gross claims paid in gross insurance premiums written in life, health and non-life insurance, by insurance class. The comparison of gross insurance premiums written and gross claims paid shows that in 2013 the aggregate paid claims ratio for all insurance classes deteriorated by 4 percentage points in comparison with the previous year. The paid claims ratio deteriorated in non-life insurance (by 2 percentage points) and voluntary health insurance (by 1 percentage point), and in life insurance it fell by as much as 5 percentage points.

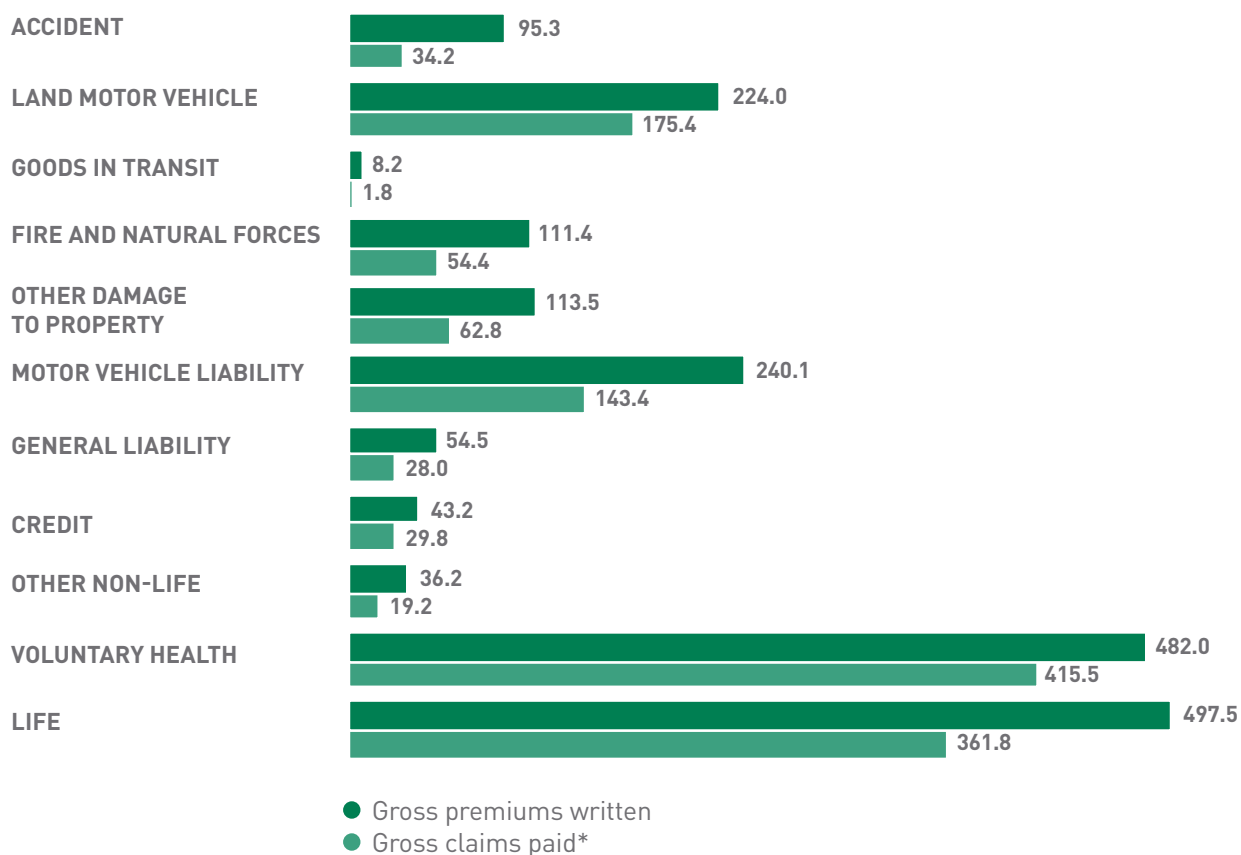
The deteriorated paid claims ratio in the group of non-life insurance primarily resulted from more natural disasters compared to the previous year. The deterioration of the paid claims ratio in the group of life insurance arose from the situation on the financial markets, the higher number of unemployed, the increased inability to pay, and the stagnating purchase power and the inclination of people to saving. This resulted in a low growth of gross premiums written and large pressures regarding early termination of insurance contracts. Because of the relative increase in claims incurred and partially also because of the final assessment of the supplementary health insurance premiums for the insureds of one of the three insurance companies underwriting such insurance, the paid claims ratio for voluntary health insurance was 1 percentage point higher than in the previous year.

The examination and comparison of the data on gross premiums written and gross claims paid by major non-life insurance classes for 2012 and 2013 show that, compared to the previous year, the paid claims ratio improved in goods in transit insurance (by 8 percentage points), other damage to property insurance (by 6 percentage points) and credit insurance (by 5 percentage points).

In the group of non-life insurance, compared to the previous year, the paid claims ratio fell in fire and natural forces insurance (by 7 percentage points), land motor vehicle insurance and motor vehicle liability insurance (by 5 percentage points), general liability insurance (by 4 percentage points) and accident insurance (by 1 percentage point).

**Figure 3:**

Gross insurance premiums written and gross claims paid in 2013 by insurance class (in EUR million)



\* Not including claim assessment costs.  
Source: St-23, St-27 and St-50 Forms.

**Table 2:**

Gross insurance premiums written, number of persons covered and policies in 2012 and 2013 by life insurance class

	Leto 2012			Leto 2013		
	Number of policies	Number of persons insured	Gross premiums written (in EUR million)	Number of policies	Number of persons insured	Gross premiums written (in EUR million)
Life insurance (without other insurance classes in the life insurance group)	594,618	685,158	249.9	609,942	698,044	245.8
Marriage and birth assurance	1,314	1,314	0.5	1,217	1,217	6.4
Life insurance linked to investment fund units or units of assets covering mathematical provisions	543,905	518,837	220.6	527,837	505,689	207.4
Capital redemption insurance	79,361	79,361	41.3	78,637	78,367	37.9
<b>TOTAL</b>	<b>1,219,198</b>	<b>1,284,670</b>	<b>512.3</b>	<b>1,217,633</b>	<b>1,283,317</b>	<b>497.5</b>

Source: St-19, St-21 and St-23 Forms.

Until 2008, insurance companies recorded high increases in gross premiums written in the life insurance group, with an especially distinctive high growth in the classes of life insurance linked to investment fund units. Signs of economic crisis already began to appear in 2008, which already resulted in a lower growth than in the previous years. This continued in all the following years, except of a minimum growth in 2010 and 2012.

As at the end of 2013, the insurance companies had issued 1,217,633 life insurance policies, covering 1,283,317 persons. In comparison with the previous year, in 2013 the number of such policies decreased by 1,565 or 0.1%, and the number of insured persons covered by 1,353, which also accounted for 0.1%. In the same period, the gross life insurance premium written dropped by 2.9% or EUR 14.8 million.

Between 2007 and 2011, the largest portion in the life insurance group, measured in terms of gross insurance premiums written collected, belonged to the class of life insurance linked to investment fund units. However, a change already happened in 2012, when the largest share was that of life insurance class. In 2013 the largest portion in the life insurance group, measured in terms of gross insurance premiums written collected, belonged to the life insurance class with 49.4% of the total premium (which is an increase of 0.6 of a percentage point compared to 2012) and with 54.4% of all insureds (53.3% in 2012) in the life insurance group. Last year, this insurance class recorded a substantial growth in the number of insured persons (by 12,886 or 1.9%) and insurance policies (by 15,324 or 2.6%), while the growth in gross premiums written did not show such an increase; actually, it was even negative in 2013, i.e. 1.6% lower year-on-year.

In the life insurance group, the second place by the extent of insurance premiums written was taken by life insurance linked to investment fund units with a share of 41.7%, which was a decrease by 1.4 percentage points compared to 2012. In this insurance class, there was a fall in the number of policies (by 16,068 or 3%), the number of persons insured (by 13,148 or 2.5%) as well as gross premiums written, which were 6% lower than in the previous year.

The third place by insurance premium size was taken by capital redemption insurance with 7.6% (8.1% in 2012) of the total gross life insurance premium written and 6.1% (6.2% in 2012) of all persons covered by life insurance.

### 3.1.2. Structure of the Insurance Market by Shares

In recent years, the market shares of insurance companies have been changing slowly, with the rankings of insurance companies with regard to the size of the market share not changing significantly. The insurance company disclosing a relatively large falling in the market share is Triglav Insurance Company, with smaller providers on the insurance market increasing their market share on its account. In 2013, the market shares increasing the most in comparison with 2012 were those of Adriatic Slovenia, going up by 2.3 percentage points. The share of Triglav Health Insurance Company rose by 0.8 of a percentage point, and those of NLB Vita, Tilia Insurance Company and Vzajemna by 0.4, 0.3 and 0.2 of a percentage point, respectively. Ergo Insurance Company, Generali Insurance Company and Prva Personal insurance Company followed with an increase of 0.1 of a percentage point.

Based on the authorisation of the Agency for partial division by acquisition of the assets of the transferring company KD Življenje to the acquiring company Adriatic Slovenia, since 1 October 2013 the insurance portfolio of KD Življenje has been part of the Adriatic Slovenia insurance company, contributing largely to the increase in the market share of Adriatic Slovenia.

The largest drop in the market share in 2013 was again recorded by Triglav Insurance Company, losing 1.3 percentage points. It was followed by Maribor Insurance company and SID – Prva kreditna Insurance Company, whose market shares fell by 0.3 and 0.1 of a percentage point, respectively. Other insurance companies (Grawe Insurance Company, Merkur Insurance Company and Modra Insurance Company) kept the same market shares as in 2012.

Although the market share of Triglav Insurance Company expressed in gross premium written has decreased in recent years, it is still the largest in the Slovenian insurance market (31.8%). The second place is taken by Adriatic Slovenia (16.1%), followed by Vzajemna (14%) and Maribor Insurance company (13.2%). In 2013 these four largest insurance companies together achieved an insurance market share of 75.1%, which means that the Slovenian insurance market is rather concentrated. The four largest insurance companies controlled good 75% of the market, which was 0.9 of a percentage point less than in the previous year.



**Table 3:****Gross insurance premiums written and market shares of insurance companies in 2013** (in EUR million and %)

	Year 2013							
	Non-life	%	Health	%	Life	%	Total	%
Adriatic Slovenica	137.0	14.8	112.6	23.4	56.8	11.4	306.4	16.1
Ergo Insurance Company	/	/	/	/	5.4	1.1	5.4	0.3
Generali Insurance Company	64.8	7.0	0.0	0.0	22.7	4.6	87.5	4.6
Grawe Insurance Company	13.4	1.4	/	/	19.1	3.8	32.5	1.7
Merkur Insurance Company	7.1	0.8	0.3	0.1	39.0	7.8	46.4	2.4
Modra Insurance Company	0.0	0.0	/	/	16.6	3.3	16.6	0.9
NLB Vita	1.5	0.2	/	/	42.6	8.6	44.1	2.3
Prva Personal Insurance Company	0.3	0.0	0.1	0.0	31.3	6.3	31.7	1.7
SID - Prva kreditna Insurance Company	19.4	2.1	/	/	/	/	19.4	1.0
Triglav Health Insurance Company	0.2	0.0	103.8	21.5	/	/	104.0	5.5
Maribor Insurance Company	176.9	19.1	/	/	75.5	15.2	252.4	13.2
Tilia Insurance Company	77.3	8.3	/	/	9.3	1.9	86.6	4.5
Triglav Insurance Company	426.6	46.1	/	/	179.2	36.0	605.8	31.8
Vzajemna	1.8	0.2	265.2	55.0	/	0.0	267.0	14.0
<b>TOTAL</b>	<b>926.3</b>	<b>100.0</b>	<b>482.0</b>	<b>100.0</b>	<b>497.5</b>	<b>100.0</b>	<b>1,905.8</b>	<b>100.0</b>

Source: St-23 form.

Like in the case of the aggregate market share, in the field of **non-life insurance**, excluding health insurance, in 2013 the highest share was recorded by Triglav Insurance Company, achieving 46.1% (in 2012 this share was 46.7%). It was followed by Maribor Insurance Company with a market share of 19.1% (a decrease of 0.1 of a percentage point compared to the previous year) and Adriatic Slovenica with a share of 14.8% (0.5 of a percentage point less than in the previous year). A year-on-year increase in the market share in non-life insurance was recorded by Tilia Insurance Company (by 0.8 of a percentage point), Generali Insurance Company (by 0.2 of a percentage point) and Merkur Insurance Company (by 0.1 of a percentage point).

In **life insurance**, the largest market share also belonged to Triglav Insurance Company, achieving 36% (in 2012 this share was 37.5%). The second place was taken by Maribor Insurance Company with a share of 15.2% (in 2012 its share was 15%), followed by Adriatic Slovenica with a share of 11.4% (in 2012 its share was 2.4% and the share of KD Živiljenje was 10%). In the fourth place, there was NLB Vita with a share of 8.6% (7% in 2012), followed by Merkur Insurance Company with a market share of 7.8% (the same as in 2012) and Prva Personal Insurance Company with a share of 6.3% (0.3 of a percentage point higher than one year before). In addition to Adriatic Slovenica, Maribor Insurance Company, NLB Vita and Prva Personal Insurance Company, a growth in the market share in this field was also disclosed by Ergo Insurance Company (by 0.5 of a percentage point) and Generali Insurance Company (by 0.3 of a percentage point). Besides Triglav Insurance Company, a drop in the market share was also recorded by Grawe Insurance Company (by 0.2 of a percentage point), and Modra Insurance Company and Tilia Insurance Company, both disclosing a fall of 0.1 of a percentage point.

In the field of **voluntary health insurance**, in 2013 Vzajemna still held the leading position with a 55% market share, which was 2.5 percentage points lower than in the previous year. It was followed by Adriatic Slovenica with a market share of 23.4%, which fell by 0.4 of a percentage point compared to the previous year, and Triglav Health Insurance Company with a share of 21.5%, which was 2 percentage points more than in the previous year.



## 3.2. Reinsurance

Pursuant to Article 134 of the Insurance Act, insurance companies must reinsure the part of risks covered that exceeds the retention levels in risk equalisation according to the tables of maximum coverage. Therefore, insurance companies must adopt a programme for the planned reinsurance for each business year, whose contents are laid down in Article 135 of the Insurance Act.

The programmes for the planned reinsurance show that most insurance companies determine their maximum retention levels on the basis of their experience. The retention levels obtained in this way are then studied or compared to the recommendations of reinsurers and with calculations based on theoretical models. The certified actuaries appointed confirmed the adequacy of the determined maximum retention levels in all insurance companies.

Table 4 shows gross and net premiums written of insurance companies by insurance class. The difference between the two is the amount of reinsurance that insurance companies pay according to the programme for the planned reinsurance for each year, or which they place with reinsurers (cession) for the needs of their own coverage.

In non-life insurance (excluding voluntary health insurance), the share of reinsurance depends on the insurance class and usually ranges between 10% and 40%. In the most important insurance classes (land and motor vehicle insurance and motor vehicle liability insurance), the share of reinsurers ranges between 17% and 20% as regards gross premiums written and between 15% and 16% as regards gross claims paid.

Table 4 shows that the reinsurance premium paid by the insurance companies for voluntary health insurance and life insurance is low, accounting for only 0.3% of the gross premium written in voluntary health insurance and 2.7% in life insurance. The reason for this is that the share of the premium covering risks such as death, critical illness, accidental death, total and permanent disability resulting from an accident is small compared to the total gross premium written for such insurance. For the same reason the share of the reinsurers in gross claims paid is just 0.1% in voluntary health insurance and 1.9% in life insurance.

**Table 4:**

**Gross and net insurance premiums written and claims paid in 2013 by major insurance classes** (in EUR million)

Insurance class	Gross premiums written (1)	Net premiums written (2)	Gross claims paid* (3)	Net claims paid* (4)
Accident	95.3	83.7	34.2	30.7
Land motor vehicle	224.0	178.4	175.4	147.4
Goods in transit	8.2	5.4	1.8	1.4
Fire and natural forces	111.4	69.0	54.4	37.9
Other damage to property	113.5	87.5	62.8	52.0
Motor vehicle liability	240.1	199.0	143.4	121.5
General liability	54.5	42.5	28.0	21.1
Credit	43.1	28.2	29.8	20.1
Other non-life	36.2	24.8	19.2	15.0
<b>TOTAL</b>	<b>926.3</b>	<b>718.5</b>	<b>549.0</b>	<b>447.1</b>
Voluntary health	482.0	480.7	415.5	415.3
Life	497.5	484.0	361.8	355.1
<b>TOTAL</b>	<b>1,905.8</b>	<b>1,683.2</b>	<b>1,326.3</b>	<b>1,217.5</b>

\* Not including claim assessment costs.  
Source: St-23 and St-27 Forms.

In 2013 the two reinsurance companies accounted for a total of EUR 239.1 million of gross reinsurance premiums, of which EUR 177.8 million (74%) from accepted cessions (reinsurance of insurers) and EUR 61.3 million from accepted retrocessions (reinsurance of other reinsurers). The majority of the total gross reinsurance premium (EUR 235.8 million or 99%) concerned the non-life insurance group (without voluntary health insurance). In the aggregate amount, the gross reinsurance premium written of both Slovenian reinsurers in 2013 totalled EUR 30.1 million or 11.2% more than in 2012.

Like insurance companies, reinsurance companies must also determine their maximum retention levels. Owing to the specific nature of reinsurance contracts, the calculation of the distribution function of aggregate claims is very complex. Therefore, the appointed certified actuaries inspect the appropriateness of the entire reinsurance programme and thus establish the adequacy of maximum retention levels of the reinsurers by insurance class.

The largest share in the premium structure of the reinsurers belonged to the insurance class fire and natural forces insurance with 43% of the total gross reinsurance premium written (44% in 2012), followed by other damage to property insurance with 18% of the gross reinsurance premium written (18% in 2012) and land motor vehicle insurance with 11% of the gross reinsurance premium written (11% in 2012).

The portion of retroceded premiums in non-life insurance may range between 0% (e.g. legal expenses insurance) and 97% (e.g. railway rolling stock insurance). The portion of retroceded premiums depends on the capacity or ability of a reinsurance company to retain the risk, which means that small reinsurance companies may often retrocede a major portion of the gross reinsurance premium written (such as above mentioned 97% in railway rolling stock insurance) for large risks. In 2013, in relation to claims paid the retroceded share moved between 0% and 95% in non-life insurance, while in life insurance it amounted to 58%.

**Table 5:**

**Comparison of gross premiums and claims paid of cessions/retrocessions accepted and gross retroceded amounts of premiums and claims paid of reinsurance companies in 2013 by major insurance classes** (in EUR million)

Insurance class	Gross premiums of accepted cessions (1)	Gross premiums of accepted retrocessions (2)	Retroceded gross premiums (3)	Gross claims paid of accepted cessions* (4)	Gross claims paid of accepted retrocessions* (3)	Retroceded gross claims paid (4)
Accident	7.6	2.5	0.3	3.2	2.3	0.1
Land motor vehicle	26.4	0.7	7.3	15.7	0.4	0.8
Goods in transit	3.6	1.9	1.6	0.7	1.6	0.0
Fire and natural forces	67.6	34.5	31.2	34.3	28.5	14.8
Other damage to property	27.1	15.1	11.5	14.1	9.4	5.0
Motor vehicle liability	23.3	0.8	2.6	15.0	0.4	2.3
General liability	8.0	1.1	2.6	6.4	0.2	4.4
Credit	3.1	0.0	1.6	1.6	0.0	0.9
Other non-life	7.8	4.7	4.1	3.3	3.3	1.3
<b>TOTAL</b>	<b>174.5</b>	<b>61.3</b>	<b>62.8</b>	<b>94.3</b>	<b>46.1</b>	<b>29.6</b>
Voluntary health	0.7	0.0	0.0	0.7	0.0	0.0
Life	2.6	0.0	0.8	0.6	0.0	0.4
<b>TOTAL</b>	<b>177.8</b>	<b>61.3</b>	<b>63.6</b>	<b>95.6</b>	<b>46.1</b>	<b>30.0</b>

\* Not including claim assessment costs.  
Source: St-24 and St-28 forms.

### 3.3. EU Member States Insurance Companies Directly Performing Insurance Operations in Slovenia, and Comparison with Other Countries

Although the Slovenian insurance market is among the smallest in Europe and globally, the number of insurance companies with registered offices in one of the European Union (EU) or European Economic Area (EEA) member states and authorised to directly perform insurance operations in the Republic of Slovenia is higher every year. Thus, 664 such entities were already registered at the end of 2013 (632 in 2012). Most of them have their registered offices in United Kingdom (163 insurance companies or 24.5% of all insurance companies from the EEA member states allowed to directly perform insurance operations in Slovenia). They are followed by insurance companies based in Germany (74 insurance companies), Ireland (66 insurance companies), Austria (48 insurance companies), France (47 insurance companies), the Netherlands (39 insurance companies), Belgium (37 insurance companies), Luxembourg (29 insurance companies), Sweden (24 insurance companies), Italy (21 insurance companies), Spain (18 insurance companies) and Liechtenstein (16 insurance companies). The other EU and EEA member states have less than 15 insurance companies allowed to operate in Slovenia directly: Denmark, Hungary, Poland, Finland, Czech Republic, Lithuania, Bulgaria, Estonia, Gibraltar, Latvia, Slovakia, Greece, Malta, Croatia, Romania, Iceland and Norway, while Cyprus and Portugal do not have registered insurance companies that would want to directly operate in Slovenia. Besides, insurance companies from the EU Member States also have six branches operating in Slovenia<sup>2</sup>.

The figures for the total gross premium written collected under insurance contracts concluded in 2013 by the insurance companies from EU and EEA member states that directly perform insurance operations in Slovenia are not yet available. The aggregate gross premium written in relation to such insurance totalled EUR 13.9 million in 2012 (in 2011 it amounted to EUR 19.7 million), and these insurance companies disclosed claims paid of EUR 4.8 million (EUR 10.6 million in 2011). The highest premiums were collected by the insurance companies from the United Kingdom (33%) and Austria (26%), followed by those from Ireland, Germany, France, Belgium, Liechtenstein, Italy, Luxembourg, Denmark, Sweden, Malta, the Netherlands, Hungary and the Czech Republic. The total gross premium written by the branches of insurance companies from the EU Member States in the same period increased by 27% compared to the previous year and totalled EUR 31.0 million, while gross claims paid under insurance contracts amounted to EUR 6.3 million.

In 2013 the total gross premium written under insurance policies underwritten by the Slovenian insurance companies directly in EU Member States only amounted to EUR 1.8 million which was EUR 0.1 million less than in 2012. The subsidiaries of Slovenian insurance companies generated a gross premium written of EUR 216.2 million on foreign markets in 2013.

The largest shares of the premium were collected in the Netherlands (36.6%), Croatia (22.8%), Germany (18.1%), Austria (7.0%), Portugal (6.0%) and Slovakia (4.9%), followed by the Czech Republic, France, Italy, Sweden, Romania, the United Kingdom, Hungary, Belgium and Poland. In 2013, the Slovenian insurance companies had no branches registered in the EU or EEA members states.

Compared to other European countries, Slovenia is a medium developed insurance market<sup>3</sup> In 2012 it took the thirteenth place among the EU Member States as regards the share of the total insurance premium in the GDP, achieving 70.9% of the EU average (67.8% in 2011), ahead of Austria, Spain, Luxembourg, Malta, Cyprus, the Czech Republic, Poland, Slovakia, Hungary, Greece, Bulgaria and Romania, but lagging behind the other EU Member States. By premium income per capita, Slovenia occupied a somewhat lower, 16<sup>th</sup> place among the then EU 27. The share of life insurance premiums in the total gross premium written, amounting to 27.2% (in 2011 the share was 31.3%), is still significantly lower than in comparable countries, with all other countries, except Romania and Bulgaria, achieving higher shares, up to one half or more of the total gross premium written on an individual market. The share of life insurance premiums in the total gross insurance premium written grew until 2007 (in 2000 the life insurance premium amounted to USD 84.4 per capita, while in 2007 it amounted to USD 416.5 per capita). In 2011 and 2012, the life insurance premiums per capita amounted to USD 459.0 and USD 339.5, respectively. On the one hand, the low share of life insu-

<sup>2</sup> These are branches of insurance companies Wiener Städtische Versicherung AG, ERGO Versicherung AG, Porsche Versicherungs AG, ARAG SE, Österreichische Hagelversicherung VVaG and Allianz Hungaria Zrt.

<sup>3</sup> The most recent data available refer to 2012.

rance in the total insurance premium results from the large share of social insurance and insufficient public knowledge of life insurance products offered, and on the other hand, the structural share of life insurance is affected by the financial crisis, deteriorating the standard of living and reducing the purchase power.

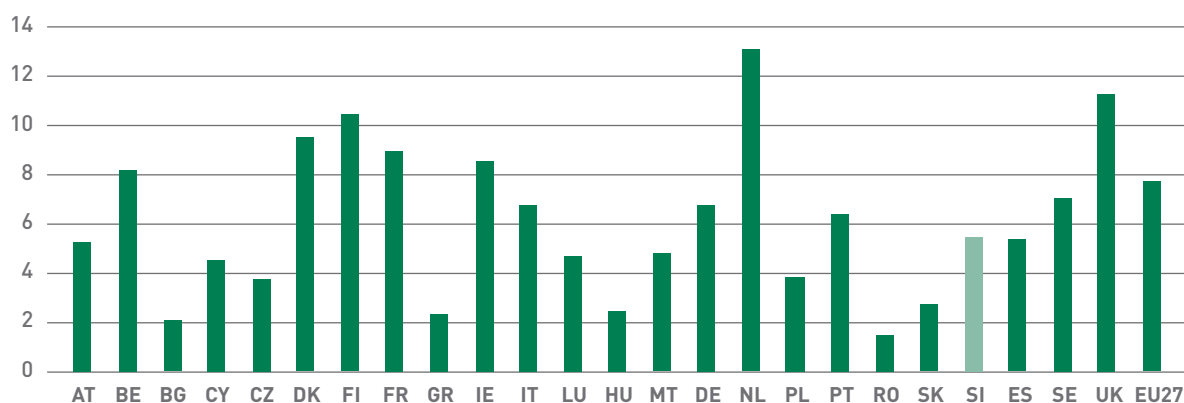
**Table 6:**  
Insurance premium volume by country in 2012

Country	Gross premiums written (in USD million)	Share of gross premium written in GDP (%)	Gross premium written per capita (in USD)	Share of gross life insurance premium written in the total gross premium written (%)
Austria (AT)	20,948	5.27	2,478.3	40.0
Belgium (BE)	41,111	8.12	3,574.7	64.6
Bulgaria (BG)	1,039	2.01	139.6	14.8
Cyprus (CY)	1,021	4.45	1,178.7	43.2
Czech Republic (CZ)	7,846	3.72	746.7	46.9
Denmark (DK)	31,544	9.45	5,304.1	65.9
Finland (FI)	25,841	10.35	4,770.7	80.9
France (FR)	242,459	8.92	3,543.5	61.6
Greece (GR)	5,873	2.36	520.3	42.2
Ireland (IE)	50,855	8.49	4,011.3	83.8
Italy (IT)	144,218	6.73	2,221.5	64.7
Liechtenstein (LI)	4,373	-	-	80.5
Luxembourg (LU)	29,263	4.72	5,079.4	88.7
Hungary (HU)	3,298	2.44	331.5	53.8
Malta (MT)	2,958	4.75	990.3	46.2
Germany (DE)	231,908	6.74	2,804.6	45.9
Netherlands (NL)	100,342	12.99	5,984.9	29.2
Poland (PL)	19,038	3.82	493.8	51.1
Portugal (PT)	13,556	6.33	1,278.9	62.0
Romania (RO)	2,287	1.44	107.2	20.8
Slovakia (SK)	2,600	2.70	480.2	46.7
<b>Slovenia (SI)</b>	<b>2,573</b>	<b>5.46</b>	<b>1,247.7</b>	<b>27.2</b>
Spain (ES)	71,991	5.33	1,556.9	46.9
Sweden (SE)	37,079	7.06	3,895.6	73.6
United Kingdom (UK)	311,418	11.27	4,350.2	66.1
EU 27	1,402,293	7.70	2,533.4	58.6

Source: Sigma 3/2013.

\*The table includes all EU Member States except Lithuania and Estonia.  
The figures for EU 27 also include these two countries.

**Figure 4:**  
Shares of total insurance premiums in GDP in certain EU Member States in 2012 (in %)



Source: Sigma 3/2013.

## 3.4. Income Statements of Insurance and Reinsurance Companies

The analysis of the financial statements of insurance companies for 2012 includes the audited financial statements, while that for 2013 comprises unaudited financial statements. The analysis of the financial statements in this chapter has been prepared separately for insurers and reinsurers. The insurance and reinsurance companies prepared the statements according to the International Financial Reporting Standards and Agency's regulations (Decision on the annual report and quarterly financial statements of insurance undertakings – SKL 2009, Decision on the chart of accounts for insurance undertakings – SKL 2007, Decision on the detailed method of valuation of accounting items and compiling financial statements).

### 3.4.1. Income Statements of Insurance Companies

The income statement of an insurance company shows revenues, expenditure and the operating result for the financial year concerned. The technical account is prepared separately for non-life, without health, life, health and supplementary health insurance.

**Table 7:**  
Summary non-technical account of insurance companies for 2012 and 2013 (in EUR million)

D. NON-TECHNICAL ACCOUNT OF INSURANCE COMPANIES		2012	2013
I.	Profit or loss from non-life insurance operations, other than health insurance (A.X)	131.3	99.1
II.	Profit or loss from life insurance operations (B.XIII)	34.5	26.0
III.	Profit or loss from health insurance operations (C.XIII)	12.8	16.2
IV.	Investment revenue	85.3	87.5
V.	Allocated investment return transferred from the life insurance technical account (B.XII)	-0.4	0.8
VI.	Allocated investment return transferred from the health insurance technical account (C.X)	1.7	3.1
VII.	Investment expenses	77.3	87.1
VIII.	Allocated investment return transferred to the technical account of non-life insurance, other than health insurance (A.II)	35.7	22.9
IX.	Other revenue from insurance operations	11.4	7.6
X.	Other expenses from insurance operations	20.4	11.8
XI.	Other revenue	2.9	4.6
XII.	Other expenses	0.9	2.1
XIII.	Profit or loss for the accounting period before tax (I + II + III + IV + V + VI - VII - VIII + IX - X + XI - XII)	145.2	121.0
XIV.	Income tax	20.9	8.9
XV.	Deferred taxes	-7.0	-10.3
XVI.	<b>NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD</b> <b>(I + II + III + IV + V + VI - VII - VIII + IX - X + XI - XII - XIV ± XV)</b>	<b>117.3</b>	<b>101.8</b>

Source: Audited income statements of insurance companies for 2012 and unaudited income statements of insurance companies for 2013.

