

The Financial Market Authority

**Analysis of
Current Situation
in the Insurance Industry
of the Slovak Republic**

Bratislava, June 2001

Contents

| | | |
|-----------|---|-----------|
| | Introduction | 3 |
| 1. | Insurance market evaluation as of 31. 12. 2000 | 5 |
| | (1) The Share capital of insurance companies | 6 |
| | (2) Net profit/loss | 7 |
| 2. | Specific insurance market indicators | 10 |
| | (1) Premiums written | 10 |
| | (2) Claims paid | 17 |
| | (3) Amount of claims (Claims ratios) | 19 |
| 3. | Reserves | 22 |
| | (1) Reserve structure as of 31. 12. 2000 | 22 |
| | (2) The placement of funds coming from reserves | 22 |
| 4. | Solvency position of insurance companies | 25 |
| 5. | Auditors | 27 |
| 6. | Actuaries | 28 |
| 7. | Intermediary activities | 29 |
| 8. | Outline of legislative developments in 2000 | 30 |
| | Annexes | |

Introduction

The Insurance market with its specific tasks, principles and significance plays an important role in market economy. The aim of this insurance market analysis including the analysis of liquidity and other indicators is to demonstrate the development of insurance business in the Slovak republic over the last years, to present its current state and point to its problems. The analysis serves as an overview and basis for the work of the supervisory body and a foundation for the performance of inspections within the insurance business. At the same time, it contains proposals for changes of legislation relating to commercial insurance and serves as a foundation for building and developing the so-called early warning system.

Over the past years, the insurance market in the Slovak republic underwent a successful transformation. The act No. 24/1991 Zb. (Coll. of Acts) on Insurance Business (hereinafter referred to as the "Act") enabled a shift from the past monopoly position of Slovenská poisťovňa to market conditions. The subsequent regulations further stipulated the conditions for the functioning of market mechanism in the insurance business. Under these conditions, the insurance market in the Slovak republic gradually developed. In 2000, 29 insurance companies were present on the Slovak insurance market.

The Slovak Republic has obliged itself - by signing the Association Agreement with the European Communities - to adjust its legislation and to establish financial institutions meeting the standards of developed countries with market economies. The supervision on the insurance business has started with regard to these obligations. By implementing further legislative changes, preconditions for the performance of such supervision in accordance with international requirements and based on previous experience have been gradually created, adjusted to the conditions in Slovakia.

Regular solvency evaluation of insurance institutions authorised to carry out insurance business in the Slovak Republic in accordance with the Act, along with an insurance market analysis, have been performed since 1996. The supervisory body performs analyses of key insurance market indicators, which are characteristic of commercial insurance. To enable complex assessment, it has been necessary to define a set of indicators and a unique methodology for their monitoring.

Act No. 101/2000 Coll. of Acts on the Amendment of Act No. 24/1991 Coll. of Acts on Insurance Business, as later amended, has changed the conditions for the pursuit of business of insurance companies especially by authorising foreign insurance companies to carry on insurance business in the Slovak insurance market through branches (organisational units of these insurance companies) and by strengthening the status and extending the tasks of the insurance industry supervision. The supervisory body now grants permissions to acquisition of shares of insurance companies, it approves the members of statutory bodies of insurance companies, it may put an insurance company under receivership and its authority to impose sanctions on insurance companies has been extended. Furthermore, the position of an actuary was introduced and conditions to carry on the business of an insurance broker have been defined.

The change in quality of insurance supervision went into effect November 1, 2000 when an independent supervisory body – which also performs supervision on the insurance business - was established pursuant to Act No. 329/2000 Z. z.(Coll. of Acts) on the Financial Market Authority and on the Amendment of some Acts.

Experience shows that positive change in commercial insurance demonstrated itself not only by an increasing number of insurance companies, but also by the introduction of new insurance

products and services, which extend the number of options available, so that the client may choose the type of insurance cover that best suits his requirements and needs. As a result of the application of standard procedures in granting licenses to pursue insurance business and in performing financial and solvency supervision of insurance companies, there has been a steady interest by foreign insurance companies to obtain a license to pursue insurance business in the Slovak republic.

By participating in the work of the OECD Insurance Board, the employees of the supervisory body have an opportunity to obtain information on the latest developments in the insurance market, to exchange relevant information with representatives of supervisory authorities of European Communities Member States and to apply the gained knowledge in practice. Active participation in conferences of supervisory bodies of Central and East European Countries contributes to a good presentation of the Slovak insurance system abroad.

In 2000, the supervisory body's activities were focusing on:

- the preparation of complex proposals for granting licenses to 2 new insurance companies,*
- assessing new insurance products and approving 82 insurance terms and products,*
- preparing proposals for granting 182 licences to carry on the business of an insurance broker,*
- performing 2 complex on-site inspections,*
- regular monitoring of compliance with corrective measures,*
- approving the members of statutory bodies of five insurance companies,*
- approving the acquisition of shares in four insurance companies,*
- approving the transfer of the insurance portfolio at one insurance company,*
- collecting and analysing information and setting up the so-called „early warning system”,*
- training of employees,*
- presenting the current state and developments of commercial insurance at domestic and foreign seminars and conferences,*
- participating in the legislative process.*

Particular attention was paid to financial and solvency supervision over 29 insurance companies. Based on the analyses performed, corrective measures intended to restore solvency were imposed on 6 insurance companies. A control of funds allocation was performed at each insurance company in connection with the expiry of period, during which insurance companies were required to ensure compliance of allocation of reserves with the Decree of the Ministry of Finance of the Slovak Republic No. 136/1996 Coll. of Acts Stipulating the Establishment, Use and Allocation of Reserves of an Insurance Company as later amended (hereinafter referred to as the “Decree”). Based on its results, measures to achieve compliance were imposed on 4 insurance companies.

1. Insurance Market Evaluation as of 31. 12. 2000

In 2000, the dynamic development of the Slovak insurance market continued. During the year, two licences to establish and to pursue the business of an insurance company were granted. The Ministry of Finance of the Slovak Republic granted the license to the insurance company Cardif Slovakia a. s., Bratislava and the Financial Market Authority (hereinafter referred to as the "Authority") granted a licence to the insurance company DRUKOS a. s., Banská Bystrica.

Due to substantial violations of the Insurance Act and failure to comply with corrective measures, the supervisory body has cancelled the licence to pursue insurance business of Všeobecná ľudová poisťovňa a. s., Žilina. In December 2000, the insurance company Európska Cestovná Poisťovňa a. s., Bratislava requested a transfer of the insurance portfolio. The insurance portfolio was taken over by UNION poisťovacia a. s., Bratislava. The insurer Európska Cestovná Poisťovňa a. s., Bratislava ceased to act as insurance company in the Slovak insurance market.

29 insurance companies were operating in the insurance market as of 31. 12. 2000. Table 1 shows a list of them:

Table 1: List of insurance companies in the Slovak republic as of 31. 12. 2000

| Insurance Company | Date of Licensing Issue | Share Capital (SKK Thousands) | Proportion of Foreign Capital (%) |
|---|--------------------------------|--------------------------------------|--|
| Slovenská poisťovňa, a.s. * | 6.3.1991 | 3 500 000 | 4,62 |
| KOOPERATIVA poisťovňa, a.s. | 20.3.1991 | 550 000 | 91,18 |
| UNIQA poisťovňa, a.s. | 15.4.1991 | 300 000 | 99,37 |
| Ergo, a.s. | 12.5.1992 | 230 000 | 49,57 |
| QBE poisťovňa, a.s. | 25.5.1992 | 143 360 | 100,00 |
| UNION, poisťovacia a.s. | 24.9.1992 | 266 000 | 94,62 |
| Allianz poisťovňa, a.s. | 26.1.1993 | 370 000 | 100,00 |
| Česká poisťovňa - Slovensko, a.s. | 24.3.1993 | 250 000 | 100,00 |
| Komunálna poisťovňa, a.s. | 13.10.1993 | 136 000 | - |
| POISŤOVŇA GERLING Slovensko, a.s. | 29.9.1994 | 75 000 | 100,00 |
| VZÁJOMNÁ ŽIVOTNÁ POISŤOVŇA, a.s. | 17.10.1994 | 120 000 | - |
| Univerzálna banková poisťovňa, a.s. | 27.3.1995 | 300 000 | - |
| Prvá česko-slovenská poisťovňa, a.s. | 30.5.1995 | 230 700 | 16,47 |
| Hasičská poisťovňa, a.s. * | 21.8.1995 | 138 426 | - |
| First American Slovak Insurance Company - Prvá americko-slovenská poisťovňa, a.s. /AMSLICO/ | 19.9.1995 | 200 000 | 100,00 |
| Európska Cestovná Poisťovňa, a.s. | 5.1.1996 | 52 030 | 100,00 |
| Dopravná poisťovňa, a.s. * | 18.1.1996 | 91 816 | - |
| Nationale-Nederlanden poisťovňa, a.s. | 22.3.1996 | 438 000 | 100,00 |
| Poisťovňa TATRA, a.s. * | 25.6.1996 | 140 000 | - |
| Generali Poisťovňa, a.s. | 22.1.1997 | 145 000 | 100,00 |
| KONTINUITA - Slovenská životná poisťovňa, a.s. | 13.2.1997 | 300 000 | - |
| D.A.S., poisťovňa právnej ochrany, a.s. | 17.10.1997 | 50 000 | 100,00 |
| Wüstenrot, životná poisťovňa, a.s. | 9.7.1998 | 100 000 | 90,00 |
| R+V Poisťovňa, a.s. | 20.7.1998 | 140 000 | 100,00 |
| Poisťovňa AIG Slovakia, a.s. | 14.9.1998 | 70 000 | 100,00 |
| Zurich Poisťovňa, a.s. | 1.7.1999 | 60 000 | 100,00 |
| VICTORIA-VOLKSBANKEN Poisťovňa, a.s. | 2.11.1999 | 130 000 | 90,00 |
| Poisťovňa Cardif Slovakia, a.s. | 23.2.2000 | 130 000 | 100,00 |
| Poisťovňa DRUKOS, a.s. | 28.11.2000 | 80 000 | - |

* year-end financial statements have not been audited by the date of analysis preparation

(1) The share capital of insurance companies

The act defines the amount of minimum share capital companies must have in order to carry out insurance activities according to the fields of insurance. The amount of share capital is one of the starting points for solvency evaluation in an insurance company.

Five insurance companies increased their share capital in 2000, namely Česká poisťovňa – Slovensko, a. s., First American Slovak Insurance Company – Prvá americko-slovenská poisťovňa, a. s., Poisťovňa TATRA, a. s., D.A.S. poisťovňa právnej ochrany (=an insurance covering legal expenses), a. s., and Wüstenrot, životná poisťovňa, a. s.

