

SLOVENIA

Key characteristics of the insurance market



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1 Introduction

1.1 General

At the end of 2017 (2017 Q4), 15 insurance companies¹ in Slovenia submitted their Solvency II related reporting package to the Slovene National Supervisory Authority (NSA). These companies accounted for 0,071% of Total assets of insurance undertakings operating within the European Union (EU).

Table 1 depicts the number of Solvency II reporting submissions in Slovenia 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	0
Non-Life undertakings	5
Reinsurance undertakings	1
Composite undertakings	9
Total	15
Total assets SI / Total assets EU %	0,071%
Ranking SI based on Total assets EU	20

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

1.2 Balance sheet

At the end of 2017 (2017 Q4), Slovenia was the number 20 country in the EU insurance market in terms of assets held with an amount of 8 018 million EUR reported under Solvency II rules.

With regards to the Assets held for index-linked and unit-linked contracts, Slovenia ranked number 19 in terms of absolute amount with 1 600 million EUR invested in this category. However, with 20,0% of Total assets of this category, Slovenia was below the EU average, i.e. 24,3% in terms of Total assets.

In terms of technical provisions, 26,5% of the total balance sheet relates to the life business (i.e. non index-linked and unit-linked business), while 13,4% represented non-life obligations.

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

in Mio EUR	SI			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Investments, deposits, cash and cash equivalents	5 929	19	73,9%	67,8%	67,3%	22,6%	90,1%	17,2%
Assets held for index-linked and unit-linked contracts	1 600	19	20,0%	24,2%	24,3%	2,5%	59,3%	16,2%
Other assets	489	21	6,1%	8,1%	8,4%	2,1%	19,5%	4,9%
Total assets	8 018	20	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%
Technical provisions - life	2 129	20	26,5%	46,3%	32,2%	3,0%	64,2%	17,9%
Technical provisions - non-life	1 077	21	13,4%	6,6%	12,9%	2,4%	38,5%	9,1%
Technical provisions - index-linked and unit-linked	1 621	19	20,2%	25,1%	23,4%	2,4%	58,4%	16,0%
Other liabilities	566	21	7,1%	8,9%	9,0%	4,0%	21,3%	3,9%
Total liabilities	5 392	19	67,2%	86,9%	77,6%	49,1%	92,7%	11,1%
Excess of assets over liabilities	2 626	19	32,8%	13,1%	22,4%	7,3%	50,9%	11,1%
Total liabilities + Excess of assets over liabilities	8 018	20	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

¹ In the report, the term 'insurance companies' indicates both direct insurance and reinsurance companies. The insurance market covered in this factsheet therefore 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 Slovene 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 was 255% without long-term guarantee (LTG) and transitional measures, higher than the EU, which amounted to 237% at year-end 2017. Out of the 28 EU Member States, Slovenia is ranked at the 6th 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	SI		EU				
	Amount	Rank	%	Avg	Min	Max	StD
Total available own funds to meet the SCR	2 565	19	-	-	-	-	-
SCR	1 006	19	-	-	-	-	-
Surplus available own funds	1 558	19	-	-	-	-	-
Ratio of Eligible own funds to SCR	255%	6	237%	225%	135%	361%	52%
Ratio of Eligible own funds to SCR (10th percentile)	154%	6	136%	138%	110%	193%	19%
Ratio of Eligible own funds to SCR (25th percentile)	182%	7	162%	164%	128%	214%	24%
Ratio of Eligible own funds to SCR (50th percentile)	248%	5	215%	208%	144%	300%	37%
Ratio of Eligible own funds to SCR (75th percentile)	306%	9	306%	280%	164%	445%	59%
Ratio of Eligible own funds to SCR (90th percentile)	382%	17	457%	396%	173%	643%	99%
Ratio of Eligible own funds to MCR	761%	5	640%	613%	282%	933%	170%

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 long-term guarantee (LTG) and transitional measures. At year-end 2017, no results were shown for Slovenia since the undertakings do not apply any of the measures.²

² 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 Slovene 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) differ³ slightly. In terms of allocation in percentage, we note a small shift from Bonds towards Holdings in related undertakings (including participations and equities), 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 SI		Solvency II balance sheet SI		Difference
	#	%	#	%	#
Life undertakings	0	0,0%	0	0,0%	0
Non-Life undertakings	5	33,3%	5	33,3%	0
Reinsurance undertakings	1	6,7%	1	6,7%	0
Undertakings pursuing both life and non-life insurance activity	9	60,0%	9	60,0%	0
Total	15	100,0%	15	100,0%	0

in Mio EUR	Exposure list SI		Solvency II balance sheet SI		Difference
	Amount	%	Amount	%	%
Holdings in related undertakings, incl. participations and equities	950	15,9%	923	15,6%	0,4%
Holdings in related undertakings, including participations	n/a	n/a	722	12,2%	n/a
Equities	n/a	n/a	201	3,4%	n/a
Equities - listed	n/a	n/a	150	2,5%	n/a
Equities - unlisted	n/a	n/a	51	0,9%	n/a
Collective Investments Undertakings	332	5,6%	332	5,6%	0,0%
Bonds	4 124	69,2%	4 124	69,6%	-0,3%
Loans and mortgages	85	1,4%	85	1,4%	0,0%
Property	253	4,3%	253	4,3%	0,0%
Deposits	91	1,5%	91	1,5%	0,0%
Cash and cash equivalents	118	2,0%	118	2,0%	0,0%
Other investments	4	0,1%	4	0,1%	0,0%
Total	5 956	100,0%	5 929	100,0%	0,0%

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	SI			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equities - listed	150	16	74,7%	83,7%	75,0%	12,8%	99,6%	21,1%
Equities - unlisted	51	13	25,3%	16,3%	25,0%	0,4%	87,0%	21,1%
Total equities	201	17	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

³ 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, Slovene insurers invested 74,7% of their directly-held equity positions in listed shares in comparison to an average of 75,0% in the EU. With an amount of 150 million EUR, Slovenia ranked number 16 in the EU.

With an invested amount of 51 million EUR, unlisted equity constituted a significant portion of the equity investment category of the directly-held equity investments, i.e. 25,3%. This placed Slovenia as the number 13 in the EU.

2.2 Asset exposure

From an asset exposure perspective, the insurance market in Slovenia mainly invested in Government bonds and Corporate bonds (in total 68,9% of Total Investments, deposits, cash and cash equivalents), Collective Investment Undertakings (5,6%), and Equity (15,9%).

Within the bond categories, the insurance market was equally exposed to government securities (36,9%) and corporate debt (32,0%), categories for which Slovenia ranked number 21 and number 17 respectively, in the EU. 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 fourth most important for the Slovene 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 Slovenia ranked respectively number 20, number 19, and number 20 in the EU.

Equity was the third category to which the Slovene insurers had the most exposure. Equity of real estate related corporation constitutes 0,6% within the 15,9% of the total equity exposure.

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

in Mio EUR	SI			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	950	17	15,9%	12,0%	9,5%	1,1%	28,1%	6,5%
Common equity	908	16	15,2%	10,4%	7,8%	1,0%	22,5%	6,0%
Equity of real estate related corporation	34	20	0,6%	1,0%	1,1%	0,0%	4,0%	1,2%
Other equity	8	20	0,1%	0,6%	0,6%	0,0%	2,0%	0,7%
Collective Investment Undertakings	332	21	5,6%	19,2%	12,8%	1,5%	41,6%	9,3%
Equity funds	120	19	2,0%	3,2%	2,7%	0,4%	10,9%	2,4%
Private equity funds	5	16	0,1%	0,5%	0,5%	0,0%	6,9%	1,3%
Debt funds	173	20	2,9%	7,8%	5,6%	0,8%	18,0%	4,9%
Money market funds	3	23	0,0%	2,3%	1,1%	0,0%	6,3%	1,6%
Asset allocation funds	26	20	0,4%	1,1%	0,8%	0,0%	3,9%	1,0%
Real estate funds	4	23	0,1%	1,6%	0,8%	0,0%	3,3%	0,9%
Alternative funds	0	-	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	1	26	0,0%	2,0%	0,9%	0,0%	7,2%	1,7%
Government bonds	2 196	21	36,9%	28,7%	39,7%	10,0%	77,0%	18,9%
Corporate bonds	1 908	17	32,0%	26,9%	21,6%	1,8%	47,3%	11,2%
Structured notes	20	15	0,3%	1,3%	0,5%	0,0%	2,5%	0,6%
Collateralised securities	0	-	0,0%	0,6%	0,6%	0,0%	9,3%	1,8%
Mortgages and loans	85	20	1,4%	4,8%	3,8%	0,3%	26,3%	5,2%
Property	253	18	4,3%	2,0%	3,5%	0,8%	11,6%	2,6%
Deposits	91	22	1,5%	2,8%	3,6%	0,2%	16,6%	3,6%
Cash and cash equivalents	118	25	2,0%	1,4%	4,3%	0,5%	16,6%	3,5%
Other investments	4	11	0,1%	0,1%	0,1%	0,0%	0,9%	0,3%
Not reported	0	-	0,0%	0,0%	0,0%	0,0%	0,3%	0,1%
Total Investments, deposits, cash and cash equivalents	5 956	19	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