As regards net profit, the insurance companies were successful in 2013. In the financial year 2013, insurance companies achieved a net profit of EUR 101.8 million, which was EUR 15.5 million or 13.2% less than in 2012. A net loss was recorded by one insurance company, while others operated at a profit in 2013.

In the period observed, the insurance companies made underwriting profits in all business segments. In non-life insurance, excluding health insurance, the profit amounted to EUR 99.1 million, which was EUR 32.2 million or 24.5% less than in 2012, in life insurance the profit was EUR 26 million, which was EUR 8.5 million or 24.6% less than in 2012, and in health insurance the profit amounted to EUR 16.2 million, which was EUR 3.4 million or 26.6% more than in 2012.

In the financial year 2013, the insurance companies achieved a profit before tax of EUR 121.0 million, which was EUR 24.2 million or 16.7% less than in 2012. Aggregately, the insurance companies disclosed EUR 8.9 million of corporate income tax in 2013. The insurance companies reduced the deferred tax assets arising from temporarily unrecognised investment adjustments by EUR 10.3 million in 2013.

**Table 8:****Summary statement of comprehensive income of insurance companies for 2012 and 2013** (in EUR million)

<b>E. STATEMENT OF COMPREHENSIVE INCOME OF INSURANCE COMPANIES</b>		<b>2012</b>	<b>2013</b>
I.	Net profit / loss for the financial year after tax	117.3	101.8
II.	Other comprehensive income after tax	85.4	-4.3
III.	<b>Total comprehensive income (I + II)</b>	<b>202.7</b>	<b>97.5</b>

Source: Audited income statements of insurance companies for 2012 and unaudited income statements of insurance companies for 2013.

In the statement of comprehensive income, insurance companies disclose all the elements of the income statement and those items of revenues and expenses that are not recognised in the profit or loss, but impact the change in equity capital for the accounting period. In 2013 other comprehensive income after tax was negative, which resulted in a minimum total comprehensive income, which was lower than in 2012 by more than a half. This was primarily the consequence of negative revaluation adjustments disclosed under valuation losses on available-for-sale financial assets, which the insurance companies disclosed in the amount of EUR 4.2 million in 2013, while in 2012, when the trends on the financial markets were positive, the insurance companies recorded EUR 101.9 million of net profits from the valuation gains on available-for-sale financial assets in the calculation of the comprehensive income. The total comprehensive income also takes into account the relevant deferred tax liabilities amounting to EUR 0.7 million (EUR 16.5 million in 2012).

**Table 9:****Summary technical account – non-life insurance operations of insurance companies, other than health insurance for 2012 and 2013** (in EUR million)

<b>A. TECHNICAL ACCOUNT – NON-LIFE INSURANCE OPERATIONS, OTHER THAN HEALTH INSURANCE</b>		<b>2012</b>	<b>2013</b>
I.	Net premiums earned	777.8	733.5
II.	Allocated investment return transferred from the non-technical account of insurance companies	35.7	22.9
III.	Other net revenue from insurance operations	7.7	13.6
IV.	Net claims incurred	437.7	423.5
V.	Change in other net technical provisions (+/-)	-0.9	-0.5
VI.	Net expenses for bonuses and discounts	9.2	6.4
VII.	Net operating expenses	214.2	211.0
VIII.	Other net insurance expenses	27.9	29.5
IX.	<b>Profit or loss from non-life insurance operations, other than health insurance (I + II + III - IV ± V - VI - VII - VIII)</b>	<b>131.3</b>	<b>99.1</b>

Source: Audited income statements of insurance companies for 2012 and unaudited income statements of insurance companies for 2013.

In the technical account of non-life insurance operations, other than health insurance, for 2013, the insurance companies disclosed a profit of EUR 99.1 million (EUR 131.3 million in the financial year 2012). In the segment of non-life insurance operations, other than health insurance, the insurance companies disclosed EUR 733.5 million of net premiums earned, which was EUR 44.3 million or 5.7% less than in 2012. The decrease in net premiums earned primarily follows the decrease in gross premiums written, which fell by EUR 49.1 million, mainly due to the lower gross premiums written in the three most important non-life insurance classes, namely land motor vehicle insurance, other damage to property insurance and motor vehicle liability insurance, which aggregately achieved a share of 62.4% in the structure of gross non-life insurance premiums written in 2013. The fall in the net premiums earned was followed by a decrease in net claims incurred, partly due to the lower exposure (fall in premiums not arising from the reduction of premium revenue due to competition), and partly due to the loss events in 2013. Compared to 2012, gross claims paid increased by EUR 1.5 million and amounted to EUR 571.8 million in 2013. The insurance companies were somewhat less successful in the enforcement of recourse claims, with the revenue from enforced gross recourse claims falling from EUR 34.3 million in 2012 to EUR 32.4 million in 2013. Gross provisions for claims outstanding fell by EUR 25.1 million, while the provisions for the reinsurance segment grew slightly, by EUR 4.7 million in total.

In non-life insurance operations, other than health insurance, in 2013 the insurance companies reduced net operating expenses by EUR 3.2 million compared to 2012. In this segment, net operating expenses

amounted to EUR 211.0 million in 2013. The decrease in net operating expenses resulted from the revenue from reinsurance commissions, reducing the operating expenses of insurance companies; in 2013, the latter amounted to EUR 44.9 million (the same as in 2012). The largest contribution to the improved result in the segment of non-life insurance operations, other health insurance, came from other net revenue from insurance operations, amounting to EUR 13.6 million in 2013, which was EUR 5.9 million or 76.6% more than in 2012.

**Table 10:**

**Summary technical account – life insurance operations of insurance companies for 2012 and 2013** (in EUR million)

<b>B. TECHNICAL ACCOUNT – LIFE INSURANCE OPERATIONS</b>		<b>2012</b>	<b>2013</b>
I.	Net premiums earned	471.6	458.6
II.	Investment revenue	136.7	143.8
III.	Net unrealised gains on investments for the benefit of life insurance policyholders who bear the investment risk	97.5	93.1
IV.	Other net revenue from insurance operations	38.4	37.8
V.	Net claims incurred	296.5	326.0
VI.	Change in other net technical provisions (+/-)	-188.8	-90.4
VII.	Net expenses for bonuses and discounts	0.0	0.0
VIII.	Net operating expenses	116.6	113.7
IX.	Investment expenses	56.1	75.4
X.	Net unrealised losses on investments for the benefit of life insurance policyholders who bear the investment risk	24.7	63.3
XI.	Other net insurance expenses	27.4	37.9
XII.	Allocated investment return transferred to the non-technical account of insurance companies	-0.4	0.8
<b>XIII.</b>	<b>Profit or loss from life insurance operations (I + II + III + IV - V ± VI - VII - VIII - IX - X - XI - XII)</b>	<b>34.5</b>	<b>26.0</b>

Source: Audited income statements of insurance companies for 2012 and unaudited income statements of insurance companies for 2013.

In the technical account of life insurance operations for 2013, the insurance companies disclosed a profit of EUR 26 million (EUR 34.5 million in the financial year 2012). Net premiums earned for life insurance in 2013 decreased compared to 2012, by 2.8 percentage points or EUR 13 million. Net claims incurred amounted to EUR 326 million in 2013, which was EUR 29.5 million or 9.9% more than in 2012, when they stood at EUR 296.5 million. In 2013 gross claims paid amounted to EUR 330.4 million, which was EUR 31.4 million more than in 2012. Gross claims paid include proceeds from life insurance policies upon the expiry of the endowment period or at death, and surrender values arising from life and pension insurance policies underwritten by insurance companies. Net operating expenses in relation to life insurance operations amounted to EUR 113.7 million in 2013, falling by EUR 2.9 million compared to 2012. Investment revenue contributed the most to the increase in the profit from life insurance operations. In 2013 investment revenue amounted to EUR 143.8 million, which was EUR 7.1 million more than in 2012. Changes in other technical provisions were lower year-on-year, by EUR 98.4 million. Net unrealised losses on investments for the benefit of life insurance policyholders who bear the investment risk reached EUR 63.3 million, which was EUR 38.6 million more than in the compared period. Compared to 2012, investment expenses increased by EUR 19.3 million, amounting to EUR 75.4 million in 2013.

In 2013 the insurance companies disclosed a better result in the segment of health insurance. At the end of 2013 the profit amounted to EUR 16.2 million, which was an increase of EUR 3.4 million compared to 2012. In this segment, the insurance companies achieved a significant growth in net premiums earned, which rose by EUR 19.8 million compared to 2012, amounting to EUR 482.3 million. The net claims incurred also grew in 2013, amounting to EUR 419 million, which was EUR 13.9 million more than in 2012. The increase in net claims incurred was EUR 5.9 million lower than the increase in net premiums earned, which positively influenced the profit from health insurance operations. The investment return also somewhat improved the result. In 2013 the investment revenue amounted to EUR 7.6 million, which was almost the same as in 2012, when it stood at EUR 7.4 million. Investment expenses decreased: in 2013 they amounted to EUR 2.3 million, which was EUR 0.8 million less than in 2012.



**Table 11:**

**Summary technical account – health insurance operations of insurance companies for 2012 and 2013** (in EUR million)

<b>C. TECHNICAL ACCOUNT – HEALTH INSURANCE OPERATIONS</b>		<b>2012</b>	<b>2013</b>
I.	Net premiums earned	462.5	482.3
II.	Investment revenue	7.4	7.6
III.	Other net revenue from insurance operations	0.2	0.0
IV.	Net claims incurred	405.1	419.0
V.	Change in other net technical provisions (+/-)	-0.1	0.1
VI.	Net expenses for bonuses and discounts	0.0	0.0
VII.	Net operating expenses	45.0	45.4
VIII.	Investment expenses	3.1	2.3
IX.	Other net insurance expenses	2.3	4.0
X.	Allocated investment return transferred to the non-technical account of insurance companies (-)	1.7	3.1
<b>XI.</b>	<b>Profit or loss from health insurance operations (I + II + III – IV ± V – VI – VII – VIII – IX – X) before allocating half of the profit from supplementary insurance</b>	<b>12.8</b>	<b>16.2</b>

Source: Audited income statements of insurance companies for 2012 and unaudited income statements of insurance companies for 2013.

Supplementary (co-payment) health insurance means voluntary health insurance covering the difference, or part thereof, between the total costs of health services and the costs covered by compulsory health insurance subject to the act regulating compulsory health insurance. The Decision on annual report and quarterly financial statements of insurance undertakings – SKL 2009 (Official Gazette of the RS, nos. 47/09, 57/09 – corr., 99/10, 47/11, 62/13 and 79/13) imposes on insurance companies performing the above insurance operations to separately compile the income statement and the balance sheet for supplementary health insurance. For this part of operations in the health insurance class, insurance companies must prepare a separate income statement, which forms part of the income statement for health insurance operations. There are three insurance companies offering such insurance in the Slovenian market; their profit from supplementary health insurance for 2013 totalled EUR 14.4 million. Net premiums earned arising from supplementary health insurance operations amounted to EUR 476 million in 2013, accounting for 98.7% of net premiums earned in the health insurance class. Table 12 shows that supplementary health insurance contributed EUR 14.4 million or 88.9% to the profit from health insurance operations.

**Table 12:**

**Summary technical account – supplementary health insurance operations of insurance companies for 2012 and 2013** (in EUR million)

<b>Ca. TECHNICAL ACCOUNT – SUPPLEMENTARY HEALTH INSURANCE OPERATIONS</b>		<b>2012</b>	<b>2013</b>
I.	Net premiums earned	456.4	476.0
II.	Investment revenue	6.6	6.5
III.	Other net revenue from insurance operations	0.2	0.0
IV.	Net claims incurred	403.4	417.0
V.	Change in other net technical provisions (+/-)	-0.1	0.1
VI.	Net expenses for bonuses and discounts	0.0	0.0
VII.	Net operating expenses	43.0	43.0
VIII.	Investment expenses	3.0	2.1
IX.	Other net insurance expenses	2.0	3.7
X.	Allocated investment return transferred to the non-technical account of insurance companies (-)	1.1	2.4
<b>XI.</b>	<b>Profit or loss from supplementary health insurance operations (I + II + III – IV ± V – VI – VII – VIII – IX – X)</b>	<b>10.6</b>	<b>14.4</b>

Source: Audited income statements of insurance companies for 2012 and unaudited income statements of insurance companies for 2013.



### 3.4.2. Income Statements of Reinsurance Companies

Similarly to the previous year, in 2013 the Slovenian insurance market was also spared large natural disasters; there were no major non-life claims and the results in motor vehicle liability also remained satisfactory. On the international insurance markets, the loss year 2013 was also more favourable than 2012, as the insured losses in 2013 only represented a good half of the amount of insured losses in the previous year. Despite the favourable developments as regard loss events in the domestic and global markets, the technical result of both reinsurance companies was lower than in 2012. For 2013, the two reinsurers disclosed a technical profit of EUR 9.8 million, which was 36.4% less than in the previous year. Net premiums earned fell by 7.8%, with the two reinsurers increasing the premiums collected in Slovenia, while the reinsurance premiums earned abroad decreased. Although the technical result was lower, at the end of 2013 the reinsurance companies made a higher net profit, amounting to EUR 21.4 million (EUR 15.4 million in 2012), which was 39% more than in 2012. The improvement primarily arises from the decrease in net claims incurred, falling by 12.6%, and net operating expenses, dropping by 5.8%, and the growth in investment revenue by 47.2%.

Like with insurance companies, the total comprehensive income of the reinsurers fell in 2013, totalling EUR 23.7 million, which was 11.6% less than in 2012. Despite the higher net profit for the financial year, amounting to EUR 21.4 million (EUR 15.4 million in 2012), the total comprehensive income was primarily influenced by other comprehensive income after tax, which amounted to EUR 2.3 million (in 2012 it was much higher, amounting to EUR 11.4 million), resulting from the losses on available-for-sale financial assets.

**Table 13:**  
Summary technical account, non-technical account and statement of comprehensive income of reinsurance companies for 2012 and 2013 (in EUR million)

A. TECHNICAL ACCOUNT – NON-LIFE INSURANCE OPERATIONS, OTHER THAN LIFE AND HEALTH INSURANCE		2012	2013
I.	Net premiums earned	197.3	181.9
II.	Allocated investment return transferred from the non-technical account of reinsurance companies	7.8	-2.4
IV.	Net claims incurred	132.0	115.4
V.	Change in other net technical provisions (+/-)	0.0	0.2
VII.	Net operating expenses	57.3	54.0
VIII.	Other net insurance expenses	0.4	0.5
IX.	Profit or loss from non-life insurance operations, other than health insurance (I + II - IV ± V - VII - VIII)	15.4	9.8
D. NON-TECHNICAL ACCOUNT OF REINSURANCE COMPANIES			
I.	Profit or loss from non-life insurance operations, other than health insurance (A.IX)	15.4	9.8
IV.	Investment revenue	21.8	32.1
VII.	Investment expenses	10.9	20.3
VIII.	Allocated investment return transferred to the technical account of non-life insurance operations, other than health insurance operations (A II)	7.8	-2.4
IX.	Other revenue from insurance operations	2.3	1.5
X.	Other expenses from insurance operations	2.4	2.3
XI.	Other revenue	0.1	0.1
XII.	Other expenses	0.0	0.1
XIII.	Profit or loss for the accounting period before tax (I + II + III + IV + V + VI - VII - VIII + IX - X + XI - XII)	18.5	23.2
XIV.	Income tax	2.6	2.2
XV.	Deferred taxes	-0.5	0.4
XVI.	NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD (I + IV - VII - VIII + IX - X + XI - XII - XIV ± XV)	15.4	21.4
E. STATEMENT OF COMPREHENSIVE INCOME OF REINSURANCE COMPANIES			
I.	Net profit / loss for the financial year after tax	15.4	21.4
II.	Other comprehensive income after tax	11.4	2.3
III.	Total comprehensive income (I + II)	26.8	23.7

Source: Audited income statements of reinsurance companies for 2012 and unaudited income statements of reinsurance companies for 2013.

## 3.5. Balance Sheets

### 3.5.1. Balance Sheets of Insurance Companies

The analysis of the data as at 31 December 2012 comprises the audited financial statements, while the analysis as at 31 December 2013 is based on the financial statements of insurance companies that have not all yet been audited. The summary balance sheet as at 31 December 2013 and 31 December 2012 covers non-life insurance, life insurance and all insurance operations aggregately. When compiling the balance sheet, insurance companies must follow the provisions of the International Financial Reporting Standards and the Agency's regulations. In accordance with the Decision on the annual report and quarterly financial statements of insurance undertakings – SKL 2009, insurance companies were obliged to compile balance sheets separately for non-life insurance (also including health insurance), life insurance and supplementary life insurance.

**Table 14:**

**Summary balance sheet of insurance companies as at 31 December 2012 and 31 December 2013** (in EUR million)

	Life		Non-life		Consolidated balance sheet		
	2012	2013	2012	2013	2012	2013	Index 13/12
<b>ASSETS</b>	<b>3,587.1</b>	<b>3,693.5</b>	<b>2,503.6</b>	<b>2,484.2</b>	<b>6,090.7</b>	<b>6,177.7</b>	<b>101.4</b>
A Intangible long-term assets	14.3	9.5	61.6	60.0	75.9	69.5	91.6
B Investments in land and buildings and other investments	2,528.6	2,541.3	2,015.0	2,018.5	4,543.6	4,559.8	100.4
- of which other investments	2,188.7	2,221.3	1,396.0	1,429.8	3,584.7	3,651.10	101.9
C Investments for the benefit of life insurance policyholders who bear the investment risk	961.1	1,030.0	0.0	0.0	961.1	1,030.0	107.2
D Receivables; of which:	30.6	69.4	343.3	345.9	373.9	415.3	111.1
- receivables arising from direct insurance operations	4.4	9.4	184.0	161.1	188.4	170.5	90.5
- receivables arising from co-insurance and reinsurance operations	0.9	0.7	40.6	66.5	41.5	67.2	161.9
E Diverse assets	41.9	35.1	60.7	36.0	102.6	71.1	69.3
F Short-term deferred costs and accrued revenue	10.6	8.2	22.7	23.5	33.3	31.7	95.2
G Non-current assets held for sale and discontinued operations	0.0	0.0	0.3	0.3	0.3	0.3	100.0
<b>LIABILITIES</b>	<b>3,587.1</b>	<b>3,693.5</b>	<b>2,503.6</b>	<b>2,484.2</b>	<b>6,090.7</b>	<b>6,177.7</b>	<b>101.4</b>
A Capital, of which:	439.8	422.9	736.7	736.5	1,176.5	1,159.4	98.5
- called-up capital	261.1	249.4	207.3	207.9	468.4	457.3	97.6
B Subordinated liabilities	13.7	12.0	33.6	26.5	47.3	38.5	81.4
C Gross technical provisions and deferred revenue from premiums	1,808.6	1,856.5	1,486.5	1,440.4	3,295.1	3,296.9	100.1
D Gross technical provisions for the benefit of life insurance policyholders who bear the investment risk	958.1	1,019.1	0.0	0.0	958.1	1,019.1	106.4
E Other provisions (for other risks and charges)	6.5	15.4	18.7	18.5	25.2	33.9	134.5
F Liabilities for investments of reinsurers under reinsurance contracts with ceding companies	41.2	43.0	0.1	0.1	41.3	43.1	104.4
G Other liabilities, of which:	309.1	313.6	205.9	238.2	515.0	551.8	107.1
- liabilities arising from direct insurance operations	19.7	26.8	39.9	41.4	59.6	68.2	114.4
- liabilities arising from co-insurance and reinsurance operations	1.4	1.4	84.3	119.4	85.7	120.8	141.0
H Accrued cost and deferred revenue	10.1	11.0	22.1	24.0	32.2	35.0	108.7
I Non-current liabilities linked with non-current assets held for sale and discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	-

Source: Audited balance sheets of insurance industry as of 31 December 2012 and unaudited balance sheets of insurance industry as at 31 December 2013.

Compared to 2013, the balance sheet total of the insurance companies grew by EUR 87 million or 1.4% compared to the previous year, thus amounting to EUR 6,177.7 million.

On the assets side, the largest contribution to the growth was made by investments of insurance companies, accounting for 90.5% of all assets at the end of 2013 and increasing by EUR 85.1 million compared to 2012. As there was no significant growth in assets from premium income nor significant movement under share capital, the increase primarily arose from the return on investment portfolio. Investments in land and buildings and other investments, belonging to non-life insurance assets, rose from EUR 2,015.0 million at the end of 2012 to EUR 2,018.5 million as at 31 December 2013, or by 0.2%. Investments in land and buildings and other investments, belonging to life insurance assets, rose from EUR 2,528.6 million at the end of 2012 to EUR 2,541.3 million as at 31 December 2013, or by 0.5%. There was also a growth in investments for the benefit of life insurance policyholders who bear the investment risk, which went up from EUR 961.1 million at the end of 2012 to EUR 1,030.0 million as at 31 December 2013, or by 7.2%.

The largest share in investments in land and buildings and other investments belonged to investments in debt securities and other fixed-yield securities; as at 31 December 2013, the latter amounted to EUR 2,746.4 million, accounting for 60.2% in the structure of investments in land and buildings and other investments. Financial investments in subsidiaries and associated companies accounted for 5.7% of the total investments, with their value as at 31 December 2013 being EUR 259.9 million. The major items also include investments in land and buildings, amounting to EUR 164.3 million as at 31 December 2013, or 3.6% of the total investments in land and buildings and other investments. Investments are described in more detail in a separate chapter hereof.

Table 14 shows a significant increase under the item receivables; compared to 2013, receivables, only accounting for 6.7% of the total assets of insurance companies, rose by EUR 41.4 million compared to 2012. While receivables arising from co-insurance and reinsurance operations increased by 61.9%, amounting to EUR 67.2 million, receivables arising from direct insurance operations fell by 9.5%, amounting to EUR 170.5 million.

As at 31 December 2013, on the liabilities side the largest portion belonged to the item gross technical provisions and deferred revenue from premiums, accounting for 53.4% of the total liabilities and amounting to EUR 3,296.9 million. Compared to 31 December 2012, gross technical provisions and deferred revenue from premiums went up minimally, by EUR 1.8 million, while the structural share in liabilities fell by 0.7 of a percentage point at the end of 2013. Gross technical provisions for the benefit of life insurance policyholders who bear the investment risk also increased significantly; as at 31 December 2013, they accounted for 16.5% of the total liabilities (15.7% in 2012), amounting to EUR 1,019.1 million, which was a growth of 6.4% or EUR 61.0 million compared to 31 December 2012 (EUR 958.1 million).

The second most important item among liabilities was capital, which totalled EUR 1,159.4 million as at 31 December 2013 and accounted for 18.8% of the total liabilities. Compared to 31 December 2012, capital fell by EUR 17.1 million and its structural share in liabilities decreased from 19.3%, i.e. by 0.5 of a percentage points. The largest part of the reduction in the capital arose from the decrease in retained net profit by EUR 17.9 million and from the fall in the revaluation surplus by EUR 12.1 million. The called-up capital also decreased, by EUR 11.1 million in both business segments together, which means that there was no significant increase or need for an increase in the called-up capital of insurance companies on the insurance market in 2013.

The comparison of balance sheet totals and individual balance sheet items of the insurance companies referring to life insurance and non-life insurance operations and the balance sheet total referring to all insurance operations shows certain differences between the two insurance groups.

At the end of 2013, the balance sheet total for life insurance amounted to EUR 3,693.5 million and was 3% larger than in the previous year; as at 31 December 2013, it accounted for 59.8% of the aggregate balance sheet total of the Slovenian insurance companies. At the end of 2013, the balance sheet total for non-life insurance amounted to EUR 2,484.2 million, accounting for 40.2% of the aggregate balance sheet total of the insurance companies as at 31 December 2013.

On the assets side, there are some structural difference between the two balance sheets. A significant portion of the structural differences results from the nature of operations in an individual segment.

Thus, for instance, the assets of the life insurance part of the balance sheet include more investments (taking into account investments in land and buildings and other investments, as well as investments for the benefit of life insurance policyholders who bear the investment risk), as in the segment of life insurance operations investments account for no less than 96.7% of the total assets in this segment, while in the segment of non-life insurance operations investments “only” achieve 81.3% of the total assets. The difference in the structural share of the item receivables also arises from the nature of an individual segment. Receivables account for 13.9% of the total assets in the segment of non-life insurance operations (EUR 345.9 million), and only 1.9% of the total assets in the segment of life insurance operations (EUR 69.4 million). A major structural difference also arises from the item financial investments in subsidiaries and associated companies, accounting for 9.1% of the total assets in the segment of non-life insurance operations (EUR 226.8 million), and only 0.9% of the total assets in the segment of life insurance operations (EUR 33.1 million).

On the liabilities side, the largest structural differences between the balance sheets of the two segments are primarily due to technical provisions. As at 31 December 2013, gross technical provisions and deferred revenue from premiums and gross technical provisions for the benefit of life insurance policyholders who bear the investment risk together accounted for 77.8% of the total liabilities in the segment of life insurance operations (EUR 2,875.6 million), while gross technical provisions and deferred revenue from premiums accounted for 58% of the total liabilities in the segment of non-life insurance operations (EUR 1,440.4 million). A significant structural difference also arises from capital, accounting for 11.4% of the total liabilities in the life insurance segment (EUR 422.9 million) as at 31 December 2013, and 29.6% of the total liabilities in the non-life segment (EUR 736.5 million).

### 3.5.2. Balance Sheets of Reinsurance Companies

**Table 15:**

**Summary balance sheet of reinsurance companies as at 31 December 2012 and 31 December 2013** (in EUR million)

	2012	2013	Index 2013/2012
<b>ASSETS</b>	<b>698.9</b>	<b>759.9</b>	<b>108.7</b>
A. Intangible long-term assets	0.2	0.1	50.0
B. Investments in land and buildings and other investments	552.8	627.0	113.4
- of which other investments	315.8	342.4	108.4
D. Receivables	134.1	122.6	91.4
- of which receivables arising from reinsurance operations	119.3	119.7	100.3
E. Diverse assets	1.7	0.8	47.1
F. Short-term deferred costs and accrued revenue	10.1	9.4	93.1
<b>LIABILITIES</b>	<b>698.9</b>	<b>759.9</b>	<b>108.7</b>
A. Capital, of which:	221.4	299.1	135.1
- called-up capital	44.0	76.8	174.5
B. Subordinated liabilities	31.2	23.5	75.3
C. Gross technical provisions and deferred revenue from premiums	360.9	340.1	94.2
E. Other provisions (for other risks and charges)	0.4	0.4	100.0
G. Other liabilities	83.9	94.2	112.3
- of which liabilities from reinsurance operations	82.1	86.7	105.6
H. Accrued cost and deferred revenue	1.1	2.6	236.4

Source: Audited balance sheets of reinsurance industry as at 31 December 2012 and unaudited balance sheets of reinsurance industry as at 31 December 2013.

Compared to the previous year, in 2013 the balance sheet total of reinsurance companies grew by 8.7% or EUR 61 million. The largest item in the assets structure was investments in land and buildings and other investments, accounting for as much as 82.5% of the total assets. Compared to 2012, their value increased by 13.4% and their share in the total assets by 3.4 percentage points.

Under investments in land and buildings, the highest share belonged to other investments (54.6% or EUR 342.4 million), increasing by 8.4% year-on-year, with their share falling by 2.5 percentage points. Among

other investments, the largest share belonged to debt securities and other fixed-yield securities (80.1% or EUR 274.1 million), increasing by 0.8% compared to the previous period.

The second largest item within investments in land and buildings and other investments were financial investments in subsidiaries and associated companies, amounting to EUR 197.3 million or 31.5% of the former, which was 7.5 percentage points more than in the previous year.

The growth in investments in land and buildings and other investments, which augmented by 13.4% in comparison with the previous year, was primarily influenced by the increase in financial investments in subsidiaries and associated companies (by 48.5%), resulting from the substantial increase in the shares and interests in the group companies, surging from EUR 94.9 million to EUR 189 million. A major contribution to the increase in investments in land and buildings and other investments also came from the growth in other investments (by 8.4%), resulting from the increase in debt securities and other fixed-yield securities, which grew from EUR 250.6 million to EUR 274.1 million, and floating rate shares and other securities and fund coupons, which increased from EUR 12.6 million to EUR 16.5 million. There was also a large increase in securities available for sale and with remaining period to maturity of up to one year, which the reinsurance companies disclosed in the amount of EUR 14.3 million (in 2012, EUR 5.8 million), shares and interest available for sale, which increased by 75.6% and amounted to EUR 1.0 million, and short-term deposits with banks, which the reinsurance companies disclosed in the amount of EUR 20 million (EUR 11.4 million in 2012). Technical provisions transferred to reinsurance and co-insurance companies recorded a significantly lower value year-on-year, dropping from EUR 88.9 million to EUR 70.9 million, deposits with banks recorded less than half the amount disclosed one year ago (fall from EUR 33.3 million to EUR 15.5 million), and shares in investment funds decreased by 40% (fall from EUR 1.6 million to EUR 1 million). Investments of reinsurers under reinsurance contracts with ceding companies grew from EUR 13.2 million to EUR 14.4 million, or by 8.3%.

Financial investments in subsidiaries and associated companies increased by 48.5% compared to the previous year. Owing to the increased stakes in or recapitalisation of the group companies, the portion of shares and interests in the group companies surged from EUR 94.9 million to EUR 188.9 million, or by 99.2%. Debt securities and loans to subsidiaries fell from EUR 8.9 million to EUR 7.3 million, or by 18%. Similarly, shares and interests in associated companies also fell strongly, amounting to EUR 1 million in 2013, while in 2012 they stood at EUR 29.1 million.

The receivables of the reinsurance companies, amounting to EUR 122.6 million, went down by 8.6%, primarily due to the significant decrease in other receivables and deferred tax assets (from EUR 14.8 million to EUR 2.9 million, which was 80.4% less year-on-year), while receivables arising from co-insurance and reinsurance operations remained almost unchanged (increasing slightly from EUR 119.3 million to EUR 119.7 million).

In 2013 the reinsurance companies disclosed a capital of EUR 299.1 million, which was 35.1% more year-on-year. Its share in total liabilities was 39.4%. The increase in the capital was influenced by the changes in the following items: increase in the share capital (by EUR 32.8 million), increase in capital surplus (by EUR 21.2 million), increase in retained net profit (by EUR 10.5 million), increase in revenue reserves (by EUR 7.5 million or 7.9%, of which EUR 1.7 million of provisions for catastrophic risks and EUR 5.7 million of other revenue reserves), increase in revaluation surplus (by EUR 2.2 million) and increase in the net profit for the financial year (by EUR 3.4 million or 32.5%).