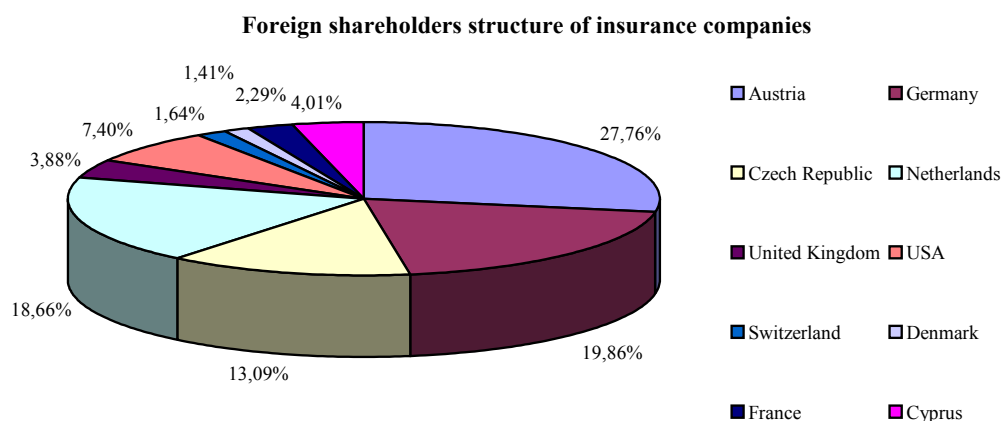
Changes in the proportion of foreign capital arose during the year, in that the proportion continued to grow. Out of the total number of 29 insurance companies, 21 companies had property participation by foreign subjects. There was a predominant or 100% ratio in 19 of these companies. Eight insurance companies have only Slovak capital. The overall proportion of foreign shareholders in the combined share capital of all insurance companies is 42,3 %.

The foreign capital structure according to the origin of foreign capital is as follows:

Table 2: Proportion of foreign capital in the insurance companies’ share capital

| Country | Amount of Share Capital owned by Foreign Investors (SKK Thousands) | Proportion of Foreign Shareholders in the Share Capital (%) | Proportion of Shareholders in the Insurance Market (%) |
|---------------------|--|---|--|
| Austria | 1 025 898 | 27,76 | 11,74 |
| Germany | 733 771 | 19,86 | 8,40 |
| Czech Republic | 483 797 | 13,09 | 5,54 |
| Netherlands | 689 663 | 18,66 | 7,89 |
| United Kingdom (UK) | 143 360 | 3,88 | 1,64 |
| USA | 273 476 | 7,40 | 3,13 |
| Switzerland | 60 596 | 1,64 | 0,69 |
| Denmark | 52 030 | 1,41 | 0,60 |
| France | 84 638 | 2,29 | 0,97 |
| Cyprus | 148 283 | 4,01 | 1,70 |
| Total | 3 695 510 | 100,00 | 42,30 |

Chart 1



(2) Net profit/loss

17 insurance companies reported a profit and 12 companies a loss in 2000. The development of net profit/loss over the past 6 years in individual insurance companies can be seen in the following list:

Table 3: Net profit/loss for particular years (SKK Thousands)

| Insurance Company | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---------|----------|----------|------------|----------|----------|
| Slovenská poisťovňa, a.s. | 305 467 | 339 194 | 307 493 | -1 837 320 | 46 563 | 103 521 |
| KOOPERATIVA poisťovňa, a.s. | 23 594 | 14 214 | 22 303 | 35 877 | 50 453 | 58 026 |
| UNIQA poisťovňa, a.s. | -62 001 | 15 728 | 32 936 | 85 211 | 19 993 | 38 952 |
| Ergo, a.s. | -11 095 | -20 914 | 633 | 294 | 683 | 20 123 |
| QBE poisťovňa, a.s. | 2 109 | 4 611 | 6 664 | 68 030 | 65 655 | -18 645 |
| UNION, poisťovacia a.s. | 4 052 | 5 052 | 9 300 | -12 654 | -118 798 | -73 899 |
| Allianz poisťovňa, a.s. | -1 832 | 1 376 | 70 441 | 154 114 | 263 081 | 258 914 |
| Česká poisťovňa - Slovensko, a.s. | -9 776 | 4 836 | 24 508 | 1 132 | 920 | -11 913 |
| Komunálna poisťovňa, a.s. | 2 103 | 11 609 | 8 236 | 5 470 | 1 306 | 8 425 |
| POISŤOVŇA GERLING Slovensko, a.s. | -839 | 226 | 949 | 10 702 | 942 | 5 486 |
| VZÁJOMNÁ ŽIVOTNÁ POISŤOVŇA, a.s. | -42 605 | 22 606 | 42 682 | -21 498 | 1 947 | 15 886 |
| Univerzálna banková poisťovňa, a.s. | -15 184 | -28 934 | 321 | 4 778 | 7 763 | 9 003 |
| Prvá česko-slovenská poisťovňa, a.s. | -6 103 | -14 110 | -22 434 | 9 220 | -5 113 | -12 946 |
| Hasičská poisťovňa, a.s. | -4 393 | -23 949 | -15 125 | -4 659 | 4 565 | -46 708 |
| First American Slovak Insurance Company - Prvá americko-slovenská poisťovňa, a.s. /AMSLICO/ | - | -26 690 | 1 044 | 43 673 | 94 504 | 138 795 |
| Európska Cestovná Poisťovňa, a.s. | - | -12 081 | -10 826 | -14 887 | -14 801 | -596 |
| Dopravná poisťovňa, a.s. | - | 3 424 | 5 542 | 17 663 | 14 305 | -29 004 |
| Nationale-Nederlanden poisťovňa, a.s. | - | -105 908 | -133 164 | -35 271 | 52 201 | 84 210 |
| Poisťovňa TATRA, a.s. | - | -10 189 | 1 772 | 1 896 | 861 | -15 915 |
| Generali Poisťovňa, a.s. | - | - | 3 970 | 4 510 | -13 019 | -27 939 |
| KONTINUITA - Slovenská životná poisťovňa, a.s. | - | - | -6 443 | -24 109 | -48 868 | 10 901 |
| Všeobecná ľudová poisťovňa, a.s. | - | - | -2 930 | -13 487 | - | - |
| D.A.S., poisťovňa právnej ochrany, a.s. | - | - | -1 771 | -2 220 | -8 439 | -7 563 |
| Wüstenrot, životná poisťovňa, a.s. | - | - | - | -5 027 | -13 749 | 1 106 |
| R+V Poisťovňa, a.s. | - | - | - | -53 371 | -153 549 | -117 299 |
| Poisťovňa AIG Slovakia, a.s. | - | - | - | -2 340 | 2 382 | 7 005 |
| Zurich Poisťovňa, a.s. | - | - | - | - | -2 940 | -5 342 |
| VICTORIA-VOLKSBANKEN Poisťovňa, a.s. | - | - | - | - | -2 481 | 9 525 |
| Poisťovňa Cardif Slovakia, a.s. | - | - | - | - | - | 1 893 |
| Poisťovňa DRUKOS, a.s. | - | - | - | - | - | 144 |

The following objective factors are the major ones to influence the net profit/loss of commercial insurance companies:

- the taking up of activities in the insurance market. Experience so far in the Slovak Republic and the insurance business theory show that there is a higher probability of incurring a loss during the first 5 years of presence in the insurance market, especially for insurance companies providing life insurance. This is mainly the result of high start-up costs for getting off the ground the company and high acquisition cost.
- introduction of a new field of insurance in the course of the insurance company's operation,
- the insurance company's business policy,
- type of reinsurance of the insurance company,
- financial management of the insurance company.

In 2000, it was R+V Poist'ovňa, a. s Bratislava that showed the highest loss. The reasons for the loss are that it only started to operate in the insurance market, as well as the business policy of the company, which can be demonstrated by the fact that the loss went down as compared to the previous year. The insurance company has been active in the insurance market since 1998 and has been performing life and non-life insurance. At UNION, poisťovacia a. s., the loss is due to the introduction of life insurance as from 1998. At Hasičská poisťovňa, a. s., problems in the field of business policy and financial management showed up. A high claims ratio of transport risk insurance entailed the loss of Dopravná poisťovňa, a. s. At Generali Poisťovňa, a. s., the loss has been caused particularly by the extension of the insurance company's field of operation and by the setting up of new representations and agencies and the high cost associated. The financial management of QBE poisťovňa, a. s. was adversely affected by the general restructuring of the insurance company connected with a change of ownership, by the settlement of disputed insured claims from the previous time period, and thus by a high claims ratio. The insurer Česká poisťovňa - Slovensko, a. s. shows high administrative overhead cost and high cost of acquisition. Insurance acquisition costs are the reason for the loss of the insurer D.A.S. poisťovňa právnej ochrany a. s. High operating cost can be observed with Tatra, a. s. The loss of the Zurich, a. s. company is due to the fact that it has operated in the insurance market only for a short time.

The annexes 1 and 1b provide an overview of the operating cost, including the policy acquisition costs, as stated in the year-end financial statements for each insurance company.

An overview of other indicators having an effect on the net profit/loss of insurance companies is shown in Table 4.

Table 4: Selected indicators of insurance companies affecting their net profit/loss

| | | |
|--|---|-----------|
| Average calculated number of persons employed in 2000 | | 7 322 |
| Number of internal commercial service employees (as of 31. 12. 2000) | | 2 298 |
| Commissions paid out to internal CS employees (SKK Thousands) | in life insurance | 56 641 |
| | in non-life insurance | 109 507 |
| Number of external CS employees (as of 31. 12. 2000) | Intermediaries (brokers) | 182 |
| | Exclusive intermediaries for one insurance company (agents) | 35 119 |
| Commissions paid out to intermediaries (SKK Thousands) | in life insurance | 1 265 559 |
| | in non-life insurance | 622 085 |
| Commissions paid out from inwards reinsurance (SKK Thousands) | in life insurance | 0 |
| | in non-life insurance | 17 572 |

Insurance companies set up a loss prevention fund. The development of financial resources for loss prevention has been as follows:

Table 5: Financial resources for loss prevention (SKK Thousands)

| Risk | 31.12.1997 | 31.12.1998 | 31.12.1999 | 31.12.2000 |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| Fire | 11 908 | 11 698 | 10 334 | 9 878 |
| Alienation | 8 722 | 3 417 | 5 189 | 2 879 |
| Health Protection | 13 529 | 33 832 | 4 070 | 21 421 |
| Life Insurance | 0 | 0 | 2 349 | 0 |
| Other Risks | 21 955 | 24 980 | 7 307 | 4 771 |
| Total | 56 114 | 73 927 | 29 249 | 38 949 |

Besides these resources used mainly for risk prevention, Slovenská poisťovňa a. s., Bratislava provides, as defined in the act, 8 % of premium income from mandatory motor vehicle third party insurance of the preceding calendar year - for the purpose of covering the cost associated with procuring resources for human life saving and saving of material values in road transport - to legal entities participating in this activity.