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 %	SI			EU		
	Life	Non-life	Composite and reinsurance	Life	Non-life	Composite and reinsurance
Equity	-	0,5%	17,0%	6,6%	18,3%	16,5%
Common equity	-	0,5%	16,3%	5,0%	16,2%	14,9%
Equity of real estate related corporation	-	0,0%	0,6%	1,0%	0,8%	1,2%
Other equity	-	0,0%	0,1%	0,6%	1,3%	0,4%
Collective Investment Undertakings	-	1,4%	5,9%	22,4%	22,3%	13,8%
Equity funds	-	1,2%	2,1%	3,7%	2,9%	2,7%
Private equity funds	-	0,0%	0,1%	0,5%	0,5%	0,5%
Debt funds	-	0,0%	3,1%	9,7%	9,7%	4,7%
Money market funds	-	0,0%	0,0%	2,8%	1,4%	2,0%
Asset allocation funds	-	0,2%	0,5%	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%
Government bonds	-	39,9%	36,7%	28,1%	19,1%	33,4%
Corporate bonds	-	43,7%	31,2%	29,2%	29,3%	22,9%
Structured notes	-	0,0%	0,4%	1,4%	0,6%	1,5%
Collateralised securities	-	0,0%	0,0%	0,8%	0,6%	0,5%
Mortgages and loans	-	0,0%	1,5%	7,4%	3,2%	2,3%
Property	-	4,6%	4,2%	2,0%	2,5%	1,7%
Deposits	-	6,2%	1,2%	0,8%	1,6%	5,8%
Cash and cash equivalents	-	3,8%	1,8%	1,0%	2,5%	1,4%
Other investments	-	0,0%	0,1%	0,2%	0,0%	0,1%
Not reported	-	0,0%	0,0%	0,0%	0,0%	0,0%
Total Investments, deposits, cash and cash equivalents	-	100,0%	100,0%	100,0%	100,0%	100,0%

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 Slovenia this difference was not apparent, and we note that Composite insurers invested far more of their assets into this category than their Non-Life counterparts. As no Slovene Life insurance data is available, no numbers are reported for 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. A noteworthy observation was the contrast in behaviour between Slovene Non-life insurers and their counterpart at EU level with regard to the Collective Investment Undertaking: Slovene Non-life insurers reported 1,4% of their investments in this category, in sharp contrast to the EU level which amounted to 22,4%.

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	SI			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	950	17	15,9%	12,0%	9,5%	1,1%	28,1%	6,5%
Common equity	908	16	15,2%	10,4%	7,8%	1,0%	22,5%	6,0%
Equity of real estate related corporation	34	20	0,6%	1,0%	1,1%	0,0%	4,0%	1,2%
Other equity	8	20	0,1%	0,6%	0,6%	0,0%	2,0%	0,7%
Collective Investment Undertakings - Equity funds	125	21	2,1%	3,8%	3,2%	0,4%	14,7%	3,5%
Equity funds	120	19	2,0%	3,2%	2,7%	0,4%	10,9%	2,4%
Private equity funds	5	16	0,1%	0,5%	0,5%	0,0%	6,9%	1,3%
Structured notes - Equity risk	2	16	0,0%	0,2%	0,1%	0,0%	0,6%	0,1%
Total Equity exposure	1 077	17	18,1%	16,0%	12,7%	2,5%	37,4%	8,4%
Equity without Equity of real estate related corporation	916	16	15,4%	11,0%	8,4%	1,1%	24,1%	6,1%
Equity exposure without Equity of real estate related corporation	1 043	17	17,5%	15,0%	11,7%	2,4%	33,3%	7,9%
Equities market value balance sheet (rescaled to CIC scope)	205	17	3,4%	3,6%	3,2%	0,1%	20,6%	4,0%
Equities - listed (rescaled to CIC scope)	153	16	2,6%	3,0%	2,6%	0,0%	15,4%	3,2%
Equities - unlisted (rescaled to CIC scope)	52	13	0,9%	0,6%	0,6%	0,0%	5,2%	1,0%
Equity exposure based upon (Un)Listed equities (rescaled)	332	18	5,6%	7,6%	6,5%	1,2%	29,8%	6,7%

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 Slovenia, we note that equity exposures coming from Collective Investment Undertakings amount to 2,1% and are lower than the listed and unlisted equity exposures which in total amount to 3,4%. Hereby the listed and unlisted equities in Slovenia are very 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	SI			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Direct equity	950	17	88,2%	75,2%	73,4%	39,2%	94,5%	15,9%
Common equity	908	16	84,3%	64,8%	59,4%	28,6%	93,3%	19,0%
Equity of real estate related corporation	34	20	3,2%	6,4%	8,4%	0,0%	39,1%	9,6%
Other equity	8	20	0,8%	3,9%	5,7%	0,0%	35,3%	8,8%
Indirect equity	127	19	11,8%	24,8%	26,6%	5,5%	60,8%	15,9%
Collective Investment Undertakings - Equity funds	125	19	11,6%	23,6%	25,9%	4,6%	60,6%	15,7%
Equity funds	120	19	11,2%	20,2%	22,8%	4,6%	52,9%	13,4%
Private equity funds	5	16	0,4%	3,3%	3,1%	0,0%	28,4%	5,7%
Structured notes - Equity risk	2	16	0,2%	1,3%	0,7%	0,0%	4,0%	1,0%
Total Equity exposure	1 077	17	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In 2017 Q4, the insurance market in Slovenia was invested more than six times as much in Direct equity (88,2% of Total equity) than in Indirect equity (11,8% of Total equity).

In terms of direct equity exposure, Slovenia ranked number 16 and number 20 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 11,2% of Total equity, more than 20 times the amount invested in Private equity funds.

2.3.2 Equity by location

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

in Mio EUR	SI			
	EU home	EU other	outside EU (1)	Total
Equity	838	38	74	950
Common equity	801	36	71	908
Equity of real estate related corporation	32	1	1	34
Other	5	1	2	8
Collective Investment Undertakings - Equity funds	23	71	32	125
Equity funds	22	67	32	120
Private equity funds	1	4	0	5
Structured notes - Equity risk	0	2	0	2
Total Equity exposure	860	111	105	1 077

in %	SI			
	EU home	EU other	outside EU (1)	Total
Equity	88,2%	4,0%	7,7%	100,0%
Common equity	88,2%	3,9%	7,8%	100,0%
Equity of real estate related corporation	94,7%	3,9%	1,5%	100,0%
Other	59,7%	14,7%	25,7%	100,0%
Collective Investment Undertakings - Equity funds	18,0%	56,6%	25,4%	100,0%
Equity funds	18,0%	55,6%	26,4%	100,0%
Private equity funds	19,3%	80,7%	0,0%	100,0%
Structured notes - Equity risk	0,0%	100,0%	0,0%	100,0%
Total Equity exposure	79,9%	10,3%	9,8%	100,0%

(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 Slovenia favoured domestic investments to a large extent, dedicating to these 88,2% of their direct equity investments, and 18,0% of their indirect investments.