The largest item on the liabilities side was gross technical provisions and deferred revenue from premiums, which reached EUR 340.1 million at the end of 2013, which was 44.8% of the total liabilities and a decrease of 5.8% year-on-year. The biggest portion belonged to provisions for claims outstanding (EUR 280.4 million or 82.4%), which fell by 4% compared to the previous year. Other liabilities amounted to EUR 94.3 million at the end of 2013, augmenting by 12.4% year-on-year, with the largest portion (91.9% or EUR 86.7 million) represented by liabilities from co-insurance and reinsurance operations. Accrued cost and deferred revenue increased, but they only account for one-thousandth of the entire balance sheet total of the reinsurance companies.

### 3.6. Performance Indicators

Table 16 below shows several major performance indicators.

**Table 16:**  
Selected performance indicators for insurance and reinsurance industry

	Insurance companies		Reinsurance companies	
	2012	2013	2012	2013
Net claims incurred in net premiums earned – NON-LIFE INSURANCE	56.3%	57.7%	66.9%	63.4%
Net claims incurred in net premiums earned – LIFE INSURANCE	62.9%	71.1%	-	-
Net claims incurred in net premiums earned – HEALTH INSURANCE	86.9%	86.9%	-	-
Share of operating expenses in premiums – NON-LIFE INSURANCE	14.8%	15.0%	21.3%	22.8%
Share of operating expenses in gross premiums written – LIFE INSURANCE	22.8%	22.9%	-	-
Share of operating expenses in gross premiums written – HEALTH INSURANCE	9.6%	9.4%	-	-
Investment ratio or share of technical provisions covered by investments of assets covering mathematical provisions	106.1%	106.2%	-	-
Investment ratio or share of <u>all</u> technical provisions covered by investments	115.0%	115.0%	143.8%	149.4%
Equity financing rate	19.3%	18.8%	31.7%	39.4%
Net return on equity	10.8%	8.8%	7.4%	7.2%
Share of net insurance premium in gross premium written – NON-LIFE INSURANCE	84.7%	85.2%	74.4%	73.4%
Share of net insurance premium in gross premium written – LIFE INSURANCE	97.6%	97.3%	52.5%	69.1%
Share of net insurance premium in gross premium written – HEALTH INSURANCE	99.7%	99.7%	-	-

Source: St-43 and St-55 forms; audited balance sheets of insurance and reinsurance industry as of 31 December 2012 and unaudited balance sheets of insurance and reinsurance industry as of 31 December 2013; audited income statements of insurance and reinsurance companies for 2012 and unaudited income statements of insurance and reinsurance companies for 2013.

In non-life insurance operations performed by insurance companies, the ratio of net claims incurred against net premiums earned deteriorated by 1.4 percentage points compared to the previous year, in life insurance this ratio was considerably less favourable than in the previous year, dropping by 8.2 percentage points, while in health insurance it remained at the same level year-on-year. In non-life insurance operations, the ratio deteriorated due to the decrease in net premiums earned. In life insurance, the ratio deteriorated due to increased net claims (maturity of certain insurance contracts, advances paid and early surrenders) and a simultaneous fall in net premiums earned. With the reinsurance companies, this ratio improved by 3.5 percentage points as the result of a higher decrease in claims than in premiums.

Compared to 2012, the share of operating expenses in gross premiums written of insurance companies decreased by 0.2 of a percentage point in health insurance, while in non-life insurance and in the life insurance segment it grew by 0.2 and 0.1 of a percentage point, respectively. As regards reinsurance companies, this share went up by 1.5 percentage points.

The investment ratio or share of technical provisions covered by assets shows the ratio of investments from technical provisions against technical provisions set aside<sup>4</sup>. The share of technical provisions covered by appropriate assets must be at least 100%. Thus in 2013, the ratio of technical provisions covered by investments of assets covering mathematical provisions was 106.2%, while in the previous year the value of this indicator was 106.1%. In 2013 the investment ratio or share of all technical provisions covered by investments did not change compared to the comparable period and amounted to 115%. In the reinsurance companies, this indicator was higher than in the previous year, amounting to 149.4%, which was 5.6 percentage points more than in 2012.

The equity financing rate shows the share of own capital participation in the overall financing. In the insurance companies, this share fell by 0.5 of a percentage point in 2013, amounting to 18.8%. In the reinsu-

<sup>4</sup> Technical provisions also take account of the equalisation provisions, provisions for catastrophic risks (disclosed under other revenue reserves in the balance sheet) as well as liabilities under financial contracts (disclosed under other liabilities in the balance sheet) in line with the Insurance Act.

rance companies, this share amounted to 39.4%, which was 7.7 percentage points more than in the same period of the previous year. The reason for the growth in this share is the increase in called-up capital and capital surplus of reinsurance companies.

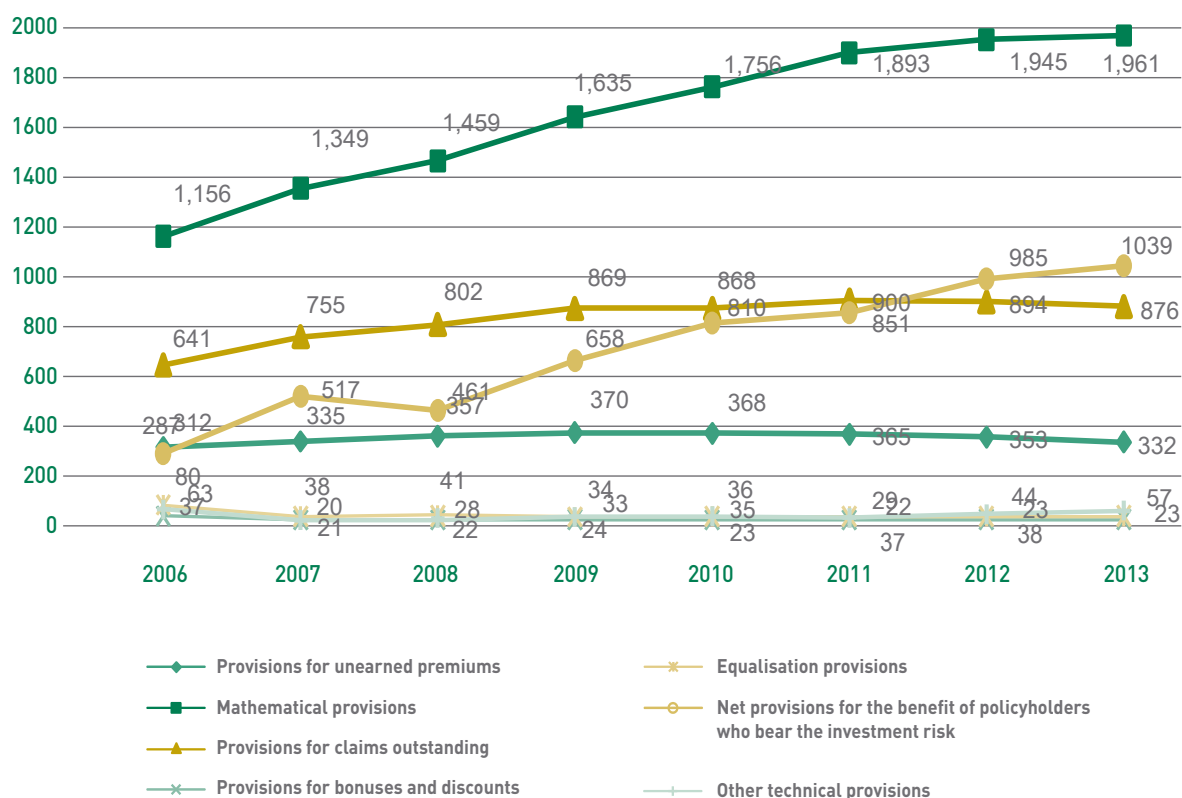
The return on equity is calculated as the ratio of net profit against average capital. In 2013 the return on equity for insurance companies amounted to 8.8%, which was 2 percentage points less than in the previous year. The reason for the decrease in the return on equity of insurance companies is the fall in net profit. The reinsurance companies disclosed a net return on equity that was 0.2% lower than in the previous year.

In insurance companies, the share of net insurance premium in gross premium written (i.e. the retention level) was 5.2% for the non-life insurance group, which was 0.5 of a percentage point more year-on-year, and 97.3% for the life insurance group, which was 0.3 of a percentage point less. For health insurance, this indicator amounted to 99.7%, as almost no reinsurance policy was underwritten for this type of insurance due to the nature of the business. In the reinsurance companies the share decreased (by 1.0 of a percentage point for non-life insurance and as much as 16.6 percentage points for life insurance).

### 3.7. Technical Provisions

Insurance and reinsurance companies set aside technical provisions in compliance with the Decision on detailed rules and minimum standards relating to the calculation of technical provisions (Official Gazette of the RS, nos. 3/01, 69/01, 85/05 and 66/08).

**Figure 5:**  
Developments in net technical provisions of insurance companies in the period 2006-2013 (in EUR million as at 31 December)

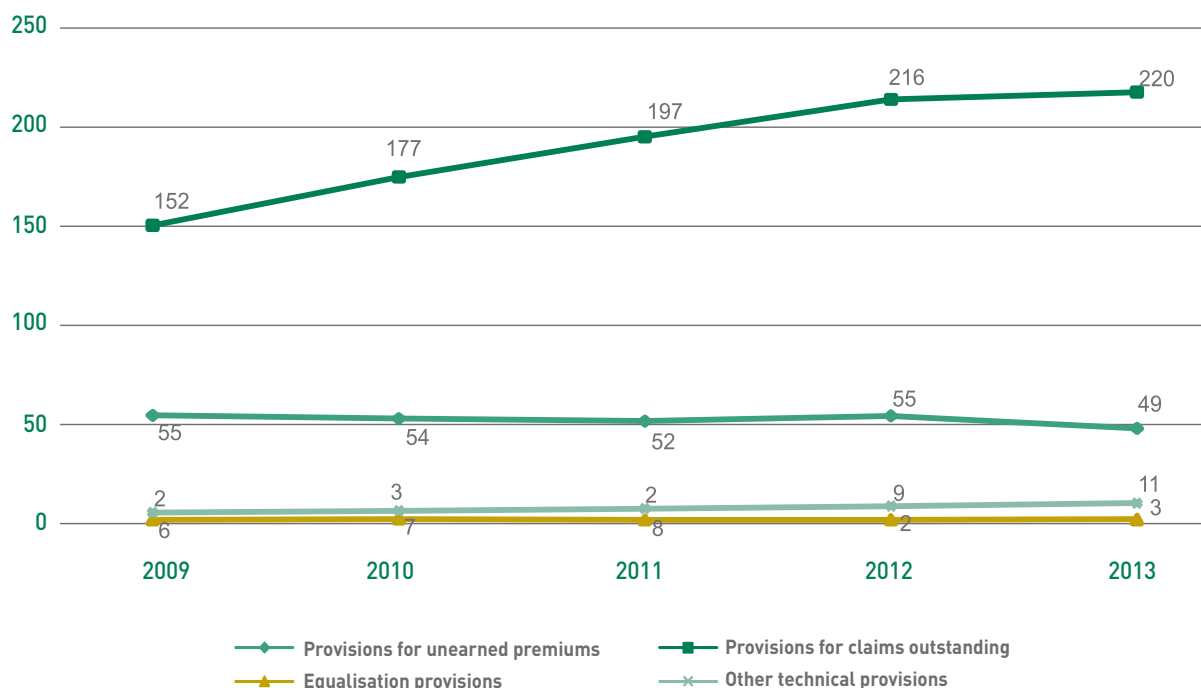


Source: St-55 forms.



**Figure 6:**

Developments in net technical provisions of reinsurance companies in the period 2009-2013 (in EUR million as at 31 December)



Source: St-55 forms.

As at 31 December 2013, the aggregate amount of technical provisions set aside by insurance companies was EUR 4,327.6 million or 1.0% more than in the previous year. The technical provisions set aside by reinsurance companies amounted to EUR 281.6 million as at 31 December 2013, which was a 0.4% decrease over the previous year.

Insurance and reinsurance companies set aside the provisions for unearned premiums separately for each insurance contract. In the calculation of the provisions for unearned premium, the insurance and reinsurance companies separately take into account the loss occurrence pattern that varies over the duration of the contract or when the insurance cover changes over the duration of the contract. In comparison with the previous year, in 2013 the net provisions for unearned premiums set aside by the insurance companies decreased by 5.8%, to EUR 332.3 million, and those set aside by the reinsurance companies dropped by 11.6%, to EUR 48.7 million.

Mathematical provisions are set aside in the amount of the present estimated value of future obligations of the insurance company arising from insurance contracts reduced by the present estimated value of future premiums to be paid under those contracts. The net mathematical provisions of insurance companies underwriting life insurance, or insurance to which similar probability tables and calculations apply as to life assurance, or supplementary pension insurance pursuant to the act regulating pension and disability insurance increased by 0.8% in 2013 compared to the previous year, reaching EUR 1,961.2 million. The reinsurance companies did not set aside mathematical provisions because they do not conclude long-term contracts for which such provisions must be set aside.

Provisions for claims outstanding are set aside by insurance and reinsurance companies for reported and unsettled claims – which are in principle calculated separately for each claim – and for incurred but not yet reported claims, and reported claims not reported at sufficient level. The amount of provisions for claims incurred but not yet reported and for claims not reported at sufficient level is determined on the basis of past experience, i.e. the number of claims and the average credited damages arising from claims reported in the accounting year, and the future development regarding claims as can reasonably be foreseen. In addition to the estimated damages, the provisions for claims outstanding also include the estimated claim settlement costs. At the end of 2013 the insurance companies disclosed EUR 875.9 million of net provisi-



ons for claims outstanding, which was 2.1% less than in the previous year, while the reinsurers disclosed EUR 219.7 million, which was 1.7% more than at the end of 2012.

Net provisions for bonuses and discounts set aside by the insurance companies (EUR 23.3 million) decreased by EUR 0.1 million, which was fall of 0.4% year-on-year.

Equalisation provisions set aside by the insurance companies as at the last day of 2013 amounted to EUR 38.9 million, growing by 2.4% compared to 2012. Equalisation provisions set aside by the reinsurance companies grew by EUR 0.2 million or 8.7%.

As at 31 December 2013, net technical provisions for the benefit of life insurance policyholders who bear the investment risk amounted to EUR 1,038.5 million, which was a 5.4% growth year-on-year. The liabilities under life insurance contracts where the policyholders/insureds bear the investment risk account for one-third of long-term liabilities of insurance companies underwriting life insurance. Like in 2012, in 2013 the number of policies taken out by policyholders/insureds who bear the investment risk also decreased, as the number of terminated policies was higher than the number of new policies underwritten. In 2010, the number of policies taken out by policyholders/insureds who bear the investment risk augmented by somewhat less than 46,000, in 2011 by good 19,000, while in the last two years it fell – by 2,000 in 2012 and by 16,000 in 2013. At the end of 2013, the insurance companies had almost 528,000 policies taken out by policyholders/insureds who bear the investment risk.

Net other technical provisions are set aside by insurance and reinsurance companies with regard to the anticipated future obligations and risks of major damages arising e.g. from insurance covering nuclear damage liability and pharmaceutical producers' liability, earthquake as well as other obligations and risks, in relation to which they do not set aside individual provisions from items 1 to 4 of the second paragraph, and the third and fourth paragraphs of Article 113 of the Insurance Act. In 2013 net other technical provisions set aside by the insurance companies surged by EUR 13.4 million compared to the previous year (30.5%), to EUR 57.4 million. Net other technical provisions set aside by the reinsurance companies grew from EUR 9.2 million to EUR 10.7 million, or by 16.3%.

To all insurance companies and both reinsurance companies, certified actuaries issued positive opinions for 2013 on the amount of premiums, technical provisions appropriately set aside considering the obligations and the appropriateness of the records enabling adequate valuation of liabilities and insurance premiums.

### 3.8. Investments of Assets Covering Technical Provisions and Assets Covering Mathematical Provisions

The economic situation in the country, the financial conditions on the European markets and the rehabilitation of the Slovenian banking system influenced significantly the investment policy and the value and profitability of investments of the insurance companies in 2013.

On the global market, in 2013 the ratio between the returns on shares and bonds turned decisively in the direction of shares. Shares were also more appealing due to the payment of dividends. The investment policy of insurance companies is oriented in the provision of adequate safety and liquidity, while pursuing an appropriate profitability. Because of the uncertain economic situation, a large risk in relation to the result of the debt crisis is still present on financial markets. Credit risk and credit spread risk remain high.

Table 8 shows the movement in individual indexes of European and American shares in 2013.

**Figure 7:**

Indexes of European and American shares in the period from 1 January 2013 to 31 December 2013



Source: Bloomberg.

The chart reveals that in 2013 the indexes of European and American shares showed an upward trend (a high growth was recorded by Dow Jones (26.5%), and in Europe the highest growth was recorded by the index of German shares, increasing by 25.5%), while the SBITOP index only achieved an increase of 3.2% (in 2012 the growth was 7.8%).

At the end of 2013, the investments of the insurance companies totalled EUR 5,659.8 million, which was only EUR 62.5 million or 1.1% more than in 2012. Of this, the insurance companies disclosed EUR 4,978 million of investments of assets covering technical provisions and investments of assets covering mathematical provisions (EUR 52.1 million or 1.1% more than in 2012). In 2013 the increase in the investments of assets covering technical provisions and investments of assets covering mathematical provisions was considerably lower than in the previous year, when the values of such investments grew by no less than 6.7% (by EUR 311.3 million).

At the end of 2013, the investments of assets covering mathematical provisions were EUR 90.7 million or 2.8% higher year-on-year (in 2012 the increase amounted to 8%), while investments of assets covering technical provisions, without assets covering mathematical provisions were EUR 38.6 million or 2.2% lower (in 2012 they increased by 4.5%).

The insurance companies' own resources also rose by only EUR 10.4 million or 1.5% in 2013, which was considerably less than in 2012, when they grew by EUR 56.5 million or 9.2%. As at the last day of 2013, the insurance companies' own resources amounted to EUR 681.8 million, which was 12% of the total investments of the insurance companies.

**Table 17:**

**Investments of insurance companies by source of funds as at 31 December in the period between 2005 and 2013**  
(in EUR million)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	Index 13/05
Own resources	192.4	288.8	612.2	531.1	554.4	443.7	614.9	671.4	681.8	354.4
Assets covering mathematical provisions	1,362.8	1,664.6	2,043.4	2,095.0	2,539.0	2,839.1	2,972.7	3,210.3	3,301.0	242.2
Assets covering technical provisions without assets covering mathematical provisions	1,114.1	1,191.7	1,328.2	1,474.6	1,576.5	1,646.6	1,641.9	1,715.6	1,677.0	150.5
<b>Total</b>	<b>2,669.3</b>	<b>3,145.1</b>	<b>3,983.8</b>	<b>4,100.7</b>	<b>4,669.9</b>	<b>4,929.4</b>	<b>5,229.5</b>	<b>5,597.3</b>	<b>5,659.8</b>	<b>212.0</b>

Source: Report on investments of assets covering technical provisions and assets covering mathematical provisions, and RN forms.

As at 31 December 2013, investments of assets covering mathematical provisions amounted to EUR 3,301 million, accounting for 58.3% of the total investments of the insurance companies or as much as 66.3% (65.2% in 2012) of all investments of assets covering technical provisions. Investments of assets covering technical provisions without assets covering mathematical provisions amounted to EUR 1,677 million as at 31 December 2013, representing 29.6% of the total investments of insurance companies or 33.7% of the total investments of assets covering technical provisions, which was 1.1 percentage points less than in the previous year.

The figures in Table 17 show that the insurance companies achieved low growths in investments of assets covering mathematical provisions and own resources, while the investments of assets covering technical provisions without assets covering mathematical provisions decreased. The reason for this are high investment expenses compared to investment revenue, which is reflected in the income statement and also in other comprehensive income (in 2012 the insurance companies disclosed EUR 102 million of net valuation gains on available-for-sale financial assets, while in 2013 they recorded a loss of EUR 4.2 million under the same item).

**Table 18:**

**Investments of reinsurance companies by source of funds as at 31 December in the period between 2005 and 2013**  
(in EUR million)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	Index 13/05
Own resources	81.0	128.5	187.2	176.3	190.7	195.7	170.7	168.9	235.5	290.7
Assets covering technical provisions	175.3	195.7	213.5	243.7	324.2	343.5	357.6	406.3	420.6	239.9
<b>Total</b>	<b>256.3</b>	<b>324.2</b>	<b>400.7</b>	<b>420.0</b>	<b>514.9</b>	<b>539.2</b>	<b>528.3</b>	<b>575.2</b>	<b>656.1</b>	<b>256.0</b>

Source: Report on investments of assets covering technical provisions and assets covering mathematical provisions, and RN forms.

In 2011 the investments of the reinsurers decreased for the first time after 2000 (by 2%), and the reason was the fall in investments from their own resources (by 12.8%). In 2012 the total investments of the reinsurance companies grew again (by 8.9%), although the amount of their own resources decreased (by 1.1%). At the end of 2013, the investments of the reinsurance companies amounted to EUR 656.1 million, increasing by EUR 80.9 million or 14.1% over the previous year, primarily owing to the growth in investments from own resources, which surged by EUR 66.6 million or 39.4%. The high growth in investments from own resources primarily results from the increase in investments from own resources at one reinsurance company (owing to capital increase), while the other reinsurer recorded a 22% fall year-on-year because of the impairments of investments.

The share of investments from own resources in the total investments of the reinsurance companies increased due to the high growth in such investments at one reinsurance company: at the end of 2013 it amounted to 35.9%, while at the end of 2012 it amounted to 29.4%.

The investments of assets covering technical provisions of reinsurance companies have grown since 2000. As at 31 December 2013, they reached EUR 420.6 million, which was EUR 14.3 million or 3.5% more than at the end of the previous year (the increase in such investments in 2012 amounted to 13.6%).

**Table 19:**

**Investment structure of assets covering mathematical provisions and assets covering technical provisions of insurance companies as at 31 December in the period between 2010 and 2013** (in EUR million and %)

	Assets covering mathematical provisions								Assets covering technical provisions without assets covering mathematical provisions							
	2010	%	2011	%	2012	%	2013	%	2010	%	2011	%	2012	%	2013	%
Government securities	962.3	33.9	916.9	30.8	1,056.7	32.9	1,102.9	33.4	441.7	26.8	414.2	25.2	522.8	30.4	558.5	33.3
Real estate	17.0	0.6	21.9	0.7	23.5	0.7	24.9	0.8	41.7	2.5	33.9	2.1	39.7	2.3	37.1	2.2
Loans	44.9	1.6	46.2	1.6	44.8	1.4	47.0	1.4	35.3	2.1	50.3	3.1	33.5	2.0	32.6	1.9
Debt securities	748.1	26.3	795.4	26.8	828.4	25.8	864.7	26.2	344.3	20.9	397.9	24.2	464.7	27.1	483.5	28.8
Equity securities	833.2	29.4	865.0	29.1	1,011.7	31.5	1,065.0	32.3	210.3	12.8	173.1	10.6	159.0	9.3	132.9	7.9
Bank deposits	202.3	7.1	282.9	9.5	201.6	6.3	152.8	4.6	218.2	13.3	265.7	16.2	176.5	10.3	109.0	6.5
Other	31.3	1.1	44.4	1.5	43.6	1.4	43.7	1.3	355.1	21.6	306.8	18.6	319.4	18.6	323.4	19.4
<b>Total</b>	<b>2,839.1</b>	<b>100</b>	<b>2,972.7</b>	<b>100</b>	<b>3,210.3</b>	<b>100</b>	<b>3,301.0</b>	<b>100</b>	<b>1,646.6</b>	<b>100</b>	<b>1,641.9</b>	<b>100</b>	<b>1,715.6</b>	<b>100</b>	<b>1,677.0</b>	<b>100</b>

Source: Report on investments of assets covering technical provisions and assets covering mathematical provisions, and RN forms.

In recent years, the largest portion of assets covering technical provisions, without assets covering mathematical provisions represent investments in government securities and government guaranteed securities. Thus, in 2013 the share of investments in government securities and government guaranteed securities achieved as much as 33.3%, which was 2.9 percentage points more than in the previous year (in 2012 the share of such investments grew by 5.2 percentage points). They were followed by investments in other debt securities, with the second highest structural share of assets covering technical provisions, without assets covering mathematical provisions (28.8%; in 2012 the share was 27.1%), equity securities (7.9%) and bank deposits (6.5%). Table 19 shows that, compared to the previous year, the largest growth was recorded by the share of government securities and government guaranteed securities. The increase in investments in debt securities amounted to 1.7 percentage points. In all other types of investments, the shares fell year-on-year, with the largest drops recorded by the share of investments in bank deposits (by 3.8 percentage points), the share of investments in equity securities (by 1.4 percentage points) and the share of investments in real estate and loans (by 0.1 of a percentage point). As much as 19.4% (18.6% in the previous year) of all assets covering technical provisions, without assets covering mathematical provisions was covered by the item "other" (99% of this item is receivables: in addition to the receivables from reinsurance, also receivables from direct insurance operations and other receivables).

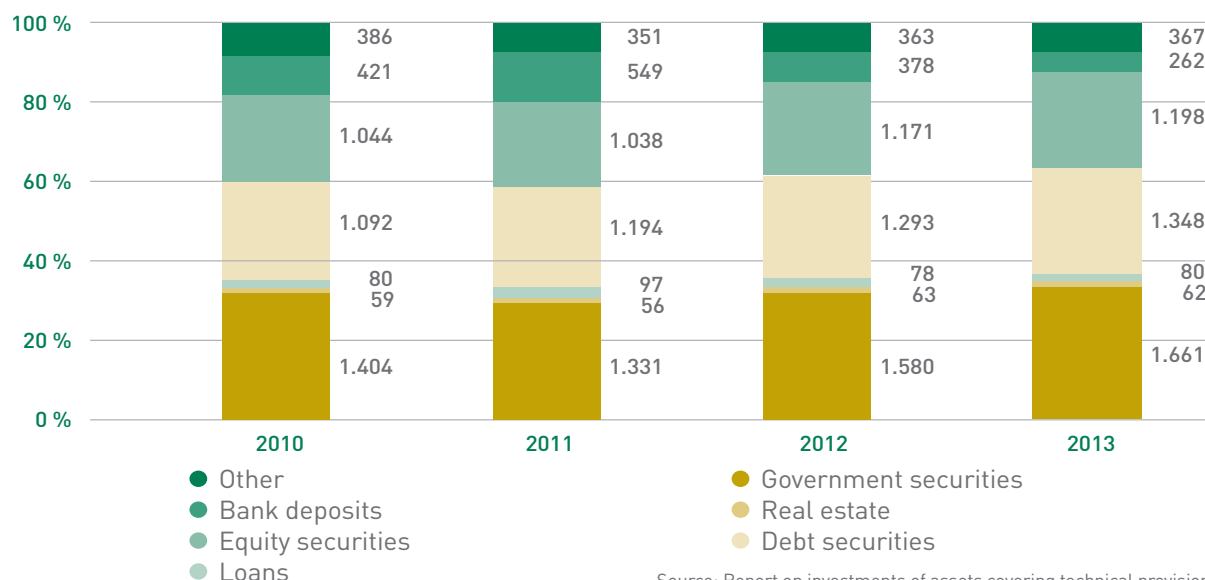
In the structure of investments of assets covering mathematical provisions as well, the bulk was investments in government securities and government guaranteed securities, accounting for 33.4% in 2013 (in 2012 the share was 32.9%). They were followed by equity securities with a share of 32.3% (increase of 0.8 of a percentage point year-on-year), other debt securities with a share of 26.2% (growth of 0.4 of a percentage point) and bank deposits with a share of 4.6% (decrease of 1.7 percentage points).

Investments of the insurance sector as a whole were to a significant extent still oriented in bank equity and debt securities as well as deposits. Even before the financial crisis, the question was raised to what extent mutual dependence increases the risk of the problems from the banking system to also reflect in the operations of the insurance industry. The exposure of the insurance companies to the Slovenian banking sector arising from investments was reduced significantly in 2013 compared to the previous year, recording a fall of no less than 38.8% (in 2012 a decrease of 29% compared to 2011 was recorded). This fall resulted from the changed investment policy of the insurance companies, which was influenced by the government rehabilitation of the Slovenian banks. Out of prudence, insurance companies invested less in deposits with Slovenian banks. Moreover, because of the passed amendments to the Banking Act, based on which the Bank of Slovenia issued decisions resulting in the expropriation of the shares and subordinated debt securities of certain Slovenian banks (NLB d.d., Nova Kreditna banka Maribor d.d., Abanka Vipava, d.d., Probanka d.d. and Faktor banka d.d.), they were forced to write off investments in these types of securities of the Slovenian banks, so that they no longer disclosed them as at 31 December 2013. In addition, as at 31 December 2013 some insurance and reinsurance companies partially or even fully impaired the shares and subordinated securities issued by Banka Celje d.d. Consequently, at the end of 2013 the insurance

companies disclosed a lower exposure to the Slovenia banking sector than one year ago. As at 31 December 2013 the investments in this sector amounted to EUR 430.3 million (this amount takes into account the debt and equity securities of banks, deposits and other receivables from banks), while at the end of 2012 they amounted to EUR 702.6 million.