2. Specific Insurance Market Indicators

There are specific indicators monitored in the field of insurance business. The major ones are:

- written premium,
- claim payments,
- loss ratio.

(1) Written premium

Total insurance premiums, including mandatory insurance, amounted to 27 486 559 000 SKK in 2000, meaning a year-to-year increase of 15,84 %. As compared to previous years, when the year-to-year growth was above 20%, the development stabilised during the last two years, nevertheless the increase was above inflation in 2000. Table 6 provides an overview of written premium in 2000 for particular insurance companies.

Table 6: Written premium by Slovak insurance companies in 2000 (SKK Thousands)

| Insurance Company | LIFE insurance | Market Share (%) | NON-LIFE insurance | Market Share (%) | TOTAL | Market Share (%) |
|---|-----------------------|-------------------------|---------------------------|-------------------------|-------------------|-------------------------|
| Slovenská poisťovňa, a.s. | 4 130 484 | 36,85 | 4 886 190 | 30,02 | 9 016 674 | 32,80 |
| Slovenská poisťovňa, a.s. – mandatory insurance | - | - | 4 154 230 | 25,52 | 4 154 230 | 15,11 |
| Kooperatíva poisťovňa, a.s. | 620 737 | 5,54 | 1 885 716 | 11,59 | 2 506 453 | 9,12 |
| UNIQA poisťovňa, a.s. | 167 785 | 1,50 | 681 356 | 4,19 | 849 141 | 3,09 |
| ERGO, a.s. | 403 837 | 3,60 | 250 955 | 1,54 | 654 792 | 2,38 |
| QBE poisťovňa, a.s. | 373 756 | 3,33 | 218 252 | 1,34 | 592 008 | 2,15 |
| UNION, poisťovacia a.s. | 102 559 | 0,91 | 554 675 | 3,41 | 657 234 | 2,39 |
| Allianz poisťovňa, a.s. | 551 021 | 4,92 | 1 469 716 | 9,03 | 2 020 737 | 7,35 |
| Česká poisťovňa - Slovensko, a.s. | 45 001 | 0,40 | 769 945 | 4,73 | 814 946 | 2,96 |
| Komunálna poisťovňa, a.s. | 73 179 | 0,65 | 191 369 | 1,18 | 264 548 | 0,96 |
| POISŤOVŇA GERLING Slovensko, a.s. | - | - | 99 093 | 0,61 | 99 093 | 0,36 |
| VZÁJOMNÁ ŽIVOTNÁ POISŤOVŇA, a.s. | 796 | 0,01 | 33 627 | 0,21 | 34 423 | 0,13 |
| Univerzálna banková poisťovňa, a.s. | 68 707 | 0,61 | 273 699 | 1,68 | 342 406 | 1,25 |
| Prvá česko-slovenská poisťovňa, a.s. | 192 800 | 1,72 | - | - | 192 800 | 0,70 |
| Hasičská poisťovňa, a.s. | 34 065 | 0,30 | 134 606 | 0,83 | 168 671 | 0,61 |
| First American Slovak Insurance Company - Prvá americko-slovenská poisťovňa, a.s. /AMSLICO/ | 2 141 468 | 19,10 | 40 281 | 0,25 | 2 181 749 | 7,94 |
| Európska Cestovná Poisťovňa, a.s. | - | - | 19 432 | 0,12 | 19 432 | 0,07 |
| Dopravná poisťovňa, a.s. | - | - | 116 098 | 0,71 | 116 098 | 0,42 |
| Nationale-Nederlanden poisťovňa, a.s. | 1 643 031 | 14,66 | - | - | 1 643 031 | 5,98 |
| Poisťovňa TATRA, a.s. | 8 279 | 0,07 | 50 441 | 0,31 | 58 720 | 0,21 |
| Generali Poisťovňa, a.s. | 62 838 | 0,56 | 129 418 | 0,80 | 192 256 | 0,70 |
| KONTINUITA - Slovenská životná poisťovňa, a.s. | 543 825 | 4,85 | 14 026 | 0,09 | 557 851 | 2,03 |
| D.A.S. poisťovňa právnej ochrany, a.s. | - | - | 32 216 | 0,20 | 32 216 | 0,12 |
| Wüstenrot, životná poisťovňa, a.s. | 40 304 | 0,36 | - | - | 40 304 | 0,15 |
| R+V Poisťovňa, a.s. | 3 902 | 0,03 | 107 926 | 0,66 | 111 828 | 0,41 |
| Poisťovňa AIG Slovakia, a.s. | - | - | 123 932 | 0,76 | 123 932 | 0,45 |
| Zurich Poisťovňa, a.s. | - | - | 37 024 | 0,23 | 37 024 | 0,13 |
| VICTORIA - VOLKSBANKEN Poisťovňa, a.s. | 1 307 | 0,01 | 2 430 | 0,01 | 3 737 | 0,01 |
| Poisťovňa Cardif Slovakia, a.s. | 41 | 0,0004 | 184 | 0,001 | 225 | 0,001 |
| Poisťovňa DRUKOS, a.s. * | 0 | 0 | - | - | 0 | 0 |
| Total | 11 209 722 | 100 | 16 276 837 | 100 | 27 486 559 | 100 |

* The insurance company DRUKOS, a.s. was granted licence on 28.11.2000 and did not enter into any transactions in 2000

A graphic representation of written premium for the year 2000 can be seen in the Annexes 2, 3, and 4.

An overview of the written premium for the period 1993 – 2000 along with some charts is in the Annexes 5, 6, and 7.

A trend towards a gradual increase in the proportion of life insurance in total insurance became evident in 2000, as well, and the proportion of non-life insurance is decreasing in accordance with the world-wide trend. In 2000, the proportion of life insurance exceeded 40% of total written premium. The year-to-year increase in written premium in life insurance is about 30%. The considerable rise in life insurance is due to the introduction of new products in the insurance market, especially the introduction of investment life insurance. This indicator was also partly influenced by the classification of classes of insurance according to the act No. 101/2000 Coll. of Acts, which amends and complements the act as from 1. 4. 2000. Under the current methodology, supplementary accident insurance and supplementary sickness insurance to life insurance are set out within life insurance. A growth slowdown continues to manifest itself in the field of non-life insurance. The development in life and non-life insurance and of their proportions can be seen in Table 7.

Table 7: Proportion of life insurance and non-life insurance on the total premium written (in Mill. SKK)

| Year | Life | Share | Year-to-year growth | Non-life | Share | Year-to-year growth | Total | Year-to-year growth |
|--------------|--------|--------|---------------------|----------|--------|---------------------|--------|---------------------|
| 1993 | 1 972 | 23,47% | - | 6 427 | 76,53% | - | 8 399 | - |
| 1994 | 2 154 | 23,43% | 9,17% | 7 039 | 76,57% | 9,44% | 9 193 | 9,38% |
| 1995 | 2 552 | 23,81% | 18,57% | 8 173 | 76,19% | 16,18% | 10 725 | 16,74% |
| 1996 | 3 538 | 25,16% | 38,49% | 10 503 | 74,81% | 28,43% | 14 041 | 30,83% |
| 1997 | 4 603 | 26,94% | 30,14% | 12 484 | 73,06% | 18,86% | 17 087 | 21,70% |
| 1998 | 6 297 | 29,39% | 36,80% | 15 127 | 70,61% | 21,17% | 21 424 | 25,38% |
| 1999 | 7 860 | 33,12% | 24,82% | 15 868 | 66,88% | 4,90% | 23 728 | 10,75% |
| 2000 | 11 210 | 40,78% | 42,62% | 16 277 | 59,22% | 2,58% | 27 487 | 15,84% |
| 2000* | 10 218 | 37,18% | 30,01% | 17 268 | 62,82% | 8,82% | 27 487 | 15,84% |

* Proportions calculated using an older methodology, according to which supplementary insurance to life insurance was reported as non-life.

The overview indicates that the proportion of written premium in life insurance has grown substantially since 1996. The development in the insurance market is heading towards a state where both classes of insurance will reach approximately equal volumes, i.e. 50 : 50. Annexe 8 features a graphic representation of the year-to-year growth in written premium for the period 1994-2000.

Proportion of life and non-life insurance in 1993 - 2000 according to written premium

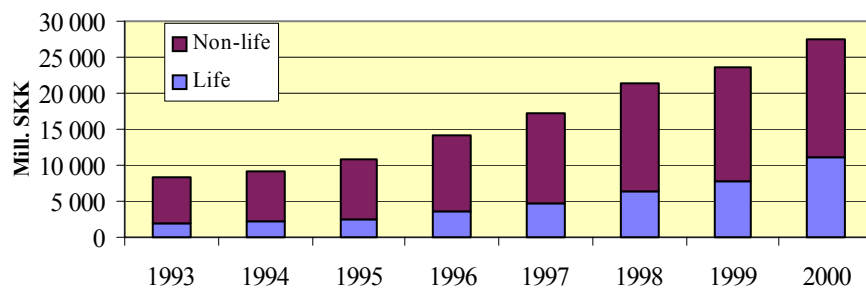


Chart 3

Percentage of life and non-life insurance in 1993-2000

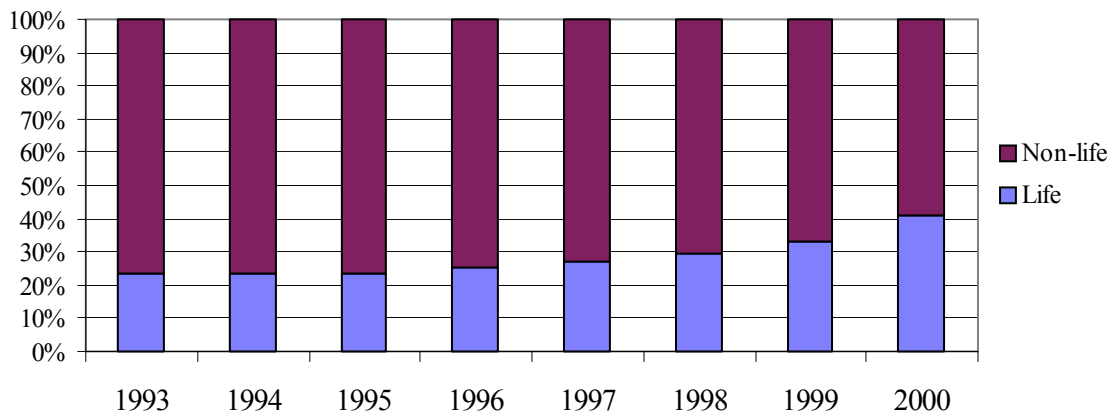
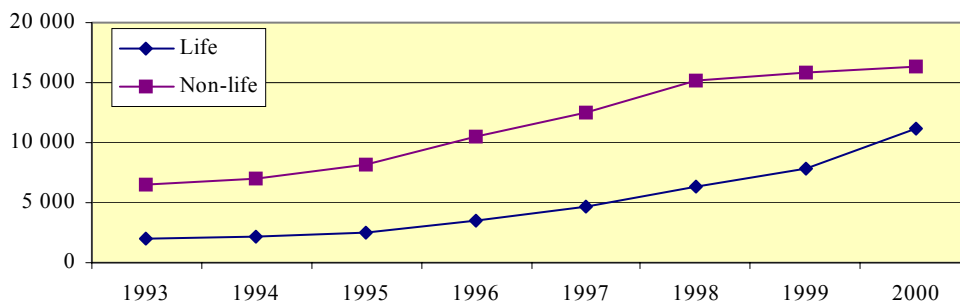


Chart 4

Development of written premium in life and non-life insurance (Mil. SKK)



A reinsurance is used to raise the volume of insured risk that can be covered by the insurance company. By means of a reinsurance policy, insurance companies cede a part of the insured risk to reinsurance companies – this is referred to as outwards reinsurance. The outwards reinsurance of Slovak insurance companies is conducted especially by renowned foreign reinsurance companies. 1,90%, and 24,54% of written premium were ceded to reinsurers in life and non-life insurance, respectively. The insurance policies were reinsured in the amount of 0% through 20,44%, and 0%

through 99,01%, in life insurance and non-life insurance, respectively, depending on individual reinsurance programs of the individual insurance companies.

In the Slovak Republic, inwards reinsurance, where insurance companies conduct reinsurance activities – they reinsure other insurance companies - in addition to insurance activities, is performed only by Slovenská poisťovňa, a. s. , and KOOPERATIVA, a. s., in both cases only in the field of non-life insurance. The amount of premiums written from inwards reinsurance was 59 982 000 SKK in 2000, representing 0,37% out of the total volume of premiums written in non-life insurance. Appendix 9 provides an overview of the amount of premiums written ceded to a reinsurer.

It can be stated that , in 2000 as well, Slovenská poisťovňa, a. s. had the highest share in the insurance market in terms of the amount of premiums written. Its proportion in total premiums written reaches 47,91%. The development of Slovenská poisťovňa’s insurance market share is demonstrated in the following list:

Table 8: Development of the share of Slovenská poisťovňa, a. s., in the written premium:

| | | | |
|-------------|---------|-------------|---------|
| 1993 | 84,65 % | 1997 | 62,30 % |
| 1994 | 83,10 % | 1998 | 58,59 % |
| 1995 | 78,72 % | 1999 | 52,58 % |
| 1996 | 67,82 % | 2000 | 47,91 % |

The declining share of Slovenská poisťovňa a. s. is particularly striking in life assurance, where it makes up only 36,85% (in 1999 – 46,98 %). There has been a substantial rise of the shares of the two biggest life offices - of the First American Slovak Insurance Company – Prvá americko-slovenská poisťovňa a. s. /AMSLICO/ (19,10 % in 2000, 14,06 % share in 1999), and of Nationale-Nederlanden poisťovňa a. s. (14,66 % in 2000, 12,41 % share in 1999).

The written premium / gross domestic product (GDP) ratio is an indicator measuring the weight insurance transactions have in national economy. Although this indicator lies deeply below the international average value, it is continuously growing and reached 3,10% in 2000. The gradual growth along with a comparison of this indicator’s development in the Czech Republic is demonstrated in Table 9. For comparison’s sake, one can state that this ratio reached 7.51% in the EU countries in 1997 and 8.41% in OECD countries.

Table 9: Comparison of the development of the written premium/GDP ratio in the Slovak Republic with the development in the Czech Republic

| Year | Slovak Republic | | | Czech Republic | | |
|-------------|--------------------------------------|--------------------------------|---------------------|--------------------------------------|--------------------------------|--------------------|
| | GDP at Current Prices (SKK Billions) | Written Premium (SKK Billions) | Written Prem. / GDP | GDP at Current Prices (CZK Billions) | Written Premium (CZK Billions) | Written Prem./ GDP |
| 1993 | 369.1 | 8.399 | 2.27 % | 1,020.3 | 22.959 | 2.25 % |
| 1994 | 440.5 | 9.193 | 2.09 % | 1,182.8 | 29.670 | 2.51 % |
| 1995 | 516.8 | 10.725 | 2.08 % | 1,381.1 | 33.796 | 2.45 % |
| 1996 | 575.7 | 14.041 | 2.44 % | 1,572.3 | 41.124 | 2.62 % |
| 1997 | 653.9 | 17.087 | 2.61 % | 1,668.8 | 47.984 | 2.88 % |
| 1998 | 717.4 | 21.424 | 2.99 % | 1,798.3 | 55.200 | 3.07 % |
| 1999 | 779.3 | 23.728 | 3.05 % | 1 833.0 | 62.500 | 3.41 % |
| 2000 | 887.2 | 27.487 | 3.10 % | 1 910.6 | 67.409 | 3.53 % |

Proportion of written premium to GDP

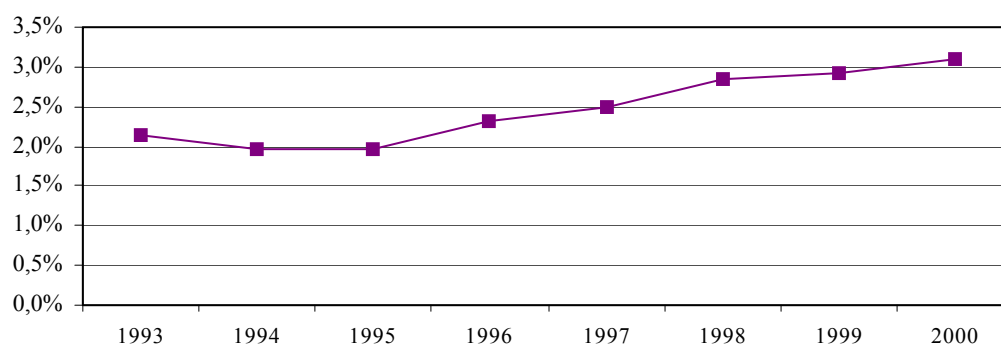


Table 10 shows the development of written premium in the Czech and Slovak Republics. During the period 1993 – 2000, the amount of written premium in life insurance in the Slovak Republic was growing at a higher rate (5,7 times) than in the Czech Republic (3,8 times), while in the field of non-life insurance, written premium were increasing a little bit faster in the Czech Republic (2,7 times) than in the Slovak Republic (2,5 times).

Table 10: Development of written premium in the Czech Republic (CR) and the Slovak Republic (SR) (CZK / SKK Billions)

| Year | Life CR | Life SR | Non-life CR | Non-life SR | CR Total | SR Total | Year-to-year Increase CR | Year-to-year Increase SR |
|------|---------|---------|-------------|-------------|----------|----------|--------------------------|--------------------------|
| 1993 | 5.92 | 1.97 | 17.04 | 6.43 | 22.96 | 8.40 | - | - |
| 1994 | 7.45 | 2.15 | 22.22 | 7.04 | 29.67 | 9.19 | 29.23 % | 9.45 % |
| 1995 | 9.34 | 2.55 | 24.45 | 8.17 | 33.80 | 10.73 | 13.91 % | 16.66 % |
| 1996 | 10.94 | 3.54 | 30.19 | 10.50 | 41.12 | 14.04 | 21.68 % | 30.92 % |
| 1997 | 12.47 | 4.60 | 35.52 | 12.48 | 47.98 | 17.09 | 16.68 % | 21.69 % |
| 1998 | 15.10 | 6.30 | 40.10 | 15.13 | 55.20 | 21.42 | 15.04 % | 25.38 % |
| 1999 | 19.70 | 7.86 | 42.80 | 15.87 | 62.50 | 23.73 | 13.22 % | 10.75 % |
| 2000 | 22.24 | 11.21 | 45.17 | 16.28 | 67.41 | 27.49 | 7.85 % | 15.84 % |

(1.1) Mandatory insurance

The proportion of premiums written falling on mandatory insurance was 15,11% out of total premiums written in 2000. The moderate year-to-year growth of this proportion (14,95 % in 1999) is due to the rise of premium rates of the motor vehicle third party insurance. The results imply that written mandatory premiums make up more than one quarter of total premiums written in non-life insurance. The following list shows the development of this indicator with Slovenská poisťovňa, a. s.:

Table 11: Development of the proportion of mandatory insurance in premiums written at Slovenská poisťovňa, a. s. (SKK Thousands)

| Year | Written Premium in Mandatory Insurance (MMTI+MTIWIOD)* at SP, a. s. | Total Written Premium at SP, a. s. | Written Premium in (MMTI + MTIWIOD) / Written Premium in Non-life Insurance at SP, a. s. | Written Mandatory Insurance (MMTI+MTIWIOD) Premium / Total Written Premium at SP, a. s. |
|------|---|------------------------------------|--|---|
| 1997 | 2 550 405 | 10 644 980 | 33,09% | 23,96% |
| 1998 | 3 530 948 | 12 552 681 | 38,57% | 28,13% |
| 1999 | 3 546 040 | 12 476 769 | 40,37% | 28,42% |
| 2000 | 4 154 230 | 13 170 904 | 45,95% | 31,54% |

* MMTI = mandatory motor vehicle third party liability insurance
 MTIWIOD = mandatory third party insurance for damages caused by industrial injury and occupational disease

a) Mandatory motor vehicle third party liability insurance

The mandatory motor vehicle third party liability insurance follows the Decree of the Ministry of Finance of the Slovak Republic No. 423/1991 Coll. of Acts as later amended, which, pursuant to § 29 of the Act, regulates the conditions of mandatory motor vehicle third party liability insurance, and the premium rates, and determines the insurance company performing this insurance. As provided in the approved Conception of the Development of the Insurance Business and the Conception of Transition from Mandatory Motor Vehicle Third Party Liability Insurance to the System of Compulsory Contractual Insurance, a bill on compulsory contractual motor vehicle third party liability insurance and on amendments and completions to some acts is in the middle of the legislative procedure. The proposed legal regulation will cancel the monopoly of Slovenská poisťovňa, a. s. as from 1. 1. 2002, and conditions will be created for other commercial insurance companies, which will be allowed to provide this type of insurance on the basis of special licensing procedure.

The amount of written premium for this class of insurance relative to total written premium at Slovenská poisťovňa, a. s. is as follows:

Table 12: Development of the ratio of mandatory motor vehicle third party insurance to written premium at Slovenská poisťovňa, a. s. (SKK Thousands)

| Year | Written Premium in MMTI at SP, a.s. | Total Written Premium at SP, a.s. | Written MMTI Premium/ Written Premium in Non-life Insurance at SP, a.s. | Written MMTI Premium/ Total Written Premium at SP, a.s. |
|------|-------------------------------------|-----------------------------------|---|---|
| 1997 | 1 808 074 | 10 644 980 | 23,46% | 16,99% |
| 1998 | 2 729 834 | 12 552 681 | 29,82% | 21,75% |
| 1999 | 2 795 587 | 12 476 769 | 31,83% | 22,41% |
| 2000 | 3 354 297 | 13 170 904 | 37,10% | 25,47% |

The growth of the proportion of this insurance is largely the result of regular increases in premium rates. The growth of this proportion is also affected by the recent growth in the number of motor cars and change in their cubic capacity.

b) Mandatory third party insurance for damages caused by industrial injury and occupational disease

In accordance with §205d of the Labour Code, the mandatory third party insurance for damages caused by industrial injury and occupational disease is regulated by the Decree of the Ministry of Finance of the Slovak Republic No. 208/1993 Coll. of Acts as amended by the Decree of the Ministry of Finance of the Slovak Republic No. 61/1994 Coll. of Acts, by which more detailed

conditions and mandatory insurance premium rates of the employer are set for cases of liability for damages caused by industrial injury and occupational disease. Under the law, the subject authorised to conduct this insurance is Slovenská poisťovňa, a. s.. The amount of written premium for this class of insurance relative to total written premium at Slovenská poisťovňa, a. s. is as follows:

Table 13: Development of the ratio of mandatory third party insurance for damages caused by industrial injury and occupational disease to written premium at Slovenská poisťovňa, a. s. (SKK Thousands)

| Year | Written Premium in MTIWIOD at SP, a.s. | Total Written Premium at SP, a.s. | Written MTIWIOD Premium/ Written Premium in Non-life Insurance at SP, a.s. | Written MTIWIOD Premiums/ Total Written Premium v SP, a.s. |
|------|--|-----------------------------------|---|---|
| 1997 | 742,331 | 10,644,980 | 9.63% | 6.97% |
| 1998 | 801,114 | 12,552,681 | 8.75% | 6.38% |
| 1999 | 750,453 | 12,476,769 | 8.54% | 6.01% |
| 2000 | 799,933 | 13,170,904 | 8.85% | 6.07% |

According to the bill amending and complementing the Social Security Act No. 100/1998 Coll. of Acts as later amended, and the Social Insurance Office Act No. 274/1994 Coll. of Acts as later amended, it is assumed that the transfer of the mandatory third party insurance for damages caused by industrial injury and occupational disease from Slovenská poisťovňa, a. s. to the Social Insurance Office will take place as of 1. 1. 2000.

(1.2) Written premium according to classes of insurance

Since 2000, when a classification of classes of insurance according to fields of insurance was introduced, the structure of written premium for each class of insurance is monitored, too. Mandatory insurance is subject to a separate monitoring. Table 14 shows the structure of written premium according to classes of insurance (the division of insurance into classes pursuant to the act is shown in Annexe 24):

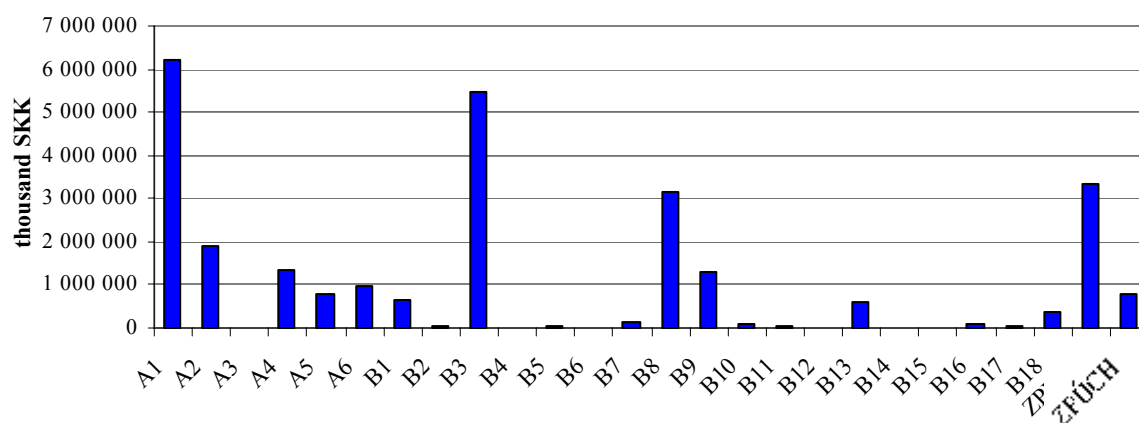
Table 14: Structure of written premium according to classes of insurance

| Life insurance | | | Non-life insurance | | |
|----------------------|-------------------|-------------------------------|----------------------|-----------------|-------------------------------|
| Classes of insurance | Written Premium | Proportion in Written Premium | Classes of insurance | Written Premium | Proportion in Written Premium |
| A1 | 6,191,953 | 55.24% | B1 | 671,338 | 4.12% |
| A2 | 1,904,497 | 16.99% | B2 | 45,466 | 0.28% |
| A3 | 0 | 0.00% | B3 | 5,450,963 | 33.49% |
| A4 | 1,343,161 | 11.98% | B4 | 0 | 0.00% |
| A5 | 778,651 | 6.95% | B5 | 36,398 | 0.22% |
| A6 | 991,462 | 8.84% | B6 | 9,409 | 0.06% |
| A Total | 11,209,722 | 100.00% | B7 | 160,445 | 0.99% |
| | | | B8 | 3,169,734 | 19.47% |
| | | | B9 | 1,317,255 | 8.09% |
| | | | B10 | 101,536 | 0.62% |
| | | | B11 | 26,372 | 0.16% |
| | | | B12 | 379 | 0.00% |
| | | | B13 | 580,538 | 3.57% |
| | | | B14 | 17,708 | 0.11% |
| | | | B15 | 1,218 | 0.01% |
| | | | B16 | 102,827 | 0.63% |
| | | | B17 | 62,893 | 0.39% |
| | | | B18 | 368,129 | 2.26% |

Analysis of Current Situation in the Insurance Industry in the SR ----- 16 -----

| | | | | | |
|--|--|--|-----------------------|-------------------|----------------|
| | | | B Total | 12,122,607 | 74.48% |
| | | | MMTI | 3,354,297 | 20.61% |
| | | | MTIWIOD | 799,933 | 4.91% |
| | | | MI Total | 4,154,230 | 25.52% |
| | | | B and MI Total | 16,276,837 | 100.00% |

Chart 6



(2) Claim payments

The claim payments in life and non-life insurance have developed proportionally. Their amounts are indicated in the following Table 15, a graphic representation is in Annexe 10, 11 and 12.

Table 15: Claim payments (SKK Thousands)

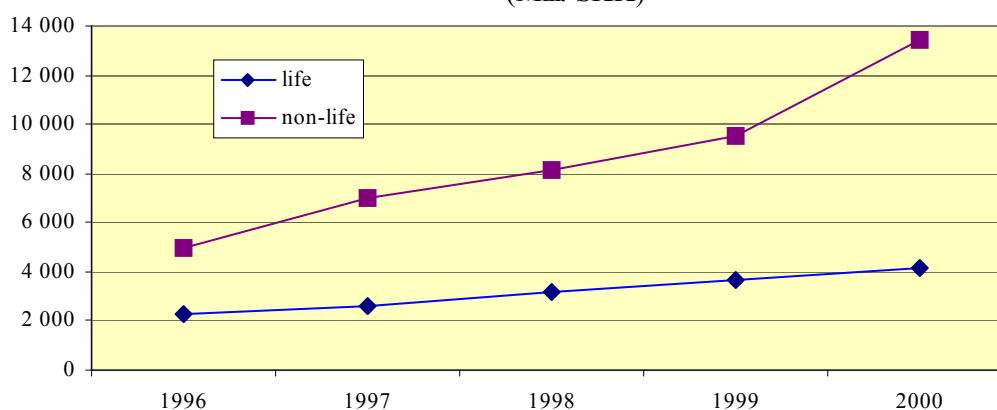
| Insurance Company | LIFE insurance | Market Share (%) | NON-LIFE insurance | Market Share (%) | TOTAL | Market Share (%) |
|---|----------------|------------------|--------------------|------------------|-----------|------------------|
| Slovenská poisťovňa, a.s.* | 3,406,339 | 81.51 | 2,802,221 | 30.42 | 6,208,560 | 46.36 |
| Slovenská poisťovňa, a.s. – mandatory insurance | - | - | 2,990,948 | 32.46 | 2,990,948 | 22.33 |
| Kooperatíva poisťovňa, a.s. | 72,988 | 1.75 | 900,247 | 9.77 | 973,235 | 7.27 |
| UNIQA poisťovňa, a.s. | 23,184 | 0.55 | 415,252 | 4.51 | 438,436 | 3.27 |
| ERGO, a.s. | 55,822 | 1.34 | 160,375 | 1.74 | 216,197 | 1.61 |
| QBE poisťovňa, a.s. | 262,809 | 6.29 | 106,398 | 1.15 | 369,207 | 2.76 |
| UNION, poisťovacia a.s. | 2,329 | 0.06 | 315,156 | 3.42 | 317,485 | 2.37 |
| Allianz poisťovňa, a.s. | 65,175 | 1.56 | 639,087 | 6.94 | 704,262 | 5.26 |
| Česká poisťovňa - Slovensko, a.s. | 13,746 | 0.33 | 380,154 | 4.13 | 393,900 | 2.94 |
| Komunálna poisťovňa, a.s. | 11,706 | 0.28 | 40,960 | 0.44 | 52,666 | 0.39 |
| POISŤOVŇA GERLING Slovensko, a.s. | - | - | 26,660 | 0.29 | 26,660 | 0.20 |
| VZÁJOMNÁ ŽIVOTNÁ POISŤOVŇA, a.s. | 0 | 0.00 | 18,494 | 0.20 | 18,494 | 0.14 |
| Univerzálna banková poisťovňa, a.s. | 21,099 | 0.50 | 98,375 | 1.07 | 119,474 | 0.89 |
| Prvá česko-slovenská poisťovňa, a.s. | 11,611 | 0.28 | - | - | 11,611 | 0.09 |
| Hasičská poisťovňa, a.s. | 5,579 | 0.13 | 44,564 | 0.48 | 50,143 | 0.37 |
| First American Slovak Insurance Company – Prvá americko-slovenská poisťovňa, a.s. /AMSLICO/ | 63,458 | 1.52 | 5,792 | 0.06 | 69,250 | 0.52 |
| Európska Cestovná Poisťovňa, a.s. | - | - | 7,984 | 0.09 | 7,984 | 0.06 |

Analysis of Current Situation in the Insurance Industry in the SR ----- 17 -----

| | | | | | | |
|--|------------------|------------|------------------|------------|-------------------|---------------|
| Dopravná poisťovňa, a.s. | - | - | 47,887 | 0.52 | 47,887 | 0.36 |
| Nationale-Nederlanden poisťovňa, a.s. | 150,250 | 3.60 | - | - | 150,250 | 1.12 |
| Poisťovňa TATRA, a.s. | 151 | 0.00 | 20,843 | 0.23 | 20,994 | 0.16 |
| Generali Poisťovňa, a.s. | 280 | 0.01 | 79,883 | 0.87 | 80,163 | 0.60 |
| KONTINUITA - Slovenská životná poisťovňa, a.s. | 11,609 | 0.28 | 94 | 0.00 | 11,703 | 0.09 |
| D.A.S. poisťovňa právnej ochrany, a.s. | - | - | 5,623 | 0.06 | 5,623 | 0.04 |
| Wüstenrot, životná poisťovňa, a.s. | 920 | 0.02 | - | - | 920 | 0.01 |
| R+V Poisťovňa, a.s. | 1 | 0.00 | 72,104 | 0.78 | 72,105 | 0.54 |
| Poisťovňa AIG Slovakia, a.s. | - | - | 34,084 | 0.37 | 34,084 | 0.25 |
| Zurich Poisťovňa, a.s. | - | - | 0 | 0.00 | 0 | 0.00 |
| VICTORIA - VOLKSBANKEN Poisťovňa, a.s. | 100 | 0.00 | 0 | 0.00 | 100 | 0.00 |
| Poisťovňa Cardif Slovakia, a.s. | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Poisťovňa DRUKOS, a.s. | 0 | 0.00 | - | - | 0 | 0.00 |
| Total | 4,179,156 | 100 | 9,213,185 | 100 | 13,392,341 | 100.00 |
| * Proportion of the amount of written premium without mandatory premiums | | | | | | |

Chart 7

Development of cost of claim payments in life and non-life insurance (Mill. SKK)



The amount of claim payments is largely affected by the insurance portfolio, having been created on a long term basis, with a constantly predominant share of Slovenská poisťovňa a. s. in the insurance market. The insurance portfolio Slovenská poisťovňa a. s. , especially within life insurance, consists of a predominant proportion of old policies where insurance benefits are paid, and a diminishing proportion of new policies. Thus the Slovenská poisťovňa's share in the insurance market is falling, as well.

An overview of the development of claim payments for the period 1996 – 2000 along with some charts can be seen in the Annexes 13, 14, and 15. Annexe 16 shows the amount of claim payments that were ceded to the reinsurer. The data imply that, in 2000, reinsurers participated in the coverage of 0,77%, and 18,26%, of claim payments in life insurance, and non-life insurance, respectively.

Like with written premium, Chart 8 and Table 16 show the structure of claim payments for the year 2000 for each class of insurance in line with the classification, mandatory insurance being subject to special attention:

Chart 8

Cost of claim payments according to classes of insurance

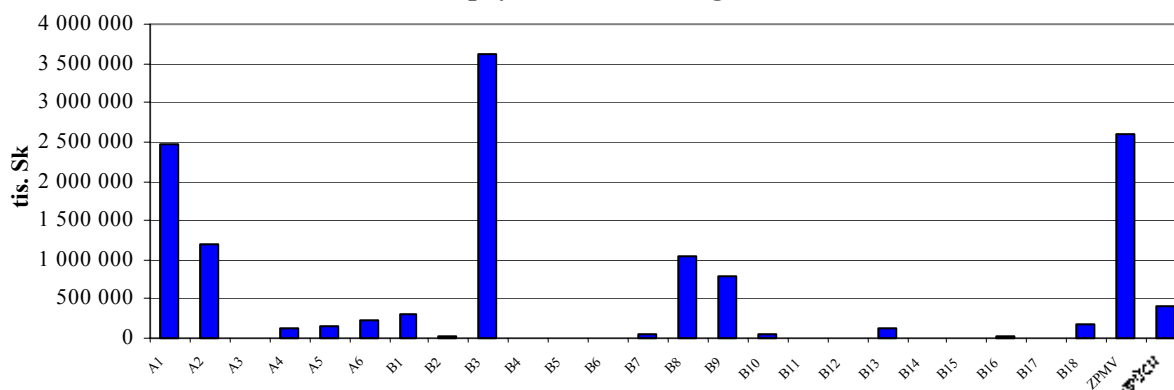


Table 16: Structure of claim payments according to classes of insurance

| Life insurance | | | Non-life insurance | | |
|--|------------------|------------------------------|--|------------------|------------------------------|
| Classes of Insurance according to the Classification | Claim Payments | Proportion in Claim Payments | Classes of Insurance according to the Classification | Claim Payments | Proportion in Claim Payments |
| A1 | 2,470,396 | 59.11% | B1 | 309,465 | 3.36% |
| A2 | 1,193,686 | 28.56% | B2 | 21,810 | 0.24% |
| A3 | 0 | 0.00% | B3 | 3,613,735 | 39.22% |
| A4 | 125,598 | 3.01% | B4 | 0 | 0.00% |
| A5 | 156,404 | 3.74% | B5 | 3,147 | 0.03% |
| A6 | 233,072 | 5.58% | B6 | 1,242 | 0.01% |
| A Total | 4,179,157 | 100.00% | B7 | 56,031 | 0.61% |
| | | | B8 | 1,049,508 | 11.39% |
| | | | B9 | 778,987 | 8.46% |
| | | | B10 | 43,382 | 0.47% |
| | | | B11 | 6,081 | 0.07% |
| | | | B12 | 0 | 0.00% |
| | | | B13 | 128,105 | 1.39% |
| | | | B14 | 2,678 | 0.03% |
| | | | B15 | 228 | 0.00% |
| | | | B16 | 24,372 | 0.26% |
| | | | B17 | 5,638 | 0.06% |
| | | | B18 | 177,821 | 1.93% |
| | | | B Total | 6,222,228 | 67.54% |
| | | | MMTI | 2,594,071 | 28.16% |
| | | | MTIWIOD | 396,877 | 4.31% |
| | | | MI Total | 2,990,948 | 32.46% |
| | | | B and MI Total | 9,213,176 | 100.00% |

(3) Loss ratio (Claims ratios)

The amount of claims is monitored in non-life insurance. It is intended to mean the loss ratio paid to written premium for a given accounting period. This is the so-called simple loss ratio. In addition to this ratio, the loss ratio can be monitored in more details, i.e. by allowing for the establishment of the claims reserve (CR) and the unearned premium reserve (UPR). The claims reserve (CR) affects the total claims paid of the insurance company relative to all damages, whether reported and settled or reported and not yet settled, or relative to damages that arose but have not been reported yet. The unearned premium reserve (UPR) impacts on the amount of written premium, because, during the accounting period, the insurance company disposes of only that part of written premium that appertains to it in the given accounting period, i.e. the earned premiums.

The supervisory body monitors how the loss ratio changes after allowing for reinsurance. In general, reinsurance should decrease the amount of loss ratio. However, this indicator is affected by the form and manner of reinsurance, e.g. the insurance company has many trivial damages and the reinsurance is oriented to major damages, or the insurance company reinsures only individual insurance policies, in the case of which there are no damages, or similar specific cases.

The supervisory body has analysed the following loss ratios:

Simple loss ratio = claim payment / written premium

$$\text{Loss ratio including CR} = \frac{(\text{claim payments} + \text{change in CR level})}{\text{written premium}}$$

$$\text{Loss ratio including CR and UPR} = \frac{(\text{claim payment} + \text{change in CR level})}{(\text{written premium} - \text{change in UPR level})}$$

The ratios mentioned were monitored as gross ratios, i.e. gross of the reinsurer's proportion, and as net ratios, i.e. net of the reinsurer's proportion, so that it is evident what the effect of reinsurance on the loss ratio is. The following table shows the development of various loss ratios for the insurance market (based on year-end financial statements of the insurance companies).

Table 17: Loss ratios in non-life insurance

| Year | Simple Loss Ratio net of Reinsurance | Loss Ratio inc. CR net of Reinsurance | Loss Ratio inc. UPR and CR net of Reinsurance | Loss Ratio gross of Reinsurance | Loss Ratio inc. CR gross of Reinsurance | Loss Ratio inc. UPR and CR gross of Reinsurance |
|-------------|---|--|--|--|--|--|
| 1997 | 57.02% | 63.11% | 64.91% | 62.59% | 65.97% | 65.18% |
| 1998 | 54.72% | 42.41% | 43.19% | 65.07% | 69.85% | 71.19% |
| 1999 | 61.41% | 52.30% | 53.60% | 66.52% | 69.70% | 73.06% |
| 2000 | 57.33% | 57.83% | 58.80% | 62.26% | 60.78% | 61.13% |

For the first time -for comparison's sake- we have also evaluated the loss ratio for the particular classes of insurance mentioned under point B-non-life insurance, in accordance with the classification of the classes of insurance. Due to missing data on how the reserves were built up (not all of the insurance companies were able to divide the reserves into classes of insurance), only the simple loss ratio has been evaluated for each class. The highest loss ratio of 77,34% has been reached in mandatory motor vehicle third party insurance, which is monitored separately. Next comes the land

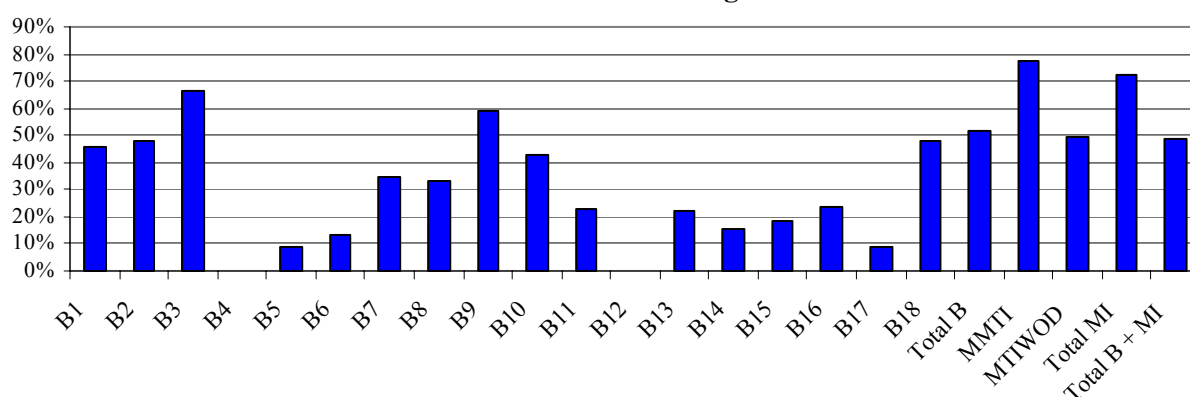
vehicles insurance other than railway rolling stock (class B 3) with a loss ratio of 66,3 %. The insurance benefits paid for these two classes of insurance make up above 50% of all insurance benefits paid within non-life insurance. Other property damage insurance (class B 9) also has a loss ratio higher than 50%.

Table 18: Loss ratio for each class of non-life insurance

| Classes of Insurance according to the classification | Loss Ratio | Classes of Insurance according to the classification | Loss Ratio | Classes of Insurance according to the classification | Loss Ratio | Mandatory Insurance | Loss Ratio |
|--|------------|--|------------|--|----------------|---------------------|----------------|
| B1 | 46.10 % | B7 | 34.92 % | B13 | 22.07 % | MMTI | 77.34 % |
| B2 | 47.97 % | B8 | 33.11 % | B14 | 15.12 % | MTIWIOD | 49.61 % |
| B3 | 66.30 % | B9 | 59.14 % | B15 | 18.71 % | MI Total | 72.00 % |
| B4 | - | B10 | 42.73 % | B16 | 23.70 % | B + ZP Total | 48.72 % |
| B5 | 8.65 % | B11 | 23.06 % | B17 | 8.96 % | | |
| B6 | 13.20 % | B12 | 0.00 % | B18 | 48.30 % | | |
| | | | | B Total | 51.33 % | | |

Chart 9

Loss ratios in non-life insurance according to classes of insurance



For class B3 (land vehicles insurance), a loss ratio of up to 95% has been recorded in individual cases. Despite the low total loss ratio of class B8 (property damage insurance against natural forces), some insurance companies had a loss ratio of as much as 66% for this class (the impact on the total loss ratio, however, has been low due to the low proportion in the insurance market).

A low loss ratio is characteristic of insurers that have been active in the insurance market for a short time, and for all-line insurers that are largely oriented to life insurance and that insure only against certain types of risk – supplementary to life insurance.

The loss ratio of an insurance company is especially influenced by the structure of its insurance portfolio. If the insurance company is oriented towards a lower number of non-life insurance classes with a high loss ratio, its loss ratio can be expected to be high.

For some of the loss ratios (the ratio net of the reinsurer's proportion), a higher value has been obtained - in individual cases even more than 100%. This is a peculiarity of reinsurance, where, in the case of individual insurance policies, the proportion of the reinsurer in the written premium can differ from that in the total insurance portfolio, or only a part of the damage is covered by a mass reinsurance policy and the rest remains at the insurance company's own expense.

Annexe 17 shows an outline of the simple loss ratio in non-life insurance for individual insurance companies for the years 1996 – 2000.

3. Reserves

(1) Reserve structure as of 31. 12. 2000

The supervisory body monitors the structure of reserves of the insurance company both in the field of life and non-life insurance. Insurance companies are obliged to establish these reserves as

Analysis of Current Situation in the Insurance Industry in the SR ----- 22 -----

stated in §13 sub-section 1 of the Act and the Decree. The insurance companies have built up total reserves (reserves at their own expense, i.e. without the reinsurer's proportion) to the amount of 39 018 704 000 SKK, meaning a year-to-year increase of 12,34%. Out of these reserves, the reserves in life insurance came to 30 288 040 000 SKK and reserves in non-life insurance amounted to 8 730 664 000 SKK. There was a year-to-year increase of 17,40% in life insurance, and, on the other hand, a 2,25% drop in non-life insurance. The amounts of reserves are listed in Tables 19 and 20.

Table 19: Reserve level in life insurance (SKK Thousands)

| Type of reserve | 31.12.1997 | 31.12.1998 | 31.12.1999 | 31.12.2000 |
|--|-------------------|-------------------|-------------------|-------------------|
| Unearned premium reserve (441) | 954,874 | 1,834,670 | 531,872 | 787,872 |
| Claims outstanding reserve (443) | 27,695 | 94,727 | 129,023 | 238,711 |
| Life insurance premium reserve (442) | 22,770,706 | 23,638,900 | 24,847,867 | 28,089,682 |
| Reserve to cover liabilities derived from financial placement on behalf of the insured persons (446) | 0 | 32,981 | 269,375 | 1,166,236 |
| Other reserves of the insurance company (449) | 0 | 7,747 | 21,198 | 5,539 |
| Total: | 23,753,275 | 25,609,025 | 25,799,334 | 30,288,040 |

Table 20: Reserve level in non-life insurance (SKK Thousands)

| Type of Reserve | 31.12.1997 | 31.12.1998 | 31.12.1999 | 31.12.2000 |
|---|------------------|------------------|------------------|------------------|
| Unearned premium reserve (441) | 1 088 170 | 1 278 189 | 1 861 007 | 1 871 292 |
| Claims outstanding reserve (443) | 2 608 563 | 3 154 477 | 3 589 428 | 3 305 349 |
| Bonus and discount reserve (444) | 584 208 | 601 030 | 660 640 | 643 348 |
| Reserve to balance special risks (445) | 1 886 188 | 2 408 602 | 2 804 436 | 2 909 027 |
| Other reserves of the insurance company (449) | 0 | 2 348 | 16 144 | 1 649 |
| Total: | 6 167 129 | 7 444 646 | 8 931 654 | 8 730 664 |

(2) The placement of funds coming from reserves

The accumulated reserves, except for the “reserve to cover liabilities derived from financial placement on behalf of the insured persons”, were covered by assets corresponding to the reserves to the amount of 34 007 587 000 SKK, representing 90% of the total amount of reserves. The sum constituting the level of the coverage of reserve resources involves only assets as per §9 of the Decree. These reserve resources as per §9 of the Decree have been placed in the following way (a graphic representation can be seen in Annexes 18 and 19):

Table 21: Placement structure of insurance companies' reserve resources as of 31. 12. 2000 (SKK Thousands)

| Type of Reserve Placement | From Life Insurance Reserves | From Non-Life Insurance Reserves | From Total Reserves |
|-------------------------------------|------------------------------|----------------------------------|---------------------|
| Bank deposits * | 14,959,784 | 6,158,299 | 21,118,082 |
| Government bonds and treasury notes | 5,602,376 | 752,875 | 6,355,251 |

Analysis of Current Situation in the Insurance Industry in the SR ----- 23 -----

| | | | |
|-------------------------------|-------------------|------------------|-------------------|
| Publicly traded bonds | 1,253,049 | 13,183 | 1,266,232 |
| Shares and share certificates | 601,329 | 40,325 | 641,654 |
| Foreign securities | 363,760 | 112,545 | 476,305 |
| Real estate | 3,903,460 | 244,959 | 4,148,419 |
| Loans from life insurances | 1,643 | - | 1,643 |
| Total | 26,685,401 | 7,322,186 | 34,007,587 |

* including deposit papers, certificates of deposit, and bonds issued by the bank

During an examination of reserve resources placing as of 31. 12. 2000, attention was paid to particular types of investment coming from the reserves. Special attention was paid to bank deposits as per §9 subpar. 1 of the Decree. Under Order No. 3175/98 –KM of 16 November 1998, of the Ministry of Finance of the Slovak Republic, by which the Chart of Accounts and the Bookkeeping Methods for Insurance Companies are Set (hereinafter referred to as the “Order”), the term bank deposits does not apply to current accounts (Account class 2). Four insurance companies have failed to comply with this order.

Two insurance companies have erroneously included bonds of the National Property Fund into assets corresponding to reserves. The bonds of the National Property Fund are special bonds that are neither government, nor publicly traded bonds.

In violation of the Act and the Decree, insurance companies have used funds from reserves to grant a variety of loans and credits, to buy privately traded securities, and due to lack of financial resources, they have offset various types of accounts receivable from third parties. The following table shows a summary of all falsely placed reserve resources (a graphic representation can be seen in Annexes 20 and 21):

Table 22: Falsely placed reserve resources (SKK Thousands)

| The Structure of Falsely Placed Reserve Resources | From Life Insurance Reserves | From Non-Life Insurance Reserves | From Total Reserves |
|--|-------------------------------------|---|----------------------------|
| Current account deposits | 48,554 | 241,924 | 290,478 |
| Accounts receivable from insurance | 4,225 | 24,491 | 28,716 |
| Accounts receivable from the Customs Authority | 0 | 9,484 | 9,484 |
| Real estate beyond the limit | 67,573 | 43,056 | 110,629 |
| National Property Fund bonds | 66,977 | 0 | 66,977 |
| Privately traded bonds | 1,184,031 | 0 | 1,184,031 |
| Privately traded shares | 2,779,307 | 82,526 | 2,861,833 |
| Foreign securities – not traded | 142,149 | 0 | 142,149 |
| Other loans | 120,392 | 2,736 | 123,128 |
| Credits | 2,345 | 0 | 2,345 |
| Total | 4,414,553 | 404,217 | 4,818,770 |

When comparing the audited year-end financial statements with the reported reserve resources placement, it turned out that, in several insurance companies, the figures showing particular asset types did not match the financial statements data. In some cases, this was a result of adding aliquot interest income to the accounting value of individual assets.

The product Investment Life Insurance, for which the “reserve to cover liabilities derived from financial placement on behalf of the insured persons” is build up, was submitted to a separate evaluation. As of 31. 12. 2000, insurance companies have built up such reserve to the amount of 1 166 236 000 SKK. As stated in §9 sub-section 3 of the Decree, the ways of placing the reserve resources as per sub-section 1 and 2 of §9 do not apply to this reserve.

Analysis of Current Situation in the Insurance Industry in the SR ----- 24 -----

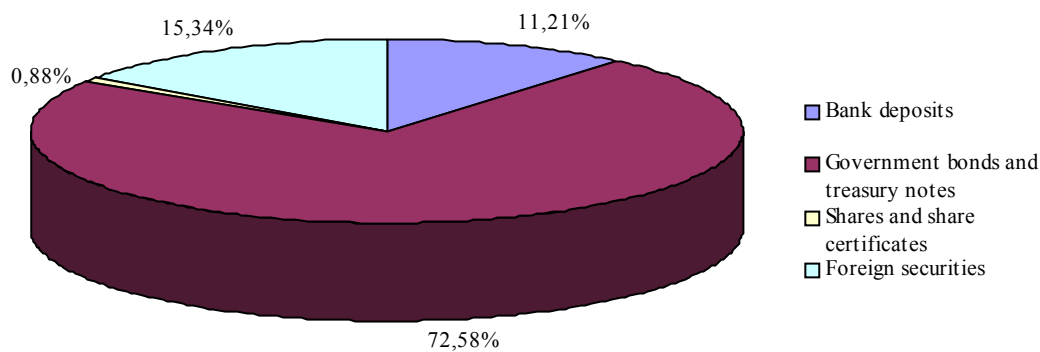
An overview of the placements of funds coming from the reserve relative to the product Investment Life Insurance is shown in Table 23. The data imply that, at the end of 2000, insurance companies documented only coverage of 97,52% of the accumulated reserve.

Table 23: Investment structure of the reserve for liabilities derived from financial placement on behalf of the insured persons as of 31.12.2000 (SKK Thousands)

| Type of Investment | Value |
|-------------------------------------|------------------|
| Bank deposits | 127,453 |
| Government bonds and treasury notes | 825,403 |
| Shares and share certificates | 9,988 |
| Foreign securities | 174,448 |
| Total | 1,137,292 |

Chart 10

Investment structure of reserves for liabilities derived from financial placement on behalf of the insured persons as of 31.12.2000 (SKK Thousands)



4. Solvency position of insurance companies

The solvency evaluation for commercial insurers had to be put into practise in line with EU directives on the insurance industry, namely the 1st directive No. 79/267/EEC on life insurance, and the 1st directive No. 73/239/EEC on non-life insurance. The methodology for insurance companies' solvency evaluation is based on actuarial standards applied in countries with developed insurance markets.

In accordance with §14a sub-section 3 of the Act, the solvency position of insurance companies shall be reported every year under the Order of the Ministry of Finance of the Slovak Republic of 30 December 1996 No. 4054/96-sekr. on the Method for Determining and Documenting the Solvency Position as later amended (hereinafter referred to as the „Order“).

The solvency position of an insurance company is one of the indicators showing the financial situation of the company and its ability to meet its liabilities. The basis for determining and documenting the solvency position are data from the insurance company's audited balance sheet and profit and loss account, and selected data from analytical and operative records of the insurance company. The solvency determination and documentation itself is performed by the insurance company on uniform forms depending on whether it is pursuing life insurance, non-life insurance, or both.

Insurance companies report the actual and the required solvency margin. The actual solvency margin indicates the actual amount of capital at the insurance company's disposal to cover its liabilities. The basis for the establishment of the required solvency margin in non-life insurance is the higher value from the values calculated on the basis of the amount of written premiums, and the volume of insurance benefits usually for the last 3 years. The crucial indicator for the determination of the required solvency margin in life insurance is the amount of mathematical reserves and the insurer's gross capital at risk. The result obtained from such data is compared with the minimum amount of the share capital part to be contributed in cash as determined by the Act.

An insufficient solvency position is considered the case where the actual solvency margin is below the required solvency margin of the insurance company. If the supervisory body finds out that the insurance company has an insufficient solvency margin, it charges the insurance company, pursuant to the Insurance Act, with taking measures to restore solvency through administrative proceedings.

Based on the Order, the Insurance Section of the Authority has assessed the solvency calculations presented by particular insurance companies, and, where necessary, has undertaken adjustments and corrections to them. In four cases, the solvency position of the insurance company has been evaluated solely on the basis of year-end financial statements that have not been audited.

Simultaneously, the Insurance Section examined the fulfilment of measures to restore solvency for the year 1999 that were imposed on six insurance companies.

The number of insurance companies in the Slovak market that have reached or exceeded the required solvency margin totals 24. The actual solvency margin of these insurers ranged between 1,01 and 3,25 times the required margin. A comparison of the actual and required solvency margin shows that the actual solvency margin of 4 insurance companies ranges between 2, 01 and 3, 25 times the required margin. One insurance company has been allowed by the Authority to include the yields of selected items in the solvency calculation, thus complying with the required solvency margin.

Five insurance companies reported insufficient solvency for the year 2000, i.e. an actual and required solvency margin ratio below 1,00 (ranging between 0,99 and 0,63). Chief reasons entailing the insufficient solvency are uncovered losses for previous years and the loss for the current accounting period. Further factors are a high proportion of intangible assets, as well as the fact that the insurance companies did not meet the measures to restore solvency imposed on them in 2000. Even though the supervisory body has given its consent towards two of the five insurers mentioned to use further items to calculate the actual solvency margin in accordance with the Order, they did not reach the required solvency margin.

Administrative procedure in the matter of imposition of measures to perform solvency restoration will be initiated by the Authority towards the insurance companies.

In the course of an examination of the measures to restore solvency, issued to six insurance companies in 2000, it turned out that three insurers have met the measures by increasing their share capital or forming reserve funds to cover the losses of previous years. The remaining three insurance companies did not meet the measures despite a restoration plan brought forward.

The fulfilment of measures imposed in 2000 to restore solvency of insurance companies has been continuously evaluated from the beginning of 2001. In cases of repeated failure to meet the measures imposed, the Authority engages in a complex solution finding process for the situation in individual insurance companies, so that a correction can be made in the shortest time possible and the insurance company's ability to meet its liabilities is not endangered. A solution is chosen in line with the act and, above all, taking into account the safeguarding of justified interests of insured persons.

In the immediate future, it will be necessary to re-evaluate the assets structure used to cover the actual solvency margin of the insurance company. The act stipulates a requirement concerning the minimum part of the share capital that has to be paid in cash before the granting of a license to establish and pursue the business of an insurance company, but it does not stipulate the way in which it has to be disposed of during the operation of the insurance company. It does not set the way, how to invest it - which should be only in safe assets (low risk and liquid assets). The re-codified Insurance Act (prospective date of taking effect: 1. 1. 2002) is expected to define an obligation to dispose of a part of the share capital (the guarantee fund) in such a way as to use only assets that are free and are not subject to liabilities to cover the actual solvency margin of the insurance company.

5. Auditors

The insurance company's year-end financial statements are examined by an auditor. As per §16 of the Act, insurance companies notify the supervisory body of the person they have charged with examining the year-end financial statements. An overview of the auditor's auditing at insurance companies in 1996 – 2000 can be seen in Table 24. The Annexes 22 and 23 show the aggregate financial statements Balance Sheet Úč POJ 1-01 and Profit and Loss Account Úč POJ 2-01 for the whole insurance market as of 31. 12. 2000.

6. Actuaries

In the course of pursuing its insurance activities, the insurance company is obliged to ensure that the definition, analysis and solution of financial programs in the field of insurance are conducted by an actuary, using methods of mathematical statistics, mathematics of finance and actuarial theory. Insurance companies that were granted the license to constitute the insurance company and to pursue insurance business before 1 April 2000 were obliged to present to the supervisory body the name of the actuary and documents documenting the fulfilment of the requirements as stated in §12a of the act by 31 March 2001.

7. Intermediary activities

The act No. 101/2000 Z. z. (Coll. of Acts), amending and complementing the act No. 24/1991 Coll. of Acts on Insurance Business, has defined intermediary activities in insurance business and the subjects - brokers - working in this sphere, as from 1. 4. 2000. Intermediary activities in insurance are activities of a natural person or a legal person executed towards concluding an insurance policy between the insurance company and a person interested in insurance, or between the insurance company and a reinsurance company, and the provision of professional advice in the field of insurance. At the same time, conditions were set, on which the natural or legal person is granted a licence for intermediary activities in the field of insurance for several insurance companies. The above-mentioned act stipulates that all persons having been carrying out such activities for insurance companies before 1 April 2000 are obliged to request the supervisory authority to grant a license until 30 September 2000.

Pursuant to the regulations mentioned, the supervisory body granted a license to carry out intermediary activities to 182 brokers, including 69 natural persons and 113 legal persons having met the requirements stipulated under the act. An up-to-date list of persons that were granted a license to carry out intermediary activities can be seen on the Authority's web page www.uft.sk.

8. Outline of legislative developments in 2000

In 2000, there have been substantial changes in the field of legislation in the Slovak Republic. The most important modifications of the act were brought by the act No. 101/2000 Coll. of Acts whose passing is in line with the approximation of our legislation towards EU Community law.

The above-mentioned act amendment contained mainly the following changes:

- a new definition of the legal form of subjects that can be granted a license to constitute an insurance company and to pursue insurance business,
- it has exactly stipulated the form of an insurance company's shares,
- it has cancelled the obligation to deposit a security for insurance companies,
- for new insurance companies, it has ensured the principle of specialisation in life and non-life insurers, and has introduced classes and fields of insurance in accordance with the directives No. 73/239/EEC and 79/267/EEC,
- it has defined more exactly the insurance intermediary and the condition for granting a license for an independent intermediary – the broker,
- the insurer's obligation to employ an actuary has been introduced for the first time,
- it has stipulated conditions necessary to grant a license to constitute an insurance company and to pursue insurance business, especially concerning members of statutory bodies and requisites to the general operational plan.
- it has elaborated on the obligation to approve the insurance terms and conditions,
- it has extended the rights of the supervisory body when imposing sanctions, above all it has extended the number of types and has increased the upper limit for fines

Another major change was the establishment of the Authority by the Act No. 329/2000 Z. z. (Coll. of Acts) on the Financial Market Authority and on the Amendment and Completion of some Acts, which has transferred the performance of state supervision of the insurance industry from the Ministry of Finance of the Slovak Republic to the Authority, and has partly adjusted the procedural aspect of the Authority's activities.

The Act No. 329/2000 Coll. of Acts has changed especially the following parts of administrative regulations:

- restriction of the definition of the participants of proceedings, thus decreasing their number and accelerating the proceedings itself
- the act has instituted the possibility to combine several matters into single proceedings, if specified conditions have been met,
- it has broadened and specified the conditions on which the Authority can stop the proceedings,
- the time period for decision in cases of proceedings initiated on the initiative of the participant has been extended to 60 days,
- a decision of the Authority can be examined neither when proceedings are reinstated, nor within appeal proceedings,
- the fine for failure to provide one's co-operation towards the activities of the Authority was increased to 500 000, -SKK.
- the act has precluded the application of Act No. 10/1996 Z. z. (Coll. of Acts) on Examinations in State Administration in the course of examination

The act No. 101/2000 Coll. of Acts was passed by the National Council of the Slovak Republic on February 9, 2000 and went into effect April 1, 2000. The act No. 329/2000 Coll. of Acts was passed by the National Council of the Slovak Republic on September 20, 2000 and took effect on November 1, 2000.

In 2000, the Ministry of Finance of the Slovak Republic issued the decree No. 1/2000 Coll. of Acts that has specified how to build up reserves for life insurance and to determine the value of securities and real estate.

Also, in 2000, the Ministry of Finance of the Slovak Republic, in co-operation with the Authority, prepared a bill on compulsory contractual motor vehicle third party insurance, the passing of which will entail cancellation of the monopoly of Slovenská poisťovňa, a. s. in the field of such insurance, thus creating standard conditions for insurers, compatible with those in EU countries.

Economic and legal developments along with the progressive process of Slovakia's integration in European structures require further fundamental legislative changes. The main instrument of the implementation of European directives should be the re-codified act, which will ensure a high compatibility of insurance laws in the Slovak Republic with EU Member States' law. Work on the re-codified act started during the year 2000 and it is planned to be passed in 2001.