

# SLOVAKIA

## Key characteristics of the insurance market



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# 1 Introduction

## 1.1 General

At the end of 2017 (2017 Q4), 15 insurance companies<sup>1</sup> in Slovakia submitted their Solvency II related reporting package to the Slovak National Supervisory Authority (NSA). These companies accounted for 0,059% of Total assets of insurance undertakings operating within the European Union (EU).

Table 1 depicts the number of Solvency II reporting submissions in Slovakia by insurance activities and the importance of the country within the EU, based on Total assets.

**Table 1 - Insurance reporting submissions**

Insurance reporting submissions	#
Life undertakings	3
Non-Life undertakings	0
Reinsurance undertakings	0
Composite undertakings	12
<b>Total</b>	<b>15</b>
<b>Total assets SK / Total assets EU %</b>	<b>0,059%</b>
<b>Ranking SK based on Total assets EU</b>	<b>21</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

## 1.2 Balance sheet

At the end of 2017 (2017 Q4), Slovakia was the number 21 country in the EU insurance market in terms of assets held with an amount of 6 614 million EUR reported under Solvency II rules.

With regards to the Assets held for index-linked and unit-linked contracts, Slovakia ranked number 21 in terms of absolute amount with 1 252 million EUR invested in this category. However, with 8,9% of Total assets of this category, Slovakia was below the EU average, i.e. 24,3% in terms of Total assets.

In terms of technical provisions, 35,7% of the total balance sheet relates to the life business (i.e. non index-linked and unit-linked business), while 13,0% represented non-life obligations.

**Table 2 - Solvency II balance sheet (S.02.01) and EU comparison (solo)**

in Mio EUR	SK			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Investments, deposits, cash and cash equivalents	4 953	20	74,9%	67,8%	67,3%	22,6%	90,1%	17,2%
Assets held for index-linked and unit-linked contracts	1 252	21	18,9%	24,2%	24,3%	2,5%	59,3%	16,2%
Other assets	408	23	6,2%	8,1%	8,4%	2,1%	19,5%	4,9%
<b>Total assets</b>	<b>6 614</b>	<b>21</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>
Technical provisions - life	2 358	18	35,7%	46,3%	32,2%	3,0%	64,2%	17,9%
Technical provisions - non-life	858	23	13,0%	6,6%	12,9%	2,4%	38,5%	9,1%
Technical provisions - index-linked and unit-linked	1 138	21	17,2%	25,1%	23,4%	2,4%	58,4%	16,0%
Other liabilities	696	19	10,5%	8,9%	9,0%	4,0%	21,3%	3,9%
<b>Total liabilities</b>	<b>5 051</b>	<b>20</b>	<b>76,4%</b>	<b>86,9%</b>	<b>77,6%</b>	<b>49,1%</b>	<b>92,7%</b>	<b>11,1%</b>
Excess of assets over liabilities	1 563	22	23,6%	13,1%	22,4%	7,3%	50,9%	11,1%
<b>Total liabilities + Excess of assets over liabilities</b>	<b>6 614</b>	<b>21</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

<sup>1</sup> In the report, the term 'insurance companies' indicates both direct insurance and reinsurance companies. The insurance market therefore also refers to insurers and reinsurers.



The balance sheet item Investments, deposits, cash and cash equivalents will be further detailed in section 2, while section 3 will focus on Assets held for index-linked and unit-linked contracts.

### 1.3 Solvency II ratios

At the end of 2017 (2017 Q4), the Slovak insurance market as a whole had available own funds that were more than double the Solvency Capital Requirement (SCR) levels required by the European Solvency II Directive. The reported SCR ratio amounted to 201% with long-term guarantee (LTG) and transitional measures and is significantly below the EU, which amounted to 237% at year-end 2017. Out of the 28 EU Member States, Slovakia is ranked at the 18<sup>th</sup> position in terms of the reported SCR ratios.

**Table 3 - Solvency II own funds and SCR (S.23.01) and EU comparison (solo)**

in Mio EUR	SK		EU				
	Amount	Rank	%	Avg	Min	Max	StD
Total available own funds to meet the SCR	1 341	24	-	-	-	-	-
SCR	667	21	-	-	-	-	-
<b>Surplus available own funds</b>	<b>675</b>	<b>24</b>	-	-	-	-	-
<b>Ratio of Eligible own funds to SCR</b>	<b>201%</b>	<b>18</b>	<b>237%</b>	<b>225%</b>	<b>135%</b>	<b>361%</b>	<b>52%</b>
Ratio of Eligible own funds to SCR (10th percentile)	141%	10	136%	138%	110%	193%	19%
Ratio of Eligible own funds to SCR (25th percentile)	154%	15	162%	164%	128%	214%	24%
Ratio of Eligible own funds to SCR (50th percentile)	193%	16	215%	208%	144%	300%	37%
Ratio of Eligible own funds to SCR (75th percentile)	237%	21	306%	280%	164%	445%	59%
Ratio of Eligible own funds to SCR (90th percentile)	256%	27	457%	396%	173%	643%	99%
<b>Ratio of Eligible own funds to MCR</b>	<b>519%</b>	<b>19</b>	<b>640%</b>	<b>613%</b>	<b>282%</b>	<b>933%</b>	<b>170%</b>

Source: EIOPA statistics and Deloitte-CEPS analysis

EIOPA's report on long-term guarantees measures and measures on equity risk published on 18 December 2018 mentions the average impact of the use of LTG and transitional measures. According to that report, at year-end 2017, Slovak participants reported an SCR ratio of 196% including the application of LTGs and transitionals. Removing the measures caused a negligible decrease of the SCR ratio to 195%.<sup>2</sup>

<sup>2</sup> [https://eiopa.europa.eu/Publications/Reports/2018-12-18%20\\_LTG%20AnnualReport2018.pdf](https://eiopa.europa.eu/Publications/Reports/2018-12-18%20_LTG%20AnnualReport2018.pdf)

## 2 Investments, deposits, cash and cash equivalents

### 2.1 Scope

The asset allocation of Slovak insurance undertakings is mainly analysed through the reported Solvency II Exposure List (S.06.02). The classification of the Solvency II Balance Sheet (S.02.01) follows the legal nature of the assets in terms of classification, which can differ, from the exposures reporting.

Based upon the comparative view below, we note that amounts reported in the Solvency II Exposure List (S.06.02) and Solvency II Balance Sheet (S.02.01) differ<sup>3</sup> very slightly. In terms of allocation in percentage, we note a small shift from Deposits towards Cash and cash equivalents, when going from Solvency II Balance Sheet to the Exposure list.

**Table 4 - Solvency II balance sheet (S.02.01) and Solvency I exposure list (S.06.02) comparison**

in number	Exposure list SK		Solvency II balance sheet SK		Difference
	#	%	#	%	#
Life undertakings	3	20,0%	3	20,0%	0
Non-Life undertakings	0	0,0%	0	0,0%	0
Reinsurance undertakings	0	0,0%	0	0,0%	0
Undertakings pursuing both life and non-life insurance activity	12	80,0%	12	80,0%	0
<b>Total</b>	<b>15</b>	<b>100,0%</b>	<b>15</b>	<b>100,0%</b>	<b>0</b>

in Mio EUR	Exposure list SK		Solvency II balance sheet SK		Difference
	Amount	%	Amount	%	%
Holdings in related undertakings, incl. participations and equities	201	4,1%	200	4,0%	0,0%
Holdings in related undertakings, including participations	n/a	n/a	197	4,0%	n/a
Equities	n/a	n/a	3	0,1%	n/a
Equities - listed	n/a	n/a	2	0,0%	n/a
Equities - unlisted	n/a	n/a	2	0,0%	n/a
Collective Investments Undertakings	306	6,2%	306	6,2%	0,0%
Bonds	3 889	78,5%	3 889	78,5%	0,0%
Loans and mortgages	64	1,3%	64	1,3%	0,0%
Property	213	4,3%	213	4,3%	0,0%
Deposits	85	1,7%	88	1,8%	-0,1%
Cash and cash equivalents	197	4,0%	194	3,9%	0,1%
Other investments	0	0,0%	0	0,0%	0,0%
<b>Total</b>	<b>4 954</b>	<b>100,0%</b>	<b>4 953</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

#### 2.1.1 Listed and unlisted equity

The distinction between listed and unlisted equity is made based upon the reported Solvency II Balance Sheet (S.02.01). Table 5 compares the listed and unlisted equity, whereby Holdings in related undertakings (including participations) are excluded.

**Table 5 - Listed and unlisted equity exposure based upon Solvency II balance sheet (S.02.01)**

in Mio EUR	SK			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equities - listed	2	26	54,5%	83,7%	75,0%	12,8%	99,6%	21,1%
Equities - unlisted	2	26	45,5%	16,3%	25,0%	0,4%	87,0%	21,1%
<b>Total equities</b>	<b>3</b>	<b>26</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

<sup>3</sup> Some companies reporting under Solvency II are exempted from reporting the Solvency II Exposure List. The decision to exempt certain companies from particular reporting obligations lies with individual National Competent Authorities.



Based upon the quarterly reporting as of Q4 2017, Slovak insurers invested 54,5% of their directly-held equity positions in listed shares in comparison to an average of 75,0% in the EU. With an amount of 2 million EUR, Slovakia ranked number 26 in the EU.

With an invested amount of 2 million EUR, unlisted equity constituted a significant portion of the equity investment category of the directly-held equity investments, i.e. 45,5%. This placed Slovakia as the number 26 in the EU.

## 2.2 Asset exposure

From an asset exposure perspective, the insurance market in Slovakia mainly invested in Government bonds and Corporate bonds (in total 78,3% of Total Investments, deposits, cash and cash equivalents), Collective Investment Undertakings (6,2%), and Property (4,3%).

Within the bond categories, the insurance market was not equally exposed to government securities (47,0%) and corporate debt (31,3%), categories for which Slovakia ranked number 20 and number 18 in the EU, respectively. Comparing the different assets classes, we note that the government bonds asset class shows the highest standard deviation of 18,9%.

The category of Collective Investment Undertakings was the third most important for the Slovak insurance market in terms of asset exposures. Within this category, the industry was mainly exposed to Debt funds, Equity funds, and Asset allocation funds for which Slovakia ranked respectively number 23, number 21, and number 17 in the EU.

Equity was the fifth category to which the Slovak insurers had the most exposure. Equity of real estate related corporation constitutes 3,7% within the 4,1% of the total equity exposure.