**Figure 8:**

**Investment structure of assets covering technical provisions (together with assets covering mathematical provisions) of insurance companies as at 31 December in the period between 2010 and 2013** (in EUR million and %)

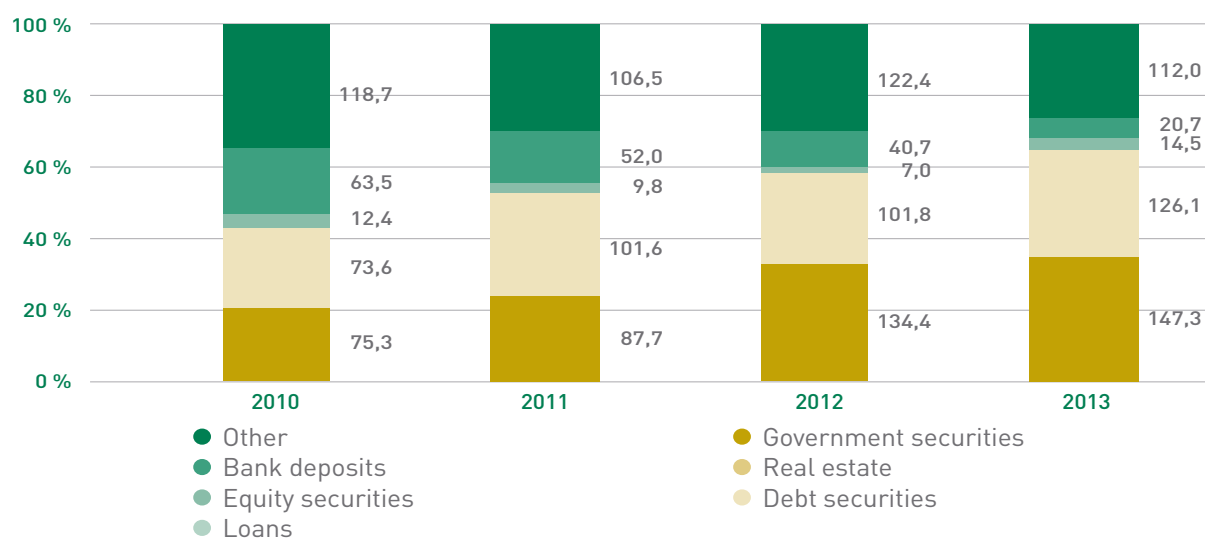


Source: Report on investments of assets covering technical provisions and assets covering mathematical provisions, and RN forms.

In 2013 the share of investments of assets covering technical provisions and assets covering mathematical provisions made by insurance companies in government securities and government guaranteed securities grew again. While the uncertain situation in the banking sector made the insurance companies reduce their investments in deposits by as much as EUR 116.3 million or 30.8% compared to 2012, their investments in government securities and government guaranteed securities rose by EUR 81.9 million or 5.2%. The insurance companies invested EUR 55.1 million in debt securities, or 4.3% more than one year before, and EUR 27.2 million in equity securities, or 2.3% more than one year before.

**Figure 9:**

**Investment structure of assets covering technical provisions of reinsurance companies as at 31 December in the period between 2010 and 2013** (in EUR million and %)



Source: Report on investments of assets covering technical provisions and assets covering mathematical provisions, and RN forms.



As at 31 December 2013, the assets covering technical provisions of the reinsurance companies were primarily invested in government securities and government guaranteed securities (35%, in the previous year 33.1%), other debt securities (30%, in the previous year 25.1%), deposits (4.9%, in the previous year 10%) and equity securities (3.4%, 1.7% in 2012). Other investments accounted for 26.6% (30.1% in 2012) and primarily consisted of receivables (EUR 101.8 million). Similarly to the insurance companies, the investments of assets covering technical provisions made by the reinsurance companies in government securities and government guaranteed securities also grew (by EUR 12.9 million or 9.6%), while investments in deposits decreased (by EUR 20 million or 49.1%). Like in insurance companies, the exposure of the reinsurance companies to the Slovenian banking sector was reduced significantly in 2013 compared to the previous year, recording a drop of 44.6%. At the end of 2013, the investments of assets covering technical provisions placed by the reinsurers in the Slovenian banking sector amounted to EUR 31.6 million (this amount takes into account debt and equity securities of banks, deposits and other receivables from banks), while at the end of 2012 such investments amounted to EUR 63.5 million.

Until the appearance of the financial crisis in 2008, it already seemed that the share of investments of assets covering technical provisions with mathematical provisions moved in the direction of a greater portion of equity and other debt securities and a reduced portion of government securities, deposits and loans, however, the financial crisis blocked this trend. In the period between 2010 and 2013, the share of investments of assets covering technical provisions with assets covering mathematical provisions of the insurance companies and the share of investments of assets covering technical provisions of the reinsurance companies in government securities and government guaranteed securities were increasing. In 2013 the share of the insurance companies grew by 1.2 percentage points and that of the reinsurance companies by 1.9 percentage points. The share of investments of assets covering technical provisions and assets covering mathematical provisions in equity securities placed by insurance companies is slightly increasing (in 2013 this share was 24.1% and in 2012 23.8%), as well as the share of such investments in debt securities (in 2013 the share was 27.1%, while in 2012 it was 26.3%). A similar trend is recorded by the reinsurance companies.

**Table 20:**

**Investments of assets covering technical provisions and assets covering mathematical provisions made abroad by insurance companies as at 31 December in the period between 2010 and 2013** (in EUR million and %)

		Government securities	Debt securities	Equity securities	Loans	Other investments	Total investments abroad	Total investments	Share of investments abroad in total investments (%)
Assets covering technical provisions without assets covering mathematical provisions	2010	144.9	202.2	16.7	10.3	0.9	375.0	1,646.6	22.77
	2011	139.6	268.3	8.7	10.3	1.0	427.9	1,641.9	26.06
	2012	254.8	330.9	8.7	10.3	1.1	605.8	1,715.6	35.31
	2013	340.2	409.0	8.6	14.3	13.0	785.1	1,677.0	46.82
Assets covering mathematical provisions	2010	405.4	561.7	286.3	31.0	1.3	1,285.7	2,839.1	45.29
	2011	427.6	616.1	309.1	31.0	3.6	1,387.4	2,972.7	46.67
	2012	571.6	666.5	389.9	35.5	4.1	1,667.6	3,210.3	51.95
	2013	579.2	764.9	416.4	28.1	24.0	1,812.6	3,301.0	54.91

Source: Report on investments of assets covering technical provisions and assets covering mathematical provisions.

At 31 December 2013, investments of assets covering technical provisions and assets covering mathematical provisions made abroad amounted to EUR 2,597.7 million, which was EUR 324.3 million or 14.3% more than in the previous year (the growth in investments abroad in 2013 was significantly lower than in 2012, when it amounted to 25.2%). The bulk of these assets, EUR 2,093.3 million or 80.6%, were investments in foreign government and debt securities. The share of investments abroad in total investments has been increasing since 2009 both for assets covering mathematical provisions and assets covering technical provisions without assets covering mathematical provisions. Thus, the share of investments abroad in total investments of assets covering technical provisions without assets covering mathematical provisions rose from 15.9% in 2009 to 46.8% in 2013, and the share of investments of assets covering mathematical provisions made by insurance companies rose from 41.6% to 54.9% in the same period. Compared

to 2012, the largest increase was recorded by the share of investments in foreign debt securities, which amounted to EUR 1,173.9 million in 2013 (45.2% of all investments abroad; in 2012 the share was 43.9%), or 17.7% more than in the previous year. Investments in foreign debt securities represented as much as 87.1% (77.1% in 2012) of total investments of the insurance companies in debt securities and grew by 10 percentage points year-on-year. Investments in foreign government securities reached EUR 919.4 million, which was EUR 93 million more than in the previous year, with their share in the total investments of the insurance companies in government securities growing to 55.3% (52.3% in 2012). At the end of 2013 the insurance companies disclosed EUR 425 million of investments in foreign equity securities, which was 16.4% of the total investments abroad, and 35.5% of the total investments of the insurance companies in equity securities. The share of foreign loans only accounted for 1.6% of the total investments of the insurance companies made abroad, or 90.2% of the total investments in loans.

At the end of 2013, investments of assets covering mathematical provisions made abroad amounted to EUR 1,812.6 million, which was 8.7% more than at the end of 2012. Investments in foreign debt securities amounted to EUR 764.9 million and accounted for 42.2% of the total investments of assets covering mathematical provisions abroad and as much as 88.5% (80.5% in 2012) of the total investments of assets covering mathematical provisions in debt securities made by insurance companies. Investments of assets covering mathematical provisions in foreign government securities increased by only 1.3% compared to 2012 (in 2012 they grew by 33.7%), and the share of these securities fell from 54.1% of the total investments of assets covering mathematical provisions in such securities in 2012 to 52.5% in 2013. Foreign equity securities accounted for 39.1% (38.5% in 2012) of the total investments of assets covering mathematical provisions in equity securities. Investments in foreign loans amounted to EUR 28.1 million, which was 20.8% less than in the previous year, and accounted for 1.6% of the total investments of assets covering mathematical provisions abroad and 59.8% of all investments of assets covering mathematical provisions in loans.

At the end of 2013 investments of assets covering technical provisions without assets covering mathematical provisions made abroad amounted to EUR 785.1 million, which was 29.6% more than in the previous year. In 2013 the growth in investments of assets covering technical provisions without assets covering mathematical provisions made abroad was significantly lower than one year before, when the increase was 42.6%, but considerably higher than that of such investments of assets covering mathematical provisions, which only increased by 8.7% compared to the previous year. At the end of 2013 investments of assets covering technical provisions without assets covering mathematical provisions in foreign debt securities amounted to EUR 409 million, increasing by 23.6% and already reaching 84.6% (71.2% in 2012) of the total investments of assets covering technical provisions without assets covering mathematical provisions in such securities. Investments in government and other debt securities thus accounted for as much as 95.4% (in the previous year 96.7%) of investments of assets covering technical provisions without assets covering mathematical provisions made abroad. The trend of the decreasing share of investments in foreign equity securities which began in 2008 continued; in 2013 the share of such investments accounted for 1.1% of the total investments of assets covering technical provisions without assets covering mathematical provisions made abroad (in the previous year it accounted for 1.4%). Investments in foreign loans amounted to EUR 14.3 million. Year-on-year, they rose by 38.8% and reached 1.8% of the total investments of assets covering technical provisions without assets covering mathematical provisions made abroad, and 43.9% of all investments of assets covering technical provisions without assets covering mathematical provisions in loans.

At the end of 2013, the investments of assets covering technical provisions made by the reinsurance companies abroad amounted to as much as EUR 242.7 million (EUR 141.6 million in 2012 and EUR 80.7 million in 2011), which was 57.7% (34.9% in 2012) of the investments of assets covering technical provisions of the reinsurance companies and represented an increase of 71.3% (75.5% in 2012).

In principle, government bonds offer lower yields than corporate bonds which are usually riskier, which has changed somewhat due to the European debt crisis. We assess that the share of investments made by the insurance companies and also reinsurance companies in foreign securities increased in 2012 and 2013 (primarily in government and debt securities) due to the financial crisis in Slovenia. In the last two years, the prices of Slovenian government and bank securities were decreasing. In 2013 the insurance companies continued to reduce their exposure to the Slovenian banking sector and also impaired certain investments in debt and equity securities. They had to write off many investments in the equity and subordinated securities of domestic banks.

In their policy of investing in foreign securities, insurance companies also pay special attention to the ter-

territorial spread of investments, directing their investments in ten to seventeen countries, with the highest concentration of investments still being made in the EU Member States. The insurance companies had 38.3% (45.5% in 2012) of their total investments of assets covering technical provisions and assets covering mathematical provisions made in foreign securities in three countries (Germany, France and Luxembourg). More half of this share of investments went to Germany (20.6%). As regards the share of investments in their securities, these three countries are followed by Austria with 8.2% (7.9% in 2012) and the Netherlands with 7.6% (8% in 2012). Then there were countries in which the insurance companies have less than 5% of investments made on foreign markets, namely Italy (4.5%), the United Kingdom (4.2%), Spain (3.6%) and the USA (3.0%). The insurance companies invested their own resources in foreign securities in the following countries: Germany 19.9%, the USA 13.3%, Austria 8.9%, Luxembourg 7.5%, the Netherlands 5.4%, France 5% and Ireland 4% (in the previous year, the highest shares were the following: Germany 20.6%, the USA 14.2%, Austria 12.3%, followed by Luxembourg and France with 7% each).

Exposure of the insurers to Portugal, Ireland, Italy, Greece and Spain (investments in their government securities) amounted to EUR 90.2 million as at 31 December 2013 (EUR 61.6 million in the previous year), which was 46.4% more than one year before. As the credit rating of some of these countries already went up, the value of some of their securities also increased, which was reflected in a growth in the value of these investments. The reinsurance companies do not disclose any exposure to these countries in 2013 (in 2012 EUR 94 thousand).

The insurance companies took part in the project of voluntary participation of the private sector in the restructuring of the debt of the Euro area member states. The European Financial Stability Facility (EFSF) was founded in order to provide liquidity aid to the members of the Euro area facing funding problems. As at 31 December 2013, the value of the bonds issued by the EFSF in the portfolios of the insurance companies amounted to EUR 19.5 million (EUR 4.8 in 2012).

As at 31 December 2013 the investments of the insurance companies in other debt securities of these countries amounted to EUR 155.3 million (EUR 106 million in 2012). The reinsurance companies disclosed no investments in such securities at the end of 2013 (in 2012 EUR 5.7 million).

At the end of 2013 the Slovenia insurance industry only disclosed a minimum exposure to Cyprus, which is also facing a severe debt crisis: it concerns an investment of a single entity on the market in government securities traded on the UK market in the amount of EUR 461.8 thousand.

At the end of 2013 the exposure of the insurance companies to Slovenia (investments in Slovenian government securities and government guaranteed securities) amounted to EUR 898.3 million, increasing slightly year-on-year, by 0.6%, while the exposure of the reinsurance companies to the Slovenian government securities and government guaranteed securities amounted to EUR 43.7 million, dropping by 37.5% year-on-year.

As at 31 December 2013 the investments of the insurance companies in compound securities amounted to EUR 160.5 million (EUR 162.4 million in 2012). The decrease primarily resulted from the lower number of securities (maturity in the previous year as well as early calls of securities). However, the insurance companies also bought nine new compound securities, so that the number of compound securities amounted to 81 at the end of 2013 (86 in 2012). The reinsurance companies disclosed no investments in compound securities as at 31 December 2013. Compared to the previous year, the value of such investments made by the insurance companies fell by 1.2% (7.3% in 2012). Individual compound securities represent investments of assets covering technical provisions without assets covering mathematical provisions, investments of assets covering mathematical provisions, as well as the companies' own resources. In 2013 the share of insurance companies' own resources invested in compound securities in the total value of compound securities of the insurance companies amounted to 7.5% (6% in 2012) or EUR 12 million (EUR 9.7 million in 2012).

All investments in compound securities were long-term investments with maturity of 5 to 40 years, mostly of 10 to 20 years. Insurance companies mainly decide to purchase these securities in order to keep them until their maturity. The value of individual purchases ranged between EUR 109 thousand and EUR 11.9 million. Bigger insurance companies make big individual purchases, in certain cases comprising the entire emission of a security. Some life insurance products with investment risk are linked to compound securities. As a rule, the issuers of these securities exceed the prescribed minimum credit rating. The investments made by insurance companies from own resources also include individual compound securities without a credit rating.



**Table 21:**

**Comparison of other technical provisions<sup>5</sup> and actual investments of assets covering technical provisions other than mathematical provisions for insurance and reinsurance companies as at 31 December in the period between 2005 and 2013** (in EUR million)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Investments of assets covering technical provisions, without assets covering mathematical provisions	1,289.4	1,387.5	1,541.7	1,718.3	1,900.7	1,990.1	1,999.6	2,121.9	2,097.6
Resources of TP	1,177.5	1,270.7	1,254.5	1,597.1	1,753.4	1,756.1	1,771.6	1,849.8	1,790.1
<b>Difference</b>	<b>111.9</b>	<b>116.8</b>	<b>287.2</b>	<b>121.2</b>	<b>147.3</b>	<b>234.0</b>	<b>228.0</b>	<b>272.1</b>	<b>307.5</b>

Source: Forms St-43 and St-54, RN forms, report on investments of assets covering technical provisions and assets covering mathematical provisions, and audited balance sheets of insurance and reinsurance companies as at 31 December 2005 - 31 December 2012, and unaudited balance sheets of insurance and reinsurance industry as at 31 December 2013.

The surplus of investments of assets covering mathematical provisions of insurance and reinsurance companies over technical provisions increased until 2007, while in 2008 it fell. Since then, the surplus has constantly increased, except in 2011: it grew from EUR 121.2 million in 2008 to EUR 307.5 million at the end of 2013. In 2011 the figure was affected by impairments of investments. In 2012 the surplus increased due to the positive return on investment portfolios. In 2013 the surplus of investments of assets covering mathematical provisions without assets covering technical provisions over technical provisions exceeded the surplus from 2012 by 13%. This increase in the surplus primarily resulted from the fall in technical provisions set aside, the amount of which decreased at a higher rate (index 96.8) than the fall in the volume of investments of assets covering mathematical provisions without assets covering technical provisions (index 98.9). At the end of 2013 the surplus of investments over technical provisions represented 17.2% of the technical provisions set aside, which was 2.5 percentage points more than one year before (14.7%). The insurance companies recorded a surplus of 16.7 and the reinsurance companies 19.3%.

### 3.9. Capital Adequacy

The principle of risk management is one of the important principles laid down in the Insurance Act. Provided that adequate technical provisions are ensured – and also appropriate investment of assets covering technical provisions and assets covering mathematical provisions, reinsurance, co-insurance and liquidity management of these assets – insurance companies control their risk exposure primarily by ensuring sufficient capital, i.e. capital adequacy. In accordance with the criteria laid down in the Insurance Act, capital adequacy is ensured if the insurance company, at any point in time, has at its disposal adequate capital with regard both to the volume and type of insurance operations performed, and to the risks to which it is exposed in performing those operations. Non-compliance with the minimum capital requirement constitutes a serious violation of risk management rules.

Composite insurance companies are required to calculate capital adequacy separately for non-life and life insurance operations.

**Table 22:**

**Capital adequacy of insurance companies as at 31 December 2012 and 31 December 2013** (in EUR million)

	2012		2013	
	Non-life	Life	Non-life	Life
Tier 1 capital	548.4	374.1	557.6	370.7
Guarantee fund	76.7	61.7	76.4	63.9
Compliance with Article 106(3) of the Insurance Act	471.7	312.4	481.2	306.8
Supplementary capital	23.1	8.0	20.7	11.8
Available capital of insurance companies	571.5	379.2	500.7	378.4
Minimum capital requirement	192.0	154.9	189.5	159.7
<b>Capital adequacy</b>	<b>280.8</b>	<b>224.3</b>	<b>311.2</b>	<b>218.7</b>

Source: KUS forms.

<sup>5</sup> See footnote 4.

As at 31 December 2013, all insurance companies disclosed a surplus of available capital over minimum capital requirement both in the non-life insurance group and in the life insurance group.

In the group of non-life insurance, the Tier 1 capital amounted to EUR 557.6 million as at 31 December 2013, which was slightly more (an increase of EUR 9.2 million or 1.7%) than as at 31 December 2012. This growth was primarily influenced by the increase in revenue reserves (by EUR 19.2 million) and fall in retained net loss (by EUR 7.7 million). The Tier 1 capital would have increased even more had not the retained profit dropped by EUR 17.6 million.

In the group of life insurance, the insurance companies disclosed a Tier 1 capital of EUR 370.7 million as at 31 December 2013, which was EUR 3.4 million or 1.0% less than as at 31 December 2012. This fall was mainly influenced by the decrease in the share capital by EUR 11.6 million (resulting from the partial division by the transfer of the portfolio from KD življenje (as at 31 December 2013 it was no longer an insurance company) to Adriatic Slovenica) and the decrease in retained profit by EUR 11.1 million.

The item supplementary capital represents the subordinated debt of insurance companies, amounting to EUR 32.5 million at the end of 2013, which was EUR 1.4 million or 4.5% more than in the previous year. In the group of non-life insurance the subordinated debt fell by EUR 2.4 million, while in the group of life insurance it rose by EUR 3.8 million. The reason for this fall in the group of non-life insurance is the method of including the existing subordinated debt in the calculation of available capital, annually reduced by 20% of the value of the debt in the last five years before maturity.

Despite the fall in supplementary capital, the available capital in the group of non-life insurance increased by EUR 27.9 million in the period observed. The growth in the available capital resulted from the growth in the Tier 1 capital (by EUR 9.2 million) and decrease in deductibles arising from participation in financial institutions (by EUR 21.2 million).

In the same period, the available capital in the group of life insurance slightly decreased, by EUR 0.8 million, despite the increase in the supplementary capital, as the result of the fall in the Tier 1 capital (by EUR 3.4 million) and increase in deductibles arising from participation in financial institutions (by EUR 1.3 million).

As at 31 December 2013 in the non-life insurance group the minimum capital requirement decreased compared to the previous year, falling by EUR 2.6 million, while in the life insurance group it grew by EUR 4.8 million. As at 31 December 2013 the insurance companies thus disclosed a higher surplus of available capital over minimum capital requirement than in the previous year in the group of non-life insurance, and a lower surplus in the life insurance group. As at 31 December 2013 it amounted to EUR 311.2 million in the group of non-life insurance (EUR 30.4 million or 10.8% more than at the end of 2012) and to EUR 218.7 million in the group of life insurance (EUR 5.6 million or 2.5% less than one year before).

**Table 23:**  
**Capital adequacy of reinsurance companies as at 31 December 2012 and 31 December 2013** (in EUR million)

CAPITAL	2012	2013
Tier 1 capital	199.8	267.7
Guarantee fund	12.3	12.3
Compliance with Article 106(3) of the Insurance Act	187.5	255.4
Supplementary capital	5.8	5.8
Available capital of reinsurance companies	79.3	81.3
Minimum capital requirement	36.9	36.9
<b>Capital adequacy</b>	<b>42.4</b>	<b>44.4</b>

Source: KUS forms.

As at 31 December 2012 as well as 31 December 2013, both reinsurance companies disclosed a surplus of available capital over minimum capital requirement.

The Tier 1 capital of the reinsurance companies amounted to EUR 267.7 million as at 31 December 2013, which was EUR 67.9 million or 34% more than as at 31 December 2012. The increase in the Tier 1 capital

primarily resulted from the increase in the share capital (by EUR 32.8 million) and capital surplus (by EUR 21.2 million) owing to the recapitalisation of one of the reinsurance companies. The increase in the Tier 1 capital was additionally influenced by the growth in retained net profit (by EUR 10.5 million) and revenue reserves (by EUR 5.7 million).

Despite the increase in deductibles arising from participation in financial institutions (by EUR 66 million or 52.3%), the growth in the Tier 1 capital (by 34%) resulted in an increase of the available capital of the reinsurance companies, which grew by EUR 2.0 million or 2.5% year-on-year. Compared to 31 December 2012, the minimum capital requirement did not change. Consequently, the surplus of available capital over minimum capital requirement grew, by EUR 2.0 million or 4.7%, so that the capital surplus of the reinsurance companies amounted to EUR 44.4 million as at 31 December 2013.

The level of the capital adequacy of the whole insurance sector as at 31 December 2013 against 1 January 2013 or 31 December 2012 is demonstrated by Figure 10.

**Figure 10:**

**Surplus of available capital in the calculation of the capital adequacy of insurance and reinsurance companies in 2013** (in EUR million)



Source: KUS forms.

## 4. PENSION COMPANIES

### 4.1. Structure of the Insurance Market with Respect to Market Shares Held by Pension Companies

According to the Pension and Disability Insurance Act (ZPIZ-2), which entered into force on 1 January 2013, a pension company is a legal entity with its registered office in the Republic of Slovenia which has been granted an authorisation to provide voluntary supplementary pension insurance services. Nevertheless, the provisions of the Insurance Act on insurance public limited companies apply to pension companies which can only be organised as such, unless otherwise provided in the ZPIZ-2. A pension company may only perform supplementary pension insurance operations comprising collecting of premiums under this type of insurance and keeping the personal accounts of the insured persons, management of the pension company's assets, payments of pension annuities and managing open-end and close-end pension funds. The authorisation for provision of voluntary supplementary pension insurance services is granted by the Agency on the basis of the positive opinion of the minister responsible for labour. The voluntary supplementary pension schemes, available in Slovenia since 2001, may also be offered – in addition to pension companies – by mutual pension funds and insurance companies.

The ratio between pension contributions for the compulsory pension insurance fund and transfers from the Pension and Disability Insurance Institute to individuals and households has been deteriorating year by year, increasing the pressure on the pension fund. The ratio of pensioners against the active population is also deteriorating. In 2013 there were only 1.38 active people per one pensioner. Additional saving for old age is becoming increasingly important for individuals. Despite government incentives in the form of tax relief, the expectations for such insurance to become an alternative form of saving have not been fulfilled. The reason is that such form of saving for old age is not very attractive due to low profitability and high returns on capital markets in the past. This is also reflected in the share of voluntary supplementary pension insurance assets collected in the GDP, where Slovenia lags significantly behind other countries in the Euro area.

At the end of 2013, three pension companies were granted authorisation to perform voluntary supplementary pension insurance operations. For pension companies, 2011 was a turning point, as the first ten years of their operation passed, which means that the first insured persons obtained the right to pension annuities, as well as the right to withdraw the funds collected in their accounts.

In 2013 the trend of withdrawing the funds from the personal accounts continued. Simultaneously, the pension companies expanded their offer of various forms of lifetime annuities that can be bought by the insureds who exercise the right to pension annuities. The consequence of the one-off withdrawals of funds is a lower value of the assets covering mathematical provisions intended for saving.

**Table 24:**

**Gross insurance premiums written, number of persons insured during the saving period and market shares of pension companies in 2012 and 2013** (in EUR million and %)

Pension company	Gross premium written 2012	%	Number of persons insured 2012	%	Gross premium written 2013	%	Number of persons insured 2013	%
Moja naložba Pension Company	13.8	20.2	34,161	24.6	11.0	17.9	31,361	23.7
Skupna Pension Company	32.2	47.1	64,293	46.3	29.0	47.2	61,182	46.3
A Pension Company	22.3	32.7	40,499	29.1	21.4	34.9	39,577	30.0
<b>TOTAL</b>	<b>68.3</b>	<b>100</b>	<b>138,953</b>	<b>100</b>	<b>61.4</b>	<b>100</b>	<b>132,120</b>	<b>100</b>

Source: Unaudited income statements of pension companies for 2013 and audited statements for 2012, and St-19, St-50, St-23, St-21, St-56/I and St-56/K forms.

In 2013 pension companies disclosed a gross premium written of EUR 61.4 million from insurance during saving, which was EUR 6.9 million or 10.1% less than in 2012. The largest market share was recorded by Skupna Pension Company with a market share of 47.2%, which increased somewhat year-on-year, followed by A Pension Company with a market share of 34.9% and Moja naložba Pension Company with a market share of 17.9%.

As at 31 December 2013, pension companies had contracts concluded with 132,120 persons from insurance during the saving period, which was 6,833 less than in the previous year. The majority of the insured, i.e. 128,524 (97.3% of all insured persons), concluded collective insurance contracts, while only 3,596 concluded individual insurance contracts. In 2013 the average monthly gross premium calculated from the ratio of gross premium written to the average number of insureds amounted to EUR 29 in Moja Naložba Pension Company, to EUR 39.5 in Skupna Pension Company and to EUR 45 in A Pension Company. The share of the number of insureds of an individual pension company matched the market shares of the pension companies measured on the basis of gross annual premiums written.

## 4.2. Performance of Pension Companies

The data on the operation of pension companies for 2012 are based on audited annual reports, while those for 2013 are based on unaudited annual reports. The pension companies prepared the statements according to the International Financial Reporting Standards and Agency's implementing regulations (Decision on the annual report and quarterly financial statements of insurance undertakings – SKL 2009, Decision on the chart of accounts for insurance undertakings – SKL 2007, Decision on the detailed method of valuation of accounting items and compiling financial statements, Decision on the annual report and interim financial statements of pension funds established as long-term business funds and groups of long-term business funds, Decision on the detailed method of valuation of accounting items and subsidiary chart of accounts of pension funds established as long-term business funds).

**Table 25:**

**Summary income statement of pension companies for 2012 and 2013** (in EUR million)

<b>B. TECHNICAL ACCOUNT – LIFE INSURANCE OPERATIONS</b>		<b>2012</b>	<b>2013</b>
I.	Net premiums earned	3.8	4.7
II.	Investment revenue	2.1	2.0
IV.	Other net revenue from insurance operations	9.3	7.2
V.	Net claims incurred	0.9	1.7
VI.	Change in other net technical provisions	-3.0	-3.2
VIII.	Net operating expenses	4.9	4.7
IX.	Investment expenses	1.6	3.0
XI.	Other net insurance expenses	0.1	2.5
XII.	Allocated investment return transferred to the non-technical account (-)	0.4	-1.0
XIII.	Profit or loss from life insurance operations (I + II + IV - V - VI - VIII - IX - XI - XII)	4.3	-0.2
<b>D. NON-TECHNICAL ACCOUNT</b>			
II.	Profit or loss from life insurance operations (B.XIII)	4.3	-0.2
V.	Allocated investment return transferred from the life insurance technical account (B.XII)	0.4	-1.0
XI.	Other revenue	0.4	0.1
XII.	Other expenses	0.0	0.3
XIII.	Profit or loss for the accounting period before tax (II + V + XI - XII)	5.1	-1.4
XIV.	Income tax	0.0	0.0
XVI.	NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD (II + V + XI - XIII - XIV)	5.1	-1.4
<b>E. STATEMENT OF COMPREHENSIVE INCOME OF PENSION COMPANIES</b>			
I.	Net profit / loss for the financial year after tax	5.1	-1.4
II.	Other comprehensive income after tax	0.5	1.4
III.	Total comprehensive income (I + II)	5.6	0.0

Source: Audited income statements of pension companies for 2012 and unaudited income statements of pension companies for 2013.

In 2011 the first insured persons obtained the right to supplementary and early supplementary old-age pensions. In 2013 the two pension companies paying supplementary old-age pensions transferred EUR 4.7 million of funds to the long-term business fund intended for the payment annuities, in 2012 they transferred EUR 3.8 million, while in 2011 EUR 3 million of funds were transferred. One pension company transferred the payment of supplementary old-age pensions to one of the insurance companies by an agreement.

One of the three pension companies ended the financial year 2013 with a profit. As a sector, the pension companies incurred a loss of EUR 1.4 million in 2013. In 2012 all three pension companies operated at a profit, making an aggregate profit of EUR 5.1 million. Owing to the profit of EUR 1.4 million from the valuation gains on available-for-sale financial assets, the total comprehensive income amounted to EUR 15 thousand, which was EUR 5.6 million less than in the previous year.

In the period observed, the pension companies achieved a negative technical result, which decreased from a positive result of EUR 4.3 million in 2012 to EUR -0.2 million in 2013. The fall in the technical result was primarily due to the increase in net claims incurred (by 83%), increase in investment expenses (by 91%) and increase in other net insurance expenses (by 41 times or EUR 2.4 million).

With the negative technical result, in 2013 the pension companies achieved an even lower business result (a loss), resulting from allocated investment return transferred from the technical result of the pension companies.

Compared to the previous year, in 2013 the total comprehensive income of the pension companies dropped as a result of the increased other comprehensive income after tax (by 160%).

**Table 26:**

**Summary income statement of assets covering mathematical provisions for supplementary pension insurance in the period of saving for 2012 and 2013** (in EUR million)

INCOME STATEMENT		2012	2013
I.	Paid-in amounts or premiums	66.5	59.3
II.	Investment revenue	44.2	48.7
III.	Expenses from payments of the sums insured or surrender value	163.2	99.7
IV.	Transfer of assets from or to another provider	0.4	-1.5
V.	Change in other net technical provisions (+/-)	79.4	45.3
VI.	Costs and commissions charged	9.2	7.1
VII.	Investment expenses	18.1	45.0
VIII.	Net profit for the accounting period (I + II - III + IV - V - VI)	0.0	0.0

Source: Audited income statements of pension companies for 2012 and unaudited income statements of pension companies for 2013.

The summary income statement of assets covering mathematical provisions for supplementary pension insurance during the period of saving shows how pension fund operators manage the assets of the persons insured. This statement reveals that on the revenue side paid-in amounts or premiums plunged by EUR 7.2 million or 10.8%, while investment revenue grew by EUR 4.5 million or 10.2% in 2013 over the previous year. In the same period, the transfer of assets from or to another provider decreased by EUR 1.9 million. On the side of expenses, there was a drop in expenses from payments of the sums insured or surrender value by EUR 63.5 million or 38.9%, which shows that people still tend to withdraw the funds saved as soon as the conditions are met; in particular, the crucial condition is a ten-year participation in the supplementary pension insurance system as regards assets financed by the employer. Costs and commissions charged fell by EUR 2.1 million or 22.8%, while investment expenses augmented by EUR 26.9 million or 148.6%. The change in other net technical provisions plummeted by EUR 34.1 million or 42.9%.

In 2011 the first insured persons obtained the right to supplementary old-age pension. Moreover, in the case of extraordinary termination after the expiry of the ten-year period, the insureds have the right to cash payment equalling the surrender value of the funds saved. Many insured persons for whom this period expired opted for extraordinary termination of insurance and payment of the surrender value. All three pension companies paid EUR 90.7 million under this item in 2013, while in 2012 they paid EUR 154.6 million and in 2011 over EUR 94 million. These payments led to a large change in the item change in other net technical provisions, amounting to EUR 45.3 million for 2013, which is, however, considerably less than in 2012, when the value of this item was EUR 79.4 million. Until including 2010, the technical provisions for supplementary pension insurance during the saving period only increased; in 2011 they fell for the first time by EUR 19.8 million. The difference between the investment revenue and investment expenses is positive, amounting to EUR 3.7 million. The bulk of investment revenue was interest income (EUR 22.9 million or 47% of total investment income), followed by revenue arising from investment value adjustments (EUR

19.6 million or 40.3% of total investment income) and revaluation financial revenue (EUR 4.9 million or 10% of total investment income). The largest portion among investment expenses belonged to revaluation financial expenses (EUR 43.7 million or 97% of investment expenses).

In 2013 the legally prescribed minimum guaranteed return (40% of the average interest rate on government securities with maturity in more than one year) was 1.50%. None of the pension companies achieved the guaranteed return specified in the pension scheme. At only one of the three pension companies, the actual return exceeded the legally prescribed minimum guaranteed return. The actual return on the assets covering mathematical provisions for 2013 was thus 1.14% at Moja naložba Pension Company, -2.0% at Skupna Pension Company and 1.7% at A Pension Company.

**Table 27:**

**Summary income statement of assets covering mathematical provisions for supplementary pension insurance in the annuity payment period (supplementary and early supplementary old-age pension) for 2012 and 2013** (in EUR million)

INCOME STATEMENT		2012	2013
I.	Transfer of funds from the pension scheme for supplementary pension insurance	3.8	4.7
II.	Investment revenue	0.2	0.4
III.	Claims incurred	0.9	1.7
IV.	Change in other technical provisions (+/-)	-3.0	-3.2
V.	Costs imputed by policy	0.0	0.1
V.a.	Net operating expenses	0.0	0.0
VI.	Investment expenses	0.0	0.0
VII.	Profit or loss from assets covering mathematical provisions (I + II + III + IV - V - VI)	0.0	0.0
VII.a.	Profit or loss from assets covering mathematical provisions (I + II-III+IV-V.a.-VI)	0.1	0.1

Source: Audited income statements of pension companies for 2012 and unaudited income statements of pension companies for 2013.

Two pension companies pay supplementary old-age pensions and early supplementary old-age pensions; one pension company transferred the payment of supplementary and early supplementary pensions to one of the insurance companies by way of an agreement. In 2013 EUR 4.7 million of assets were transferred from the saving part, which includes the pension company itself as well as other providers, such as mutual pension funds, that are unable to pay supplementary old-age pensions themselves, to a long-term business fund intended for the payment of supplementary old-age pensions. In 2013 EUR 0.9 million of funds were transferred, which was 23.7% more than in 2012. Simultaneously, mathematical provisions for the liabilities in relation to the payment of supplementary old-age pensions also increased; in 2013 mathematical provisions grew by EUR 3.2 million or 6.7%, amounting to EUR 9.0 million at the end of 2013.

### 4.3. Balance Sheets of Pension Companies

The data on the level of assets held by pension companies as at 31 December 2012 are based on audited annual reports, while those as at 31 December 2013 are based on unaudited annual reports. The pension companies prepared the statements according to the International Financial Reporting Standards and Agency's implementing regulations (Decision on the annual report and quarterly financial statements of insurance undertakings – SKL 2009, Decision on the chart of accounts for insurance undertakings – SKL 2007, Decision on the detailed method of valuation of accounting items and compiling financial statements).

As at 31 December 2013, the aggregate balance sheet total of the pension companies amounted to EUR 553.4 million, which was EUR 50 million or 8.3% less than as at 31 December 2012.

The largest item on the assets side, amounting to 99.5%, was investments in land and buildings and other investments, amounting to EUR 550.4 million as at 31 December 2013 and falling by 8.4% year-on-year. The bulk of this item, EUR 505.3 million or 91.8%, was assets from financial contracts, which decreased by 9.8% compared to the previous year. Within this item, the largest portion belonged to government securities (EUR 256.7 million), followed by debt securities (EUR 105.6 million), equity securities (EUR 50.8 million), and loans granted and bank deposits (EUR 73.4 million).



The largest item on the liabilities side of the balance sheet of pension companies was other liabilities, amounting to EUR 507.5 million as at 31 December 2013, which was 91.7% of the total liabilities and a drop of 9.5% over the previous period. Most of these liabilities, EUR 505.5 million or 99.6%, were liabilities from financial contracts, which fell by EUR 54.6 million or 9.7% compared to 31 December 2012. In line with the International Financial Reporting Standards (IFRS 4), liabilities from voluntary supplementary pension insurance contracts are posted among liabilities from financial contracts (financial contracts) and not among technical provisions (insurance contracts).

The capital of pension companies accounted for 6.3% of the total liabilities as at 31 December 2013 and amounted to EUR 35.1 million. Compared to the end of 2012, the capital dropped by 3.3%, with the share capital remaining unchanged. The fall in the capital resulted from the decrease in retained net profit (by EUR 2.9 million or 22.2%) and net profit for the financial year (by EUR 5.7 million). In the same period, the revenue reserves augmented by EUR 6.0 million or 432.6%.

**Table 28:**

**Summary balance sheet of pension companies as at 31 December 2012 and 31 December 2013** (in EUR million)

	2012	2013	Index 13/12
<b>ASSETS</b>	<b>603.4</b>	<b>553.4</b>	<b>91.7</b>
A. Intangible long-term assets	0.1	0.1	100.0
B. Investments in land and buildings and other investments	601.0	550.4	91.6
C. Investments for the benefit of life insurance policyholders who bear the investment risk	0.0	0.0	-
D. Receivables	0.7	0.9	128.6
E. Diverse assets	1.5	1.9	126.7
F. Short-term deferred costs and accrued revenue	0.1	0.1	100.0
<b>LIABILITIES</b>	<b>603.4</b>	<b>553.4</b>	<b>91.7</b>
A. Capital, of which:	36.3	35.1	96.7
- called-up capital	16.8	16.8	100.0
B. Subordinated liabilities	0.0	0.0	-
C. Net technical provisions and deferred revenue from premiums	5.8	9.0	155.2
E. Other provisions (for other risks and charges)	0.5	1.5	300.0
G. Other liabilities	560.6	507.5	90.5
H. Accrued cost and deferred revenue	0.2	0.3	150.0

Source: Audited balance sheets of pension companies as of 31 December 2012 and unaudited balance sheets of pension companies as at 31 December 2013.

## 4.4. Performance Indicators of Pension Companies

The major performance indicators are summarised in Table 29.

**Table 29:**

**Selected performance indicators of pension companies for 2012 and 2013** (in %)

INDICATOR	2012	2013
Share of operating expenses in premiums written	7.0%	7.2%
Investment ratio or share of mathematical provisions covered by assets <sup>6</sup>	101.2%	100.2%
Share of capital in financing	6.0%	6.3%
Net return on equity	14.6%	-4.0%
Share of net insurance premium in gross premium written	100%	100%

Source: Form St-55, audited balance sheets and audited income statements, report on investments of assets covering technical provisions and assets covering mathematical provisions.

<sup>6</sup> Mathematical provisions also include the liabilities under the saving part of voluntary supplementary pension insurance contracts. In the balance sheet, these liabilities are shown under other liabilities (liabilities from financial contracts). The Insurance Act classifies them among technical provisions.



For 2013, the pension companies disclosed a share of operating expenses in premiums written of 7.2%, which was 0.2 of a percentage point more than in the previous year. In this period, net operating expenses remained almost unchanged compared to the previous year, while gross premiums written dropped by EUR 6.1 million or 8.4%.

The investment ratio or share of mathematical provisions covered by assets shows the ratio of investments against liabilities from voluntary supplementary pension insurance, and must amount to at least 100%. As at 31 December 2013, the investment ratio was 100.2%, which was 1 percentage point less than in the previous year.

The equity financing rate shows the share of own capital participation in the overall financing. As at 31 December 2013, this share amounted to 6.3%, which was 0.3 of a percentage point more than in the previous year. The reason for the increase in this share was primarily a decrease in other liabilities, namely liabilities from financial contracts, which dropped by 9.7% in 2013. Simultaneously, the capital of the pension companies also fell, by 3.3%.

Because of the loss incurred by two of the three pension companies, the return on equity amounted to -4.0% in 2013. In 2012 the return on equity was 14.6%.

In 2013 the share of net insurance premiums in the gross premiums written for pension companies remained unchanged at 100%, the same as in the previous two years, indicating that pension companies do not reinsure risks underwritten.

## 4.5. Mathematical Provisions and Liabilities from Financial Contracts

Pension companies calculate mathematical provisions during the saving period as an accumulated value of paid-in premiums, reduced by the input costs. They set aside mathematical provisions as provided for in the pension schemes. For contracts under which supplementary pension annuities are paid in accordance with the act regulating pension and disability insurance, pension companies set aside mathematical provisions in the amount of the present value of the estimated future liabilities.

As at 31 December 2013, the liabilities from the saving part of voluntary supplementary pension insurance of pension companies amounted to EUR 503.0 million (liabilities under financial contracts), and their mathematical provisions in relation to the payment of pension annuities amounted to EUR 9.0 million. According to the International Financial Reporting Standards, the liabilities from the saving part of voluntary supplementary pension insurance are to be disclosed in the balance sheet under liabilities from financial contracts, although by their nature they correspond to mathematical provisions. Compared to the previous year, the liabilities from the saving part of voluntary supplementary pension insurance fell by EUR 45.3 million or 8.3%, while liabilities from the payment of pension annuities grew by EUR 3.2 million or 55.2%.

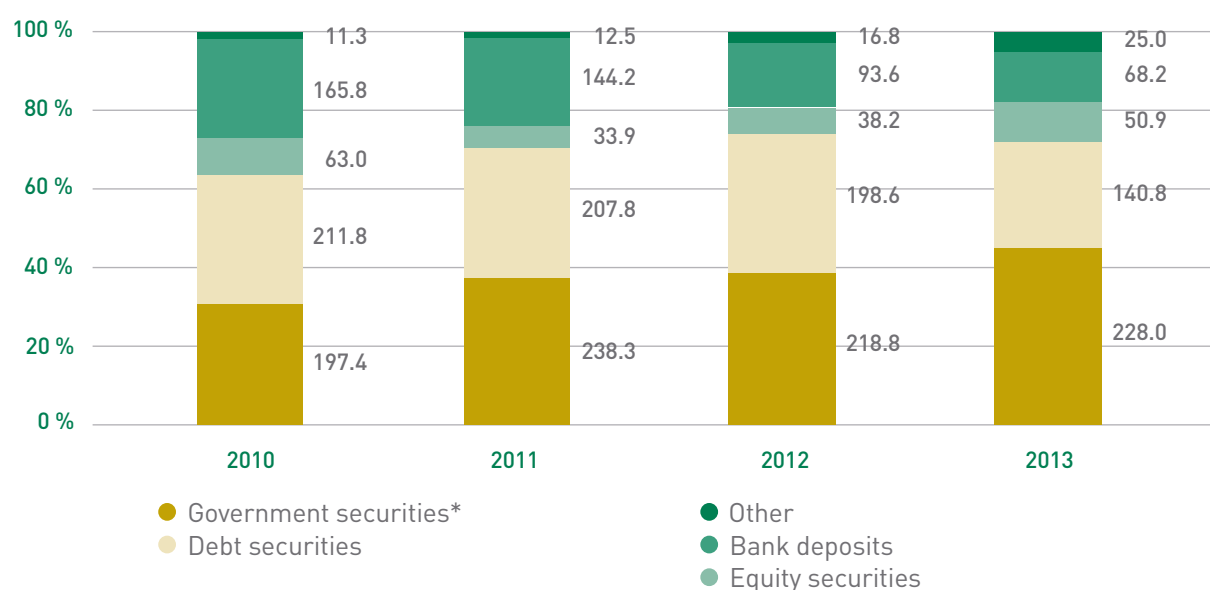
Certified actuaries issued to the pension companies positive opinions for 2013 on the amount of premiums, technical provisions appropriately set aside considering the obligations, and the appropriateness of the records enabling adequate valuation of liabilities and insurance premiums.

## 4.6. Investments

As at 31 December 2013 the value of all investments of pension companies totalled EUR 550.6 million (EUR 602.3 million in the previous year), with the value of investments of assets covering mathematical provisions amounting to EUR 512.9 million (EUR 566 million in 2012). Pension companies' own resources invested grew by EUR 1.4 million or 3.9% year-on-year, while investments of assets covering mathematical provision decreased by EUR 53.1 million or 9.4% (the fall in investments of assets covering mathematical provisions in 2012 compared to 2011 amounted to 11.1%). The fall in the value of investments of assets covering mathematical provisions primarily resulted from the payment of the saved funds to the persons insured who either terminated the contract early or met the conditions for drawing the saved funds, impairments of investments, and the write-off of equity and subordinated debt securities issued by certain Slovenian banks.

The largest share in the structure of investments of assets covering mathematical provisions of pension companies as at 31 December 2013 belonged to investments in government securities and government guaranteed debt securities (EUR 228 million or 44.5%), followed by investments in other debt securities (EUR 140.8 million or 27.5%) and bank deposits (EUR 68.2 million or 13.3%). The aggregate year-on-year decrease in the investments of assets covering mathematical provisions mainly resulted from the drop in investments in debt securities, which went down by EUR 57.8 million or 29.1%, and investments in deposits, which decreased by EUR 25.4 million or 27.1%. The investments in government securities and equity securities rose by EUR 9.2 million (4.2%) and EUR 12.7 million (33.3%), respectively. The value of other investments also increased year-on-year, by EUR 8.2 million or 48.8%, chiefly due to the growth in receivables from interest on investments in deposits and short-term receivables from other returns on investments.

**Figure 11:**  
Investment structure of assets covering mathematical provisions of pension companies as at 31 December 2010, 31 December 2011, 31 December 2012 and 31 December 2013 (in EUR million)



\* Government securities and government guaranteed securities.  
Source: Report on investments of assets covering technical provisions and assets covering mathematical provisions.

In 2013 assets covering mathematical provisions that pension companies invested abroad amounted to EUR 94.1 million (EUR 142.2 million in the previous year), decreasing by EUR 48.1 million or 33.8% year-on-year. Investments abroad accounted for 18.3% of the total investments of assets covering mathematical provisions of pension companies, which was considerably less than in the previous two years, when the share was 25.1%.

Among the investments of assets covering mathematical provisions of pension companies made abroad, at the end of 2013 the largest portion belonged to debt securities (62% of all investments of assets covering mathematical provisions made abroad), which accounted for 41.4% of the total investments of assets covering mathematical provisions of pension companies in debt securities. The share of investments in foreign government securities and government guaranteed debt securities fell strongly in 2013, from 49.4% of the total investments made abroad in 2012 (32.1% of the total investments in government securities and government guaranteed debt securities) to 31.3% in 2013 (12.9% of the investments in government securities and government guaranteed debt securities). The investments in foreign equity securities grew from 3.2% to 6.8% of all investments made abroad, and from 12% to 12.6% of all investments of assets covering mathematical provisions that the pension companies made in equity securities.

**Table 30:**

**Structure of investment of assets covering mathematical provisions that insurance companies made abroad as at 31 December in the period between 2010 and 2013** (in EUR million and %)

		Government securities	Debt securities	Equity securities	Other investments	Total investments abroad	Total investments	Share of investments abroad in total investments (%)
Assets covering mathematical provisions	2010	63.2	67.7	21.3	0.0	152.2	649.3	23.4
	2011	82.5	72.5	4.5	0.0	159.5	636.7	25.1
	2012	70.3	67.3	4.6	0.0	142.2	566.0	25.1
	2013	29.4	58.3	6.4	0.0	94.1	512.9	18.3

Source: Report on investments of assets covering technical provisions and assets covering mathematical provisions.

At the end of 2013, only one pension companies disclosed investments in compound securities. The value of such investments amounted to EUR 1 million as at 31 December 2013, only referring to a single compound security. This investment accounted for 1.1% of the total investments of the relevant pension company in foreign securities.

At the end of 2013, the pension companies no longer disclosed any exposure to the government securities of Portugal, Italy, Greece and Spain. One of the pension companies still disclosed exposure to Irish government securities, amounting to EUR 596 thousand as at 31 December 2013. The pension companies are not exposed to Cyprus.

The exposure of the pension companies to Slovenia (investments in Slovenia government securities and government guaranteed securities) grew by EUR 7.7 million or 4.2% year-on-year, reaching EUR 205.9 million in 2013. The exposure of the pension companies to the Slovenian banking sector amounted to EUR 102.5 million (taking into account debt and equity securities of banks, deposits and other receivables from banks), dropping considerably compared to the previous year (by EUR 80.9 million or 44.1%).

## 4.7. Capital Adequacy of Pension Companies

As at 31 December 2012 as well as 31 December 2013, all three pension companies disclosed a surplus of available capital over minimum capital requirement.

As at 31 December 2013, the Tier 1 capital of the pension companies amounted to EUR 34.1 million, which was EUR 2.6 million or 8.3% more than one year before. The increase in Tier 1 capital resulted from the growth in revenue reserves (by EUR 6.0 million) and surplus from revaluation of assets (at the end 2012 there was a deficit). As at 31 December 2013 none of the pension companies disclosed supplementary capital. With a higher Tier 1 capital and lower minimum capital requirement (by EUR 2.1 million or 10.2%), as at 31 December 2013 the pension companies disclosed a surplus of available capital over minimum capital requirement in the amount of EUR 13.6 million, which was EUR 4.7 million or 52.8% more than as at 31 December 2012, when the surplus was EUR 8.9 million.

**Table 31:**

**Capital adequacy of pension companies as at 31 December 2012 and 31 December 2013** (in EUR million)

CAPITAL	2012	2013
Tier 1 capital	31.5	34.1
Guarantee fund	10.5	11.1
Compliance with Article 106(3) of the Insurance Act	21.0	23.0
Supplementary capital	0.0	0.0
Available capital of pension companies	31.5	34.1
Minimum capital requirement	22.6	20.5
<b>Capital adequacy</b>	<b>8.9</b>	<b>13.6</b>

Source: KUS forms.

## 5. OTHER COMPANIES PERFORMING INSURANCE OPERATIONS

The Insurance Supervision Agency also supervises the commercial association Nuclear Insurance and Reinsurance Pool (Nuclear Pool), as well as the Guarantee Fund and the Compensation Body organised within the Slovenian Insurance Association.

**Table 32:**

**Gross premium written by other companies performing insurance operations in 2012 and 2013** (in EUR million)

Company and insurance class	2012	2013
Nuclear Insurance and Reinsurance Pool (fire and natural forces insurance)	2.9	3.1
Slovenian Insurance Association – Guarantee Fund (motor vehicle liability insurance)	0.0	2.0

Source: St-23 and St-50 forms.

The **Nuclear Insurance and Reinsurance Pool** was established in 1994 on the basis of the authorisation issued by the Ministry of Finance. This is a commercial association with the primary objective to provide insurance, co-insurance and reinsurance against nuclear risks in connection with nuclear facilities or use of nuclear energy for peaceful purposes in Slovenia and abroad. The Pool's activities involve writing of premiums for domestic insurance and foreign reinsurance products, as well as paying of compensations/policy proceeds concerning these insurance and reinsurance products, and keeping and using the funds during the financial year to be able to settle its liabilities arising from claims of the insured from Slovenia and those reinsured from abroad. In legal transactions, the Pool acts on its own behalf and for the account of its members. The liabilities assumed by the Pool are the responsibility of its members. Five insurance companies and both reinsurance companies were members of the Pool in 2013. The gross premium written amounted to EUR 3.1 million, which was merely EUR 0.2 million more than in the previous year. Of this, EUR 1.4 million belonged to insurance premiums and EUR 1.7 million to reinsurance premiums. Of this, the total insurance premium written covering domestic risks amounted to EUR 1.4 million, and the total reinsurance premium written received from foreign pools amounted to EUR 1.7 million. In 2013 the Nuclear Insurance and Reinsurance Pool disclosed EUR 0.1 million of claims under reinsurance contracts.

The **Guarantee Fund** is organised within the Slovenian Insurance Association and is responsible for payments arising from compensation for damage caused by drivers of unknown and uninsured motor vehicles, aircraft and ships and boats, and compensation for damage suffered by the passengers of uninsured means of public transport. It does not handle compensation claims, but refers them to one of the insurance companies after recording them. Through the authorised insurance company, it requests from the person responsible or the owner of the uninsured motor vehicle to repay the compensation paid.

It is financed from the contributions of insurance companies underwriting motor vehicle liability insurance. The contribution of an individual insurance company is proportionate to the share of compulsory insurance policies underwritten in the previous year. As many as 474 claims were filed in connection with uninsured vehicles in 2013 (in 2012 there were 435 claims), with 450 claims being resolved (392 claims in 2012). In 2013 the Guarantee Fund paid EUR 1.8 million of claims.

The **Compensation Body** is an independent organisational unit of the Slovenian Insurance Association, operating through the Green Card Bureau and the Guarantee Fund.

It is intended for the payment of compensations to claimants residing in the Republic of Slovenia (if the accident was caused in another EU Member State or in a third country whose national insurance bureau is a member of the green card system), as well as to the payment of claims for repayment filed by compensation bodies of EU Member States in the case of liabilities arising from motor vehicle liability insurance contracts of insurance companies that are members of the Association. The liabilities of the Compensation Body apply to all liabilities arising from traffic accidents since 1 May 2004. The Compensation Body does not handle compensation claims itself, but refers them to one of the insurance companies after recording them.

It is financed from contributions paid by insurance companies proportionately to the share of compulsory insurance policies underwritten in the previous year.

In 2013 ten claims were filed and six claims were resolved in relation to uninsured vehicles.



## **II. ANNUAL REPORT OF THE INSURANCE SUPERVISION AGENCY FOR 2013**





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# I. INTRODUCTION

The Insurance Supervision Agency (hereinafter: the Agency) prepares and publishes the Agency's Annual Report for 2013. The Agency's Annual Report consists of the annual report on its work prepared pursuant to Article 250 of the Insurance Act (Official Gazette of the Republic of Slovenia, nos. 99/10 – official consolidated text, 0/12, 102/12, 56-13 and 63/13 – ZS-K; ZZavar, hereinafter: IA) and the annual statement of account which the Agency drafts based on Article 264 of the IA.

The annual report on work comprises the report on the implementation of supervision and the measures of supervision imposed, the report on authorisations to perform insurance business and other authorisations issued by the Agency, the report on the Agency's cooperation with other domestic and foreign supervisory authorities, the report on the work in the area of legislation, and the report on internal organisation, court proceedings and other Agency's activities in 2013. The Annual Report must be submitted to the National Assembly of the Republic of Slovenia by 30 June of the current year and published as part of the Report of the Insurance Supervision Agency for 2013.

The annual statement of account includes the Agency's financial statements, notes to financial statements and independent auditor's report. Pursuant to Article 264 of the IA, the Agency's Council of Experts adopts the annual statement of account for the previous year by 31 March of each year. The Agency's annual statement of account must be examined by a certified auditor. According to the IA, the Agency submits the annual statement of account accompanied by the auditor's report to the minister responsible for finance. Pursuant to the fourth paragraph of Article 264 of the IA, the annual statement of account is approved by the Government of the Republic of Slovenia. The annual statement of account is considered approved unless the Government of the Republic of Slovenia decides otherwise within 15 days of its reception. The annual statement of account is acknowledged by the National Assembly of the Republic of Slovenia.

The annual report and annual statement of account were discussed and approved by the Agency's Council of Experts on 18 March 2014 at its 325<sup>th</sup> regular meeting.

As a rule, the information in this report refers to the financial year 2013, except in individual cases, when it refers to the period before that year or after it, if that is reasonable to enable more complete reporting on individual facts and issues related to the work of the Agency.

## II. REPORT ON THE WORK OF THE INSURANCE SUPERVISION AGENCY

### 1. AGENCY'S LEGAL STATUS, DUTIES AND BODIES

#### 1.1. Establishment and Legal Status of the Agency

The Agency was established on 1 June 2000, when the Government of the Republic of Slovenia appointed its Council of Experts and Director pursuant to the IA. In performance of its functions the Agency has succeeded the Office for Insurance Supervision, established in 1995 as a body within the Ministry of Finance.

The main mission of the Agency is to protect the policyholders' and insureds' interests by reducing and eliminating irregularities in the insurance industry, and by appropriately regulating the functioning of the insurance market within the Agency's power.

The main responsibility of the Agency is supervision of the players in the insurance market, granting of authorisations in the insurance area, and issuing of implementing regulations constituting the legal basis for the supervision of the insurance market in the Republic of Slovenia.

The Agency is a self-governing and independent legal entity, and as such accountable to the National Assembly of the Republic of Slovenia.

The Agency's registered office is in Ljubljana, at Trg republike 3.

#### 1.2. Agency's Bodies

The Agency's bodies are the Council of Experts and the Director.

##### Council of Experts

The Agency's Council of Experts consists of the President of the Council of Experts and four members, appointed by the National Assembly of the Republic of Slovenia at the proposal by the Government of the Republic of Slovenia. The members of the Council of Experts are appointed for a term of six years and may be re-appointed after its expiry. The Director of the Agency is also the President of the Council of Experts.

The Council of Experts adopts decisions on authorisations, approvals and other individual matters on which, unless otherwise stipulated by the IA or other act, decisions are taken by the Agency, adopts regulations where the law so prescribes, the rules of procedure of the Agency, the report on business performance of the insurance industry, the annual report on the work of the Agency, the annual statement of account of the Agency, the decision on the temporary financing of the Agency, the financial plan of the Agency and the annual action plan of the Agency's technical services.

In 2013, the Council of Experts of the Agency consisted of:

- Sergej Simoniti, President,
- Dr Miran Jus, Member,
- Dušan Novak, Member,
- Dr Peter Stanovnik, Member,
- Andrej Zupančič, MSc, member.

In 2013, the Council of Experts of the Agency held 29 regular meetings.

The provisions of the General Administrative Procedure Act (Official Gazette of the RS, nos. 80/99, 70/00, 52/02, 73/04, 119/05, 105/06 - ZUS-1, 126/07, 65/08, 8/10) apply to the decision-making procedures of the

Agency, unless otherwise stipulated by the IA. The procedure bodies are the Senate and the President of the Senate. The members of the Council of Experts are simultaneously the members of the Senate. The Senate decides on all individual matters, unless the law stipulates in individual cases that the President of the Senate is authorised to take the decision. The Senate also takes decisions on any appeals against the orders of the President of the Senate. In 2013, the Senate of the Agency treated 855 cases.

### Agency's Director

The Director of the Agency is appointed by the National Assembly of the Republic of Slovenia for a period of six years at the proposal by the Government of the Republic of Slovenia. The Director represents the Agency, manages its operations, organises the work of the Agency and its technical services, and performs other tasks within the Agency's competence. In 2013, the Director of the Agency was Sergej Simoniti.

## 1.3. Agency's Duties

According to the IA, the Agency is responsible for issuing regulations on the basis thereof and for supervising insurance companies, insurance agencies and insurance brokerage companies, as well as insurance agents and brokers. The Agency also conducts supervision of legal persons related to insurance companies, if that is necessary for the purpose of supervising an insurance company's operation, as well as control of insurance companies within an insurance group, insurance holding companies and mixed-activity insurance holding companies.

It also performs supervision of the operations of the Nuclear Pool, and the Guarantee Fund and the Compensation Body within the Slovenian Insurance Association.

In accordance with the Pension and Disability Insurance Act (Official Gazette of the RS, nos. 96/2012, 39/13, 46/13 - ZIPRS1314-A, 63/13-ZIUP TDSV, 99/13-ZSVarPre-C, 101/13-ZIPRS1415 and 111/13-ZMEPIZ-1; hereinafter: ZPIZ-2), the Agency is responsible for issuing authorisations to pension companies, for supervising the operations of pension companies and insurance companies providing supplementary pension insurance, and for issuing implementing regulations. Pursuant to Article 354 of the ZPIZ-2, the Agency also supervises payers of occupational pensions.

Further, in line with Article 23 of the First Pension Fund of the Republic of Slovenia and Transformation of Authorised Investment Corporations Act (Official Gazette of the RS, no. 26/05 – official consolidated text; hereinafter: ZPSPID-UPB1), the Agency also supervises the First Pension Fund of the Republic of Slovenia.

Moreover, pursuant to the Financial Conglomerates Act (Official Gazette of the RS, nos. 43/06, 87/11 and 56/13), the Agency also conducts supplementary supervision of supervised persons based in the Republic of Slovenia on top of a financial conglomerate or being controlled by a financial holding company.

The Agency provides supervision by regular analytical examination of reports and notifications submitted by reporting agents (regular reporting) and by inspection of operations.

The principal duties of the Agency are the following:

1. issuing of authorisations to perform insurance operations;
2. issuing of authorisations to increase the share capital through contributions in kind – shares of another insurance company;
3. issuing of authorisations to acquire a qualifying holding;
4. issuing of authorisations to perform the function of a member of the board of directors;
5. issuing of authorisations to take over and transfer insurance contracts;
6. issuing of authorisations to merge or divide;
7. issuing of authorisations to establish a branch abroad;
8. issuing of authorisations to transfer outsourced operations;
9. issuing of authorisations to perform the tasks of a certified actuary;
10. issuing of authorisations to exceed the limitation on allowed investments;
11. issuing of authorisations to perform insurance brokerage or agency services;
12. issuing of other authorisations:
  - a) authorisation to extend business to other classes of insurance,
  - b) authorisation to provide brokerage services in the purchase or sale of investment coupons,
  - c) authorisation to provide brokerage services in the conclusion of contracts for banking services,
  - d) authorisation to provide brokerage services in relation to services concerning securities;

13. approval of the method and amendments to the method of allocating income and expenses to the insurance groups of non-life and life insurance;
14. approval of the articles of association and rules on the election into the general meeting of representatives of a mutual insurance company;
15. approval of insurance statistical standards;
16. approval of the amendment to the statement on investment policy;
17. approval of early repayment of subordinated debt;
18. supervision of insurance companies, pension companies, insurance agents, insurance brokers, the Nuclear pool and the Slovenian Guarantee Fund, and imposing of supervision measures for eliminating established violations and irregularities;
19. preparation of implementing regulations based on insurance and pension legislation;
20. keeping of the obligatory registers of supervised entities;
21. conduct of minor offence proceedings in relation to violations of the IA;
22. cooperation with other supervisors.

Since Slovenia's joining the European Union (EU) on 1 May 2004, the insurance companies and insurance brokers from the European Economic Area (EEA) have been able to directly perform insurance operations in the Republic of Slovenia. Likewise, Slovenian insurance companies and insurance brokers may provide such services on the markets of other member states. Thus, the Agency's powers have extended outside the territory of the Republic of Slovenia, as in a certain part the Agency supervises the operations of Slovenian insurance companies on foreign markets and keeps records of all insurance providers on the market of the Republic of Slovenia.

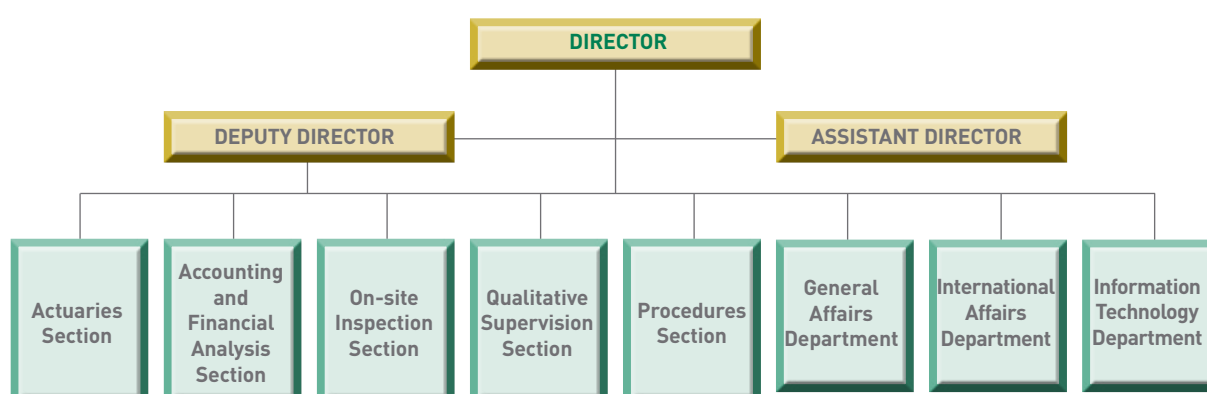
## 2. INTERNAL ORGANISATION AND FINANCING OF THE AGENCY

### 2.1. Internal Organisation and Number of Employees

Based on the Agency's Rules on Internal Organisation and Job Classification, its work has been organised within five sections: Accounting and Financial Analysis Section, Actuaries Section, On-site Inspection Section, Procedures Section and Qualitative Supervision Section, and within three departments: General Affairs Department, International Affairs Department and Information Technology Department. The work of the departments supports the basic tasks and powers of the Agency.

The aim of the organisational structure is to render the Agency's organisation efficient, with the organisation of the technical services being adjusted to the new supervision requirements focused on risk-based supervision and the future changed working conditions of the Agency following the implementation of Solvency II. The internal organisational structure of the Agency is a living organism which will further adjust to the needs of the market and the operating conditions of the Agency stipulated by law.

**Figure 1:**  
Internal organisational structure of the Agency



The powers of individual organisational units are described below.

The **Actuaries Section** primarily performs tasks related to the examination and analysing of actuary's reports, checks the calculations of technical provisions, monitors premium systems and policy conditions, participates in the verification and supervision of company-specific internal models and parameters, analyses reinsurance programmes and reinsurance protection, and performs other work and tasks in the area of actuarial supervision. In the field of actuarial work, it prepares proposals for implementing regulations and proposals for amendments to laws and other regulations referring to the work of the Agency, and participates in the issuing of authorisations, approvals and other decisions in this area.

The **Accounting and Financial Analysis Section** carries out all tasks of analysing and exercising control over operation of legal and other entities supervised by the Agency in accordance with the law through monitoring, collecting and verifying reports and notifications of insurance companies and other entities liable to submit reports to the Agency or to notify it of individual facts and circumstances in compliance with the law. Based on these data, it draws up reports for various purposes, checks the appropriateness of investments, capital requirements and capital adequacy of supervised entities, participates in the verification and supervision of internal models, collects other information on operations of supervised entities, and proposes measures based on its findings. In the field of its work, it prepares proposals for implementing regulations and proposals for amendments to laws and other regulations referring to the work of the Agency, and participates in the issuing of authorisations, approvals and other decisions in the area of accounting and finance.

In cooperation with other organisational units, the **On-Site Inspection Section** performs all duties related to inspecting the operations of supervised entities, and conducts procedures of imposing measures of supervision in relation to violations discovered during inspections of the operations performed by supervised entities.

The **Procedures Section** prepares, provides assistance in the preparation of and reviews proposals for the Agency's implementing regulations, and assists in the preparation of proposals for amendments to laws and other regulations referring to the work of the Agency and reviews them. In cooperation with other organisational units, it conducts the procedures of issuing the Agency's decisions, prepares legal opinions and positions, drafts the Agency's applications in court and other proceedings, exercises the powers of the Agency as a minor offence authority, and performs all other legal tasks in relation to the implementation of the Agency's duties and powers and in relation to the Agency's operation as a legal person.

The **Qualitative Supervision Section** primarily performs duties related to the management of insurance companies, management of insurance company groups and financial conglomerates, risk management systems of and disclosures by insurance companies, duties related to the supervision of groups and financial conglomerates, including the organisation and management of supervisory bodies, cooperation in supervisory bodies and performance of all duties related to the coordination and cooperation with other competent authorities abroad and authorities responsible for supervision over the members of groups and financial conglomerates. It also performs tasks in relation to supervision over the work of insurance company branches and over the work of insurance companies providing their services directly, and cooperates with the competent supervisors.

The **General Affairs Department** provides technical and administrative support to the Director of the Agency, performs the tasks of the Agency's main office, duties in the area of labour law, including safety and health at work and fire safety, duties in the area of public procurement, duties in the area of accounting and financial operations of the Agency, prepares general (internal) acts of the Agency, performs the tasks of the reception office, and performs other duties in relation to organisational, technical and other general matters required for the Agency's operation.

The **International Affairs Department** performs tasks concerning the cooperation with the supervisory institutions in the EU within regular membership in the European Insurance and Occupational Pensions Authority (EIOPA) and the European Systemic Risk Board (ESRB), coordinates the participation of the Agency's employees in individual working groups operating within these institutions, provides support to the Agency's cooperation with the supervisors in other countries, especially within the International Association of Insurance Supervisors (IAIS), EU bodies and institutions, other international institutions, such as the World Bank and International Monetary Fund, the OECD and others, and performs all other work in relation to the Agency's international cooperation.

The **Information Technology Department** performs duties concerning the setting up, upgrading and maintenance of the Agency's IT system and IT security system, provides IT support to the Agency's online presentation, organises capture, computerised management, processing and analysis of all data, performs other duties related to the use of IT, and conducts inspections of operations of supervised entities in the IT area.

As at 31 December 2013, the Agency employed 35 people, of whom 15 with a Master's degree (11 in economics, two in law, one in economic information technology and one in administration), 16 with university education, three with higher education and one with secondary education. Three employees are licensed to perform the tasks of a certified actuary, five are licensed to perform the tasks of a certified auditor, one is authorised to perform the tasks of an internal auditor, one is authorised to perform the tasks of a certified auditor of information systems, and one is licensed to perform the tasks of certified internal auditor, state internal auditor and state auditor.

**Table 1:**  
Number of Agency employees per educational level as at 1 January 2013 and 31 December 2013

Educational level	Number of employees	
	1. 1. 2013	31. 12. 2013
V - secondary education	1	1
VII – higher education	4	3
VIII – university education	13	16
VIII – Master's degree	14	15
<b>Total</b>	<b>32</b>	<b>35</b>

Source: Own data of the Insurance Supervision Agency.

**Table 2:**  
Number of Agency employees per professional title as at 1 January 2013 and 31 December 2013

Professional title	Number of employees	
	1. 1. 2013	31. 12. 2013
Economic technician	1	1
B.Sc. in Administration	3	2
B.Sc. in Economics	1	1
B.Sc. in Economics (Univ.)	6	8
B.Sc. in Mathematics	1	1
B.Sc. in Mathematics Education	1	1
B.Sc. in Electrical Engineering	1	1
B.A. in Law	3	3
B.Sc. in Sociology	1	1
B.Sc. in Computer Science	0	1
Master of Science	14	15
<b>Total</b>	<b>32</b>	<b>35</b>

Source: Own data of the Insurance Supervision Agency.

The employees of the Agency may not be members of bodies of insurance companies or other legal persons supervised by the Agency, and may not carry out tasks for those legal persons. The employees are also required to protect data relating to persons supervised by the Agency and other data relating to facts and circumstances with which they became familiar by way of discharging their duties, which does not include the data which are public pursuant to the provisions of the IA. The above obligation also exists after termination of their office or employment.



## 2.2. Financing of the Agency

The Agency is financed from fees as laid down in the Tariff on fees, annual fees and lump-sum fees (Official Gazette of the RS, nos. 89/02, 74/05, 103/08 and 105/13; hereinafter: Tariff-1). The Tariff is adopted by the Council of Experts of the Agency and enters into force after it has been approved by the Government of the Republic of Slovenia and published in the Official Gazette of the Republic in Slovenia. In line with the Tariff-1, in 2013 the annual fee rates for insurance and pension companies were set at 0.12% of the amount of premiums paid in the previous year, for insurance companies in an insurance group at 0.13% of the amount of premiums paid in the previous year, and for the Slovenian Insurance Association at 0.12% of the amount of insurance companies' contributions to the Guarantee Fund in the previous year. Since the adoption of the Tariff on the amendments to the Tariff on fees, annual fees and lump-sum fees (Official Gazette of the RS, no. 103/08), annual fees have no longer been paid by insurance agencies and insurance brokerage companies, which must, however, pay authorisation fees and lump-sum fees if the Agency issues an order to eliminate violations. Pursuant to the Tariff-1, in 2013 the Agency collected EUR 2,315,521 of annual fees, and EUR 260,133 of fees and lump-sum fees. This revenue accounted for 98.3 % of the total revenue of the Agency, the rest being financial revenue and revaluation revenue.

In 2013, the Tariff-1 was amended (Official Gazette of the RS, no. 105/13) because of the passing of the ZPIZ-2. The new ZPIZ-2 changed the basis for the determination of the annual fee for supervision by the Agency in accordance with the provisions of the ZPIZ-2, and laid down that the Agency issues different authorisations and approvals pursuant to the ZPIZ-2.

The amendment concerns the management of pension funds established as long-term business funds and managed by insurance or pension companies, which are also liable for the annual fee for supervision by the Agency in accordance with the provisions of the ZPIZ-2. The changes concern harmonisation with the new provisions and do not mean an additional revenue for the Agency. The amendment entered into force on 1 January 2014 and will apply to the payment of the annual fee for 2014.

Supervision over the lawfulness, purpose, economic and efficient use the Agency's assets is performed by the Court of Audit.

### 3. REPORT ON AUTHORISATIONS TO PERFORM INSURANCE BUSINESS AND OTHER AUTHORISATIONS ISSUED BY THE AGENCY

In 2013, the Agency decided on various matters concerning the operation of supervised entities based on the provisions of the IA and the ZPIZ-2. A summary of authorisations, approvals and other decisions issued by the Agency in 2012 and 2013 is given in Table 3.

Based on Article 227(5) of the IA, the Agency issued three prior opinions on the issue of authorisation to perform insurance brokerage services in the sale of insurance policies in accordance with the act regulating insurance industry.

The Agency issued two authorisations for transfer of outsourced operations in accordance with Article 65(5) of the IA. Both authorisations concerned provision of services in the area of information technology.

A person intending to directly or indirectly acquire shares of an insurance company based on which it would achieve or exceed the qualifying holding must obtain the Agency's approval prior to acquiring such holding. In 2013, the Agency issued three authorisations to acquire a qualifying holding in an insurance public limited company for a share of the voting rights or share in the insurance company's capital that equals or exceeds 50%.

In 2013, the Agency refused one application for an authorisation to acquire a qualifying holding in an insurance public limited company for a share of the voting rights or share in the insurance company's capital that equals or exceeds 50%.

In 2013, the Agency issued four decisions establishing the expiry of authorisation to acquire a qualifying holding.

The Agency issued one authorisation of partial division by acquisition pursuant to Article 65(2) of the IA.

In line with Article 25 of the IA, the Agency issued 13 authorisations to perform the function of a member of the board of directors in an insurance company.

In line with Article 25 of the IA, the Agency issued 13 decisions establishing the expiry of authorisation to perform the function of a member of the board of directors in an insurance company.

In 2013, the Agency issued four authorisation to perform the tasks of a certified actuary.

Based on Article 122(2) of the IA, the Agency issued two authorisations to exceed the limitation on investments in an individual segment of allowed investments.

The Agency issued one authorisation to invest in types of investments other than those allowed under Article 121(1) of the IA and the regulation issued on the basis of item 6 of Article 109 of the IA in accordance with Article 121(4) of the IA.

The Agency issued one authorisation to extend business to other classes of insurance pursuant to Article 72 of the IA.

In 2013 the Agency refused one application for an authorisation to perform insurance operations pursuant to Article 65(1) of the IA.

In 2013 the Agency granted a total of 793 authorisations to perform insurance agency and insurance brokerage services (762 such authorisations were granted in 2012 and 699 in 2011). Of these, 144 authorisations were granted to insurance agency or brokerage companies and individual entrepreneurs for performance of insurance agency and brokerage services, and 636 authorisations or declaratory decisions were granted to individuals to perform insurance business as insurance agents and insurance brokers. Besides,

another 13 authorisations were issued to companies and persons underwriting insurance policies in direct connection with their main activity.

In 2013, the Agency dismissed 11 applications for authorisations on procedural grounds. In 2013, the Agency refused two applications for authorisations due to failure to meet the statutory conditions.

In addition to the above-mentioned administrative procedures, in 2013 the Agency also treated five notifications by insurance companies on the intended commencement of direct performance of insurance operations in the territory of another EU Member State(s). Based on the requests received from the supervisors from other EU Members States, in 2013 the Agency notified the provision of services for 44 insurance companies and their branches in other EU Members States which are registered for the performance of insurance business in their countries and may, based on notification, directly conduct business in the territory of the Republic of Slovenia. According to the regulations, after the completion of the procedure, the Agency appropriately updated the register of persons performing insurance activity in the territory of the Republic of Slovenia.

All the above is presented in Table 3, including the comparison with 2012.

**Table 3:**  
**Authorisations, approvals and other decisions issued in 2012 and 2013**

Type of authorisation	2012	2013
Prior opinion on the issue of authorisation to perform insurance brokerage services in the sale of insurance policies		3
Authorisation to provide brokerage services in the conclusion of contracts for banking services	1	
Authorisation to transfer outsourced operations	1	2
Authorisation to acquire a qualifying holding in an insurance/pension company	1	3
Decision refusing application for acquisition of a qualifying holding in an insurance/pension company		1
Decision establishing the expiry of authorisation to acquire a qualifying holding		4
Authorisation of partial division by acquisition		1
Authorisation to perform the function of a member of the board of directors in an insurance company	3	13
Decision establishing the expiry of authorisation to perform the function of a member of the board of directors		13
Authorisation to perform the tasks of a certified actuary	4	4
Authorisation to exceed the limitation on investments	2	2
Authorisation to invest in other types of investment		1
Approval of the amendment to the statement on investment policy	1	
Approval of early repayment of subordinated debt	1	
Authorisation to extend business to other classes of insurance		1
Decision refusing application for an authorisation to perform insurance operations		1
Decision establishing the expiry of authorisation to perform insurance operations	1	
Authorisation to perform insurance brokerage or agency services	762	793
Refusal or dismissal of issuing an authorisation to perform insurance brokerage or agency services	13	13
Consideration of a notification on commencement of direct performance of insurance operations in the territory of certain EU Member States	1	5
<b>TOTAL</b>	<b>791</b>	<b>860</b>

Source: Own data of the Insurance Supervision Agency.

## 4. IMPLEMENTATION OF SUPERVISION AND MEASURES OF SUPERVISIONS IMPOSED

The Agency provides supervision by monitoring and examining reports and notifications by insurance companies and other persons obliged to report to it pursuant to the IA and other laws, and by inspecting the operations of supervised entities. When, during supervision, the Agency identifies violations of the IA or other regulations on the operations of supervised entities, it issues to the supervised entity an order to eliminate the violations or irregularities, or to eliminate or abandon certain acts.

### 4.1. Examination of Reports and Notifications

The Agency receives regular and extraordinary reports based on the law. Regular reports refer to periodic reporting on the operations of the supervised entities. The bulk of regular reporting takes place via the In-Reg Firms system, enabling an electronic reception of the prescribed forms, their examination and drafting of various aggregate and other reports.

By using the In-Reg Firms application, the Agency collects insurance statistical data, financial statements of insurance companies, forms for the calculation of the minimum capital of insurance companies, forms for the calculation of the revaluation surplus associated with assets not financed from technical provisions, forms for detailed method of calculating capital and compliance with capital and capital adequacy requirements, forms for reporting on the owners of shares and qualifying holdings, forms for reporting on investments based on which insurance companies acquire a qualifying holding, and forms on investments of assets covering technical provisions and assets covering mathematical provisions, and on investments not financed from technical provisions.

At the end of 2012, the Agency already began to prepare the implementation of the electronic digital reporting form in the e-reporting system, after the completion of which reporting will only be electronic, and no longer on paper. The reporting agents submitted the first reports without the version on paper as at 30 September 2013.

In 2013 the Agency also began the preparations so as to enable insurance brokerage companies, individual entrepreneurs performing services related to intermediation in the conclusion of insurance contracts as their commercial activity and banks providing insurance brokerage services based on authorisation of the Bank of Slovenia to report on the structure and volume of brokerage business by insurance company in the In-Reg Firms electronic system as of 2014. Until now, those liable to report on the structure and volume of brokerage business by insurance company only submitted reports on paper.

In 2013, the Agency received the following via the In-Reg Firms application:

- 434 regular quarterly reports,
- 57 regular annual reports.

Extraordinary reports refer to reports requested by the Agency (when implementing measures of supervision or as additional reporting by an individual supervised entity) and to occasional reports that the supervised entities must submit to the Agency (e.g. reports on the convocation and resolutions of the general meeting, on changes in the management bodies).

In relation to reporting, the Agency examines the timeliness and correctness of reports, and endeavours to establish any material misstatements through detailed analysis and cross-examination. If any violation or irregularity in reporting is established, the Agency requests the supervised entity to eliminate them, but may also decide to take other appropriate supervisory measures, including detailed on-the-spot inspection.

### 4.2. Inspections of Operations

Inspections of operations may be complete or only focused on individual areas of activity. Individual areas to be inspected are determined on the basis of information from reports and notifications, at the request of other sectors relating to performance of other functions of the Agency (granting authorisations and similar) or, if deemed necessary, based on information from publicly available sources. Inspections of operations also allow for reviews of compliance of documentation with reports and notifications submitted

to the Agency by the supervised entities in the course of reporting, and for obtaining additional data and information not available to the Agency on the basis of regular reporting.

If any violations or irregularities in the operation of the supervised entities are established, the findings of the Agency's experts serve as the ground for issuing an order to eliminate violations. In the case of serious violations of risk management rules, additional measures may be required by an order. The experts also monitor the elimination of violations by examining the reports on elimination of violations and, if appropriate, by follow-up inspections of operations within the scope necessary to find out whether the violations have been eliminated.

In 2013 the Agency planned 15 inspections of operations. The Agency's technical services began 19 inspections of operations in 2013. By the end of 2013, they completed eight procedures at supervised entities, while other procedures are still open and in different stages.

Out of eight completed procedures, two concerned inspection of operations at insurance companies, three concerned insurance agency and brokerage companies, and three concerned inspection of operations abroad, with the Agency cooperating with foreign supervisors.

As regards inspections of operations of insurance and pension companies, the Agency concluded the inspection at one entity based on eliminated irregularities within comments to the minutes. In relation to one inspection of operations, the Agency issued a notification prior to issuing an order. In its response to the notification, the supervised entity eliminated the irregularities; therefore, the Agency issued a decision on termination of the procedure against the supervised entity.

When inspecting the operations of insurance agency and brokerage companies, the Agency issued a notification prior to issuing an order for two brokerage companies due to irregularities found during the inspection of their operations. The responses of the supervised entities showed that the violations were eliminated; therefore, the Agency issued decisions on termination of the procedure. In relation to one supervised entity, the Agency indicated certain irregularities in the minutes, which were then eliminated within the response to the minutes.

In addition, the Agency's experts cooperated in three joint inspections of the operations abroad in 2013. In such inspections, the Agency participates as an advisor to the local supervisor.

### 4.3. Imposing Measures of Supervision

The Agency imposes measures of supervision based on the findings from inspections of operations, based on the findings from regular and extraordinary reports, and based on publicly available information. Pursuant to Article 307 of the IA, the Agency imposes measures of supervision ex officio.

In 2013 the Agency issued 29 notifications prior to issuing an order to eliminate violations according to the second paragraph of Article 307 of the IA.

The Agency issued eight orders to eliminate violations to different supervised entities in 2013. The violations concerned provision of insurance services without an authorisation of the Agency, violations of provisions on general terms and conditions, violations of the provisions of the Prevention of Money Laundering and Terrorist Financing Act, the provisions of Article 382 of the Tax Procedure Act, the provisions concerning enabling of online underwriting of motor vehicle liability insurance, and the provisions concerning acquisition of authorisation to transfer outsourced operations. According to Article 311 of the IA, the party supervised has the right of appeal against the order. The Agency decides on the appeal by issuing a decision according to Article 315 of the IA. In 2013, the Agency thus decided on five appeals against orders. In all five decision, the Agency refused the appeal against the order.

The Agency issued one decision establishing the elimination of violations in 2013.

The Agency issued three decisions on withdrawal of the authorisation to perform insurance agency services, and two decisions on the beginning of the procedure for withdrawing the authorisation to perform insurance agency services. Of these, one authorisation to perform insurance agency services was withdrawn from a company, while two such authorisations were withdrawn from individuals. The authorisations were withdrawn due to repeated violations in relation to the performance of insurance agency services by natural persons at an agency without the Agency's authorisation and due to major violations of good business practices in the provision of insurance agency services.

In 2013, the Agency issued 16 decisions by which it terminated the procedure of imposing measures of supervision.

In the area of minor offence law, in 2013 the Agency prepared internal Instructions on the Agency's conduct as a minor offence authority in minor offence procedures. The instructions lay down in detail the establishment of offences, taking of measures and the procedure taking place at the Agency, the records on decisions issued, the persons responsible for conducting minor offence procedures, and the participation and duties of individual technical services of the Agency in relation to the detection of minor offences committed by the supervised entities. In 2013 the Agency also issued a written warning about a minor offence to an insurance company and began activities in relation to minor offence procedures against insurance agency companies and responsible persons.

The above is summarised in Table 4, together with a comparison with the previous year.

**Table 4:**  
**Data on the measures of supervisions imposed in 2012 and 2013**

Type of measure	2012	2013
Notification prior to issuing an order to eliminate violations	20	29
Order to eliminate violations	11	8
Decision on appeal against an order	5	5
Decision on withdrawal of the authorisation/beginning of the procedure for withdrawing the authorisation to perform insurance agency services	7	5
Decision establishing the elimination of violations	8	1
Decision on termination of the procedure	3	16
<b>Total</b>	<b>54</b>	<b>64</b>

Source: Own data of the Insurance Supervision Agency.

## 5. REPORT ON THE AGENCY'S COOPERATION WITH OTHER DOMESTIC AND FOREIGN SUPERVISORS

### 5.1. Cooperation with Domestic and Foreign Supervisors

In discharging its functions the Agency regularly cooperates with all ministries competent in the insurance area, in particular with the Ministry of Finance, the Ministry of Labour, Family, Social Affairs and Equal Opportunities, and the Ministry of Health. The Agency also regularly cooperates with other institutions: the Bank of Slovenia, the Securities Market Agency, the Slovenian Insurance Association, the Slovenian Institute of Auditors, the Agency for Public Oversight of Auditing, the Office for Money Laundering Prevention and the Commission for the Prevention of Corruption.

Pursuant to the Code of Practice for cooperation between supervisory authorities, the members of the Coordination Body of financial system supervisors, which is composed of the Minister of Finance, the Director-General of the Public Property and Financial System Directorate of the Ministry of Finance, the Governor of the Bank of Slovenia, the Vice-Governor of the Bank of Slovenia or Director of the Banking Supervision Department of the Bank of Slovenia, Director of the Securities Market Agency and the Director of the Insurance Supervision Agency, held three meetings in 2013.

The Cooperation Commission, which is composed of the Vice-Governor of the Bank of Slovenia or Director of the Banking Supervision Department of the Bank of Slovenia, Director of the Securities Market Agency,

and Director of the Insurance Supervision Agency, held three meetings in 2013. In accordance with Article 6(2) of the Code of Practice, providing that the duty of convening and organising meetings and preparing the minutes rotates, being assumed by a different supervisory authority every year, in 2013 this task was passed from the Agency to the Bank of Slovenia.

In 2007, the Cooperation Commission set up a permanent working group charged with the operational tasks deriving from the Financial Conglomerates Act and the implementing regulations issued on the basis thereof. In addition to the representative of the Agency, this working group also consists of the representatives of the Bank of Slovenia and the Securities Market Agency. In 2013 the work of the expert group on financial conglomerates was primarily oriented in the exchange of data, opinions and positions in relation to establishing of conditions in relation to the financial conglomerate KD - AS.

The Agency also cooperates with insurance supervisory or financial control authorities from other EEA member states, Bosnia and Herzegovina, Serbia, Macedonia, Kosovo and Montenegro. Within the mutual cooperation, the Agency also informally advises certain supervisory bodies regarding the introduction of insurance legislation. In 2013 the Agency cooperated with the competent Montenegrin and Croatian supervisors in a joint inspection of insurance companies in Montenegro and Croatia from an insurance group whose parent insurance company is based in the Republic of Slovenia.

The Agency's staff actively participated in the college meetings of the supervisors of insurance groups from EU Member States with subsidiaries in the Republic of Slovenia.

According to the rules on supervision over financial conglomerates and insurance groups and regulations of the EIOPA, in July 2013 the Agency organised two college meetings of the supervisors of two insurance groups based in the Republic of Slovenia. The college meeting took place according to the instructions given by the EIOPA, with the Agency adjusting the organisation of the meeting to the fact that most supervisors of the groups based in the Republic of Slovenia are from third countries. Nevertheless, the organisation of the college meeting of supervisors was successful. College meetings are also attended by the representatives of the EIOPA, which guarantees that the Agency follows the rules and practices of this institution when supervising insurance company groups.

## 5.2. European Insurance and Occupational Pensions Authority (EIOPA)

The European Insurance and Occupational Pensions Authority (EIOPA) was established on 1 January 2011 with the Regulation of the European Parliament and of the Council of 9 November 2010 establishing a European Supervisory Authority (ESA) and replaced the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS). The European Insurance and Occupational Pensions Authority was established simultaneously with the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) as a response to the global financial crisis. The main task of the EIOPA is to connect the national supervisory bodies in order to standardise supervision regulations and practices. The EIOPA is managed by its Chairman, Executive Director, Board of Supervisors and Management Board.

Currently, the EIOPA is chaired by a representative of the Portuguese financial supervisory institution, and the Executive Director is a representative of the Spanish supervisory institution. In addition to the Chairman, the Management Board of the EIOPA also consists of six elected representatives of national supervisory authorities (United Kingdom, Austria, Germany, Denmark and Slovenia) and a representative of the European Commission. In June 2013, the Director of the Agency was appointed to the Management Board of the EIOPA. The duration of his term of office is two years and a half.

In 2013, the Agency attended six meetings of the Board of Supervisors, composed of all the heads of supervisors of the Member States, which were held at Frankfurt.

To discharge its tasks, the EIOPA establishes permanent and temporary or project working groups. The EIOPA's most extensive task is the Solvency II project: following the model developed in the previously adopted new banking regulation (Basel II), working groups were created to cover the so-called pillars of prudential supervision: under Pillar I the working group prepares expert solutions, positions and advice



concerning capital requirements in the field of life and non-life insurance, technical provisions and own funds; the working group under Pillar II is responsible for the review of the supervisory process and the qualitative area of operations of insurance companies and supervision over them; and the working group under Pillar III prepares positions concerning accounting and disclosure.

The purpose of the said project in the area of insurance industry is not only to improve the criteria relating to capital requirements and solvency regime, but also to revise the existing rules of supervision to develop an integral prudential supervision system, and to standardise the regulations and supervision practices in the area of insurance company operations in all EU Members States. The main objective of the new solvency system remains primarily the protection of the insureds.

As already mentioned, in addition to quantitative requirements under Pillar I, Solvency II also covers qualitative elements ensuring the soundness of an insurance company, such as its administrative adequacy and capacity, adequate internal control, internal supervision, risk monitoring etc. The risk-oriented approach implies the use of internal risk management models and better reflects the true risk profile than under the existing standard formulas for solvency calculation. Thus the internal model can result in a higher or lower amount for the solvency capital requirement than the amount based on the standard approach.

The main focus of the Solvency II project is on capital requirements and supervisory inspections as well as on supervisory reporting and public disclosures on individual legal persons. Besides, all important aspects related to supervision of insurance company groups and financial conglomerates are also addressed, including experience obtained on the basis of both relevant directives of 1998 and 2002, respectively. Within insurance company groups and financial conglomerates, an equally important role is played by the use of internal risk assessment models in financial groups and, consequently, the calculation of the solvency capital required for the entire group, the method of adopting decisions in the parent company, the suitable division of responsibility among supervisors, assessment of rules for capital distribution, etc.

The expert work in the EIOPA is organised within permanent committees and panels, and within task forces. In 2013 the following committees and panels were active:

- Quality Control Committee of the Management Board of the EIOPA,
- Equivalence Committee,
- Insurance Groups Supervision Committee,
- Internal Governance, Supervisory Review and Reporting Committee,
- Internal Models Committee,
- Financial Requirements Committee,
- Occupational Pensions Committee,
- Committee on Consumer Protection and Financial Innovation,
- Financial Stability Committee,
- Internal Monitoring Group,
- IT and Data Committee,
- Review Panel.

In 2013 the following task forces operated within the EIOPA:

- Task Force on Insurance Guarantee Schemes,
- Task Force on Personal Pensions, and
- Long-Term Investments Task Force.

In 2013 the representative of the Agency actively participated in different working committees of the EIOPA: the Internal Governance, Supervisory Review and Reporting Committee, the Financial Requirements Committee, the Occupational Pensions Committee, the Committee on Consumer Protection and Financial Innovation, and the IT and Data Committee.

## 5.3. International Association of Insurance Supervisors (IAIS)

The International Association of Insurance Supervisors (IAIS), established in 1993, brings together insurance supervisors from over 200 countries and observers. The IAIS publishes the Insurance Core Principles, standards and guidelines, and organises courses and other forms of support required for an efficient work of supervisors. The IAIS cooperates with other bodies publishing supervision, regulation and operation standards for the financial sector, and international organisations endeavouring for financial stability. The IAIS includes the Technical Committee, the Implementation Committee, the Financial Stability Committee and the Budget Committee.

In 2013 the Agency's representative actively participated in the Financial Stability Committee, which primarily addressed the identification of insurance companies of systemic significance and the measures for their supervision. Besides, the Committee's representatives also participated in the work of the Technical Committee as observers.

## 6. WORK IN THE AREA OF LEGISLATION

### 6.1. Implementing Regulations

Article 256(2) of the IA stipulates that the Agency prepares and adopts implementing regulations.

In 2013 the Agency prepared, amended and supplemented eleven implementing regulations, and adopted amendments and supplements to the Tariff-1. Of these, nine implementing regulations were passed based on the ZPIZ-2. All implementing regulations were already published in the Official Gazette of the Republic of Slovenia in 2013.

The Agency adopted the following implementing regulations in 2013:

- Decision amending the Decision on detailed contents of provisions of insurance contracts (Official Gazette of the RS, no. 16/13),
- Decision on the minimum number of employees in a pension company who have appropriate expertise and experience in finance (Official Gazette of the RS, no. 62/13),
- Decision amending the Decisions issued by the Insurance Supervision Agency, in those parts that regulate manner of reporting (Official Gazette of the RS, no. 62/13),
- Decision on reporting by the operator of a pension fund established as a long-term business fund on the amount of capital, on the amount of provisions to be set aside for unreached guaranteed value of assets and on the structure of investment from these provisions (Official Gazette of the RS, no. 62/13),
- Decision on detailed contents of the notification of the inclusion in collective insurance, the statement on the selection of investment policy and the statement on the inclusion in individual insurance (Official Gazette of the RS, no. 62/13),
- Decision on the detailed method of valuation of accounting items and subsidiary chart of accounts of pension funds established as long-term business funds (Official Gazette of the RS, no. 79/13),
- Decision on the annual report and interim financial statements of pension funds established as long-term business funds and groups of long-term business funds (Official Gazette of the RS, no. 79/13),
- Decision on the audit of the annual report of pension funds established as long-term business funds and groups of long-term business funds, and the contents of the auditor's report (Official Gazette of the RS, no. 79/13),
- Decision on the summary annual report of pension funds established as long-term business funds and groups of long-term business funds (Official Gazette of the RS, no. 79/13),
- Decision on the statement on investment policy of pension funds established as long-term business funds (Official Gazette of the RS, no. 98/13),
- Decision on reporting by the operator of a pension fund established as a long-term business fund (Official Gazette of the RS, no. 98/13).

In November, the Agency also adopted amendments and supplements to the Tariff on fees, annual fees and lump-sum fees (Official Gazette of the RS, no. 105/13).

## 6.2. Cooperation in the preparation of laws

The Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) must be transposed to the national laws of the Member States and enforced by 1 January 2016. Therefore, the Agency actively cooperates with the responsible minister and the EIOPA in the area of legislation. Solvency II will be enforced gradually, as this is the only way to ensure an appropriate transition to the new regime by the insurance companies. Solvency II was already published in 2009; nevertheless, the necessary implementing regulations at the level of the European Union have not yet been prepared. Since the relevant alignment took a long time, in 2013 the European Parliament set a new date for the implementation of Solvency II, namely 1 January 2016, as the original date, 1 January 2014, was not feasible due to technical details.

Solvency II is based on three pillars. The first pillar requires a capital adequacy that will provide the insurance company with sufficient assets for covering all its liabilities. The second pillar sets new rules regarding the system of managing an insurance company, and introduces the functions of risk management and compliance. The third pillar concerns supervision procedures, disclosures and reporting. The aim of Solvency II is to achieve uniformity of insurance legislation and practices across the European Union. It includes the following fundamental ideas:

- financial statements reflecting market values;
- risk-adjusted capital requirements;
- own assessment of risks and level of capital;
- responsibility of the management board and other management of the insurance company;
- implementation of appropriate supervision.

In 2013 the EIOPA published special Guidelines on preparing for Solvency II, intended for achieving uniform adjustment procedures across the EU insurance market. Consequently, the insurance companies and supervisors in EU Member States already began to prepare actively for the new rules brought by Solvency II. The Agency also began to prepare and will, with the exception of the guidelines laying down internal models, implement all the guidelines in the part that is appropriate with regard to the current legislation and the state of insurance companies in the Slovenian insurance market.

In 2013 the Agency also participated in the preparation of amendments to the existing IA (amendment ZZavar-J). The amendments to the IA primarily concerned provisions on insurance companies in an insurance group.

Moreover, in 2013 the Agency cooperated with the Ministry of Finance in the preparation of the Act Amending the Financial Conglomerates Act.

The Macro-prudential Supervision Act was passed in 2013. For this purpose, the working group for macro-prudential supervision was already established in 2012, consisting of the representatives of the Insurance Supervision Agency, the Securities Market Agency, the Bank of Slovenia and the Ministry of Finance. The task of the working group for macro-prudential supervision was to prepare a draft act by which the Recommendation of the ESRB of 22 November 2011 on the macro-prudential mandate of national authorities would be implemented in the Slovenian legal order. The act passed in 2013 regulates, among other, a committee on financial stability, provision, exchange and confidentiality of information, macro-prudential supervision and responsibility in relation to the implementation of supervision.

## 7. COURT PROCEEDINGS

### 7.1. Act Amending the Courts Act

In August 2013 the Act Amending the Courts Act (Official Gazette of the RS, no. 63/13) entered into force, transferring the jurisdiction in judicial protection proceedings in relation to the IA from the Supreme Court of the Republic of Slovenia to the Administrative Court of the Republic of Slovenia. In judicial protection proceedings, the Administrative Court of the Republic of Slovenia decides in a panel of three judges.

## 7.2. Court Proceedings before the Supreme Court of the Republic of Slovenia

As at 1 January 2013, the Agency was not involved in any open proceedings before the Supreme Court of the Republic of Slovenia.

In 2013 two court actions were brought against the Agency to challenge its decisions, and the Agency responded to them. The actions were filed against the decision on appeal against the order relating to the prohibition of performing insurance business without the Agency's authorisation to perform insurance operations.

In the same year, the Agency did not receive any decision of the Supreme Court of the Republic of Slovenia.

As at 31 December 2013, the Agency was involved in two open proceedings before the Supreme Court of the Republic of Slovenia.

## 7.3. Court Proceedings before the Administrative Court

In 2013 two actions were brought against the Agency to challenge its decisions on appeal against an order in relation to the provisions on general terms and conditions.

In 2013 the Agency received one judgement of the Administrative Court of the Republic of Slovenia. The Administrative Court decided to reject the action filed by the supervised entity as unfounded. As at 31 December 2013, the Agency was involved in one case open at the Administrative Court.

## 7.4. Other Court Proceedings

As at 1 January 2013, one action was open against the Agency before the District Court of Ljubljana. The proceedings were concluded in 2013 by settlement.

In 2013, the Agency was not involved in court proceedings before other courts in the Republic of Slovenia.

# 8. REPORT ON OTHER ACTIVITIES

## 8.1. Reporting to Other Supervision Authorities and Institutions

According to the regulations and agreements, the Agency regularly prepares reports for domestic and foreign supervisory authorities. The Agency regularly reports on the situation in the insurance market to the Bank of Slovenia by submitting quarterly standardised reports; four times a year, it also reports on the situation on the market to the Statistical Office of the Republic of Slovenia; and four times a year, it prepares a report on the performance of pension insurance activities for the Ministry of Labour. In addition, it prepares regular half-year reports on the situation on the insurance market and separately on the situation on the pension insurance market for the EIOPA. Once annually, the Agency also drafts separate reports on the operations of the Slovenian insurance and pension companies for the needs of the Organisation for Economic Cooperation and Development (OECD) and Eurostat.

## 8.2. Keeping of Registers and Other Publicly Available Lists

Based on Article 76.a of the IA, the Agency keeps the Register of Certified Actuaries. Detailed rules on the procedure of entering and deleting data are prescribed in the Rules on the Register of Certified Actuaries. As at 31 December 2013 the Register of Certified Actuaries shows that 86 persons are authorised by the Agency to perform the tasks of a certified actuary.

Pursuant to Article 261 of the IA and the Decision on registers of insurance agents, insurance brokers, insurance agencies and insurance brokerage companies, the Agency keeps the following registers:

- the register of insurance agencies which have obtained the Agency's authorisation to perform insurance agency services (the register of insurance agencies);
- the register of insurance agents entrepreneurs who have obtained the Agency's authorisation to perform insurance agency services (the register of insurance agents entrepreneurs);
- the register of insurance brokerage companies which have obtained the Agency's authorisation to perform insurance brokerage services (the register of insurance brokerage companies);
- the register of insurance brokers entrepreneurs who have obtained the Agency's authorisation to perform insurance brokerage services (the register of insurance brokers entrepreneurs);
- the register of branches of Member State insurance agencies and brokerage companies entitled to perform insurance agency or brokerage services in the territory of the Republic of Slovenia pursuant to the IA. A Member State company is deemed to be a company with its head office in the territory of a Member State of the European Communities, operating within the EU (the register of branches of Member State companies);
- the register of Member State insurance agencies, insurance brokerage companies, insurance agents and insurance brokers entitled to directly perform insurance agency or brokerage services in the territory of the Republic of Slovenia pursuant to the IA (the register of Member State insurance agents and brokers);
- the register of branches of foreign insurance agencies and brokerage companies which have obtained the Agency's authorisation to establish a branch. A foreign insurance agency or brokerage company is deemed to be an agency or brokerage company with its head office in the territory of a non-Member State (the register of branches of foreign insurance agencies and brokerage companies).

According to the data as at 31 December 2013, in the Republic of Slovenia insurance agency and brokerage services can be provided by:

- 510 insurance agencies,
- 1386 insurance agents entrepreneurs,
- 90 insurance brokerage companies,
- 8 insurance brokers entrepreneurs, and
- 2 branches of Member State companies.

The Agency also keeps a publicly available list of insurance entities (insurance companies, pension companies and other supervised institutions) based in the Republic of Slovenia with the indication of the insurance classes for which individual entities have obtained the Agency's authorisation to perform the activity, as well as a publicly available list of insurance entities based abroad that have registered their activity in the territory of the Republic of Slovenia with the indication of the insurance classes to which the registration applies.

All the registers that the Agency is obliged to keep pursuant to the IA are published on its website.

### 8.3. Professional Training of the Staff

In 2013, the Agency's employees attended a number of working meetings, as well as seminars and professional conferences at home and abroad.

Abroad, the employees mostly attended seminars taking place within the EIOPA, mostly concerning the Solvency II project.

In 2013, the employees, among other, participated in the 21<sup>st</sup> Days of Slovenian Insurance, the Tax Conference, the Days of Minor Offence Law, the Accountants Conference, the Days of Labour Law and Social Security, the Days of Slovenian Lawyers, the Annual Conference of Auditors, the Annual Conference of Internal Auditors, and the Conference of the Auditors of Information Systems.



### III. ANNUAL STATEMENT OF ACCOUNT FOR 2013 (audited data)



#### INDEPENDENT AUDITOR'S REPORT

To: *Council of Experts*  
**OF THE INSURANCE SUPERVISION AGENCY**  
**Trg republike 3, 1000 Ljubljana**

We have audited the accompanying financial statements of the Insurance Supervision Agency, Trg republike 3, 1000 Ljubljana, which include the balance sheet as at 31 December 2013 and the related income statement of selected users of the uniform chart of accounts for the year then ended, and the summary of the fundamental accounting policies and other explanatory information.

**Responsibility of the management for financial statements** The management is responsible for the preparation and fair presentation of these financial statements pursuant to the Accounting Act and the Slovenian Accounting Standards, and for such internal control as necessary according to the management's decision so as to enable the preparation of financial statements that are free from material misstatements resulting from fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Auditing Standards. Those standards require that we meet the ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit includes conducting of procedures to obtain evidence supporting the amounts and disclosures in the financial statements. The selected procedures depend on the auditor's judgement and include an assessment of the risks of material misstatements in the financial statements due to fraud or error. When assessing these risks, the auditor examines internal controls related to the preparation and fair presentation of the financial statements of the company in order to determine the appropriate auditing procedures, depending on the circumstances, and not to express an opinion on the efficiency of the company's internal controls. An audit also includes assessing the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence obtained provides an adequate and appropriate basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements give, in all material respects, a fair view of the financial position of the Insurance Supervision Agency, Trg republike 3, 1000 Ljubljana as at 31 December 2013 and of the results of its operations for the year then ended in accordance with the Accounting Act and the Slovenian Accounting Standards.

Ljubljana, 21 March 2013

Ljubljana, 10<sup>th</sup> March 2014

**IN Revizija d.o.o.**  
**Tržaška cesta 134, Ljubljana**  
Certified auditor  
Potočki Robert, B.Econ.

Družba za reviziranje in svetovanje d.o.o.  
Ljubljana, Tržaška cesta 134

*Potočki Robert*



**BALANCE SHEET as at 31 December 2013** (in EUR, without cents)

Breakdown of the group of accounts	NAME OF THE GROUP OF ACCOUNTS	EDP code	AMOUNT Current year	AMOUNT Previous year
1	2	3	4	5
<b>ASSETS</b>				
A)	NON-CURRENT ASSETS AND ASSETS UNDER MANAGEMENT (001 = 002 + 003 + 004 + 005 + 006 + 007 + 008 + 009 + 010 + 011)	001	193,179	101,961
00	INTANGIBLE ASSETS AND LONG-TERM DEFERRED ITEMS	002	341,638	332,259
01	ACCUMULATED AMORTISATION OF INTANGIBLE ASSETS	003	318,967	309,575
02	REAL ESTATE	004	0	0
03	VALUE ADJUSTMENT OF REAL ESTATE	005	0	0
04	EQUIPMENT AND OTHER TANGIBLE FIXED ASSETS	006	439,701	410,492
05	VALUE ADJUSTMENT OF EQUIPMENT AND OTHER TANGIBLE FIXED ASSETS	007	269,175	331,215
06	LONG-TERM INVESTMENTS	008	0	0
07	LONG-TERM LOANS TO OTHERS AND DEPOSITS	009	0	0
08	LONG-TERM OPERATING RECEIVABLES	010	0	0
09	RECEIVABLES FOR ASSETS GIVEN TO MANAGEMENT	011	0	0
B)	CURRENT ASSETS; LESS INVENTORIES, AND DEFERRED ITEMS (012 = 013 + 014 + 015 + 016 + 017 + 018 + 019 + 020 + 021 + 022)	012	3,305,272	3,574,776
10	CASH IN HAND AND HIGHLY LIQUID SECURITIES	013	0	0
11	BALANCES HELD WITH BANKS AND OTHER FINANCIAL INSTITUTIONS	014	211,639	596,656
12	SHORT-TERM ACCOUNTS RECEIVABLE	015	2,919	1,107
13	PAID ADVANCES AND WARRANTIES	016	98	96
14	SHORT-TERM RECEIVABLES TO USERS OF THE UNIFORM CHART OF ACCOUNTS	017	3,021,987	2,835,585
15	SHORT-TERM INVESTMENTS	018	0	0
16	SHORT-TERM RECEIVABLES FROM FINANCING	019	0	0
17	OTHER SHORT-TERM RECEIVABLES	020	67,313	119,117
18	UNPAID EXPENSES	021	0	0
19	DEFERRED ITEMS	022	1,316	22,155
C)	INVENTORIES (023 = 024 + 025 + 026 + 027 + 028 + 029 + 030 + 031)	023	0	0
30	ACCOUNTING OF PURCHASE OF GOODS	024	0	0
31	INVENTORIES OF MATERIAL	025	0	0
32	STOCK OF SMALL INVENTORIES AND PACKAGING	026	0	0
33	WORK-IN-PROGRESS	027	0	0
34	PRODUCTS	028	0	0
35	ACCOUNTING OF PURCHASE OF GOODS	029	0	0
36	INVENTORIES OF GOODS	030	0	0
37	OTHER INVENTORIES	031	0	0
I.	TOTAL ASSETS (032 = 001 + 012 + 023)	032	3,498,469	3,676,737
99	ASSETS ACCOUNTS OF OFF-BALANCE SHEET RECORDS	033	0	0
<b>LIABILITIES</b>				
D)	CURRENT LIABILITIES AND ACCRUED ITEMS (034 = 035 + 036 + 037 + 038 + 039 + 040 + 041 + 042 + 043)	034	264,484	198,676
20	SHORT-TERM LIABILITIES IN RELATION TO RECEIVED ADVANCES AND WARRANTIES	035	0	0
21	SHORT-TERM LIABILITIES TO EMPLOYEES	036	119,479	122,559
22	SHORT-TERM ACCOUNTS PAYABLE	037	122,009	51,635
23	OTHER SHORT-TERM OPERATING LIABILITIES	038	22,996	24,482
24	SHORT-TERM LIABILITIES TO USERS OF THE UNIFORM CHART OF ACCOUNTS	039	0	0
25	SHORT-TERM LIABILITIES TO FINANCIERS	040	0	0
26	SHORT-TERM LIABILITIES FROM FINANCING	041	0	0
28	UNPAID INCOME	042	0	0
29	ACCRUED ITEMS	043	0	0
E)	OWN SOURCES AND NON-CURRENT LIABILITIES (044 = 045 + 046 + 047 + 048 + 049 + 050 + 051 + 052 + 053 + 054 + 055 + 056 + 057 + 058 + 059)	044	3,233,985	3,478,061
90	GENERAL FUND	045	0	0
91	RESERVE FUND	046	0	0
92	LONG-TERM ACCRUED ITEMS	047	0	0
93	LONG-TERM PROVISIONS	048	0	0
940	FUND OF APPROPRIATED ASSETS IN PUBLIC FUNDS	049	0	0
9410	FUND OF ASSETS IN OTHER LEGAL ENTITIES UNDER PUBLIC LAW IN THEIR OWNERSHIP FOR TANGIBLE AND INTANGIBLE FIXED ASSETS	050	0	0
9411	FUND OF ASSETS IN OTHER LEGAL ENTITIES UNDER PUBLIC LAW IN THEIR OWNERSHIP FOR INVESTMENTS	051	0	0
9412	SURPLUS OF REVENUES OVER EXPENSES	052	3,175,639	3,175,639
9413	REVENUES LESS EXPENDITURES	053	0	0
96	LONG-TERM FINANCIAL LIABILITIES	054	0	0
97	OTHER LONG-TERM LIABILITIES	055	0	0
980	LIABILITIES FOR TANGIBLE AND INTANGIBLE FIXED ASSETS	056	842	841
981	LIABILITIES FOR LONG-TERM INVESTMENTS	057	0	0
985	SURPLUS OF REVENUES OVER EXPENSES	058	57,504	301,581
986	REVENUES LESS EXPENDITURES	059	0	0
I.	TOTAL LIABILITIES (060 = 034 + 044)	060	3,498,469	3,676,737
99	LIABILITIES ACCOUNTS OF OFF-BALANCE SHEET RECORDS	061	0	0

**INCOME STATEMENT OF SELECTED USERS** from 1 January to 31 December 2013 [in EUR, without cents]

Breakdown of the group of accounts	NAME OF THE GROUP OF ACCOUNTS	EDP code	AMOUNT Current year	AMOUNT Previous year
1	2	3	4	5
	A) OPERATING REVENUE (860 = 861 + 862 - 863 + 864)	860	2,575,654	2,775,311
760	REVENUES FROM SALES OF PRODUCTS AND SERVICES	861	2,575,654	2,775,311
	INCREASE IN VALUE OF STOCKS OF PRODUCTS AND WORK-IN-PROGRESS	862	0	0
	DECREASE IN VALUE OF STOCKS OF PRODUCTS AND WORK-IN-PROGRESS	863	0	0
761	REVENUES FROM SALES OF GOODS AND MATERIAL	864	0	0
762	B) FINANCE INCOME	865	45,223	87,856
763	C) OTHER REVENUES	866	0	574
	Č) REVALUATION OPERATING REVENUES (867 = 868 + 869)	867	0	0
part 764	REVENUES FROM SALES OF FIXED ASSETS	868	0	0
part 764	OTHER REVALUATION OPERATING REVENUES	869	0	0
	D) TOTAL REVENUES (870 = 860 + 865 + 866 + 867)	870	2,620,877	2,863,741
	E) COST OF GOODS, MATERIAL AND SERVICES (871 = 872 + 873 + 874)	871	851,281	841,778
part 466	HISTORICAL COST OF GOODS AND MATERIAL SOLD	872	0	0
460	COSTS OF MATERIAL	873	24,989	21,858
461	COSTS OF SERVICES	874	826,292	819,920
	F) LABOUR COSTS (875 = 876 + 877 + 878)	875	1,669,883	1,611,519
part 464	SALARIES, WAGES AND COMPENSATIONS FOR SALARIES AND WAGES	876	1,380,009	1,309,529
part 464	EMPLOYER'S SOCIAL SECURITY CONTRIBUTIONS	877	225,945	224,465
part 464	OTHER LABOUR COSTS	878	63,929	77,525
462	G) DEPRECIATION	879	26,261	33,664
463	H) PROVISIONS	880	0	0
465	J) OTHER COSTS	881	4,921	7,619
467	K) FINANCE EXPENSES	882	2,081	580
468	L) OTHER EXPENSES	883	0	0
	M) REVALUATION OPERATING EXPENSES (884 = 885 + 886)	884	8	105
part 469	EXPENSES FROM SALES OF FIXED ASSETS	885	0	105
part 469	OTHER REVALUATION OPERATING EXPENSES	886	8	0
	N) TOTAL EXPENSES (887 = 871 + 875 + 879 + 880 + 881 + 882 + 883 + 884)	887	2,554,435	2,495,265
	O) SURPLUS REVENUE (888 = 870 - 887)	888	66,442	368,476
	P) SURPLUS EXPENSES (889 = 887 - 870)	889	0	0
part 80	Corporate income tax	890	8,937	66,895
part 80	Surplus revenue of the accounting period accounting for income tax (891 = 888 - 890)	891	57,505	301,581
part 80	Surplus expenses of the accounting period accounting for income tax (892 = (889+890) oz. (890-888))	892	0	0
	Surplus revenues from previous periods used to cover expenses for the period	893	0	0
	Average number of employees calculated on the basis of working hours put in the accounting period (rounded to 1)	894	31	29
	Number of months of operation	895	12	12

## 1. FINANCIAL STATEMENTS

Pursuant to the second paragraph of Article 20 of the Accounting Act (Official Gazette of the RS, nos. 23/99, 30/02 - ZJF-C, 114/06 - ZUE; hereinafter: ZR) and the Rules on Drawing up Annual Reports for the Budget, Budget Spending Units and other Entities of Public Law (hereinafter: the Rules on Drawing up Annual Reports), the form and the contents of financial statements are prescribed.

According to the Rules on Drawing up Annual Reports, the Agency must compile the following financial statements:

- balance sheet compiled in the form Balance sheet (Attachment 1 to the Rules on Drawing up Annual Reports) and
- income statement compiled in the form Income statement of selected users (Attachment 3 to the Rules on Drawing up Annual Reports).

## 2. NOTES TO FINANCIAL STATEMENTS

The notes to financial statements comprise value notes, descriptive notes and notes to financial statements.

### 2.1. Value Notes to Financial Statements

Pursuant to the Rules on Drawing up Annual Reports, the value notes to the balance sheet and income statement are prescribed in the form of obligatory attachments and statements of records.

Obligatory attachments to the balance sheet are two tables in the following forms:

- Balance and changes in tangible and intangible fixed assets (Attachment 1/A to the Rules on Drawing up Annual Reports) and
- Balance and changes in long-term investments and loans (Attachment 1/B to the Rules on Drawing up Annual Reports).

An obligatory attachment to the income statement is a table compiled in the form Income statement of selected users by type of activity (Attachment 3/B to the Rules on Drawing up Annual Reports).

The statements of records laid down in articles 21 to 25 of the Rules on Drawing up Annual Reports are compiled in the forms:

- Income statement of selected users according to the cash flow principle (Attachment 3/A to the Rules on Drawing up Annual Reports),
- Statement of account of financial receivables and assets of selected users (Attachment 3/A-1 to the Rules on Drawing up Annual Reports), and
- Statement of account of financing of selected users (Attachment 3/A-2 to the Rules on Drawing up Annual Reports).

### 2.2. Descriptive Notes to Financial Statements

#### 2.2.1. Underlying Accounting Assumptions Used

According to the IA, the Agency is a legal person under public law. Pursuant to the Public Finance Act (Official Gazette of the RS, nos. 79/99, 124/00, 79/01, 30/02, 110/02 and others; hereinafter: ZJF) and the Rules Determining Central and Local Government Budget Direct and Indirect Spending Units, the Agency is defined as an indirect user of the government budget. In line with the Accounting Act and the Rules on Breaking Down and Measuring Revenues and Expenses of Legal Entities under Public Law (hereinafter: Rules on Breaking Down and Measuring), the Public Finance Act and the Rules on Drawing up Annual Reports, the Agency is defined as a selected user of the uniform chart of accounts.

In the keeping of its books of accounts and compilation and submission of annual reports, the Agency follows the provisions of the Accounting Act and other regulations, including the Public Finance Act, as well as – pursuant to Article 2 of the Accounting Act – the Slovenian Accounting Standards (SAS) issued by the Slovenian Institute of Auditors.

Based on Article 31 of the Accounting Act applicable since 1 January 2000, the Agency evaluates financial statement items in accordance with the accounting standards, unless stipulated otherwise in the Accounting Act or other regulations.

In the use of the SAS, Article 16 of the Rules on Breaking Down and Measuring also applies, stipulating that selected users of the uniform chart of accounts identify and break down revenues and expenses, and evaluate assets and liabilities pursuant to the Accounting Act and regulations issued on its basis. In breaking down and disclosing revenues and expenses, they must also follow the provisions of the rules on the uniform chart of accounts. Accounting standards apply to other matters that are not regulated by the above regulations.

The Agency has its own accounting department, where all documents are kept and compiled in the Slovenian language and in Euros. The financial year is the same as the calendar year.

## 2.2.2. Financing

Based on the IA, the funds needed for the work of the Agency are provided from the funds obtained by providing services of a public service, i.e. fees, annual fees and lump-sum fees determined in the Tariff-1 issued by the Agency in agreement with the Government of the Republic of Slovenia, and from other revenues generated by the Agency through its operations. The Tariff-1 lays down the levels of the annual fee for exercising supervision paid by insurance companies, reinsurance companies, pension companies and other supervised entities. The Tariff-1 also defines the level of the fees payable for adopting decisions in individual matters and for issuing copies from registers kept by the Agency, and the level of lump-sum fees which entities are obliged to pay for the supervision performed by the Agency pursuant to the IA. According to the latter, part of the surplus of revenue over expenditure recorded in the past year is allocated to the reserves of the Agency in the amount laid down in its financial plan for the year in which the surplus was achieved, while the remainder is allocated to the budget of the Republic of Slovenia. The IA also lays down that the surplus of operating expenses over income of the Agency is covered by the Agency's reserves; when the reserves do not suffice, the surplus of operating expenses over income is covered from the budget of the Republic of Slovenia. Funds may only be allocated from the budget when the operation of the Agency would otherwise be seriously threatened.

Except upon its foundation in June 2000, the Agency has never received budget funds.

## 2.3. Notes to Financial Statements

### 2.3.1. Income statement of selected users for the period from 1 January 2013 to 31 December 2013

#### ■ A. REVENUE of EUR 2,620,877

The revenue for the accounting period is recognised on accrual basis. To enable the monitoring of the changes in the government revenue and expenditure, it is identified and broken down according to the cash flow principle, which is laid down in the Rules on Drawing up Annual Reports for other users of the uniform chart of accounts.

The Agency obtains the funds needed to implement the statutory authorisations and competences from the fees, annual fees and lump-sum fees as well as other revenues generated through its operation, but does not generate revenue by selling goods and services on the market.

The main source of income of the Agency in 2013 was annual, lump-sum and other fees determined by the Tariff-1, accounting for 98.3 % of all revenue.

**Table 1:****Revenues from the Agency's operations in the period from 1 January 2013 to 31 December 2013**

	EUR	%
1. Operating revenues	2,575,654	98.3
a. Annual fees	2,315,521	88.3
b. Fees and lump-sum fees	260,133	10
2. Finance revenues	45,223	1.7
3. Extraordinary revenues	0	0
4. Revaluation revenue	0	0
<b>Total revenues</b>	<b>2,620,877</b>	<b>100</b>

According to the Tariff-1, in 2013 the levels of annual fees for exercising supervision were the following:

- for insurance and pension companies: 0.12% of the premiums paid in the previous year;
- for insurance companies in an insurance group: 0.13% of the premiums paid in the previous year;
- for the Slovenian Insurance Association: 0.12% of the amount of insurance companies' contributions to the Guarantee Fund in the previous year.

The Tariff-1 also determines the level of the fees payable for adopting decisions in individual matters and for issuing copies from registers kept by the Agency, and the level of lump-sum fees for exercising supervision.

In 2013, the revenues from annual fees amounted to EUR 2,315,521, while the financial plan for 2013 envisaged revenues of EUR 2,894,402; in 2012, they amounted to EUR 2,486,331. Lower revenues from annual fees resulted from the exemption from the payment of the fee (1 monthly instalment) and partial refund of the annual fee to the persons liable before the end of 2013. In October, the Council of Experts adopted the resolution on the exemption from the payment of the annual fee in the amount of one-twelfth, i.e. one monthly instalment, which amounted to EUR 241,200 in 2013. On 5 December 2013, the Government of the Republic of Slovenia approved the resolution. Before the end of the year, the Agency decided to, additionally, refund the annual fees to the persons liable, as it established that the annual fees paid exceeded the costs and expenses for the current year. Thus, on 23 December 2013 the Council of Experts of the Agency issued a resolution based on Article 10 of the Tariff-1 by which the persons liable were refunded the annual fees in the total amount of EUR 337,680, with the Agency's revenues being decreased by the same amount. The total exemption of the persons liable from the payment of the annual fee in 2013 amounted to EUR 578,880.

In 2013 the revenues from fees and lump-sum fees amounted to EUR 260,133, which was less than in 2012, when they amounted to EUR 288,980, and more than in 2011, when they amounted to EUR 233,992. The financial plan for 2013 envisaged EUR 250,000 of revenues from fees and lump-sum fees.

The Agency generates finance revenues in relation to receivables based on investments in the form of deposits with banks and in the Treasury Single Account. They are also disclosed due to delayed payments of receivables and exchange rate differentials. The finance revenues account for 1.7% of the total Agency's revenues.

## **B. COSTS AND EXPENSES of EUR 2,554,435**

Expenses of the accounting period are the amounts of costs incurred in an individual accounting period and other costs that influence the profit or loss for the accounting period in accordance with the adopted accounting rules (regulations, accounting standards, internal rules) on the inclusion of costs in the expenses of the accounting period. Since the Agency implements the duties and authorisations stipulated by the legislation, and does not carry out a manufacturing activity, for instance, the costs incurred in an individual accounting period represent the expenses for this accounting period, unless the costs are, according to the accounting rules, included in expenses in the period following the accounting period (deferral of costs, particularly through deferred costs and accrued revenues). Expenses are recognised on accrual basis. To enable the monitoring of the changes in the government revenue and expenditure, the Agency must also record expenses according to the cash flow principle, which is laid down in the Rules on Drawing up Annual Reports for other users of the uniform chart of accounts.

As a rule, expenses also include the value of the (input) VAT, as the Agency is not a taxable person.

The planned costs and expenses of the Agency in the financial plan for 2013 amounted to EUR 2,727,844, while in 2012 the costs and expenses totalled EUR 2,495,265.

The comparison of the total costs and expenses incurred with the financial plan for 2013 shows that the costs incurred were 6% or approximately EUR 173,400 lower than the planned level. The following indexes in relation to these figures are also presented in Attachment 1 (Income statement of selected users): costs of goods, material and services 95, labour costs 93 and depreciation 86.

**Table 2:**  
**Costs and expenses of the Agency in the period from 1 January 2013 to 31 December 2013**

	EUR	%
Costs of material	24,989	1.0
Costs of services	826,292	32.3
Labour costs	1,669,883	65.4
Depreciation	26,262	1.0
Other costs	4,921	0.2
Finance expenses	2,081	0.1
Other expenses	0	0
Revaluation expenses	8	0
<b>Total costs and expenses</b>	<b>2,554,435</b>	<b>100</b>

The **COSTS OF MATERIAL** comprise the purchase of specialised literature, newspapers and magazines; office material and other costs of material. In 2013 the costs of material amounted to EUR 24,989, while in 2012 they stood at EUR 21,858. The financial plan for 2013 envisaged costs of material in the amount of EUR 22,450.

The **costs of office material** for 2012 totalled EUR 13,472, while in 2012 they amounted to EUR 10,370. The highest costs under this item (55%) arose from the purchase of toner cartridges and other material for printers and photocopiers. Moreover, the prices of this material increased in 2013.

The **costs of specialised literature, newspapers and magazines** for 2013 amounted to EUR 4,067 and were lower than in 2012, when they totalled EUR 7,067. In 2011 and 2010, these costs amounted to EUR 4,832 and 6,706, respectively. The subscription to certain specialised magazines and publications and newspapers is renewed every two years, as this is more economical.

In 2013 **other costs of material** amounted to EUR 7,450, while in 2012 they stood at EUR 3,686. They include identification cards, business cards, external disks, modems for laptops, USB keys, bags for laptops and other small tools. In 2013, this item includes the costs of fuel for a company car for the first time, amounting to EUR 2,628.

The **COSTS OF SERVICES** comprise services needed to perform the activity, regular and replacement maintenance services in relation to the equipment and software, employee education services, legal and translation services, auditing services, consulting services, costs in relation to business trips, costs of rents with costs of operation, postal and courier services, use of the internet, costs arising from service contracts, author's contracts and session fees.

Under **intellectual services** the Agency records costs of employee education, costs of seminars, costs of auditing the Agency's financial statements and the costs of internal auditing, legal services, translation services etc. In 2013 these costs amounted to EUR 34,822 and in 2012 to EUR 43,139; the financial plan for 2013 envisaged EUR 46,112 under this item.

**Table 3:**

**Costs of intellectual services of the Agency in the period from 1 January 2013 to 31 December 2013 and in the period from 1 January 2012 to 31 December 2012 (in EUR)**

Type of service	2013	2012	Index 13/12
Education, seminars	14,231	18,793	76
Auditing services	8,748	18,228	48
Legal services	1,537	166	11
Translation services	4,485	4,934	91
Other	5,821	1,018	572
<b>Total</b>	<b>34,822</b>	<b>43,139</b>	<b>81</b>

The item other includes costs of periodical medical examinations of employees in line with the occupational safety regulations (EUR 2,456), transcription of the meetings of the Council of Experts (EUR 1,265) and study on the economy of renting business premises (EUR 2,100).

The **costs of business trips** of employees for 2013 amounted to EUR 137,426, while the costs for 2012 were EUR 179,732. The financial plan for 2013 envisaged the costs under this item in the amount of EUR 198,540. The Agency accounts for the travel costs of the employees according to the Decree on the Reimbursement of Costs for Travelling Abroad on Official Mission, the Collective Agreement for the Public Sector, the Collective Agreement for the Non-economic Sector and the Act Fixing the Reimbursement Amounts for Work Related Expenses and Certain Other Receipts (Official Gazette of the RS, nos. 87/97, 9/98, 48/01, 61/05, 71/06, 62/07, 19/08, 67/08; hereinafter: ZPSDP). On 1 June 2012, the Fiscal Balance Act (ZUJF) entered into force, interfering with other acts and decrees and considerably reducing the amount of reimbursement of certain costs (daily allowances, mileages). In July 2012, the daily allowances for travelling abroad were also decreased by 20% according to the Decree on the Reimbursement of Costs for Travelling Abroad on Official Mission. In 2013, the two regulations therefore influenced the amount of daily allowances for travelling throughout the year.

The costs of business trips in Slovenia refer to inspections of supervised entities that the Agency's employees conducted outside Ljubljana (Maribor, Novo mesto, other places in Slovenia) and the costs (daily allowances, mileages) of employees' participation in expert seminars, conferences and consultations outside Ljubljana.

The Agency's employees actively participate in most working groups of the European Insurance and Occupational Pensions Authority (EIOPA). Moreover, in 2013 the staff attended international courses organised by the EIOPA, primarily intended for training in relation to the introduction of Solvency II, and meetings of the International Association of Insurance Supervisors (IAIS).

The **costs of rents** include the rents for the business premises and parking lots rented by the Agency for its employees, as well as the renting of the hall for the organisation of individual events. The Agency is renting office premises of 826 m<sup>2</sup> and a warehouse area of 33 m<sup>2</sup> in the basement of the TR3 building, equipped with racks. The costs of renting the office premises in 2013 amounted to EUR 213,240, and the costs of renting the parking lots amounted to EUR 27,879. The Agency is renting eleven parking lots in the parking area under the office building; besides, it also reimburses the cost of parking to the employees in line with its internal rules.

In a special subaccount within the rents account, the Agency also records the costs of operation, comprising the costs of cleaning, utility services, the costs of maintenance of lifts and fire safety devices, the costs of security and reception, and the costs of electricity and heating. The operating expenses for the rented office premises amounted to EUR 63,247 in 2013.

Under the lease contract, the rent varies monthly depending on the consumer price index. In 2013 the Agency thus allocated EUR 304,366 to all costs of rents, while the financial plan for 2013 envisaged EUR 267,650 for this purpose. The financial plan envisaged conclusion of a new lease contract with a lower rent in September, but the Agency only signed the contract in December 2013.

The **costs of postal and telecommunication services** for 2013 amounted to EUR 33,829, while in 2012 they totalled EUR 33,573. The financial plan for 2013 envisaged EUR 34,290 under this item.



**Table 4:**

**Costs of postal and telecommunication services of the Agency in the period from 1 January 2013 to 31 December 2013 and in the period from 1 January 2012 to 31 December 2012 (in EUR)**

Type of service	2013	2012
Postal and courier services	9,696	8,424
Use of the internet and antivirus protection	5,861	6,054
Access to the IUS info portal	8,640	7,809
Telephone and GSM/UMTS services	9,632	11,286
<b>Total costs of postal and telecommunication services</b>	<b>33,829</b>	<b>33,573</b>

The **costs of session fees, author's contracts and service contracts** for 2013 amounted to EUR 61,209, while for 2012 they totalled EUR 46,433. The funds envisaged for this item in the financial plan amounted to EUR 68,800. The costs of session fees in 2013 and 2012 amounted to EUR 59,250 and 43,102, respectively. In 2013, the Council of Experts held 29 regular meetings, while in 2012 it held 23 regular meetings.

In 2013 two author's contracts were concluded for the implementation of the exams organised by the Agency which candidates must pass to obtain a certified actuary licence. The costs of contracts totalled EUR 1,959; in 2012 these costs amounted to EUR 3,331, as more contracts were concluded.

Under the item **other services**, the income statements for 2013 and 2012 join several types of services that the Agency records under different accounts, as shown in the table below.

**Table 5:**

**Costs of other services of the Agency in the period from 1 January 2013 to 31 December 2013 and in the period from 1 January 2012 to 31 December 2012 (in EUR)**

Type of service	2013	2012	Index 13/12
Services for the performance of operations	7,988	9,953	80
Regular and replacement maintenance services	16,275	20,112	81
Costs of payment transactions	826	240	344
Entertainment	18,585	15,100	123
Other services	210,965	175,585	120
<b>Total</b>	<b>254,639</b>	<b>220,990</b>	<b>115</b>

For 2013 the financial plan allocated EUR 255,990 to the item **other services** in the income statement, while the actual costs under this item amounted to EUR 254,639, as shown in the table above.

The services for the performance of operations include the costs of publishing the Agency's regulations in the Official Gazette of the Republic of Slovenia and other printed media, and photocopying.

The entertainment costs also included part of the costs for carrying out the meeting of the EIOPA working group, costs in relation to the holding of the college meeting of supervisors, and entertainment costs of round tables organised by the Agency (insurance fraud detection and prevention, and liberalisation in the area of compulsory transport insurance).

The account of other services disclosed costs of EUR 210,965 in 2013. This item consists of: maintaining the Agency's website; one-year licence for the antivirus applications Lotus Domino and the licence for updating the fire wall; access to the Bloomberg terminal in the amount of EUR 18,000; membership fees for the international organisations EIOPA and IAIS in the amount of EUR 125,315 (EUR 90,989 in 2012, EUR 74,595 in 2011); printing and binding of the annual report in the amount of EUR 3,555; maintenance and upgrading of the In-Reg system (application for e-reporting of insurance companies, Vizor) in the amount of EUR 38,000, the same as in the previous year; access to the KDD databases and obtaining of data on order in the amount of EUR 10,258 (this access was established in 2012); media monitoring, i.e. clipping in the amount of EUR 5,509; as well as certain other costs, such as design and printing of business cards, technical organisation of college meetings, conferences and working groups with the renting of a hall.

The **LABOUR COSTS** comprise gross salaries and wages and compensations for salaries and wages of the employees, contributions and taxes on gross salaries and wages, holiday allowances, meal and travel allowances, long-service awards, and costs of supplementary pension insurance of civil servants.

As at 31 December 2013 the number of employees was 35, and as at 31 December 2012 there were 33 employees. In its financial plan, the Agency planned 35 employees by the end of 2013. In 2013 the Agency employed three people according to its financial plan, while one of the employees retired.

For 2013 the costs of gross salaries and wages together with the charges of the payer and reimbursement of work-related costs amounted to EUR 1,669,883, while in 2012 they totalled EUR 1,611,519. The financial plan for 2013 allocated EUR 1,795,654 to gross salaries and wages together with the charges of the payer and reimbursement of work-related costs.

The costs of salaries were also significantly influenced by the Fiscal Balance Act (ZUJF) in force since 1 June 2012, which reduced the basic salaries of all the employees by 8%, as none of the employees was included in the salary disparity elimination plan, which would compensate for the reduction. In 2013 the Public Sector Salary System Act (ZSPJS-R) was amended, so that as of 1 June 2013 the value of the salary grade was decreased by around 5% (the higher the salary grade, the higher the decrease).

The **COST OF DEPRECIATION** is accounted for in line with the Rules on the Method and Rates of Depreciation of Intangible Fixed Assets and Tangible Fixed Assets. These rules prescribe the straight-line method.

Regular depreciation or allocation of depreciation is value adjustment of fixed assets and intangible long-term assets in the books of accounts for the depreciation amount accounted for according to the annual statement of account. Extraordinary depreciation is carried out in the case of disposal, permanent exclusion from use or due to the revaluation of fixed assets owing to impairment.

The depreciation amount for 2013 was EUR 26,262. The financial plan envisaged an amount of EUR 30,508. In 2012 the cost of depreciation was EUR 33,664.

Out of the planned investments for 2013 in the total amount of EUR 118,000, the Agency managed to realise investments in the full amount. The funds were spent for the purchase of computer hardware and software, and for office equipment (binding machine, telephones, chests of drawers, refrigerator etc.). In 2013 the Agency purchased new workstations, since the workstations had been used since 2007, and the monitors since 2006. The workstations were obsolete and the probability of failure increased as well. Therefore, to enable uninterrupted work of the employees, the Agency bought 30 workstations with monitors and loudspeakers.

The Agency also modernised the servers by purchasing two new servers with high-capacity disk array, with the suitable software. The servers used previously had been in use since 2006 or 2007. Servers are the core of any information system, and over the years, the software requires servers with an increased capacity. The Agency had detected problems with the speed of the server used for e-reporting by the insurance companies.

**Table 6:**  
**Costs of other depreciation of the Agency in the period from 1 January 2013 to 31 December 2013 and in the period from 1 January 2012 to 31 December 2012 (in EUR)**

Depreciation	2013	2012
Intangible long-term assets	9,392	9,423
Computers	6,952	12,566
Other computer equipment	3,695	5,178
Office equipment, furniture	3,819	4,529
Small tools	418	1,637
Company cars	1,986	331
<b>Cost of depreciation</b>	<b>26,262</b>	<b>33,664</b>

## C. CORPORATE INCOME TAX

Although the Agency was founded based on a special act for a non-profitable purpose and also actually operates in accordance with the purpose of its founding based on the special act, it pays corporate income tax on the income generated by performing a profitable activity.

In 2013 the Agency paid EUR 71,545 (as monthly advances with regard to the statement of account for 2012), and therefore expects refund of the corporate income tax in the amount of EUR 62,208 from the Tax Administration.

## **D. SURPLUS OF REVENUE OVER EXPENDITURE of EUR 57,504.36**

In the period from 1 January 2013 to 31 December 2013, EUR 2,620,877.21 of revenue was generated and EUR 2,554,435.52 of costs and expenses were incurred, which means that the surplus of revenue over expenditure amounted to EUR 66,441.69. The surplus determined is also reduced by the income tax in the amount of EUR 8,937.33. The disclosed surplus of revenue over expenditure for 2013 thus amounts to EUR 57,504.36.

In line with the second paragraph of Article 262 of the IA, the Agency transfers surplus revenue to reserves within group 94 up to the amount envisaged in the approved financial plan for 2013, which envisaged a surplus revenue of EUR 396,258.

This means that the Agency will allocate the entire surplus revenue for 2013, amounting to EUR 57,504.36, to reserves within group 94.

### **2.3.2. Balance Sheet as at 31 December 2013**

#### **A. Non-current assets and assets under management**

Under class 0, the Agency only discloses intangible long-term assets and tangible fixed assets and assets under management represented by the equipment received from the Ministry of Finance upon the foundation of the Agency as an independent legal person on 1 June 2000.

**Table 7:**

**Non-current assets and assets under management of the Agency as at 31 December 2013** (in EUR)

	ACQUISITION COST	DEPRECIATED AMOUNT	CURRENT VALUE
Software	190,724	168,053	22,671
Software – foreign financing	150,914	150,914	0
Equipment – computers	84,056	44,441	39,615
Other computer equipment	165,380	97,732	67,648
Office equipment (furniture, ...)	74,551	58,006	16,545
Company cars	15,890	2,317	13,573
Small tools	64,187	64,187	0
Equipment under management	3,333	2,492	841
Other fixed assets – pictures	32,305	0	32,305
<b>Total</b>	<b>781,340</b>	<b>588,143</b>	<b>193,197</b>

The share of non-current assets in the assets of the Agency's balance sheet amounted to 5.5%. In 2012, 2011, 2010 and 2009, the shares were 2.8%, 2.4%, 3.5% and 6%, respectively.

#### **B. Current assets**

The share of current assets in all assets amounted to 94.5%. These assets primarily comprise cash on the Agency's account, representing 6.1% of all assets, and short-term deposits, representing 86.4% of all assets, as well as short-term operating receivables and paid advances and other short-term receivables (2%), where the highest item is the claim on the Tax Administration for the income tax paid in excess. Deferred costs and accrued revenues concerned short-term deferred costs (subscription fees for certain specialised publications of the ZRFR for 1214), and their share in the total Agency's assets was negligible.

At the end of the year, the Agency had all its deposits, totalling EUR 3,021,987, in the Treasury Single Account (TSA). Pursuant to the Order on the Establishment of Treasury Single Account Systems, the Agency is included in the national TSA system (there is also a municipal TSA system). The Order lays down the criteria for classifying the entities involved, system definition, types of subaccounts etc. According to the Rules on Investing Available Funds of Central and Local Government Budget Spending Units and Central Parts of Communities as Legal Entities, the Agency must offer any available funds of at least EUR 100,000

to the TSA. In April 2012 the average interest rate on deposits in the TSA (1-year time deposits) amounted to 2.52%, in April 2013 it was 1.78%, while in December 2013 it was 1.82%. In March 2014, the interest rate on such deposits was 1.85%, while the interest rate on assets in transaction accounts was 0.088%.

## C. Liabilities

### Current liabilities

**Table 8:**  
Current liabilities of the Agency as at 31 December 2013

	EUR	%
Liabilities to employees	119,479	3.4
Accounts payable	122,009	3.5
Other current liabilities	22,996	0.7
<b>Total</b>	<b>264,484</b>	<b>7.6</b>

The share of current liabilities in the Agency's liabilities amounted to 7.6%. The liabilities to employees comprise the December gross salary of the employees. Accounts payable do not include overdue liabilities, but only those that fall due in 2014, usually in January.

Other current liabilities, amounting to EUR 22,996 include contributions from gross salaries of the employees and liabilities from supplementary pension insurance. All these liabilities were settled in January 2014.

### Own sources and non-current liabilities

**Table 9:**  
Own sources and non-current liabilities of the Agency as at 31 December 2013

	EUR	%
Long-term accrued costs and deferred revenue	0	0
Liabilities for intangible long-term assets and tangible fixed assets under management	841	0.0
Surplus of revenues over expenditure in 2013	57,504	1.6
Provisions established according to the Insurance Act	3,175,640	90.8
<b>Total</b>	<b>3,233,985</b>	<b>92.4</b>

The share of own sources in the liabilities of the Agency's balance sheet amounted to 92.4%.

The surplus of revenues over expenditure in 2013 amounted to EUR 57,504. According to the second paragraph of Article 262 of the IA, part of the surplus revenue is allocated to reserves in the amount envisaged in the financial plan for 2013. The financial plan, adopted in March 2013 by the Council of Experts of the Agency and approved by the Government of the Republic of Slovenia, envisages a surplus of EUR 396,258; therefore, according to the IA, the total surplus revenue for 2013 will be allocated to reserves under group 94, which will thus disclose EUR 3,233,144.

The Report was adopted on 18 March 2014 at the 325<sup>th</sup> meeting of the Council of Experts of the Insurance Supervision Agency.

Sergej Simoniti  
President of the Council of Experts of the Agency

### Attachments:

- Attachment 1: Income statement compared to the financial plan 2013
- Attachment 2: Income statement according to the cash flow principle
- Attachment 3: Balance sheet
- Attachment 4: Income statement compared to the previous year

**Attachment 1:****Income statement of selected user** (in EUR)

	2013 1	FP 2013 2	IND 1/2
<b>A. REVENUE</b>			
1. Revenue from public funding	0	0	
2. Revenue from performance of operations (a + b)	2,575,654	3,144,402	82
a. Annual fees for exercising supervision	2,315,521	2,894,402	80
b. Fees and lump-sum fees	260,133	250,000	104
<b>I. TOTAL operating revenue (1 + 2)</b>	<b>2,575,654</b>	<b>3,144,402</b>	<b>82</b>
<b>II. Revenue from financing</b>	<b>45,223</b>	<b>60,000</b>	<b>75</b>
<b>III. Other revenue</b>	<b>0</b>	<b>0</b>	
<b>IV. Revaluation revenue</b>	<b>0</b>	<b>0</b>	
<b>TOTAL REVENUE (I + II + III + IV)</b>	<b>2,620,877</b>	<b>3,204,402</b>	<b>82</b>
<b>B. EXPENSES</b>			
<b>I. Costs of goods, material and services (1 + 2)</b>	<b>851,280</b>	<b>893,832</b>	<b>95</b>
1. Costs of material	24,989	22,450	111
2. Costs of services (a + b + c + d + e + f)	826,291	871,382	95
a. Intellectual services (education, consulting, legal, translation etc.)	34,822	46,112	76
b. Costs of business trips	137,426	198,540	69
c. Rents	304,366	267,650	114
d. Postal and telecommunication services	33,829	34,290	99
e. Session fees	59,250	61,180	97
f. Author's contracts, service contracts	1,959	7,620	26
f. Other services	254,639	255,990	99
<b>II. Labour costs (1 + 2 + 3)</b>	<b>1,669,883</b>	<b>1,795,654</b>	<b>93</b>
1. Gross salaries of employees and holiday allowances	1,380,009	1,474,818	94
2. Employer's salary contributions (including vol. suppl. pens. ins.)	225,945	250,000	90
3. Other labour costs	63,929	70,836	90
<b>III. Depreciation</b>	<b>26,262</b>	<b>30,508</b>	<b>86</b>
<b>IV. Other costs</b>	<b>4,921</b>	<b>7,850</b>	<b>63</b>
<b>V. Finance expenses</b>	<b>2,081</b>	<b>0</b>	
<b>VI. Other expenses</b>	<b>0</b>	<b>0</b>	
<b>VII. Revaluation expenses</b>	<b>8</b>	<b>0</b>	
<b>TOTAL EXPENSES (I + II + III + IV + V + VI + VII)</b>	<b>2,554,435</b>	<b>2,727,844</b>	<b>94</b>
<b>C. SURPLUS OF REVENUES OVER EXPENSES</b>	<b>66,442</b>	<b>476,558</b>	<b>14</b>
<b>D. Corporate income tax</b>	<b>8,937</b>	<b>80,300</b>	<b>11</b>
<b>E. PROFIT OR LOSS FOR THE PERIOD</b>	<b>57,505</b>	<b>396,258</b>	<b>15</b>

**Attachment 2:****Income statement according to the cash flow principle** (in EUR)

	2013	2012
<b>A. REVENUE</b>		
Revenue from sales of services from the provision of public services	2,551,028	2,656,127
Interest income	58,340	111,257
Other non-tax revenue	0	0
<b>TOTAL REVENUE</b>	<b>2,609,368</b>	<b>2,767,384</b>
<b>B. EXPENSES</b>		
Wages and salaries and other labour costs	1,446,981	1,365,106
Employer's social security contributions	226,262	221,755
Expenses for goods and services for the provision of public services	812,382	936,515
Purchase of fixed assets	21,009	57,585
<b>TOTAL EXPENSES</b>	<b>2,506,634</b>	<b>2,580,961</b>
<b>C. SURPLUS OF REVENUES OVER EXPENSES</b>	<b>102,734</b>	<b>186,422</b>

**Attachment 3:**  
**Balance sheet** (in EUR)

	2013	2012	IND
<b>A. ASSETS</b>			
<b>I. Non-current assets and assets under management (1 - 2 + 3 - 4)</b>	<b>193,197</b>	<b>101,961</b>	<b>189</b>
1. Intangible long-term assets	341,638	332,259	103
2. Accumulated amortisation of intangible long-term assets	318,967	309,575	103
3. Equipment and other tangible fixed assets	439,701	410,492	107
4. Accumulated depreciation of equipment and other tangible fixed assets	269,175	331,215	81
<b>II. Current assets and deferred items (1 + 2 + ... 7)</b>	<b>3,305,272</b>	<b>3,574,776</b>	<b>92</b>
1. Balances held with banks and other financial institutions	211,639	596,656	35
2. Short-term accounts receivable	2,919	1,107	264
3. Paid advances and warranties	98	96	102
4. Short-term investments	3,000,000	2,800,000	107
5. Short-term receivables from financing	21,987	35,585	62
6. Other short-term receivables	67,313	119,177	56
7. Deferred items	1,316	22,155	6
<b>TOTAL ASSETS</b>	<b>3,498,469</b>	<b>3,676,737</b>	<b>95</b>
<b>B. LIABILITIES</b>			
<b>I. Current liabilities and accrued items</b>	<b>264,484</b>	<b>198,676</b>	<b>133</b>
1. Short-term liabilities in relation to received advances and warranties	0	0	
2. Short-term liabilities to employees	119,479	122,559	97
3. Short-term accounts payable	122,009	51,635	236
4. Other short-term operating liabilities	22,996	24,482	94
<b>II. Own sources and non-current liabilities (1 + 2 + 3)</b>	<b>3,233,985</b>	<b>3,478,061</b>	<b>93</b>
1. Long-term accrued items			
2. Liabilities for intangible long-term assets and tangible fixed assets	841	841	100
3. Surplus of revenues over expenses (a + b + c)	3,233,144	3,477,220	93
a. Surplus of revenues over expenses in the previous years			
b. Surplus of revenues over expenses in the current year	57,504	301,581	19
c. Provisions established according to the Insurance Act	3,175,639	3,175,639	100
<b>TOTAL LIABILITIES</b>	<b>3,498,469</b>	<b>3,676,737</b>	<b>95</b>



**Attachment 4:****Income statement of selected users** (in EUR)

	2013 1	2012 2	IND 1/2
<b>A. REVENUE</b>			
1. Revenue from public funding	0	0	
2. Revenue from performance of operations (a + b)	2,575,654	2,775,312	93
a. Annual fees for exercising supervision	2,315,521	2,486,331	93
b. Fees and lump-sum fees	260,133	288,980	90
<b>I. TOTAL operating revenue (1 + 2)</b>	<b>2,575,654</b>	<b>2,775,312</b>	<b>93</b>
<b>II. Revenue from financing</b>	<b>45,223</b>	<b>88,430</b>	<b>51</b>
<b>III. Other revenue</b>	<b>0</b>	<b>0</b>	
<b>IV. Revaluation revenue</b>	<b>0</b>	<b>0</b>	
<b>TOTAL REVENUE (I + II + III + IV)</b>	<b>2,620,877</b>	<b>2,863,741</b>	<b>92</b>
<b>B. EXPENSES</b>			
I. Costs of goods, material and services (1 + 2)	851,281	841,778	101
1. Costs of material (a + b + c)	24,989	21,858	114
a. Office material	13,472	10,370	130
b. Specialised literature, newspapers, magazines	4,067	7,803	52
c. Other costs of material	7,450	3,686	202
2. Costs of services (a + b + c + d + e + f)	826,292	819,920	101
a. Intellectual services (education, consulting, legal, translation etc.)	34,822	43,139	81
b. Costs of business trips	137,426	179,732	76
c. Rents	304,366	296,052	103
d. Postal and telecommunication services	33,829	33,573	101
e. Session fees	59,250	43,102	137
f. Author's contracts, service contracts	1,959	3,331	59
g. Other services	254,639	220,990	115
<b>II. Labour costs (1 + 2 + 3)</b>	<b>1,669,883</b>	<b>1,611,519</b>	<b>104</b>
1. Gross salaries of employees and holiday allowances	1,380,009	1,309,529	105
2. Employer's salary contributions (including vol. suppl. pens. ins.)	225,945	224,465	101
3. Other labour costs	63,929	77,525	82
<b>III. Depreciation</b>	<b>26,262</b>	<b>33,664</b>	<b>78</b>
<b>IV. Other costs</b>	<b>4,921</b>	<b>7,619</b>	<b>65</b>
<b>V. Finance expenses</b>	<b>2,081</b>	<b>580</b>	<b>359</b>
<b>VI. Other expenses</b>	<b>0</b>	<b>0</b>	
<b>VII. Revaluation expenses</b>	<b>8</b>	<b>105</b>	<b>8</b>
<b>TOTAL EXPENSES (I + II + III + IV + V + VI + VII)</b>	<b>2,554,435</b>	<b>2,495,265</b>	<b>102</b>
<b>C. SURPLUS OF REVENUES OVER EXPENSES</b>	<b>66,442</b>	<b>368,476</b>	<b>18</b>
<b>D. Corporate income tax</b>	<b>8,937</b>	<b>66,895</b>	<b>13</b>
<b>E. PROFIT OR LOSS FOR THE PERIOD</b>	<b>57,504</b>	<b>301,581</b>	<b>19</b>





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