The table also showed that besides the home market, Slovene insurers invested less in equity of other EU Member States than that of non-EU Member States. The United States, Germany and France were the preferred destinations.

Table 11 – Direct equity exposure by location

in Mio EUR	SI	
	Amount	%
Home country	838	88,2%
SI	838	88,2%
Top 5 countries (outside home country)	93	9,8%
Rest of World and unassigned	51	5,3%
US	18	1,9%
DE	10	1,1%
FR	7	0,7%
GB	7	0,7%
Home + Top 5 countries (outside home country)	931	98,0%
Total Direct equity exposure (with real estate corporation)	950	100,0%

in Mio EUR	SI	
	Amount	%
Home country	806	88,0%
SI	806	88,0%
Top 5 countries (outside home country)	91	10,0%
Rest of World and unassigned	51	5,5%
US	18	2,0%
DE	10	1,1%
GB	7	0,8%
FR	6	0,6%
Home + Top 5 countries (outside home country)	897	98,0%
Total Direct equity exposure (without real estate corporation)	916	100,0%

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 a minor 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 11 - Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02) comparison

in number	Exposure list SI		Solvency II balance sheet SI		Difference
	#	%	#	%	#
Life undertakings	0	0,0%	0	0,0%	0
Non-Life undertakings	5	33,3%	5	33,3%	0
Reinsurance undertakings	1	6,7%	1	6,7%	0
Undertakings pursuing both life and non-life insurance activity	9	60,0%	9	60,0%	0
Total	15	100,0%	15	100,0%	0

in Mio EUR	Exposure list SI		Solvency II balance sheet SI		Difference
	Amount	%	Amount	%	%
Assets held for index-linked and unit-linked contracts	1 598	100,0%	1 600	100,0%	-0,1%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

3.2 Asset exposure

Table 12 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 12 - Asset exposure based upon Solvency II exposure list (S.06.02)

in Mio EUR	SI			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	17	21	1,0%	19,3%	4,5%	0,0%	30,1%	7,1%
Common equity	15	21	1,0%	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	1	14	0,1%	0,4%	0,3%	0,0%	4,1%	0,9%
Collective Investment Undertakings	1 060	19	66,3%	63,2%	73,1%	30,1%	97,5%	16,3%
Equity funds	699	18	43,8%	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	80	24	5,0%	12,1%	19,0%	4,8%	47,5%	11,4%
Money market funds	10	22	0,6%	2,2%	1,7%	0,0%	7,5%	1,8%
Asset allocation funds	249	17	15,6%	14,8%	13,1%	0,4%	30,5%	7,7%
Real estate funds	0	-	0,0%	1,4%	0,6%	0,0%	6,2%	1,2%
Alternative funds	1	25	0,1%	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	20	21	1,3%	4,6%	6,9%	0,0%	44,3%	10,0%
Government bonds	177	12	11,1%	6,4%	6,9%	0,0%	31,4%	8,4%
Corporate bonds	173	17	10,8%	3,9%	6,0%	0,0%	22,7%	6,9%
Structured notes	114	15	7,1%	1,6%	4,1%	0,0%	18,9%	4,9%
Collateralised securities	0	-	0,0%	0,1%	0,1%	0,0%	0,9%	0,2%
Mortgages and loans	0	-	0,0%	0,2%	0,2%	-3,7%	2,5%	1,0%
Property	16	9	1,0%	1,3%	0,6%	0,0%	7,6%	1,5%
Deposits	18	14	1,1%	1,2%	2,0%	-0,3%	14,5%	3,3%
Cash and cash equivalents	23	19	1,5%	1,2%	2,2%	0,0%	8,5%	2,5%
Other investments	0	-	0,0%	0,4%	0,3%	0,0%	8,1%	1,5%
Not reported	0	-	0,0%	1,2%	0,1%	0,0%	2,3%	0,4%
Total Investments, deposits, cash and cash equivalents	1 598	19	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The Collective Investment Undertakings (66,3%) and the Governments bonds (11,1%) 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 Debt funds, 5,0% in Slovenia compared 19,0% 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 13 - Equity exposure based upon Solvency II exposure list (S.06.02)

in Mio EUR	SI			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	17	21	1,0%	19,3%	4,5%	0,0%	30,1%	7,1%
Common equity	15	21	1,0%	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	1	14	0,1%	0,4%	0,3%	0,0%	4,1%	0,9%
Collective Investment Undertakings - Equity funds	699	18	43,8%	26,5%	29,3%	11,2%	57,5%	10,4%
Equity funds	699	18	43,8%	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%
Structured notes - Equity risk	106	12	6,7%	1,2%	2,7%	0,0%	15,0%	3,5%
Total Equity exposure	823	18	51,5%	47,1%	36,5%	11,7%	58,6%	10,9%
Equity without Equity of real estate related corporation	17	16	1,0%	16,0%	4,2%	0,0%	29,2%	6,8%
Equity exposure without Equity of real estate related corporation	822	18	51,4%	40,0%	36,2%	11,7%	58,6%	10,8%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In Slovenia, we note that total equity exposures related to index-linked and unit-linked contracts (51,5%) are significantly higher in comparison to non index-linked and unit-linked contracts (18,1%). Equity funds are the main contributors to the equity exposures.

3.3.1 Direct and indirect equity exposure

Table 14 - Direct and indirect equity exposure based upon Solvency II exposure list (S.06.02)

in Mio EUR	SI			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Direct equity	17	21	2,0%	38,3%	11,1%	0,0%	54,2%	15,2%
Common equity	15	21	1,9%	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	1	14	0,2%	1,3%	0,8%	0,0%	9,7%	2,2%
Indirect equity	806	18	98,0%	61,7%	88,9%	45,8%	100,0%	15,2%
Collective Investment Undertakings - Equity funds	699	18	85,0%	59,1%	81,5%	45,7%	100,0%	15,5%
Equity funds	699	18	85,0%	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	106	12	12,9%	2,6%	7,4%	0,0%	35,8%	9,6%
Total Equity exposure	823	18	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In 2017 Q4, Slovene insurers invested almost all of their Assets held for index and unit-linked contracts in Indirect equity (98,0% of Total equity), with Direct equity constituting the remaining 2,0% of Total equity.

In terms of direct equity exposure, Slovenia ranked number 21, with regards respectively to the exposure amount to common equity.



Within the Indirect equity category, Equity funds constituted the bulk of investments, amounting to 85,0% of Total equity whereas allocation to Private equity funds were inexistent.

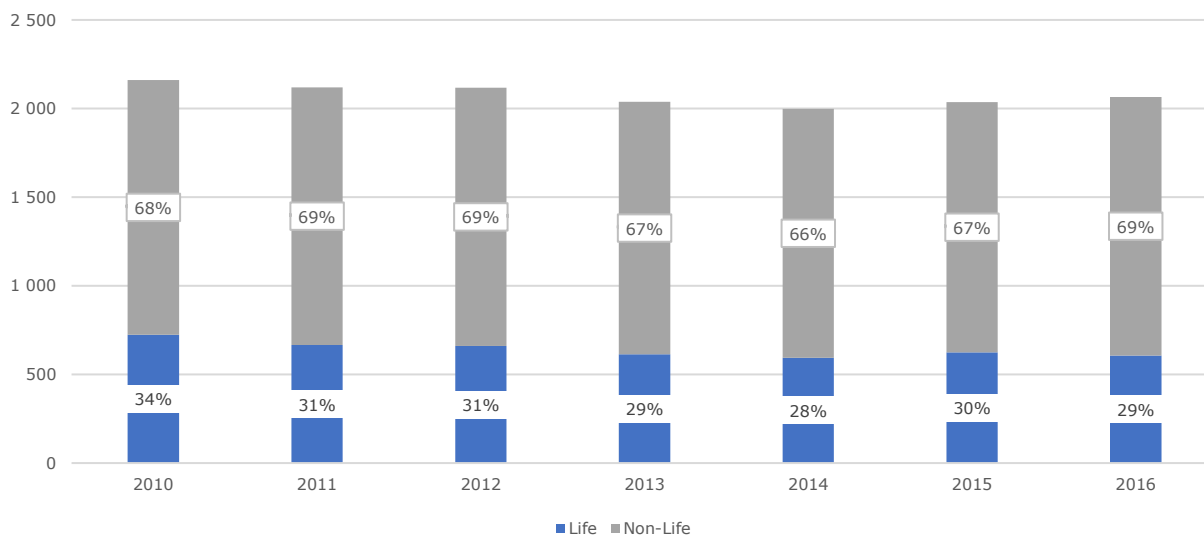
4 Insurance products

4.1 Overview

This section covers the most important insurance products offered in Slovenia and the volume of the market. Data reported in this section obtained from the Slovenian Insurance Association (SIA).⁴

Slovenian insurance companies recorded in 2016 a total of 1 998 million EUR of gross premiums written in the groups of non-life and life insurance, which was 30 million EUR or 1,5% more than one year before. This was the second year in a row, after the low of 2014 (1 998 million EUR), in which premiums rose. Out of this volume, 1 459 million EUR or 69% was disclosed in the non-life insurance group and 606 million EUR or 29% in the life insurance group.