**Table 6 - Asset exposures based upon Solvency II exposure list (S.06.02)**

in Mio EUR	SK			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Equity</b>	<b>201</b>	<b>25</b>	<b>4,1%</b>	<b>12,0%</b>	<b>9,5%</b>	<b>1,1%</b>	<b>28,1%</b>	<b>6,5%</b>
Common equity	182	24	3,7%	10,4%	7,8%	1,0%	22,5%	6,0%
Equity of real estate related corporation	19	22	0,4%	1,0%	1,1%	0,0%	4,0%	1,2%
Other equity	0	-	0,0%	0,6%	0,6%	0,0%	2,0%	0,7%
<b>Collective Investment Undertakings</b>	<b>306</b>	<b>23</b>	<b>6,2%</b>	<b>19,2%</b>	<b>12,8%</b>	<b>1,5%</b>	<b>41,6%</b>	<b>9,3%</b>
Equity funds	89	21	1,8%	3,2%	2,7%	0,4%	10,9%	2,4%
Private equity funds	0	-	0,0%	0,5%	0,5%	0,0%	6,9%	1,3%
Debt funds	124	23	2,5%	7,8%	5,6%	0,8%	18,0%	4,9%
Money market funds	31	19	0,6%	2,3%	1,1%	0,0%	6,3%	1,6%
Asset allocation funds	52	17	1,0%	1,1%	0,8%	0,0%	3,9%	1,0%
Real estate funds	6	19	0,1%	1,6%	0,8%	0,0%	3,3%	0,9%
Alternative funds	2	21	0,0%	0,4%	0,3%	0,0%	3,1%	0,6%
Infrastructure funds	0	-	0,0%	0,2%	0,1%	0,0%	0,9%	0,2%
Other	2	22	0,0%	2,0%	0,9%	0,0%	7,2%	1,7%
<b>Government bonds</b>	<b>2 330</b>	<b>20</b>	<b>47,0%</b>	<b>28,7%</b>	<b>39,7%</b>	<b>10,0%</b>	<b>77,0%</b>	<b>18,9%</b>
<b>Corporate bonds</b>	<b>1 552</b>	<b>18</b>	<b>31,3%</b>	<b>26,9%</b>	<b>21,6%</b>	<b>1,8%</b>	<b>47,3%</b>	<b>11,2%</b>
<b>Structured notes</b>	<b>7</b>	<b>21</b>	<b>0,1%</b>	<b>1,3%</b>	<b>0,5%</b>	<b>0,0%</b>	<b>2,5%</b>	<b>0,6%</b>
<b>Collateralized securities</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>0,6%</b>	<b>0,6%</b>	<b>0,0%</b>	<b>9,3%</b>	<b>1,8%</b>
<b>Mortgages and loans</b>	<b>64</b>	<b>21</b>	<b>1,3%</b>	<b>4,8%</b>	<b>3,8%</b>	<b>0,3%</b>	<b>26,3%</b>	<b>5,2%</b>
<b>Property</b>	<b>213</b>	<b>19</b>	<b>4,3%</b>	<b>2,0%</b>	<b>3,5%</b>	<b>0,8%</b>	<b>11,6%</b>	<b>2,6%</b>
<b>Deposits</b>	<b>85</b>	<b>23</b>	<b>1,7%</b>	<b>2,8%</b>	<b>3,6%</b>	<b>0,2%</b>	<b>16,6%</b>	<b>3,6%</b>
<b>Cash and cash equivalents</b>	<b>197</b>	<b>20</b>	<b>4,0%</b>	<b>1,4%</b>	<b>4,3%</b>	<b>0,5%</b>	<b>16,6%</b>	<b>3,5%</b>
<b>Other investments</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>0,1%</b>	<b>0,1%</b>	<b>0,0%</b>	<b>0,9%</b>	<b>0,3%</b>
<b>Not reported</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,3%</b>	<b>0,1%</b>
<b>Total Investments, deposits, cash and cash equivalents</b>	<b>4 954</b>	<b>20</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis



### 2.2.1 Asset exposures between Life, Non-Life and Composite insurance undertakings, and reinsurers

Table 7, based upon the Asset Exposure reporting (S.06.02) of Q4 2017, gives further insight into the investment behaviour of Life, Non-Life and Composite insurance companies, and reinsurers.

**Table 7 - Asset exposure based upon Solvency II exposure list (S.06.02) for Life, Non-Life and Composite insurance undertakings, and reinsurers**

in %	SK			EU		
	Life	Non-life	Composite and reinsurance	Life	Non-life	Composite and reinsurance
<b>Equity</b>	<b>17,8%</b>	-	<b>3,1%</b>	<b>6,6%</b>	<b>18,3%</b>	<b>16,5%</b>
Common equity	17,7%	-	2,7%	5,0%	16,2%	14,9%
Equity of real estate related corporation	0,0%	-	0,4%	1,0%	0,8%	1,2%
Other equity	0,0%	-	0,0%	0,6%	1,3%	0,4%
<b>Collective Investment Undertakings</b>	<b>9,5%</b>	-	<b>5,9%</b>	<b>22,4%</b>	<b>22,3%</b>	<b>13,8%</b>
Equity funds	0,0%	-	1,9%	3,7%	2,9%	2,7%
Private equity funds	0,0%	-	0,0%	0,5%	0,5%	0,5%
Debt funds	9,5%	-	2,0%	9,7%	9,7%	4,7%
Money market funds	0,0%	-	0,7%	2,8%	1,4%	2,0%
Asset allocation funds	0,0%	-	1,1%	1,3%	1,2%	0,9%
Real estate funds	0,0%	-	0,1%	1,6%	1,8%	1,4%
Alternative funds	0,0%	-	0,0%	0,3%	0,3%	0,5%
Infrastructure funds	0,0%	-	0,0%	0,2%	0,2%	0,3%
Other	0,0%	-	0,0%	2,3%	4,3%	0,8%
<b>Government bonds</b>	<b>55,4%</b>	-	<b>46,5%</b>	<b>28,1%</b>	<b>19,1%</b>	<b>33,4%</b>
<b>Corporate bonds</b>	<b>5,7%</b>	-	<b>33,1%</b>	<b>29,2%</b>	<b>29,3%</b>	<b>22,9%</b>
<b>Structured notes</b>	<b>0,0%</b>	-	<b>0,2%</b>	<b>1,4%</b>	<b>0,6%</b>	<b>1,5%</b>
<b>Collateralized securities</b>	<b>0,0%</b>	-	<b>0,0%</b>	<b>0,8%</b>	<b>0,6%</b>	<b>0,5%</b>
<b>Mortgages and loans</b>	<b>0,0%</b>	-	<b>1,4%</b>	<b>7,4%</b>	<b>3,2%</b>	<b>2,3%</b>
<b>Property</b>	<b>0,2%</b>	-	<b>4,6%</b>	<b>2,0%</b>	<b>2,5%</b>	<b>1,7%</b>
<b>Deposits</b>	<b>2,0%</b>	-	<b>1,8%</b>	<b>0,8%</b>	<b>1,6%</b>	<b>5,8%</b>
<b>Cash and cash equivalents</b>	<b>9,6%</b>	-	<b>3,5%</b>	<b>1,0%</b>	<b>2,5%</b>	<b>1,4%</b>
<b>Other investments</b>	<b>0,0%</b>	-	<b>0,0%</b>	<b>0,2%</b>	<b>0,0%</b>	<b>0,1%</b>
<b>Not reported</b>	<b>0,0%</b>	-	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>
<b>Total Investments, deposits, cash and cash equivalents</b>	<b>100,0%</b>	-	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

At EU level Non-Life insurers invested a significantly higher portion of their Investments in Equity (18,3% equity investments) in comparison to pure Life insurers (6,6% equity investments). In Slovakia this difference was not apparent, and we note that Life insurers invested 5 times more of their assets into this category than their composite counterparts. As no Slovak Non-Life insurance data is available, no numbers are reported for Non-Life in the table above.

On the other hand, at EU level, pure Life insurers and also Composite insurers allocated a larger share of their investments to government bonds as compared to Non-Life insurers. There is a contrast in behaviour between Slovak Life insurers and their counterpart at EU level with regard to the corporate bonds. Slovak Life insurers reported 5,7% of their investments in this category, in sharp contrast to the EU level which amounted to 29,2%.

## 2.3 Equity exposure

Based upon the information included in the Solvency II Exposure List (S.06.02) and Balance Sheet (S.02.01), equity exposures can be calculated and presented in different ways:

- Equity exposure as the sum of Equity (Common equity, Equity of real estate related corporation and Other equity), Equity and Private equity funds, and Equity risk included in structured notes;
- Equity of real estate related corporation could be seen as a property exposure. Therefore equity exposures are presented including and excluding Equity of real estate related corporation;
- The equity amounts of the Solvency II Exposure List does not provide further details whether the equity exposures relate to listed or unlisted equity positions. In addition, the Solvency II Exposure List does not mention whether the equity relates to Holdings in related undertakings, including participations;
- Therefore, the listed and unlisted share amounts reported in the Solvency II Balance Sheet are considered and integrated as an equity exposure indicator. A rescaling is performed in case a difference is noted between the two Solvency II information sets (Exposure List versus Balance Sheet). The adjusted equity exposure stemming from this analysis excludes the Equity exposure coming from Holdings in related undertakings, including participations. These holdings can potentially be important within insurance groups.

**Table 8 - Equity exposure based upon Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02)**

in Mio EUR	SK			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Equity</b>	<b>201</b>	<b>25</b>	<b>4,1%</b>	<b>12,0%</b>	<b>9,5%</b>	<b>1,1%</b>	<b>28,1%</b>	<b>6,5%</b>
Common equity	182	24	3,7%	10,4%	7,8%	1,0%	22,5%	6,0%
Equity of real estate related corporation	19	22	0,4%	1,0%	1,1%	0,0%	4,0%	1,2%
Other equity	0	-	0,0%	0,6%	0,6%	0,0%	2,0%	0,7%
<b>Collective Investment Undertakings - Equity funds</b>	<b>89</b>	<b>23</b>	<b>1,8%</b>	<b>3,8%</b>	<b>3,2%</b>	<b>0,4%</b>	<b>14,7%</b>	<b>3,5%</b>
Equity funds	89	21	1,8%	3,2%	2,7%	0,4%	10,9%	2,4%
Private equity funds	0	-	0,0%	0,5%	0,5%	0,0%	6,9%	1,3%
<b>Structured notes - Equity risk</b>	<b>1</b>	<b>19</b>	<b>0,0%</b>	<b>0,2%</b>	<b>0,1%</b>	<b>0,0%</b>	<b>0,6%</b>	<b>0,1%</b>
<b>Total Equity exposure</b>	<b>292</b>	<b>24</b>	<b>5,9%</b>	<b>16,0%</b>	<b>12,7%</b>	<b>2,5%</b>	<b>37,4%</b>	<b>8,4%</b>
<b>Equity without Equity of real estate related corporation</b>	<b>182</b>	<b>24</b>	<b>3,7%</b>	<b>11,0%</b>	<b>8,4%</b>	<b>1,1%</b>	<b>24,1%</b>	<b>6,1%</b>
<b>Equity exposure without Equity of real estate related corporation</b>	<b>272</b>	<b>22</b>	<b>5,5%</b>	<b>15,0%</b>	<b>11,7%</b>	<b>2,4%</b>	<b>33,3%</b>	<b>7,9%</b>
<b>Equities market value balance sheet (rescaled to CIC scope)</b>	<b>3</b>	<b>26</b>	<b>0,1%</b>	<b>3,6%</b>	<b>3,2%</b>	<b>0,1%</b>	<b>20,6%</b>	<b>4,0%</b>
Equities - listed (rescaled to CIC scope)	2	26	0,0%	3,0%	2,6%	0,0%	15,4%	3,2%
Equities - unlisted (rescaled to CIC scope)	2	26	0,0%	0,6%	0,6%	0,0%	5,2%	1,0%
<b>Equity exposure based upon (Un)Listed equities (rescaled)</b>	<b>94</b>	<b>24</b>	<b>1,9%</b>	<b>7,6%</b>	<b>6,5%</b>	<b>1,2%</b>	<b>29,8%</b>	<b>6,7%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The observed standard deviations at EU level are relatively high given the asset allocation in percentage between the different asset classes at EU level.

In Slovakia, we note that equity exposures coming from Collective Investment Undertakings amount to 1,8% and are higher than the listed and unlisted equity exposures which in total amount to 0,1%. Hereby the listed and unlisted equities in Slovakia are not similar to the asset allocation at EU level.



### 2.3.1 Direct and indirect equity exposure

**Table 9 - Direct and indirect equity exposure based upon Solvency II exposure list (S.06.02)**

in Mio EUR	SK			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Direct equity</b>	<b>201</b>	<b>25</b>	<b>69,0%</b>	<b>75,2%</b>	<b>73,4%</b>	<b>39,2%</b>	<b>94,5%</b>	<b>15,9%</b>
Common equity	182	24	62,4%	64,8%	59,4%	28,6%	93,3%	19,0%
Equity of real estate related corporation	19	22	6,6%	6,4%	8,4%	0,0%	39,1%	9,6%
Other equity	0	-	0,0%	3,9%	5,7%	0,0%	35,3%	8,8%
<b>Indirect equity</b>	<b>90</b>	<b>21</b>	<b>31,0%</b>	<b>24,8%</b>	<b>26,6%</b>	<b>5,5%</b>	<b>60,8%</b>	<b>15,9%</b>
Collective Investment Undertakings - Equity funds	89	21	30,5%	23,6%	25,9%	4,6%	60,6%	15,7%
Equity funds	89	21	30,5%	20,2%	22,8%	4,6%	52,9%	13,4%
Private equity funds	0	-	0,0%	3,3%	3,1%	0,0%	28,4%	5,7%
Structured notes - Equity risk	1	19	0,4%	1,3%	0,7%	0,0%	4,0%	1,0%
<b>Total Equity exposure</b>	<b>292</b>	<b>24</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In 2017 Q4, the insurance market in Slovakia was invested twice as much in Direct equity (69,0% of Total equity) than in Indirect equity (31,0% of Total equity).

In terms of direct equity exposure, Slovakia ranked number 24 and number 22 in the EU, with regards respectively to the exposure amount to Common equity and Equity of real estate related corporation.

Within the Indirect equity category, Equity funds constituted the bulk of investments with 30,5% of Total equity.

### 2.3.2 Equity by location

**Table 10 - Equity exposure by location based upon Solvency II exposure list (S.06.02)**

in Mio EUR	SK			
	EU home	EU other	outside EU (1)	Total
<b>Equity</b>	<b>160</b>	<b>41</b>	<b>0</b>	<b>201</b>
Common equity	160	22	0	182
Equity of real estate related corporation	0	19	0	19
Other	0	0	0	0
<b>Collective Investment Undertakings - Equity funds</b>	<b>21</b>	<b>63</b>	<b>5</b>	<b>89</b>
Equity funds	21	63	5	89
Private equity funds	0	0	0	0
<b>Structured notes - Equity risk</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>Total Equity exposure</b>	<b>181</b>	<b>105</b>	<b>5</b>	<b>292</b>

in %	SK			
	EU home	EU other	outside EU (1)	Total
<b>Equity</b>	<b>79,5%</b>	<b>20,4%</b>	<b>0,0%</b>	<b>100,0%</b>
Common equity	87,9%	12,1%	0,0%	100,0%
Equity of real estate related corporation	0,0%	99,6%	0,4%	100,0%
Other	100,0%	0,0%	0,0%	100,0%
<b>Collective Investment Undertakings - Equity funds</b>	<b>23,6%</b>	<b>70,9%</b>	<b>5,5%</b>	<b>100,0%</b>
Equity funds	23,6%	70,9%	5,5%	100,0%
Private equity funds	-	-	-	-
<b>Structured notes - Equity risk</b>	<b>0,0%</b>	<b>100,0%</b>	<b>0,0%</b>	<b>100,0%</b>
<b>Total Equity exposure</b>	<b>62,1%</b>	<b>36,2%</b>	<b>1,7%</b>	<b>100,0%</b>

(1) The following countries are included in the class 'outside EU': IS, LI, NO, AU, CA, JP, US, CH and countries grouped under the caption 'Rest of World'. In addition some investments are not assigned to an individual country and are also included in this class.

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis





Based upon the Q4 2017 reporting with regards to the location of equity investments, insurers established in Slovakia favoured domestic investments to a large extent, dedicating to these 79,5% of their direct equity investments, and 23,6% of their indirect investments.

Table 10 also showed that besides the home market, Slovakia insurers invested significantly more in equity of other EU Member States than that of non-EU Member States. Czech Republic, the Netherlands and Austria were the preferred destinations.

**Table 11 - Direct equity exposure by location based upon Solvency II exposure list (S.06.02)**

in Mio EUR	SK	
	Amount	%
<b>Home country</b>	<b>160</b>	<b>79,5%</b>
SK	160	79,5%
<b>Top 5 countries (outside home country)</b>	<b>41</b>	<b>20,4%</b>
CZ	39	19,4%
NL	1	0,4%
AT	1	0,3%
HU	0	0,2%
PL	0	0,1%
<b>Home + Top 5 countries (outside home country)</b>	<b>201</b>	<b>100,0%</b>
<b>Total Direct equity exposure (with real estate corporation)</b>	<b>201</b>	<b>100,0%</b>

in Mio EUR	SK	
	Amount	%
<b>Home country</b>	<b>160</b>	<b>87,9%</b>
SK	160	87,9%
<b>Top 5 countries (outside home country)</b>	<b>22</b>	<b>12,1%</b>
CZ	20	11,0%
NL	1	0,5%
AT	0	0,2%
HU	0	0,2%
PL	0	0,1%
<b>Home + Top 5 countries (outside home country)</b>	<b>182</b>	<b>100,0%</b>
<b>Total Direct equity exposure (without real estate corporation)</b>	<b>182</b>	<b>100,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

### 3 Index-linked and unit-linked investments

#### 3.1 Scope

Based upon the comparative view below, we note no difference with respect to the Assets held for index-linked and unit-linked contracts reported in the Solvency II Exposure List (S.06.02) and Solvency II Balance Sheet (S.02.01).

**Table 12 - Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02) comparison**

in number	Exposure list SK		Solvency II balance sheet SK		Difference
	#	%	#	%	#
Life undertakings	3	20,0%	3	20,0%	0
Non-Life undertakings	0	0,0%	0	0,0%	0
Reinsurance undertakings	0	0,0%	0	0,0%	0
Undertakings pursuing both life and non-life insurance activity	12	80,0%	12	80,0%	0
<b>Total</b>	<b>15</b>	<b>100,0%</b>	<b>15</b>	<b>100,0%</b>	<b>0</b>

in Mio EUR	Exposure list SK		Solvency II balance sheet SK		Difference
	Amount	%	Amount	%	%
Assets held for index-linked and unit-linked contracts	1 252	100,0%	1 252	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

#### 3.2 Asset exposure

Table 13 depicts a more detailed view of the Assets held for index-linked and unit-linked contracts, based upon the Solvency II exposure list (S.06.02).

**Table 13 - Asset exposure based upon Solvency II exposure list (S.06.02)**

in Mio EUR	SK			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Equity</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>19,3%</b>	<b>4,5%</b>	<b>0,0%</b>	<b>30,1%</b>	<b>7,1%</b>
Common equity	0	-	0,0%	18,0%	3,9%	0,0%	28,8%	6,3%
Equity of real estate related corporation	0	-	0,0%	0,8%	0,3%	0,0%	1,5%	0,5%
Other equity	0	-	0,0%	0,4%	0,3%	0,0%	4,1%	0,9%
<b>Collective Investment Undertakings</b>	<b>1 020</b>	<b>20</b>	<b>81,5%</b>	<b>63,2%</b>	<b>73,1%</b>	<b>30,1%</b>	<b>97,5%</b>	<b>16,3%</b>
Equity funds	423	20	33,8%	26,5%	29,2%	11,2%	57,5%	10,5%
Private equity funds	0	-	0,0%	0,1%	0,2%	0,0%	2,9%	0,6%
Debt funds	276	21	22,0%	12,1%	19,0%	4,8%	47,5%	11,4%
Money market funds	18	21	1,4%	2,2%	1,7%	0,0%	7,5%	1,8%
Asset allocation funds	178	18	14,2%	14,8%	13,1%	0,4%	30,5%	7,7%
Real estate funds	9	16	0,7%	1,4%	0,6%	0,0%	6,2%	1,2%
Alternative funds	7	24	0,6%	1,6%	2,4%	0,0%	16,3%	3,8%
Infrastructure funds	0	-	0,0%	0,0%	0,1%	0,0%	2,4%	0,5%
Other	109	16	8,7%	4,6%	6,9%	0,0%	44,3%	10,0%
<b>Government bonds</b>	<b>9</b>	<b>23</b>	<b>0,7%</b>	<b>6,4%</b>	<b>6,9%</b>	<b>0,0%</b>	<b>31,4%</b>	<b>8,4%</b>
<b>Corporate bonds</b>	<b>130</b>	<b>19</b>	<b>10,4%</b>	<b>3,9%</b>	<b>6,0%</b>	<b>0,0%</b>	<b>22,7%</b>	<b>6,9%</b>
<b>Structured notes</b>	<b>84</b>	<b>17</b>	<b>6,7%</b>	<b>1,6%</b>	<b>4,1%</b>	<b>0,0%</b>	<b>18,9%</b>	<b>4,9%</b>
<b>Collateralised securities</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>0,1%</b>	<b>0,1%</b>	<b>0,0%</b>	<b>0,9%</b>	<b>0,2%</b>
<b>Mortgages and loans</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>0,2%</b>	<b>0,2%</b>	<b>-3,7%</b>	<b>2,5%</b>	<b>1,0%</b>
<b>Property</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>1,3%</b>	<b>0,6%</b>	<b>0,0%</b>	<b>7,6%</b>	<b>1,5%</b>
<b>Deposits</b>	<b>3</b>	<b>19</b>	<b>0,3%</b>	<b>1,2%</b>	<b>2,0%</b>	<b>-0,3%</b>	<b>14,5%</b>	<b>3,3%</b>
<b>Cash and cash equivalents</b>	<b>5</b>	<b>23</b>	<b>0,4%</b>	<b>1,2%</b>	<b>2,2%</b>	<b>0,0%</b>	<b>8,5%</b>	<b>2,5%</b>
<b>Other investments</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>0,4%</b>	<b>0,3%</b>	<b>0,0%</b>	<b>8,1%</b>	<b>1,5%</b>
<b>Not reported</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>1,2%</b>	<b>0,1%</b>	<b>0,0%</b>	<b>2,3%</b>	<b>0,4%</b>
<b>Total Investments, deposits, cash and cash equivalents</b>	<b>1 252</b>	<b>21</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The Collective Investment Undertakings (81,5%) and the Corporate bonds (10,4%) represent the most important asset classes of the index-linked and unit-linked investments. Overall, we note a significantly different asset exposure allocation in comparison to the

asset exposure for non index-linked and unit-linked investments. Hereby we refer to section 2 for further details.

Relatively to the EU average, we observe a significant large difference between the portion of index-linked and unit-linked related assets that were invested in Direct equity, 0,0% in Slovakia compared to 4,5% in the EU.

### 3.3 Equity exposure

The Solvency II balance sheet (S.02.01) does not include a further split in different asset classes for the Assets held for index-linked and unit-linked contracts. Hence the rescaling exercise as presented in section 2 cannot be performed here.

**Table 14 - Equity exposure based upon Solvency II exposure list (S.06.02)**

in Mio EUR	SK			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Equity</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>19,3%</b>	<b>4,5%</b>	<b>0,0%</b>	<b>30,1%</b>	<b>7,1%</b>
Common equity	0	-	0,0%	18,0%	3,9%	0,0%	28,8%	6,3%
Equity of real estate related corporation	0	-	0,0%	0,8%	0,3%	0,0%	1,5%	0,5%
Other equity	0	-	0,0%	0,4%	0,3%	0,0%	4,1%	0,9%
<b>Collective Investment Undertakings - Equity funds</b>	<b>423</b>	<b>20</b>	<b>33,8%</b>	<b>26,5%</b>	<b>29,3%</b>	<b>11,2%</b>	<b>57,5%</b>	<b>10,4%</b>
Equity funds	423	20	33,8%	26,5%	29,2%	11,2%	57,5%	10,5%
Private equity funds	0	-	0,0%	0,1%	0,2%	0,0%	2,9%	0,6%
<b>Structured notes - Equity risk</b>	<b>62</b>	<b>14</b>	<b>4,9%</b>	<b>1,2%</b>	<b>2,7%</b>	<b>0,0%</b>	<b>15,0%</b>	<b>3,5%</b>
<b>Total Equity exposure</b>	<b>485</b>	<b>20</b>	<b>38,7%</b>	<b>47,1%</b>	<b>36,5%</b>	<b>11,7%</b>	<b>58,6%</b>	<b>10,9%</b>
<b>Equity without Equity of real estate related corporation</b>	<b>0</b>	<b>24</b>	<b>0,0%</b>	<b>16,0%</b>	<b>4,2%</b>	<b>0,0%</b>	<b>29,2%</b>	<b>6,8%</b>
<b>Equity exposure without Equity of real estate related corporation</b>	<b>485</b>	<b>20</b>	<b>38,7%</b>	<b>40,0%</b>	<b>36,2%</b>	<b>11,7%</b>	<b>58,6%</b>	<b>10,8%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In Slovakia, we note that total equity exposures related to index-linked and unit-linked contracts (38,7%) are significantly higher in comparison to non index-linked and unit-linked contracts (31,0%). Equity funds are the main contributors to the total equity exposures.

#### 3.3.1 Direct and indirect equity exposure

**Table 15 - Direct and indirect equity exposure based upon Solvency II exposure list (S.06.02)**

in Mio EUR	SK			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Direct equity</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>38,3%</b>	<b>11,1%</b>	<b>0,0%</b>	<b>54,2%</b>	<b>15,2%</b>
Common equity	0	-	0,0%	35,4%	9,6%	0,0%	51,8%	13,2%
Equity of real estate related corporation	0	-	0,0%	1,7%	0,7%	0,0%	4,0%	1,1%
Other equity	0	-	0,0%	1,3%	0,8%	0,0%	9,7%	2,2%
<b>Indirect equity</b>	<b>485</b>	<b>20</b>	<b>100,0%</b>	<b>61,7%</b>	<b>88,9%</b>	<b>45,8%</b>	<b>100,0%</b>	<b>15,2%</b>
Collective Investment Undertakings - Equity funds	423	20	87,3%	59,1%	81,5%	45,7%	100,0%	15,5%
Equity funds	423	20	87,3%	58,6%	81,0%	44,9%	100,0%	16,0%
Private equity funds	0	-	0,0%	0,5%	0,5%	0,0%	6,9%	1,4%
Structured notes - Equity risk	62	14	12,7%	2,6%	7,4%	0,0%	35,8%	9,6%
<b>Total Equity exposure</b>	<b>485</b>	<b>20</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In 2017 Q4, Slovak insurers invested all of their Assets held for index and unit-linked contracts in Indirect equity (100,0% of Total equity).

In terms of direct equity exposure, Slovakia does not have a ranking for Common equity or Equity of real estate related corporation since no investments are made in this class.



Within the Indirect equity category, Equity funds constituted the bulk of investments, amounting to 87,3% of Total equity whereas allocation to Private equity funds were inexistent.

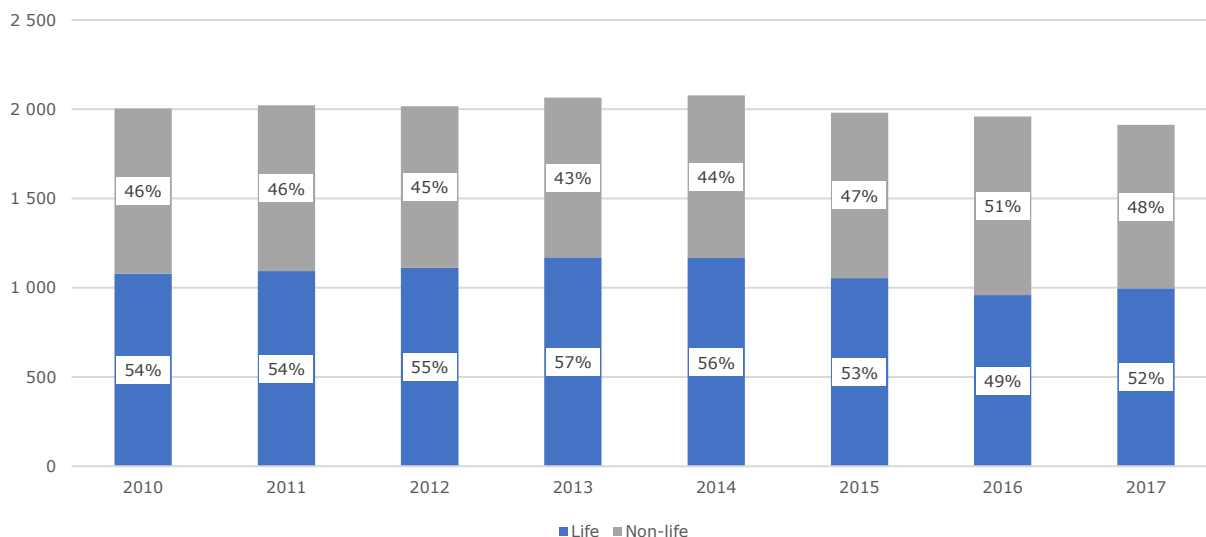
## 4 Insurance products

### 4.1 Overview

This section covers the most important insurance products offered in Slovakia and the volume of the market. Data reported in this section is obtained from the National Bank of Slovakia (NBS).<sup>4</sup>

Slovakian insurance companies, for third year in a row, recorded a fall in total gross written premiums by 2,4% to 1 912 million EUR, in 2017. Since 2014, when premiums stood at 2 077 million EUR, the market lost nearly 8% of its income. Looking at the composition of the income, the market is well balanced between life and non-life business. In particular, at end-2017, 52% or 996 million EUR of total premiums were due to life insurance products, while the remaining 48% or 916 million was disclosed in the non-life insurance group.

**Graph 1 – Gross written premiums (in million EUR)**



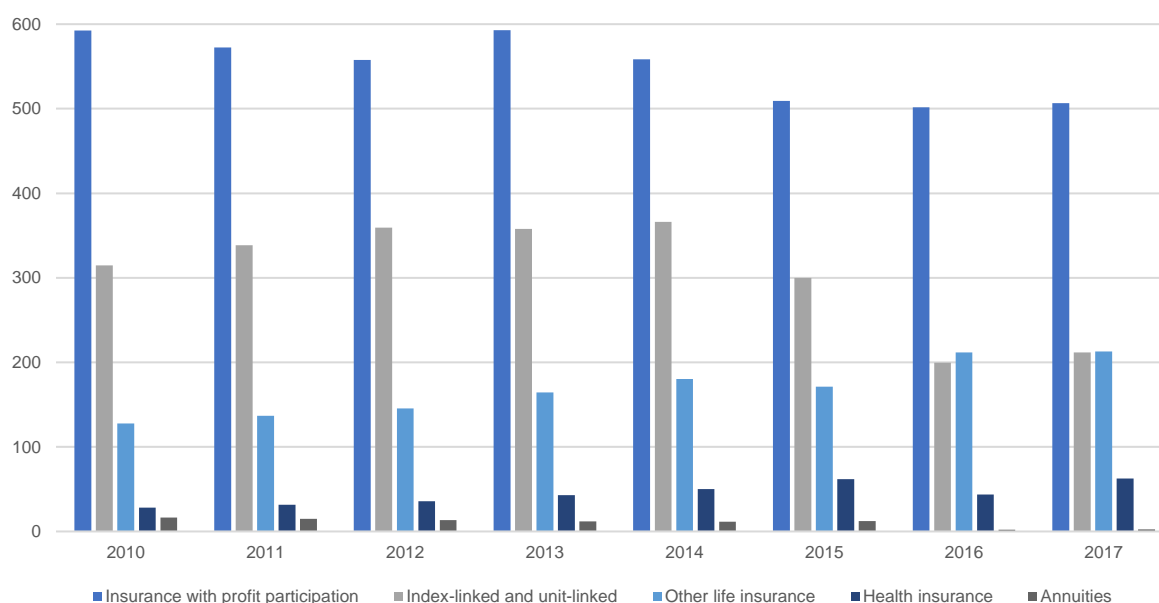
Source: NBS

<sup>4</sup> Available at <https://www.nbs.sk/en/statistics>.

## 4.2 Life insurance products

After losing more than 18% of its premium income between 2013-2016, life insurance premiums grew by 3,9% in 2017. All life insurance products contributed to this increase, as they recorded positive growth rates. Gross written premiums in classic life insurance<sup>5</sup> raised by 0,83% to 719 million EUR, of which 70% (507 million EUR) were due to insurance with profit participation and 30% (213 million EUR) due to other life insurance products. Significant growth dynamics were also present in index-linked and unit-linked products, with gross premiums accounting for 212 million EUR, up by 6,1% to 2016. Other categories of life insurance, such as health insurance and annuities, also recorded an increase in their premiums by 6,3% (to 62 million EUR) and 0,25% (to 2 million EUR), respectively.

**Graph 2 – Gross written premiums of life insurance products (in million EUR)**



Source: NBS

<sup>5</sup> In terms of Solvency II this category includes insurance with profit participation and other life insurance.

### 4.3 Non-Life insurance products

In 2017, the non-life insurance sector decreased by 8,4% to 916 million EUR. This was against an upward trend built since 2013 in which the market grew by 12% to an all-time high of 1 000 million EUR. Two lines of business, motor, fire and other damage to property, achieved more than 83% of total non-life premiums.

#### 4.3.1 Motor

Motor related insurance premiums declined by 2,6% to 546 million EUR at the end-2017. This amount was equally balanced between motor vehicle liability, which accounted for 30% of total non-life income (or 275 million EUR) and other motor insurance which accounted for another 30% (271 million EUR).

#### 4.3.2 Fire and other damage to property

Fire and other damage to property accounted for 23,7% of non-life insurance business in 2017, with premiums down by 12,2% to 217 million EUR.

#### 4.3.3 General liability

General liability insurance recorded a drop in its premiums by 8,4% to 67 million EUR. Despite that, the sector was the fourth largest contributor towards non-life income, similar to 2016.

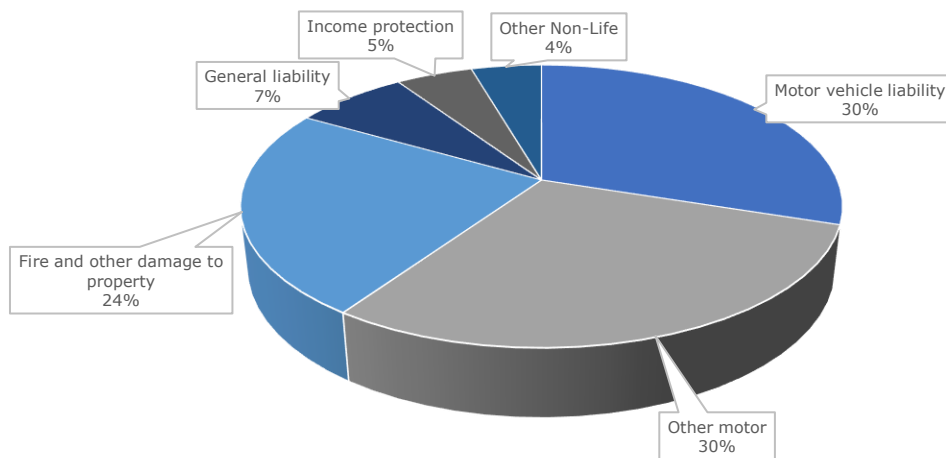
#### 4.3.4 Income protection

Gross written premiums for income protection insurance, slumped by 23% to 45 million EUR, representing 5% of the non-life insurance business.

#### 4.3.5 Other non-life

Other non-life insurance, such as credit and suretyship, legal expenses, medical expenses, assistance and marine, aviation and transport, represented 4,5% of the non-life premiums and stood at 41 million EUR (down by 32%) at the end-2017.

**Graph 3 – % allocation of gross written premiums non-life insurance products**



*Note: Other non-life insurance includes credit and suretyship, legal expenses, medical expenses, assistance and marine, aviation and transport.*

Source: NBS



#### 4.4 Average duration

In 2016, EIOPA published their Insurance Stress Test Report<sup>6</sup>, which resulted in the following conclusions for Slovakia:

- The approximate effective duration for the TP life for all lines of business reported by the EIOPA 2016 stress test participants was not available;
- The Macaulay duration for the TP life for all lines of business reported by the EIOPA 2016 stress test participants is 11,33.

In comparison, the approximate effective duration and Macaulay duration for the TP life for all lines of business for the EU/EEA are 8,23 and 13,97, respectively.

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<sup>6</sup> EIOPA, 2016, 2016 EIOPA Insurance Stress Test Report. <https://eiopa.europa.eu/publications/surveys/eiopa-bos-16-302%20insurance%20stress%20test%202016%20report.pdf>





## 5 Accounting & Tax framework

### 5.1 Accounting framework

The EU has introduced rules, as laid down in Directive 2013/34/EU, to promote the convergence of accounting standards at global level and to ensure consistent and comparable financial reporting across the EU. Regulation 1606/2002/EC requires all listed companies to prepare their consolidated financial statements in accordance with a single set of international standards, the so-called IFRS<sup>7</sup>.

1. Applicable GAAP at consolidated level: IFRS required for all companies<sup>8</sup>;
2. Applicable GAAP at statutory level: IFRS required for all public interest entities and permitted for listed companies that are not public interest entities<sup>9</sup>;
3. Prudential regulatory framework: Solvency II for the calculation of the Solvency Capital Requirement.

### 5.2 Tax framework

#### 5.2.1 Capital gains on shares

Capital gains on the sale of shares in a resident or non-resident company by resident corporate shareholders are exempt from tax in Slovakia if:

1. A timing requirement: the income from the sale of the participation arises no earlier than 24 months after the acquisition date;
2. A holding requirement: the acquired participation should be at least (direct) 10% in the registered capital;
3. A substance requirement: a taxable person carries out significant functions in the Slovak Republic, manages and bears the risks associated with the participation ownership and has the personnel and material equipment required to carry out such functions.

If these conditions are not complied with, taxation will be whereby capital gains are fully taxable at the standard corporate income tax rate: 21%.

#### 5.2.2 Capital losses on shares

The total acquisition cost of shares and other securities are tax deductible in the tax period when they are sold, only up to the amount of total incomes from their sale (in the case of dealers in securities, including financial institutions, this limit does not apply).

Further, for securities traded on the market of quoted securities, capital losses are deductible only if the acquisition price is not higher, and income from the sale is not lower, than 10% of the average rate published by the stock exchange on the day of the sale/purchase.

Losses incurred on derivatives are generally not deductible (in the case of banks and insurance companies, this restriction does not apply).

7 [https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting\\_en](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en)

8 <https://www.ifrs.org/-/media/feature/around-the-world/jurisdiction-profiles/slovakia-ifrs-profile.pdf>

9 <https://www.ifrs.org/-/media/feature/around-the-world/jurisdiction-profiles/slovakia-ifrs-profile.pdf>



### **5.2.3 Taxation of dividends**

A 100% exemption applies on dividends generated insofar they are distributed out of profits generated as of 2004 and have not been deducted at the level of the distributing entity.

Dividends distributed out of profits generated as from 2017 and paid to an entity or individual resident in a country that has not concluded a tax treaty with Slovakia are subject to a 35% withholding tax (WHT). Dividends distributed by a Slovak-resident entity out of profits generated as from 2017 to an entity resident in a country that has concluded a tax treaty with Slovakia are exempt from withholding tax. Foreign tax paid may be credited against Slovakian tax on the same profits, but the credit is limited to the amount of Slovak tax payable on the foreign income under an applicable tax treaty. Some of Slovakia's treaties eliminate double taxation by the exemption method, meaning that income taxed abroad is excluded from Slovak taxation.

## 6 Historical data

The following section contains historical overviews of Solvency I, Solvency II and ECB data in order to provide insights on possible short and long-term trends.

### 6.1 Index-linked and unit-linked investments in comparison to total assets

Based upon the Solvency I and Solvency II (S.02.01) historical information, the evolution of the index-linked and unit-linked investments in comparison to total assets of Slovakia is compared to the EU. The break in Graph 4 shows the transition from the Solvency I to the Solvency II regulatory framework. Under Solvency II assets are presented based upon their market value.

**Graph 4 - Evolution index-linked and unit-linked investments based upon Solvency I and Solvency II**



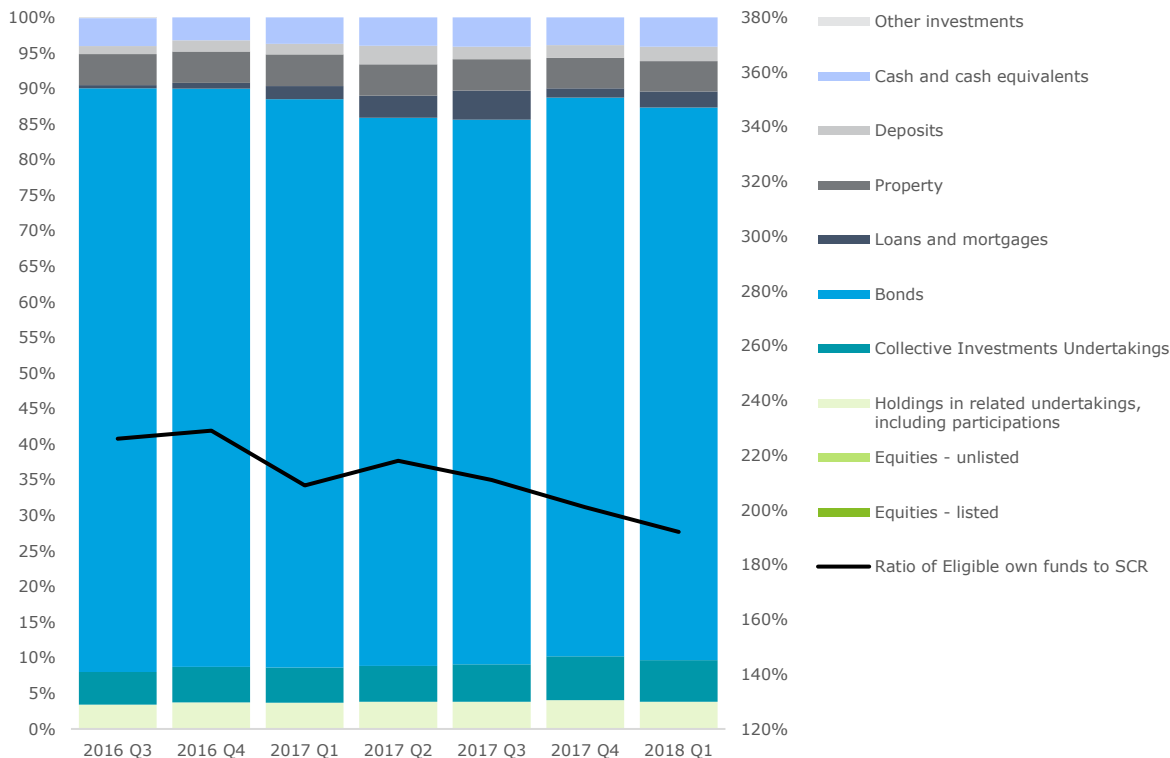
Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

As shown in Graph 4, the share of index-linked and unit-linked investments in comparison to total assets increases heavily as from 2008. Note that the graph for the EU shows a relatively stable behaviour over the observation period, with a slightly increasing trend as from 2011.

## 6.2 Solvency II – excluding index-linked and unit-linked investments

Based upon the Solvency II (S.02.01) quarterly data from 2016 Q3 until 2018 Q1, the evolution of the different asset categories is depicted in Graph 5. Furthermore, the evolution of the SCR ratio is shown over the seven quarters.

**Graph 5 - Evolution Solvency II balance sheet (S.02.01) items (Total Investments, deposits, cash and cash equivalents) and SCR ratio**



Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The composition of the Slovakian insurers' balance sheet has remained relatively stable over the quarters since the introduction of Solvency II on 1 January 2016<sup>10</sup>. This seems to be confirmed by the fact that the most dominant assets classes such as Bonds, Collective Investment Undertakings and Holdings in related undertakings (including participations) do not suggest a clear trend whether it be downwards or upwards.

Bonds have constituted the major part of the Slovakian insurers' balance sheet since the introduction of Solvency II.

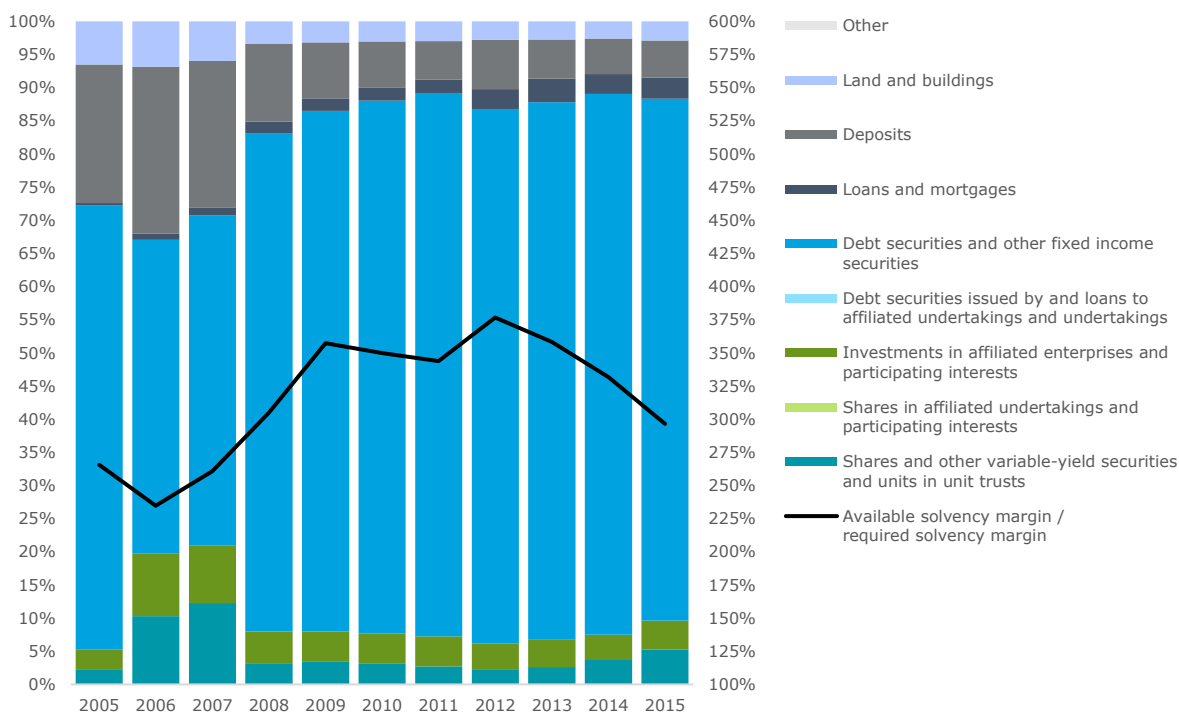
For Slovakia, the SCR ratio shows a decreasing trend as from 2016 Q4. Overall, this trend has not resulted into significant changes in the asset allocation of the overall Slovakian insurance market.

<sup>10</sup> Day one reporting, 2016 Q1 and Q2 are not publicly available

### 6.3 Solvency I – excluding index-linked and unit-linked assets

Based upon the Solvency I yearly data from 2005 until 2015, the evolution of the different investment asset categories is depicted in Graph 6. Furthermore, the evolution of the solvency ratio is shown over the history.

**Graph 6 - Evolution Solvency I balance sheet items (Total Investments, deposits, cash and cash equivalents)**

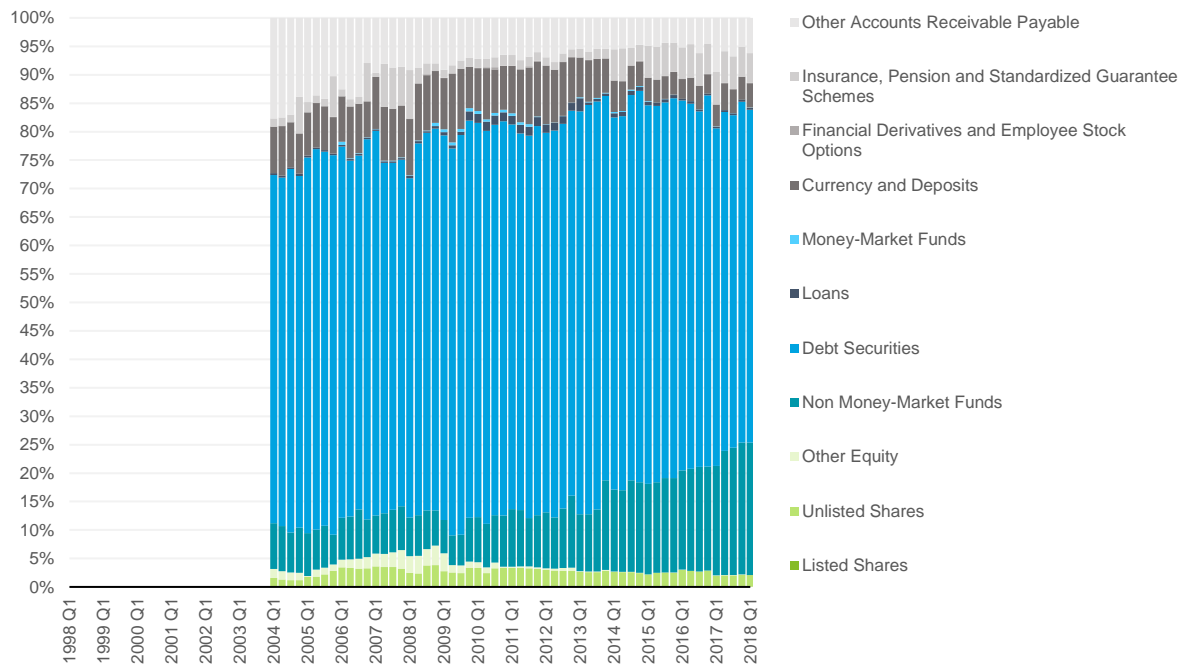


Source: EIOPA Solvency I statistics and Deloitte-CEPS analysis

Graph 6, which relates to Solvency I figures suggests the following observations. The dominance of Bonds that we observed under the rules of Solvency II has been a characteristic of the Slovakian insurers' balance sheet for more than a decade.

## 6.4 European Central Bank – including index-linked and unit-linked assets

Graph 7 - Evolution ECB balance sheet items (asset categories)



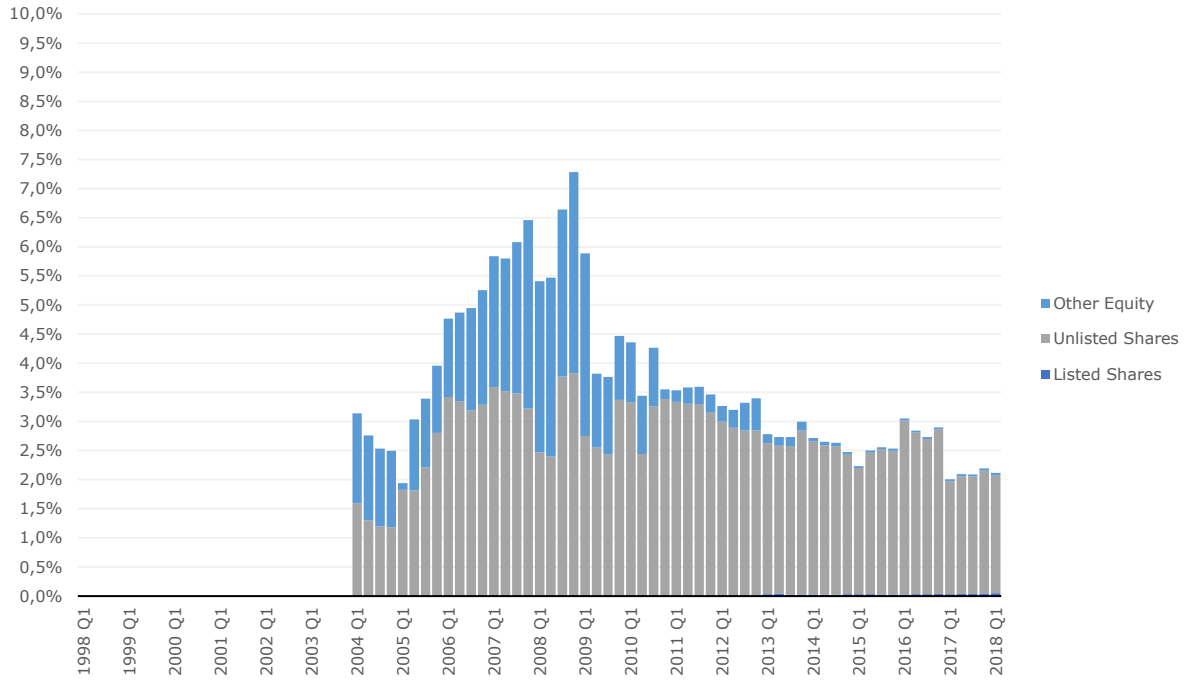
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 7 relates to figures of investments by Slovakian Insurers since 2005 Q1 as reported by the ECB. It can be observed that the dominance of bonds in the investments, which is observed in Solvency I, and II (see graphs above) is confirmed as a long-standing characteristic of Slovakian insurers. However, over the last years, there is an increasing importance of the Non Money-Market Funds.

On the next page, the Equity asset classes are presented in a more detailed view. Furthermore, the evolution of the listed shares (normalized to a start value of 100) of Slovakia is plotted against the aggregated EU data.

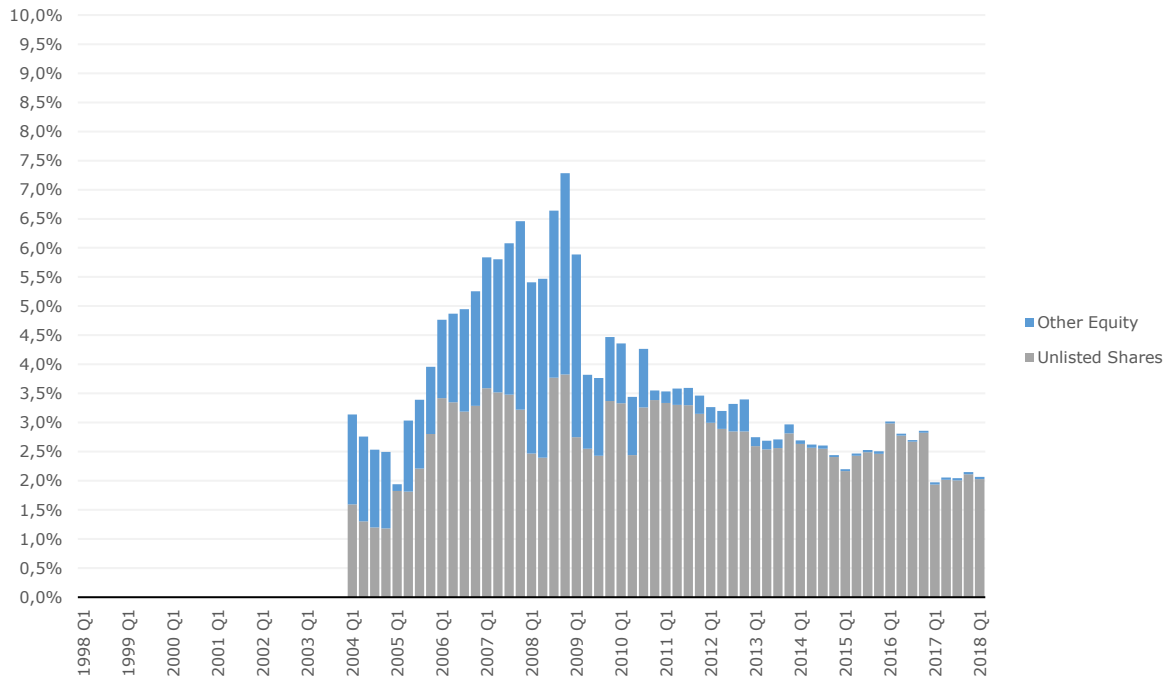
We remark that these graphs include index-linked and unit-linked assets, which cannot be individualized from the figures published by the ECB.

**Graph 8 - Evolution ECB balance sheet items (equity categories)**



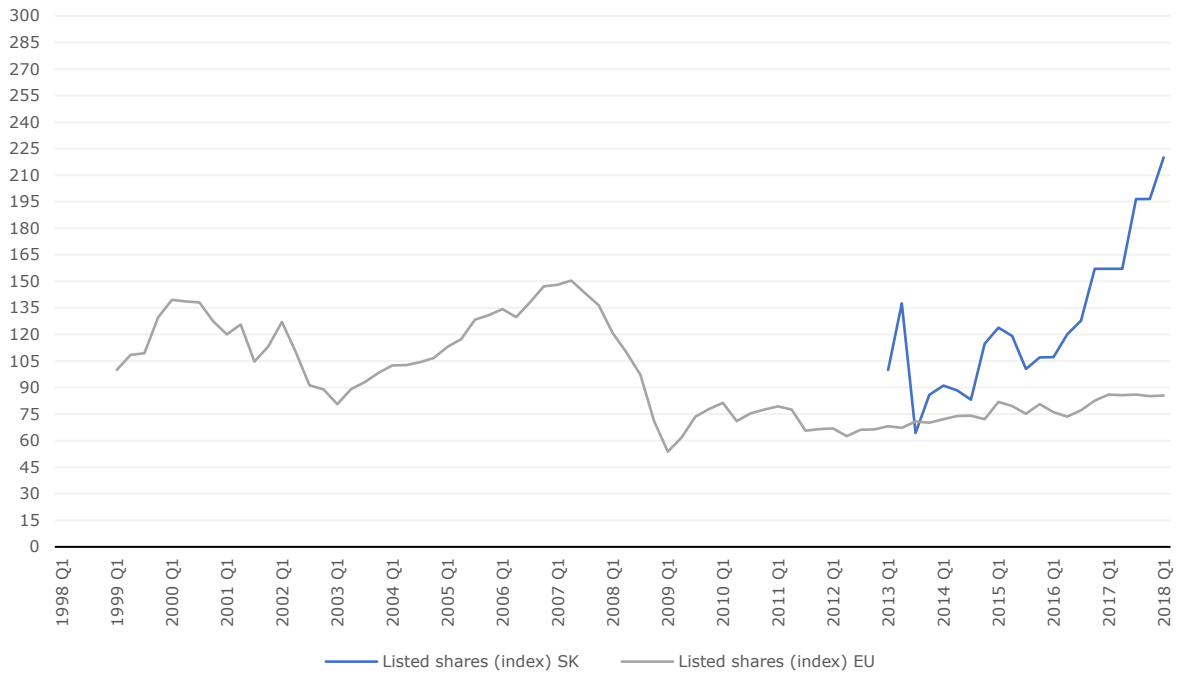
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

**Graph 9 - Evolution ECB balance sheet items (Unlisted Shares and Other Equity)**



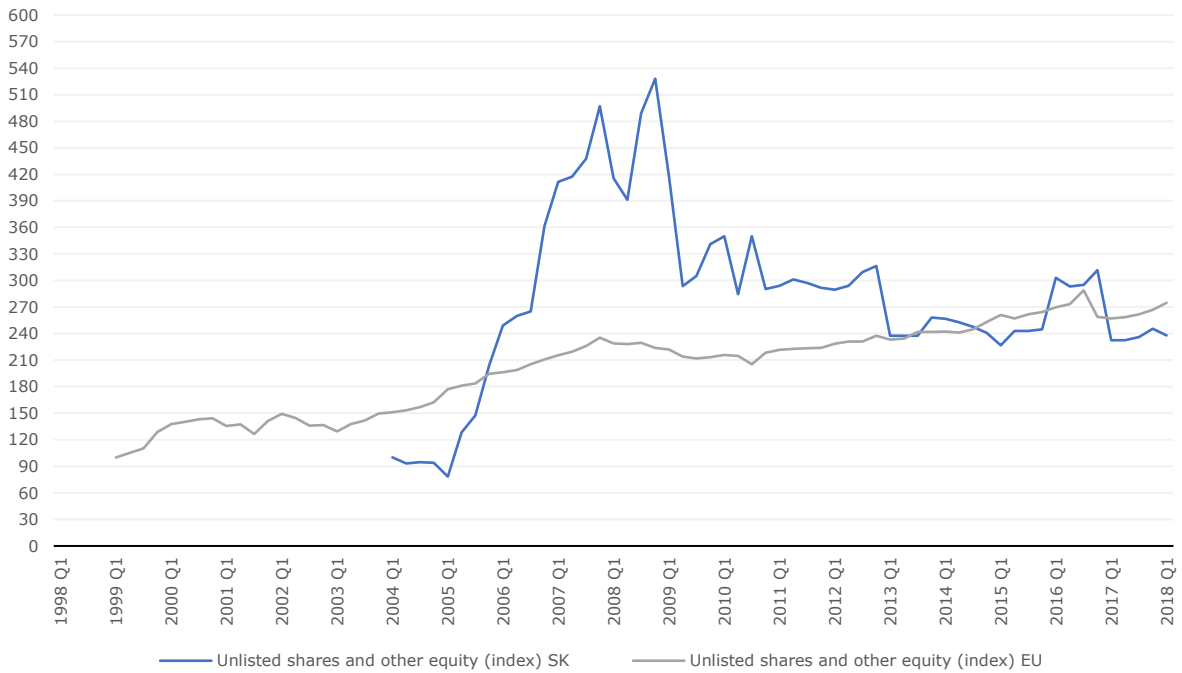
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

**Graph 10 - Evolution ECB listed shares SK and EU (as index)**



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

**Graph 11 - Evolution ECB unlisted shares SK and EU (as index)**





## 6.5 Trends in Equity Investments

This section provides a trend analysis of the equity investments of insurers in Slovakia using the balance sheet data of the insurance sector from the ECB Statistical Data Warehouse. Given the availability of the equity split in the ECB database, the analysis focuses on investments in listed shares and investments in unlisted shares and other equity.

### 6.5.1 Listed Shares

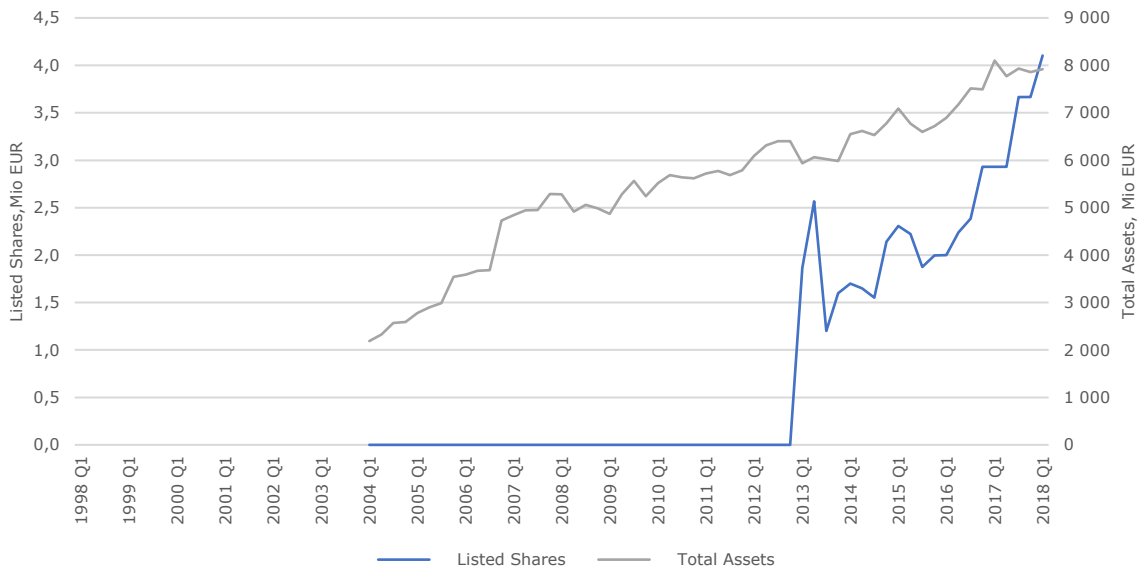
In the analysis below, the listed shares of insurance corporations are plotted against the total assets in the industry both in amounts and in indexed values. The aim of this comparative analysis is to understand the evolution of listed shares in the overall insurance market. Similarity of the growth patterns in the listed shares and total assets can be considered as an indication of the extent to which the equity investments are driven by a good (or bad) economic environment in the industry at a certain point in time. A presentation of the variables only in amounts might dilute the magnitude of the growths for countries with large assets because in such a representation, the listed shares will be overstated. Therefore, we also plot each series as indexed to the initial point in their available history.

In the next step, we focus on the relationship with the listed shares and stock market indices. The ECB QSA balance sheet items are valued at market prices at the end of each quarter. Therefore, it is plausible to assume that the changes in the stock prices are reflected on the amounts held in listed shares. In order to remove this “price effect” from the observed amounts of listed shares and approximate the “real” amounts held in shares, we consider adjusting the observed amounts in listed shares. Even though we observe high correlations with listed shares and several stock indices, since the exact destinations of the portfolio invested in listed shares at each period is not observable, we build a “Weighted Equity Index” similar to the EIOPA Equity Dampener.

Amounts invested in listed shares and the total amount of assets of the insurance sector are plotted in Graph 12 while the indexed values of the series are presented in Graph 13. For the period of 2004 Q2 – 2012 Q4, we do not observe investments in listed shares. The first investments are observed in 2013 Q1 with a value of 2 mio EUR, and after this period, there is an upward trend in listed shares. Investments in listed shares increase to 4 mii EUR in 2018 Q1.

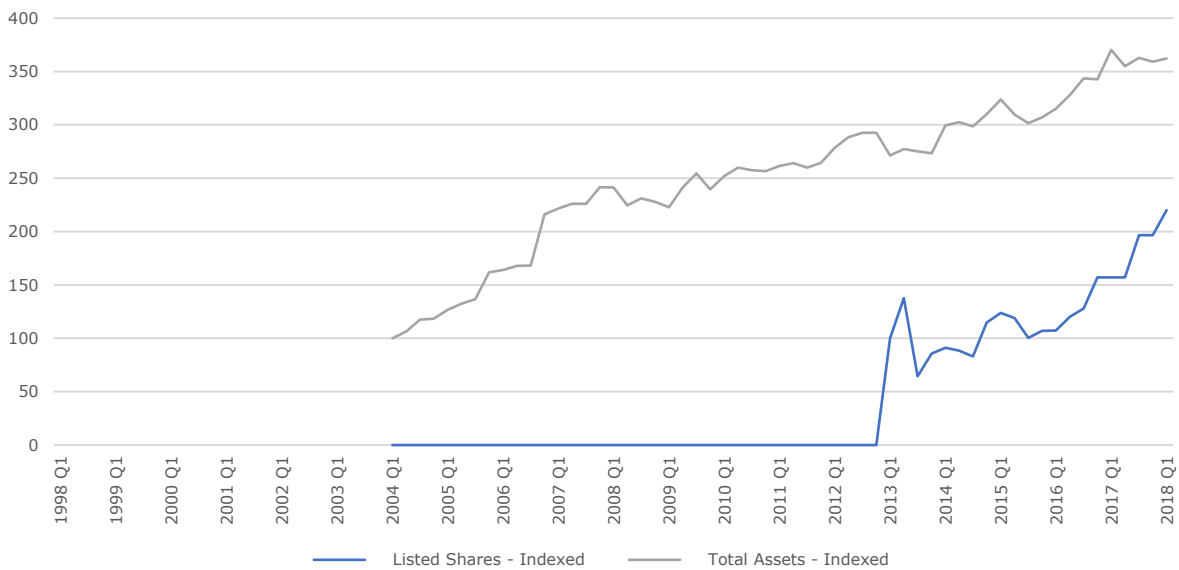
On the indexed values of total assets and investments in listed shares, differences in the growth pattern of these two series can be better observed. Over the period of 2004 – 2018, indexed value of total assets increases by 262%, while indexed value of listed shares increase by 120% of their initial starting value.

**Graph 12 - Evolution of Listed Shares and Total Assets (in Mio EUR)**



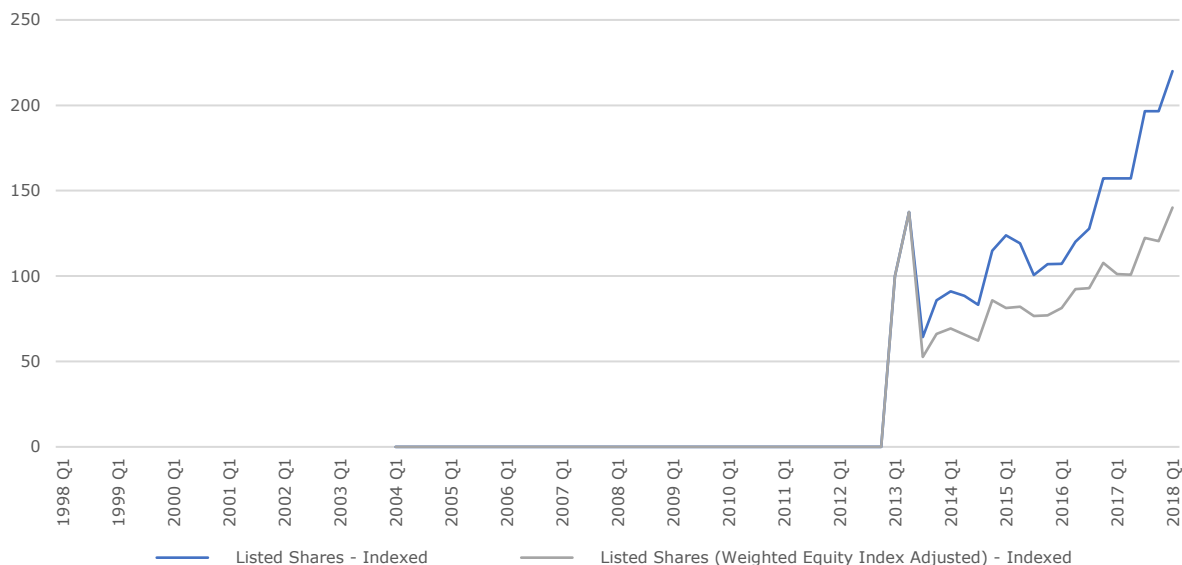
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

**Graph 13 - Evolution of Listed Shares and Total Assets (indexed values)**



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 14 presents the indexed values of the amounts invested in listed shares against its Weighted Equity Index adjusted counterpart. Overall, we observe that the adjustment for the stock market growth pushes the amounts invested in listed shares down. This in turn points to a market price effect being present for the investments in listed shares.

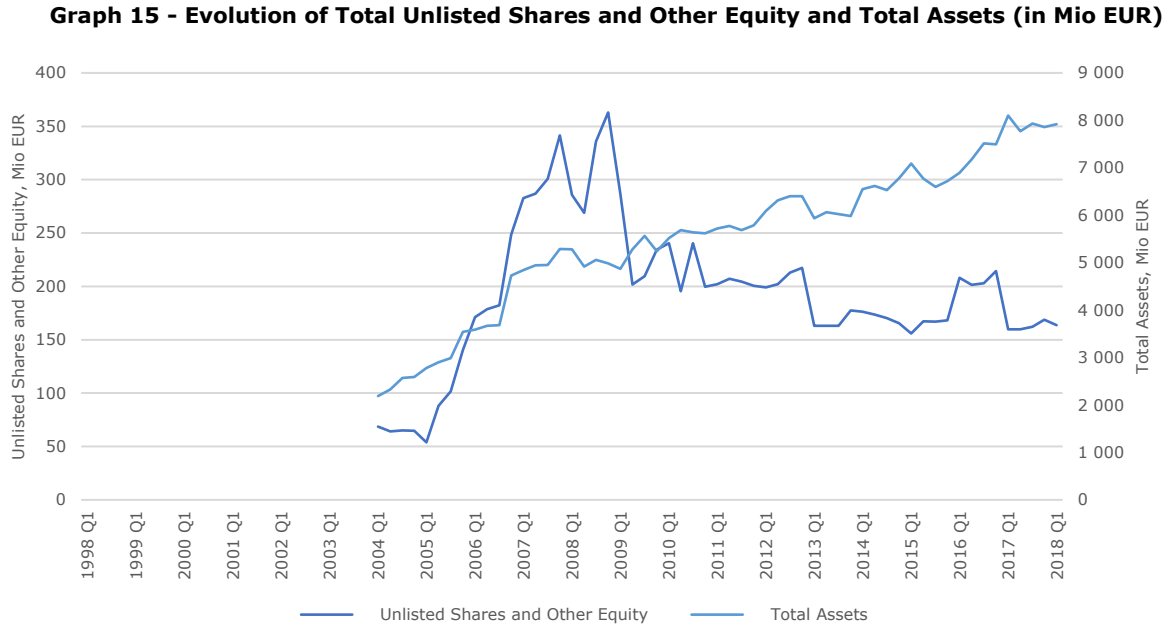
**Graph 14 - Evolution of Listed Shares – Indexed (Weighted Equity Index Adjusted)**

Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

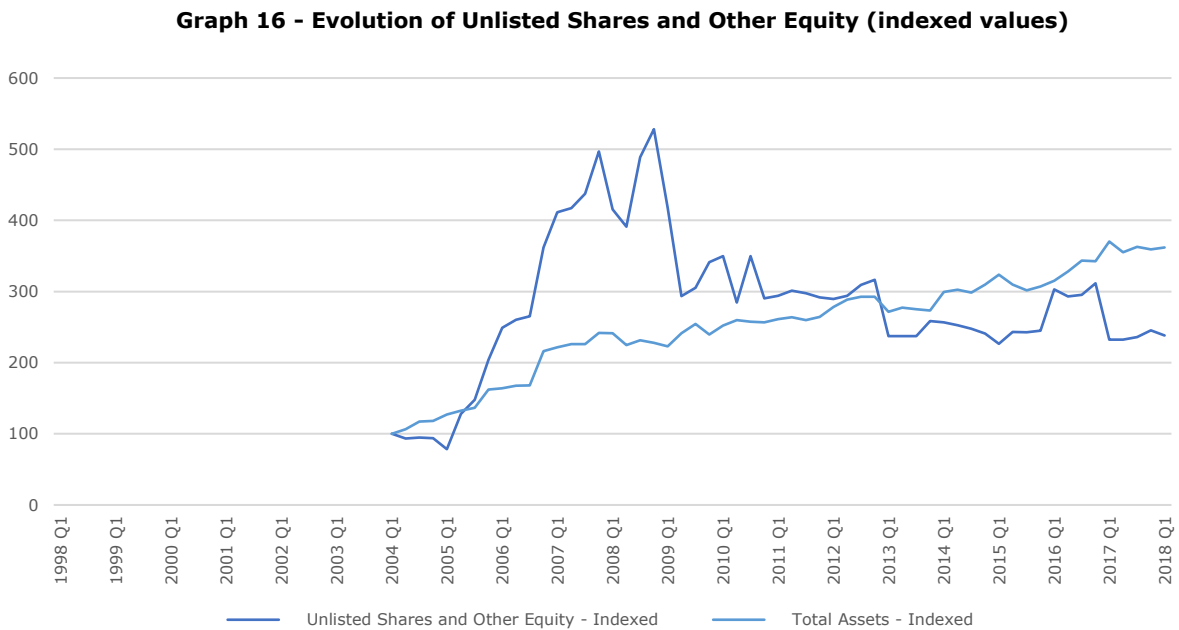
### 6.5.2 Unlisted Shares

Graph 15 depicts the amounts invested in unlisted shares and other equity plotted against the total assets in the insurance markets of while Graph 16 - Evolution of Unlisted Shares and Other Equity (indexed values) presents the indexed values of the series for an easier comparison of the movements in these two series. We observe that amounts invested in unlisted shares and other equity are higher than the investments in listed shares. There is an upward trend in the investments in unlisted shares and other equity until 2008 Q4 but from this date onwards, we observe a decrease in the investments in this type of equity.

The growth patterns of total assets and unlisted shares and other equity can be compared on the indexed amounts. Over the period 2004 – 2018, indexed value of total assets reach 362 while indexed value of unlisted shares and other equity increases to 238.



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis