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X Međunarodni simpozijum iz osiguranja
Tržište osiguranja u poslednjoj dekadi i perspektive razvoja

Insurance Supervision In Slovenia and its challenges

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I. Short History of Insurance Supervision in Slovenia

- **First Insurance Companies Law was adopted in 1995 and the Office for Insurance Supervision within the Ministry of Finance was established;**
 - Till 1991 the market was dominated by single composite, 90 years old insurance company; in 1995 60% of Slovene insurance market held by one insurance company - monopoly
 - Underestimation of claim, mathematical and other technical provisions
 - Great discrepancies between assets and technical provisions
 - Not adequate investment policy of assets covering technical provisions



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- **Insurance Act adopted in 2000 - Insurance Supervision Agency of Slovenia established as an independent and autonomous supervisory institution**
 - fresh capital was brought into almost all insurance companies till 2003 (more than 28 recapitalisation rounds)
 - Establishment of capital adequacy in all insurance companies
 - Establishment of proper investments of assets covering technical provisions was hindered with domestic investment opportunities - requests by insurance companies to ISA for permitting the investments in EU and OECD financial markets
 - The project „Strengthening of the Insurance Supervision Agency of Slovenia“ financed by EU
 - The establishment of the postgraduate study of Insurance Finance and Actuaries at the Faculty of Economics, University of Ljubljana - also financed by EU



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- **Slovenia joined the EU in 2004**
 - cross-border operation of insurance companies & general good provisions (A: Policy Conditions and Notification of Policy Holders - Insurance contracts and general policy conditions, Notification of policy holders when concluding insurance contracts, Notification of policy holders during the period of validity of an insurance contract, Contents of general policy conditions and notifications, Terms and conditions for performing the activity of insurance agency services or brokerage, B: Compulsory Insurance In Transport, C: Supplementary Health Insurance, D: Decision on detailed contents of provisions of insurance contracts)
 - Full membership of Insurance Supervision Agency of Slovenia in Committee of European and Occupational Pensions Supervisors - CEIOPS and „today“ EIOPA (European Insurance and Occupational Pensions Authority)
 - Possibilities to actively take part in EU legislative adoption procedures - Slovenian Presidency to the EU in 2008: the adoption of the new „Solvency II Directive“ (Directive 2009/138)



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Slovene Insurance Legislative Framework

- Provisions that regulate insurance business in the Republic of Slovenia are laid down in the following acts:
 - The Insurance Act (IA)
 - The Financial Conglomerates Act (FCA)
 - The Compulsory Motor Third-Party Act (CMTLA)
 - The Health Care and Health Insurance Act (HCHIA)
 - The Insurance Contracts Tax Act
 - The Pension and Disability Insurance Act
 - The Code of Obligations
 - Other laws, prescribing general good conditions, for example protection of customers, money laundering prevention, etc.



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- Insurance Act - the basic act regulating the issues related to the establishment, operation, supervision and dissolution of insurance companies;
 - Insurance Supervision Agency is authorised to issue secondary legislative acts
 - 4 groups of the secondary legislative acts:
 - Implementing regulations laying down the detailed rules for meeting prudential standards;
 - Detailed rules for reporting;
 - Implementing regulations laying down conditions for acquiring and examining the expertise required for performing the task of a certified actuary
 - Implementing regulations that lay down detailed conditions for acquiring and examining the expertise required in order to transact the business of insurance agency and brokerage → available on www.a-zn.si



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Slovene Insurance Market and its particularities

Market Structure in 2011:

- 18 insurance companies (16 ins. co. and 2 reins. co.)
 - 3 pension companies
 - 3 branches of ins. co. of other EU MS
 - 621 ins. co. of other EU MS declared to perform ins. Business on the territory of Slovenia directly - freedom to provide services
-
- The largest market share maintained by ins.co. is app 36%, followed by ins. co. with market share of 14%
 - The combined market share of the four largest ins.co. in 2011 was app 75%
 - 2 reinsurance companies with app the same market share




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Table 1: Gross insurance premium written and market shares in 2011 (in EUR million)

Ins. co.	Non-life Insurance	%	Health Insurance	%	Life insurance	%	Total	%
Adriatic Slovenica Ins.Co.	152.8	15.0	100.2	23.4	12.7	2.5	265.7	13.6
Arag Legal insurance	2.2	0.2	/	/	/	/	2.2	0.1
ERGO Ins. Co.	/	/	/	/	3.5	0.7	3.5	0.2
Generali Ins. Co.	66.6	6.5	/	/	19.6	3.8	86.2	4.4
Grawe Ins. Co.	12.7	1.3	/	/	21.6	4.2	34.3	1.8
KD Life Ins. Co.	/	/	/	/	62.6	12.2	62.6	3.2
Merkur Ins. Co.	7.1	0.7	0.1	0.0	40.3	7.9	47.5	2.4
NLB Vita	1.7	0.2	/	/	30.1	5.9	31.8	1.6
Prva Personal Ins. Co.	0.3	0.0	0.0	0.0	29.4	5.7	29.7	1.5
SID – Prva Credit Ins. Co.	21.1	2.0	/	/	/	/	21.1	1.1
Triglav Health Ins. Co.	0.2	0.0	80.0	18.7	/	/	80.2	4.1
Maribor Ins. Co.	188.2	18.5	/	/	75.4	14.7	263.6	13.5
Tilija Ins. Co.	68.9	6.8	/	/	10.3	2.0	79.2	4.0
Triglav Ins. Co.	495.7	48.7	/	/	201.0	39.3	696.7	35.6
Vzajemna Mutual Health Ins. Co.	0.9	0.1	248.2	57.9	/	/	249.1	12.6
Total	1,018.4	100.0	428.5	100.0	512.2	100.0	1,959.1	100.0

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Table 2: Gross insurance premium written and gross claims paid in 2010 and 2011 by major insurance classes (in EUR million)

Insurance class	2010			2011		
	Gross premium written (1)	Gross claims paid (2)	Claims ratio (2/1)	Gross premium written (1)	Gross claims paid (2)	Claims ratio (2/1)
Accident	107.0	39.9	0.37	103.6	37.7	0.36
Land motor vehicle	254.4	195.2	0.77	254.7	178.9	0.70
Goods in transit	7.8	2.2	0.28	8.5	2.8	0.33
Fire an natural forces	94.1	51.6	0.55	98.0	39.2	0.40
Other damage to property	133.6	82.3	0.62	139.4	72.0	0.52
Motor vehicle liability	302.9	168.6	0.56	283.5	155.2	0.55
General liability	48.0	26.5	0.55	49.8	27.0	0.54
Credit	46.2	44.1	0.95	44.4	38.1	0.86
Other non-life	28.8	17.3	0.60	36.5	15.7	0.43
Total	1,022.8	627.7	0.61	1,018.4	566.6	0.55
Voluntary health	409.7	365.6	0.89	428.5	375.4	0.88
Life	516.0	212.8	0.41	512.2	287.8	0.59
Total	1,948.5	1,206.1	0.62	1,959.1	1,229.8	0.64

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Business performance in 2011:

- Insurance companies posted net profit in 2011 in the amount of 100 million EUR (in 2010 78 million EUR) and pension companies additional 3 million EUR
- The summary balance sheet as per 31.12.2011 attested 5,7 billion EUR, with Investments amounting of 4,3 billion EUR

Table 3: Insurance business in the EU 2009 and Slovenia 2010 - key figures

Key figures	EU (27)	SLO
Number of insurance companies	4,626	18
Number of employees	932,615	5,814
Average number of employees per company	202	323
Average premium per insurance company	210 million EUR	108 million EUR
Average premium per insurance employee	1,050,000 EUR	330,000 EUR

- All insurance companies attested capital adequacy as per 31.12.2011



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Particularities of Slovene insurance sector:

- Composite insurance companies dominates (7) - 75% of the market
- State ownership of insurance companies (60% of ins. market - both reinsurance companies are state owned)
- Slovene insurance market is dominated by 4 insurance groups with subsidiaries located in non EU countries (EU Helsinki List)
- Insurance Supervision Agency is a lead coordinator for two financial conglomerates (both are listed at Joint Committee EBA&EIOPA)



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Future Challenges of Insurance Supervision

- Implementation of the Directive 2009/138
- Prudential supervision of insurance groups
- Convergence of national financial markets & financial sectors
- Separation between prudential supervision and market conduct supervision („twin peak model“)
- Introduction of Insurance Guarantee Schemes