Graph 1 – Gross written premiums (in million EUR)



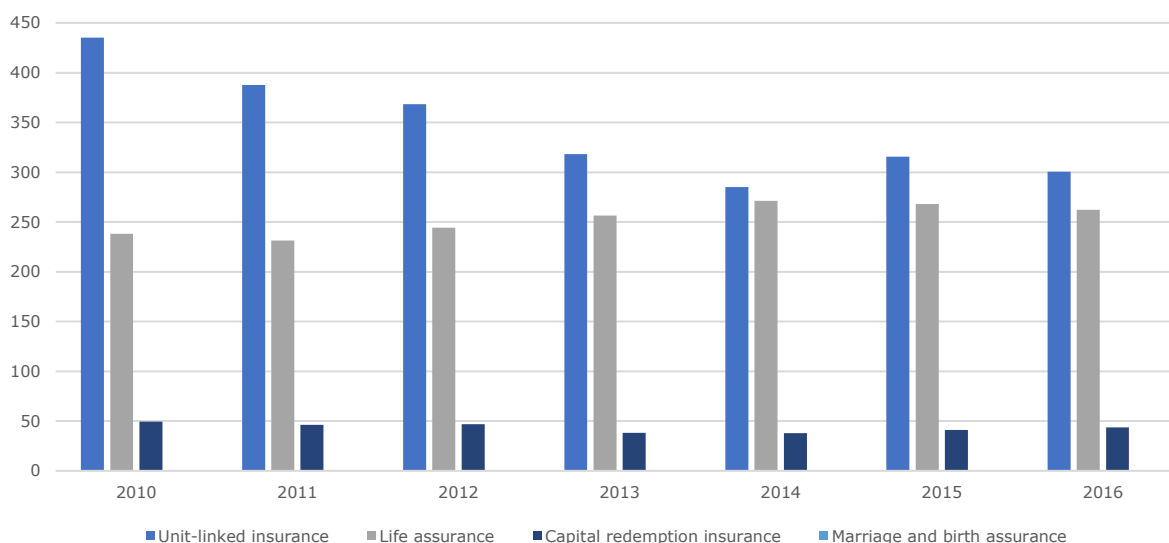
Source: SIA

⁴ Available at <https://www.zav-zdruzenje.si/en/statistics/>.

4.2 Life insurance products

The gross written premiums in life insurance business decreased by 2,9% in 2016 to 606 million EUR. All insurance products, except capital redemption which recorded a growth rate of 6,6%, contributed to this decline. Following several years of decline in premiums from unit-linked insurance, which was the most popular class of life insurance up to 2013, interest picked up again in 2015 (up by 10,7%). However, this increase was temporary, as in 2016 unit-linked premiums dropped by 4,8% to 300 million EUR. Similarly, premiums from life insurance class (e.g. endowment, death, mixed life, annuity) were down by 2,2% to 262 million EUR, while marriage and birth insurance premiums continued their downward trend and since 2012 dropped by 42% (268 million EUR in 2016).

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



Source: SIA

4.3 Non-Life insurance products

The non-life insurance sector increased by 3,4% to 1 459 million EUR, continuing its upward trend since the low of 2014 (1 403 million EUR). By the end of 2016 the proportion of the total insurance income accounted for by non-life insurance premiums was 69%. Slovenian insurance companies achieved as much as 88,5% of the non-life premiums in three lines of business.

4.3.1 Health and accident

Health and accident insurance has been the leading non-life insurance class for several years, representing 40,3% of the total premium income in 2016. The gross insurance premium written amounted to 588 million EUR, up by 1,4% compared to 2015. Of these, 84% (or 491 million EUR) was due to health insurance and 16% due to accident related business.

4.3.2 Motor

With premiums of 460 million EUR, motor-insurance accounted for 31,5% of the non-life income. This amount was equally balanced between land motor vehicle insurance (234 million EUR) and motor vehicle liability (226 million EUR)

4.3.3 Fire, natural forces and other damage to property

Fire and natural forces, as well as other damage to property accounted for 16,7% of non-life insurance business in 2016, with premiums up by 4,2% to 244 million EUR.

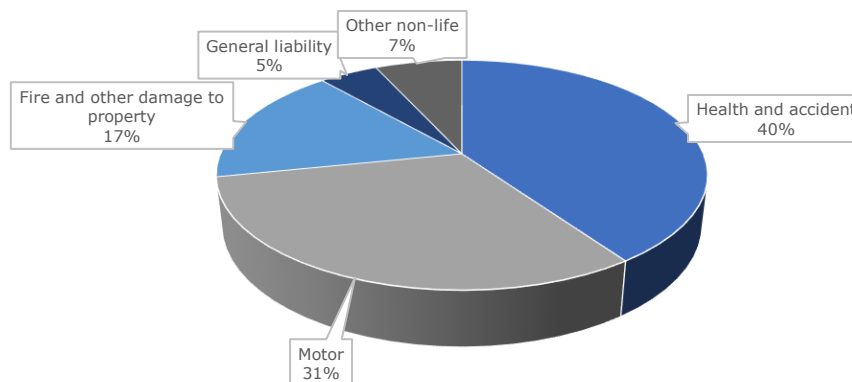
4.3.4 General liability

General liability was the non-life segment with the largest increase in 2016. Premiums rose by 9,8% to 67 million EUR.

4.3.5 Other non-life

Other non-life insurance, such as credit and suretyship, legal expenses, financial loss, assistance and marine, aviation and transport, represented 6,8% of the non-life premiums and stood at 99 million EUR at the end of 2016.

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



Note: Motor includes motor vehicle liability and land motor vehicle. Other non-life insurance includes credit and suretyship, legal expenses, financial loss, assistance and marine, aviation and transport.

Source: SIA



4.4 Average duration

In 2016, EIOPA published their Insurance Stress Test Report⁵, which resulted in the following conclusions for Slovenia:

- The approximate effective duration for the TP life for all lines of business reported by the EIOPA 2016 stress test participants is 8,71;
- The Macaulay duration for the TP life for all lines of business reported by the EIOPA 2016 stress test participants is 13,17.

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.

⁵ 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.⁶

1. Applicable GAAP at consolidated level: IFRS required for all companies⁷;
2. Applicable GAAP at statutory level: IFRS required for all non-listed companies and permitted for all listed companies⁷;
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

A corporate resident entity or a permanent establishment of a non-resident are entitled to exclude 47,5% of capital gains realised from the disposal of shares or other capital participations from the taxable base, if the following criteria are met:

1. A holding requirement: the shares represent a participation of at least 8% of the capital or the voting rights in the company;
2. A holding period requirement: the shares have been held for at least 6 months;
3. An employment requirement: during the holding period at least one person was employed by the holding taxpayer;
4. A taxation requirement: the participation is not in a company resident in a low-tax jurisdiction country.

If one or more of the conditions is not complied with, the taxation will be as whereby capital gains are fully taxable at the standard corporate income tax rate: 19%

5.2.2 Capital losses on shares

Capital losses from the disposal of shares or capital holdings is limited to 50%.

5.2.3 Taxation of dividends

A 95% exemption applies on dividends received from another Slovene company, an EU subsidiary or a non-EUR subsidiary established in a country not include on the black list published by the Ministry of Finance.

If one or more of the above conditions is not met, the dividend is taxed at the ordinary rate.

Slovene source dividends are subject to 15% withholding tax (WHT), unless a tax treaty provides for a lower rate or the EU parent-subsidiary directive applies.

⁶ https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en
⁷ <https://www.ifrs.org/-/media/feature/around-the-world/jurisdiction-profiles/slovenia-ifrs-profile.pdf>



A tax credit is available for foreign tax paid. The credit is equal to the lesser of the amount of foreign income tax actually paid or the amount of Slovene tax payable on the foreign income.

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 Slovenia 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



Note: There is no data available for 2013 for Slovenia. The value is interpolated between 2012 and 2014.

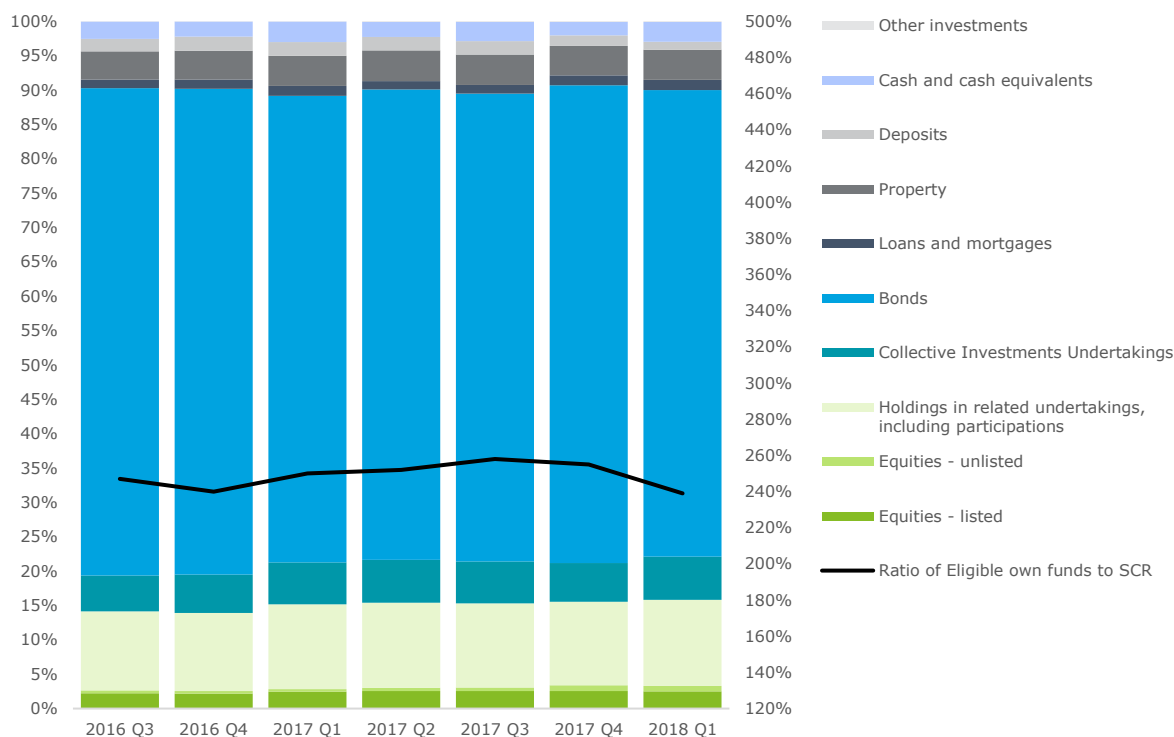
Source: EIOPA Solvency I and Solvency II statistics and Deloitte-CEPS analysis

As shown in Graph 4, the share of index-linked and unit-linked investments in comparison to total assets increases heavily as from 2005. There is a missing value for 2013. 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 Slovene insurers' balance sheet has remained relatively stable over the quarters since the introduction of Solvency II on 1 January 2016⁸. This seems to be confirmed by the fact that the most dominant assets classes, Bonds 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 Slovenian insurers' balance sheet since the introduction of Solvency II.

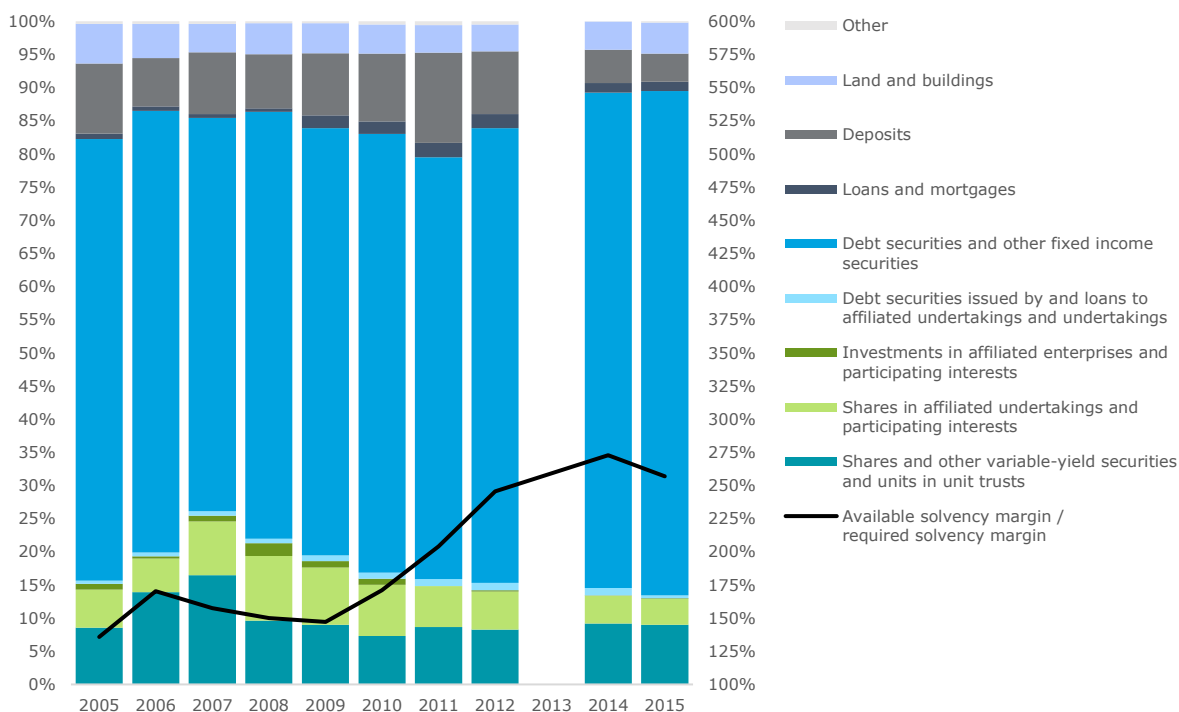
For Slovenia, the SCR ratio shows a relatively stable behaviour over the period 2016 Q3 until 2018 Q1, with a decreasing trend since 2017 Q3. Overall, this trend has not resulted into significant changes in the asset allocation of the overall Slovenian insurance market.

⁸ 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)



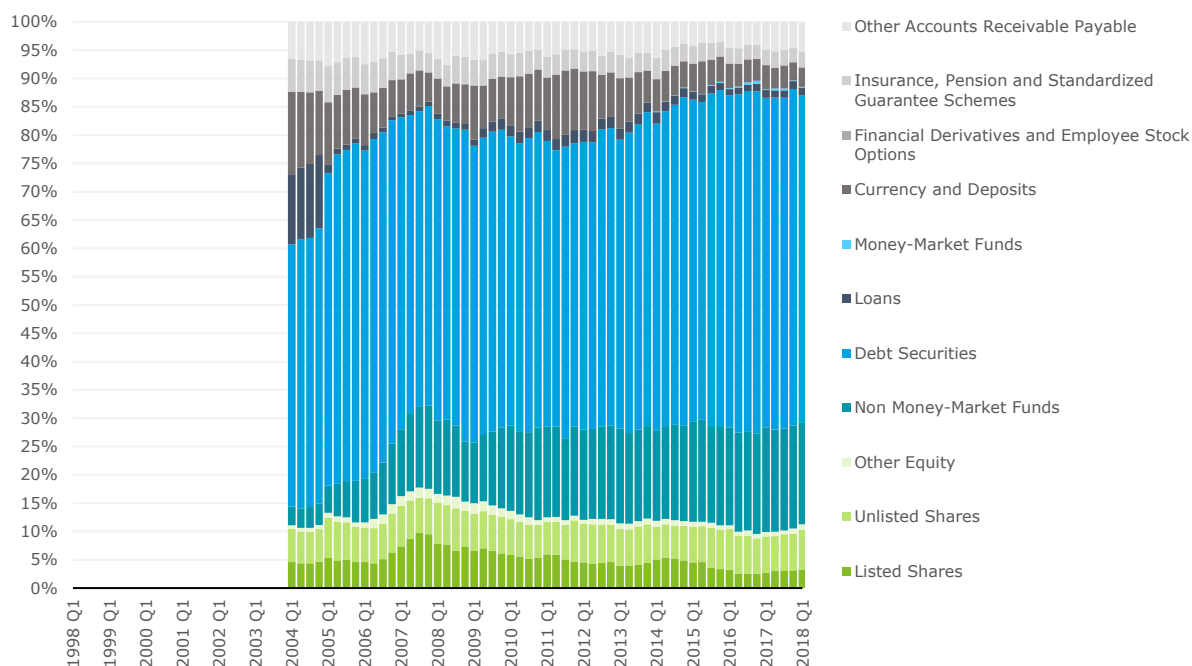
Note: There is no data available for 2013. The value regarding the solvency margin is interpolated.

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 trademark of the Slovene insurers' balance sheet for more than a decade. One data point is missing for 2013. Furthermore, the solvency ratio showed an upward trend from 2010 to 2014.

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

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



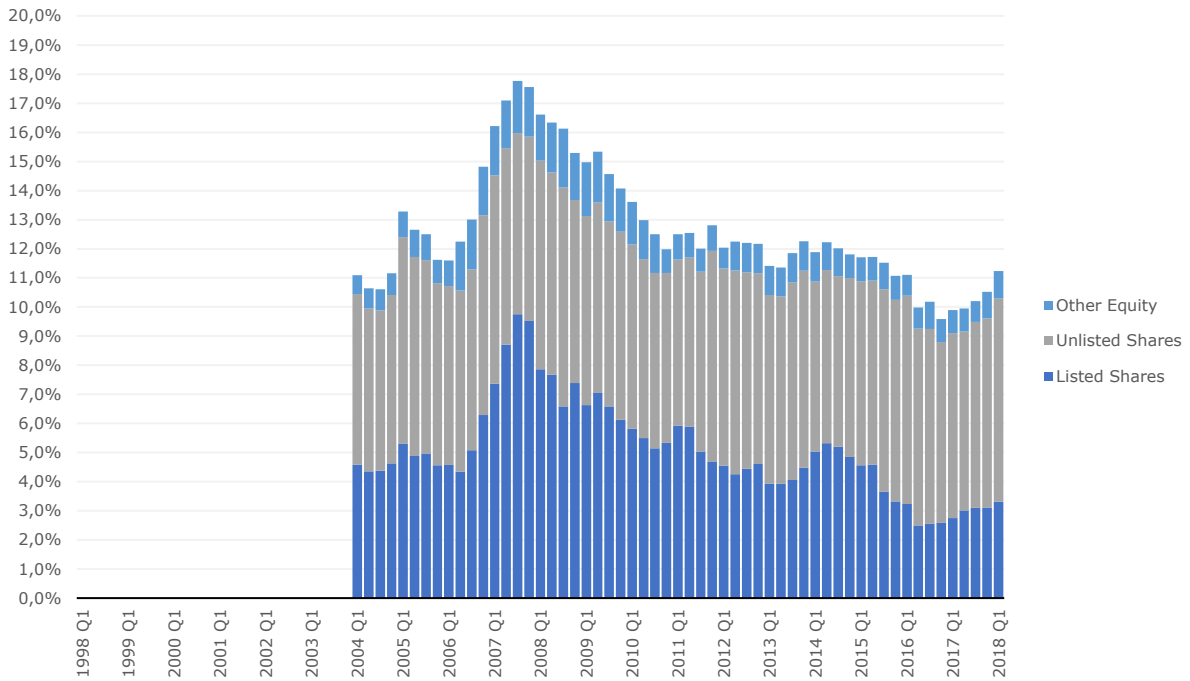
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 7 relates to figures of investments by Slovenian Insurers since 2004 Q1 as reported by the ECB. No data is available before 2004 Q1, as Slovenia was not yet a member of the European Union. 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 Slovenian insurers. During the observation period, Non Money-Market Funds become increasingly important.

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

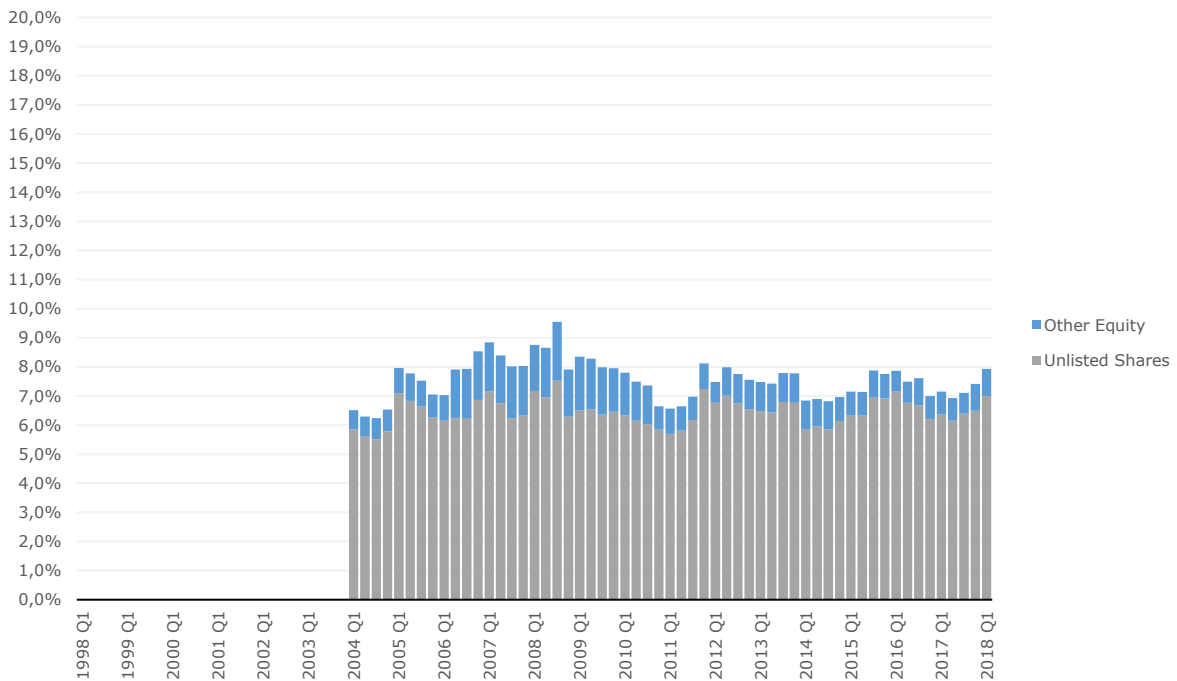
We remark that these graphs include index-linked and unit-linked assets, which cannot be individualised from the figures published by the ECB.

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



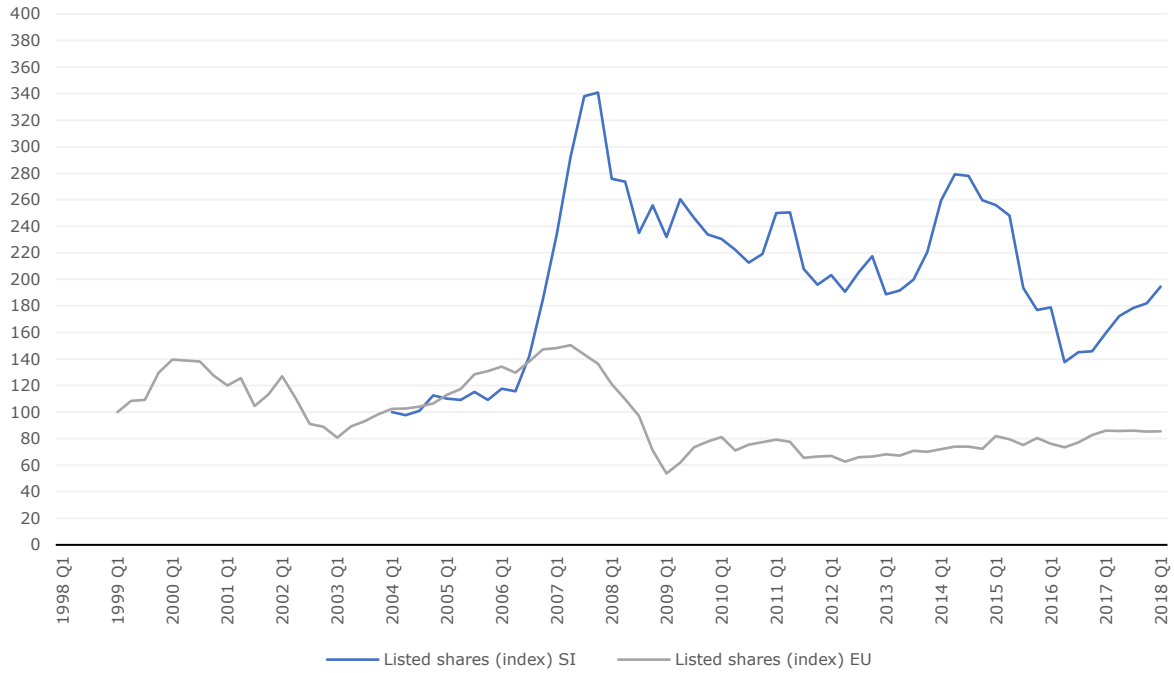
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

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



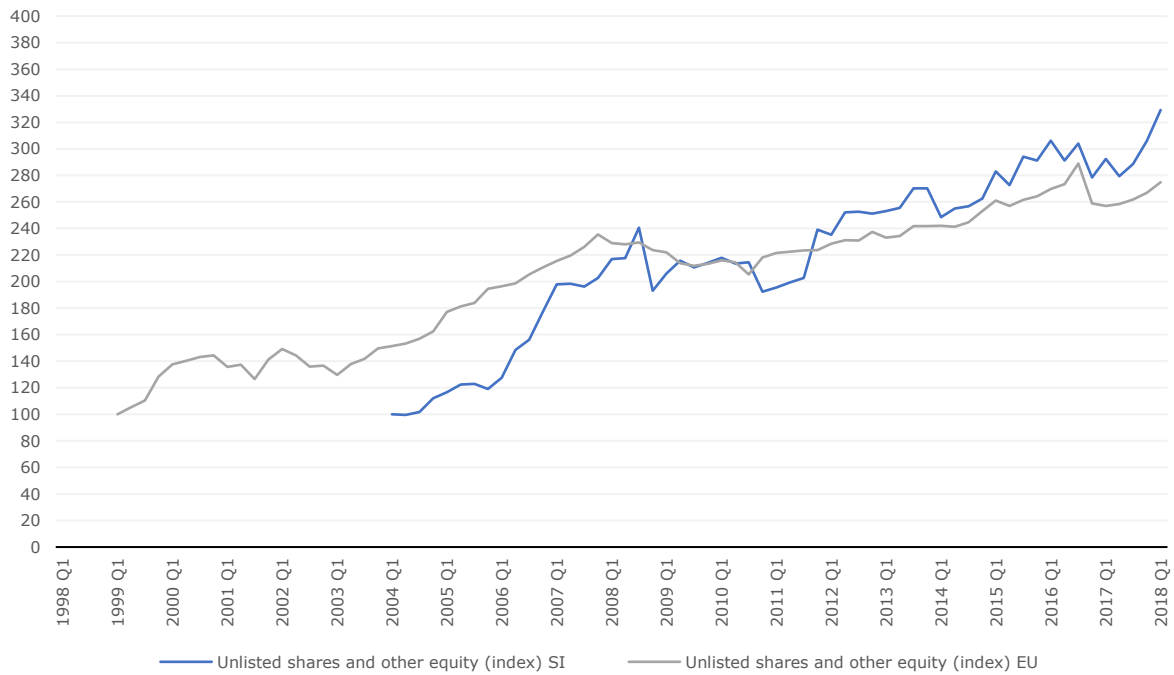
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

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



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

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



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

6.5 Trends in Equity Investments

This section provides a trend analysis of the equity investments of insurers in Slovenia 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.

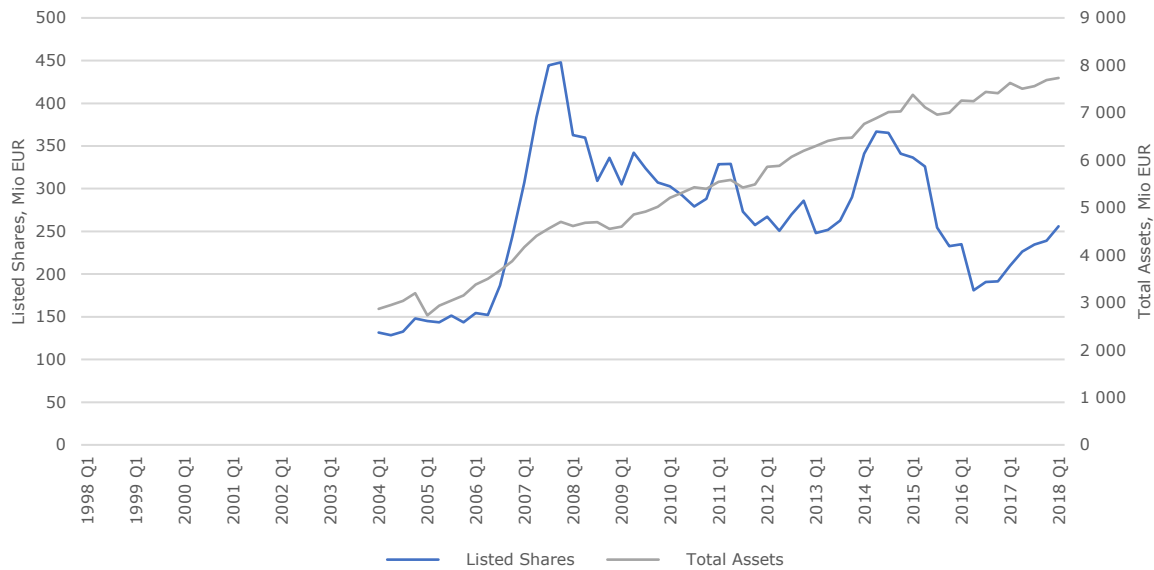
6.5.1 Listed Shares

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. Investments in listed shares exhibit a steep increase of 138% between 2006 Q3 and 2007 Q3, reaching its peak value of 448 million EUR in the last quarter of 2007. In the second quarter of 2016, the value of investments in listed shares drops to 181 million EUR. After this data, there is a short-term upward trend and in the first quarter of 2018, listed shares accumulate to an amount of 256 million EUR.

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. Between 2006 and 2012, listed shares grow faster than total assets. However, the growth in listed shares is offset by decreases in 2015 and 2016. Over the period of 2004 Q1 – 2018 Q1, indexed value of total assets increases to 270, while indexed value of listed shares increases to 195.

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

Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

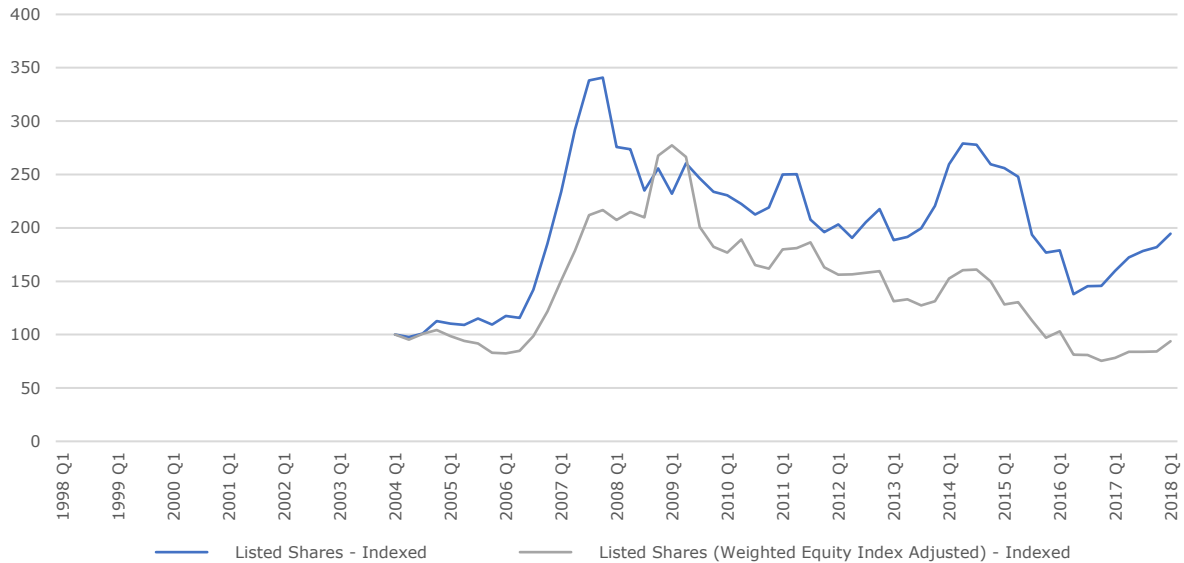
Graph 13 - Evolution of Listed Shares and Total Assets (indexed values)

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, listed shares and adjusted listed shares follow a similar pattern. However, we do observe periods where indexed values of investments in listed shares are much larger than the adjusted values (i.e. during 2006 Q4 – 2008 Q2 and 2012 Q4 – 2018 Q1). This in turn points to a market price effect being present, inflating the amount of listed shares. Starting from 2011, adjusted values show a slowly decreasing trend, pointing to a divestment of listed shares by insurers in Slovenia.

However, we also observe an upward trend starting from 2016 Q4 and according to the NSA, this recovery can be explained by the general macroeconomic recovery.

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

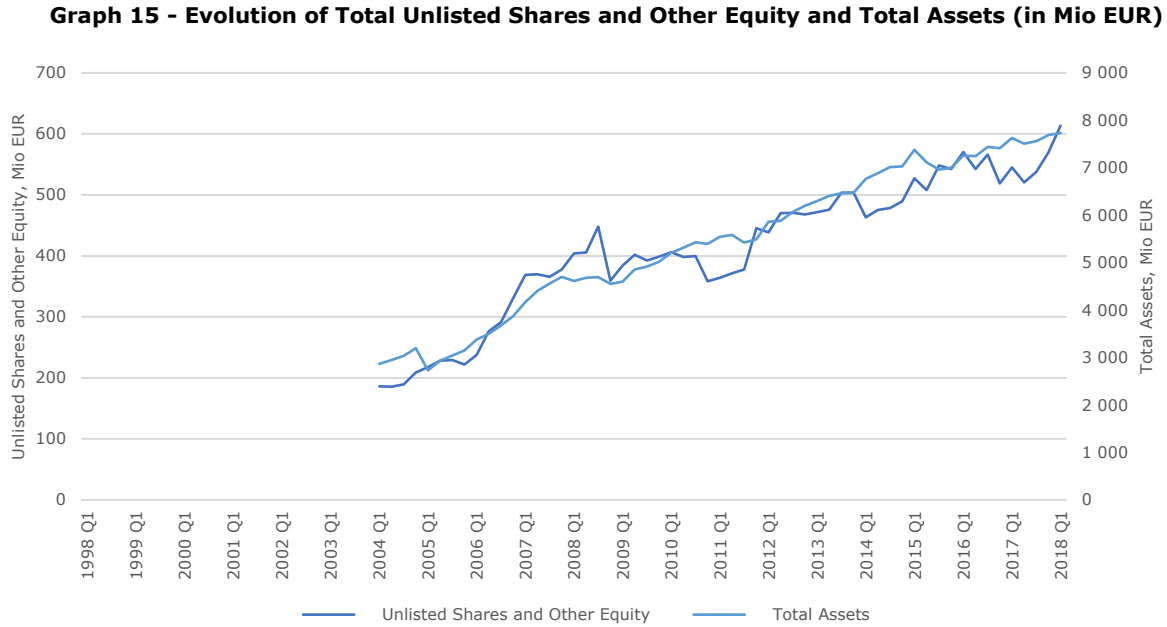


Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

6.5.2 Unlisted Shares

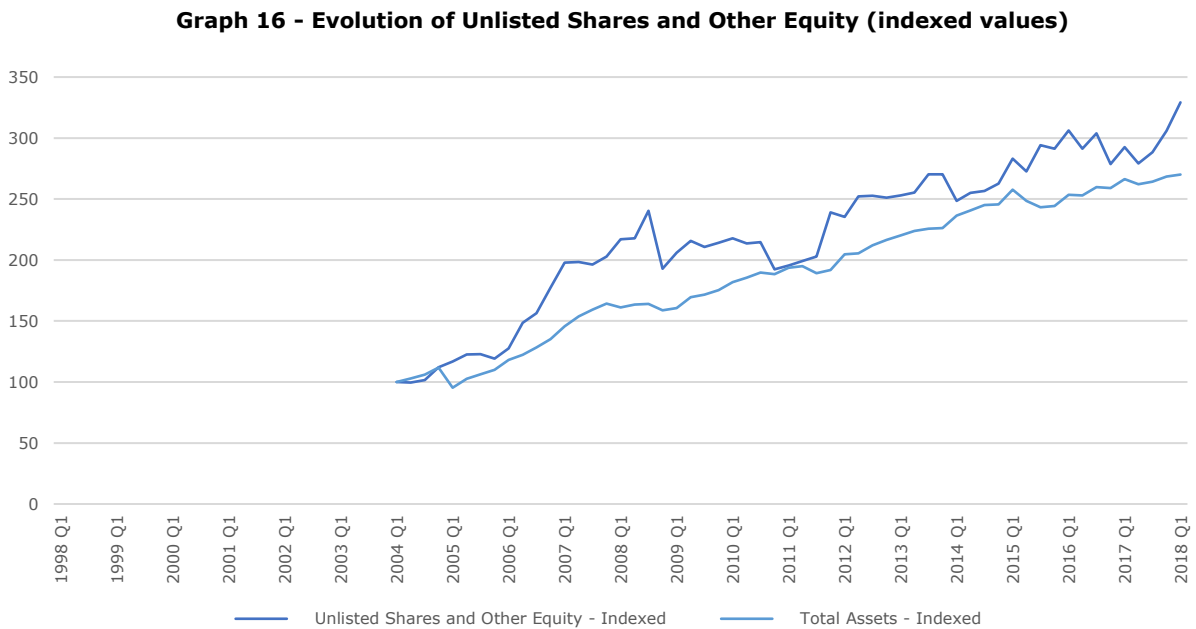
Graph 15 depicts the amounts invested in unlisted shares and other equity plotted against the total assets in the insurance markets while Graph 16 presents the indexed values of the series for an easier comparison of the movements in these two series. During the observation period, investments in unlisted shares and other equity follow an upward trend. Investments increase from 186 million EUR in 2004 Q1 to 613 million EUR in 2018 Q1, with an average quarterly growth of 2,25%.

The growth patterns of total assets and unlisted shares and other equity can be compared on the indexed amounts. Over the period 2004 Q1 – 2018 Q1, indexed value of total assets increases to 270 while indexed value of unlisted shares and other equity reach 329.



Note: The amounts of investments are small and according to the NSA, they are deemed rather illiquid.

Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis