

7. Performance of the Triglav Group and Zavarovalnica Triglav

- Despite the challenging market conditions, economic growth had a positive impact on premium growth on the Triglav Group's markets.
- Premium growth was recorded in all insurance segments and on all insurance markets.
- The Group's market share was improved in Montenegro, Serbia, Slovenia and Croatia. The Group maintained its leading position in Slovenia, Montenegro and North Macedonia.
- Unlike the year before, the year 2019 was more favourable in terms of loss events.
- Premium growth was higher than the growth in operating expenses of the insurance business.
- Low interest rates continued to reduce returns on investment.

7.1 The general economic environment worldwide and in Slovenia

After a decade of economic growth, 2019 was marked by a slowdown in the global economy. Although household consumption was rather robust and supported by favourable labour market conditions, wage growth and favourable economic sentiment, the economic environment in many countries was uncertain. In particular, the US–China trade war, geopolitical tensions in the Middle East and the unclear exit of the United Kingdom from the European Union had a significant impact on business confidence, investment spending of businesses and consequently on their level of participation in international trade. Influenced by international developments, the industrial production index fell noticeably in the euro area, especially due to the slowdown in the automotive industry. At the end of the year, financial institutions forecast a moderate economic growth of the euro area of around 1.2% and an equal rate of increase in consumer prices. Forecasts are just over half a percentage point lower than in 2018.

Slovenia's economy was affected by the situation in the rest of the euro area countries. Economic growth (2.8% according to the latest IMAD forecasts) was again significantly higher than in the euro area, but a good percentage point lower than a year earlier. The relatively low, 1.8% average annual growth in consumer prices remained almost unchanged. Industrial production and the related export activity declined throughout the year, whereas increased household consumption became an important driver of Slovenia's economic growth, backed by wage growth and favourable labour market conditions. The registered unemployment rate again dropped to its lowest level since 2008, accounting for 7.7% of the working age population. Slovenia continued to record a favourable fiscal position by having a positive balance for the third consecutive year and again reducing its gross debt. According to the Slovenian Government's latest data, it accounted for 66% of GDP at the 2019 year-end.

Financial markets achieved new historical values, while a fall in interest rates was seen in the bond markets. In mid-2019, the key central banks

announced and then realised their intention of monetary easing. Among others, the European Central Bank (ECB) reduced its deposit interest rate by a tenth of a percentage point to –0.50% and resumed its bond buying programme towards the end of the year. In three steps, the US Federal Reserve (FED) lowered its interest rate range by a total of 0.75 percentage point to 1.50–1.75%. Both central banks stressed they were prepared to take further measures if necessary. The required yields of euro area government bonds declined consistently throughout the year and in the third quarter of 2019 many entered a negative yield territory for the first time in history. The German ten-year bond had recorded a negative yield since April, reaching a historical value of –0.74% in early September and –0.19% at the year-end. The comparable Slovenian bond reached sub-zero yield in August and reached its minimum at –0.28%, ending the year at 0.28%. In 2019, the yield of the German bond decreased by 0.43 percentage point and that of the Slovenian bond by 0.74 percentage point. The corporate sector remained optimistic. Over the year, credit spreads declined, while stock indices increased and quickly recovered after a strong,

more than 10% correction in the last quarter of the previous year. The US S&P 500, which reached its historic peak before the end of 2019, recorded a 28.9% annual growth while the European Stoxx 50 saw an annual growth of 24.8%. The Slovenian SBI index ended the year with a 15.0% growth. The average growth of stock market indices in emerging markets was slightly lower. For example, Hang Seng achieved only a 9.1% growth.

Forecasts for the global economy in 2020 are moderately favourable, but growth, which is no longer broad-based, will be accompanied by a series of uncertainties, mainly due to the possibility of continued trade wars. Strong shocks could hamper global supply chains, the confidence of the economy and investment, which would negatively impact trade and growth. The emerging markets and the euro area, the situation of which is directly shared by the Slovenian economy, are particularly exposed to uncertainty. According to the latest forecasts, the estimated growth of the euro area and the Slovenian economy is expected to remain at 2019 levels.

Financial markets will be affected by global economic conditions, low inflation and associated less favourable expectations, and the continued stimulative monetary policies, which include the ECB's unchanged interest rate policy and a gradual but uncertain fiscal stimulus from the most economically advanced countries. The required yield on a ten-year German bond is expected to remain relatively low and may continue to be negative. Credit spreads on government bonds (both Slovenian and those with a poor credit rating) will remain low unless they are influenced by specific political events. With the situation deteriorating, there is a relatively high risk of an increase in corporate bond spreads, especially for issuers with a poor credit rating or in cyclical industries. In such circumstances, equity investments are also sub-

ject to major downward risks. However, given the historically low required bond yields and relatively favourable valuations, equity investments could be an attractive alternative for investors.

7.2 Environmental impact on the performance of the Triglav Group¹⁸

Premium growth was positively influenced by economic growth, while the challenging market conditions and aggressive price competition on the insurance markets continued. Zavarovalnica Triglav and its subsidiaries manage the demanding market conditions by implementing marketing, sales and pricing policies, launching new products and redesigning the existing ones, upgrading business processes, and taking various measures to improve the insurance technical result. See [[→ Section 11. Development and sales activities](#)] for more details.

The unfavourable situation continued on the financial markets and low interest rates resulted in lower rates of return on investment.

The year 2019 was more favourable in terms of major CAT events compared with the previous year. The Group's business results were impacted by major CAT events in the total estimated amount of EUR 16.5 million. Hail storms in Slovenia in June and July caused EUR 8.3 million in damage to crops, cars and buildings (of which claims of EUR 7.5 million were reported and settled). Pozavarovalnica Triglav Re recorded an estimated EUR 7.5 million in claims due to the category five hurricane in Bahamas and typhoons Faxai and Hagibis in Japan. In Montenegro, a February storm caused EUR 346 thousand of damage, a June hail in North Macedonia caused EUR 188 thousand of damage, and a hail storm in April and July in Bosnia and Herzegovina caused EUR 91 thousand of damage.

7.3 Global insurance market

The global insurance market exceeded USD 5,000 billion of premium for the first time ever in 2018 (latest official data from Pozavarovalnica Swiss Re). Real growth of 1.5% was achieved for the second consecutive year, nominally up by 4.8%. Non-life insurance premium increased by 3.0% in real terms, while life insurance premium grew by only 0.2%. The market leader, the US, accounts for 33.9% of global insurance premium (0.2 percentage point less than the previous year), up by 2.1%. The share of Asia (Pacific) declined by 0.2 percentage point to 32.4% (a 2.1% increase in insurance premium). The advanced markets of Europe account for 30.1% of global insurance premium or 0.4 percentage point more than the year before. The Middle East and Africa contribute 2.1% (2.2% in 2017) to the global insurance market, while the share of Central and Eastern Europe, Turkey and Central Asia accounts for 1.5% of global insurance premium and remained unchanged. The last-mentioned group of countries, which includes Slovenia, recorded the highest growth (3.9%). Advanced markets account for 78.7% of global insurance premium (1.3% premium growth) and the rest is contributed by emerging markets (2.1% premium growth).

7.4 Operations of the Triglav Group in the Adria region (South-East Europe)¹⁹

7.4.1 South-East Europe

The Triglav Group sells insurance on seven insurance markets in six countries: Slovenia, Croatia, Serbia, Montenegro, Bosnia and Herzegovina, and North Macedonia. The Group operates in the wider international environment through partnerships with foreign insurance brokerage and agency companies as well as with reinsurers.

The Slovene insurance market is well developed. Zavarovalnica Triglav and the specialised insurers Triglav, Zdravstvena zavarovalnica and Triglav, pokojninska družba are active on the Slovene market. Poza- zavarovalnica Triglav Re operates throughout the region and in the wider international environment. The markets outside Slovenia are relatively undeveloped but have a large potential for growth. They continue to be dominated by motor vehicle insurance.

All countries of the region recorded premium growth at moderate economic growth. The highest relative premium growth was seen in Montenegro and Slovenia. The Macedonian and Croatian insurance markets also achieved significant growth, whereas the markets of Bosnia and Herzegovina (mainly the Republic of Srpska) and Serbia grew at a slower pace.

Main macroeconomic indicators for 2019 by insurance market of the Triglav Group

Macroeconomic indicators	Slovenia	Croatia	Serbia	Montenegro	Bosnia and Herzegovina	North Macedonia
Population (in million)	2.1	4.1	7.0	0.6	3.5	2.1
GDP growth (estimate in %)	2.9	3	3.5	3.0	2.8	3.2
2019 GDP (estimate in USD million)	54.2	60.7	51.5	5.4	20.1	12.7
2019 GDP per capita (estimate in USD)	26,170	14,950	7,398	8,704	5,742	6,096
2019 inflation rate (estimate in %)	1.8	1.0	2.2	1.1	1.1	1.3
2019 unemployment rate (estimate in %)	4.5	9.0	13.1	15.2*	18.0	17.9

Source: IMF, World Economic Outlook, October 2019

* Agency for Statistics of Montenegro (Q3 2019)

The Group maintained its leading position in Slovenia, Montenegro and North Macedonia. The Group increased its market share in Montenegro, Serbia, Slovenia and Croatia, while its total written premium rose on all markets. More information is provided below and in [→ Section 7.5 Gross written insurance, co-insurance and reinsurance premiums].

Market shares and market position of the insurance subsidiaries of the Triglav Group in 2019²⁰

Market	Market share	Market share trend	Ranked in 2019	Ranked in 2018
Slovenia	35.5%	↑ + 0.3-percentage point	1	1
Croatia	4.6%	↑ + 0.3-percentage point	8	9
Serbia*	6.4%	↑ + 0.4-percentage point	5	5
Montenegro	38.7%	↑ + 0.8-percentage point	1	1
Bosnia and Herzegovina**	7.7%	↓ - 0.3-percentage point	6	6
- Federation of BiH	8.8%	■ 0.0-percentage point	7	7
- Republic of Srpska**/***	5.5%	■ 0.0-percentage point	9	7
North Macedonia	13.8%	↓ -0.7-percentage point	1	1

* Q1-3 2019 data

** H1 2019 data

*** The market shares of Triglav Osiguranje, Banja Luka and the branch Triglav Osiguranje, Sarajevo are included.

The Group pursued a consolidation strategy on the markets where it holds a large market share and a leading position. In other markets, it focused on strengthening its position. The Group aimed to increase productivity and long-term profitability of its operations with its recognisable Triglav brand and other competitive advantages and by taking advantage of the Group's synergies on all markets, while adhering to the local legislation and taking into account the risks to which it is exposed.

Presented below are the characteristics of individual markets and the market position of the Group members.

Premium per capita
(2018 data)
1,133
EUR

Premium as a percentage of GDP
(2018 data)
5.1
percent

Insurance market growth index in 2019
108.2

7.4.1.1 Slovene insurance market

Despite being somewhat small, the Slovene insurance market is well-developed. On a global scale, Slovenia ranked 29th by premium per capita (three ranks higher relative to the previous year) and remained 30th by insurance penetration (premium share in GDP). Globally, the Slovene insurance market maintained its 55th place by written premium, accounting for 0.05% of the global insurance market and 0.8% of the largest European insurance market – Great Britain (data for 2018).

The average premium per capita rose to EUR 1,133, reaching its peak value in the last ten years. Premium as a percentage of GDP slightly increased to 5.1% (compared to 5.0% in 2017, its bottom in the last ten years).

A total of 14 insurance companies, 5 foreign branches and 2 reinsurance companies were active on the Slovene insurance market in 2019, all members of the Slovenian Insurance Association (hereinafter: SZZ). Croatia zavarovanje, Ljubljana branch, became a new member of the SZZ, while Allianz zavarovalnica, Ljubljana branch (Allianz Hungaria Zrt) was wound-up on 31 December 2018. The insurance company SID-PKZ changed its name to Coface PKZ zavarovalnica.

There were 9 composite and 10 specialised insurers (life, health and non-life insurance) operating in Slovenia. These data exclude direct insurance transactions of the insurers from other EU Member States (foreign-owned subsidiaries – FOS). Even though their share is growing, it is still negligible. Zavarovalnica Triglav directly operates in all 28 EU Member States.



Source: Slovenian Insurance Association

Premium per capita and market penetration for Slovenia and some other European countries in 2018

	Premium per capita		Insurance penetration	
	(in USD)	World rank	(% of GDP)	World rank
Slovenia*	1,338	29	5.1%	30
Croatia	383	48	2.6%	49
Serbia	140	63	1.9%	65
Switzerland	6,934	3	8.4%	12
Great Britain	4,503	11	10.6%	6
Austria	2,304	23	4.5%	33
Czech Republic	666	36	2.8%	48
Poland	436	42	2.8%	46
Turkey	127	65	1.3%	75
Europe	2,798	-	7.0%	-
EU	2,655	-	7.3%	-

Source: Swiss RE, SIGMA 3/2019

* Data for Slovenia: Slovenian Insurance Association



Slovenia | **35.5%** market share of the Triglav Group | **1st** rank

The insurance companies recorded gross written insurance, co-insurance and reinsurance premium of EUR 2,570.0 million, **up by as much as 8.2%**. **Non-life insurance premium** recorded a 9.5% growth and a 70.7% share. Excluding **health insurance**, which experienced a higher premium growth (11.8%), non-life premium growth would be 8.3%. Health and motor vehicle insurance (comprehensive car insurance and motor liability insurance) contributed the most to the increase in non-life insurance premium. **Life insurance** premium rose by 5.2%, with life insurance and supplemental voluntary pension insurance contributing the majority to its growth.

The Slovene insurance market continues to be highly concentrated, with the four largest insurers holding a 69.3% market share. With a 27.3% market share (compared to 27.8% in 2018), **Zavarovalnica Triglav** remains the market leader, followed by Zavarovalnica Sava (16.9% market share). The **Triglav Group** (the parent company, Triglav, Zdravstvena zavarovalnica and Triglav, pokojninska družba) increased its market share by 0.3 percentage point to 35.5%.

The market shares of the **Triglav Group** by segment:

- non-life insurance (excluding health insurance): 43.3% (a decrease of 0.4 percentage point);
- life insurance: 28.3% (a decrease of 0.6 percentage point);
- health insurance: 29.1% (an increase of 2.6 percentage points).

The market shares of **Zavarovalnica Triglav** by segment:

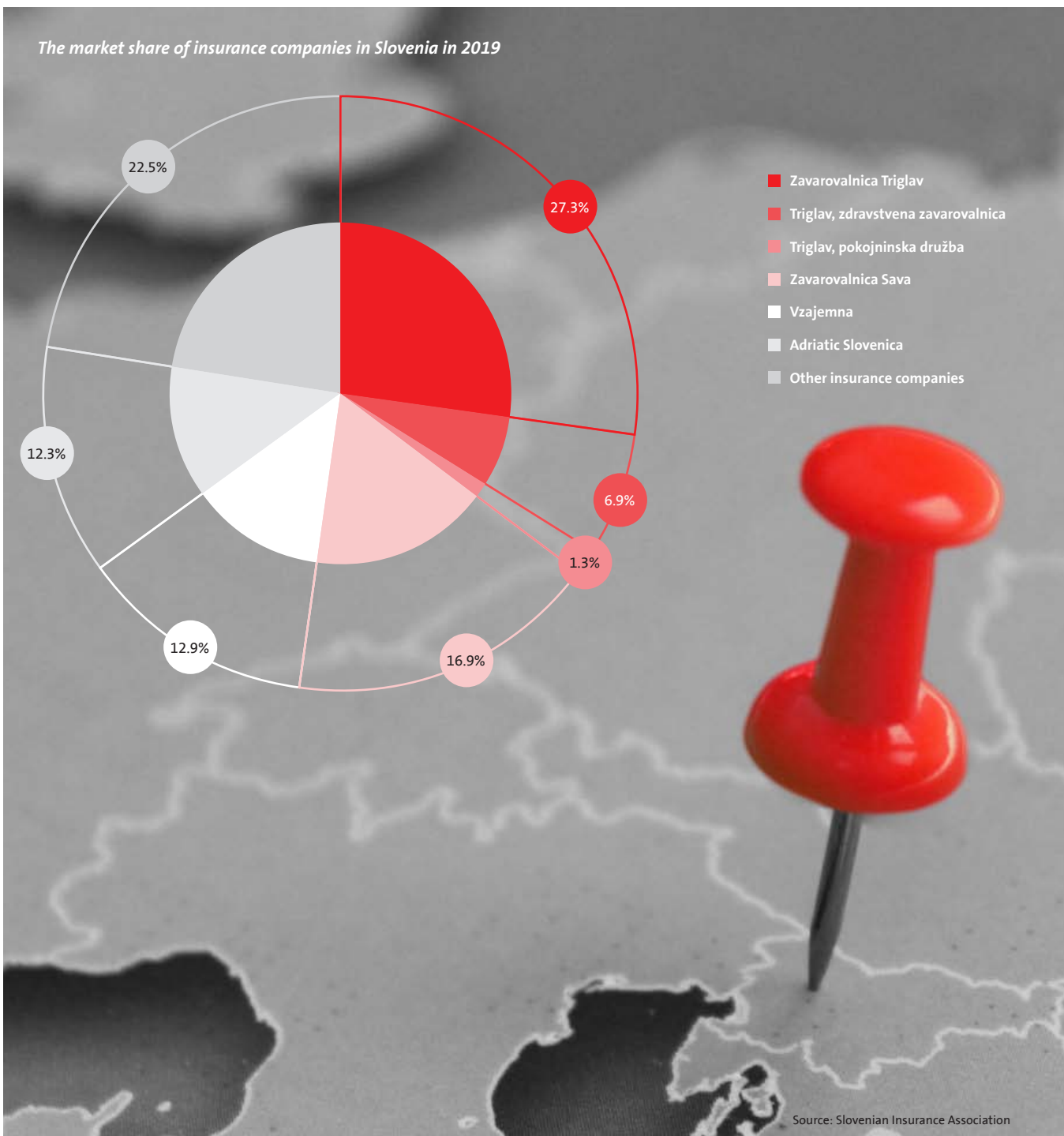
- non-life insurance: 28.8% (a decrease of 0.5 percentage point);
- life insurance: 23.9% (a decrease of 0.4 percentage point).

The market share of **Triglav, Zdravstvena zavarovalnica**:

- health insurance: 29.0% (an increase of 2.6 percentage points and premium growth of 22.6%, the highest among three health insurance providers, which together hold a 98.7% share of the health insurance market).

The market share of **Triglav, pokojninska družba**:

- supplemental voluntary pension insurance (SVPI): 19.7% (the leading position, an increase of 0.1 percentage point).



Premium per capita (2018 data) **324** EUR

Premium as a percentage of GDP (2018 data) **2.6** percent

Insurance market growth index in 2019 **107.0**

Source: Swiss RE, SIGMA 3/2019, Croatian Insurance Bureau

7.4.1.2 Croatia

Economic growth, an improved credit rating, a successful tourist season, a crisis in the shipbuilding industry and the lack of labour force all had an impact on the Croatian economy in 2019, which recorded a 2.7% growth at the end of the third quarter. The unemployment rate was estimated at 9.0%, the inflation rate at 1.0% and borrowing was carried at a negative interest rate for the first time.

With the largest liquidation proceedings in the history of Croatia, the story of Agrokor came to an end when its well-performing part was taken over by the Fortenova Group. Private consumption with an expected 4.2% growth and higher exports of products contributed the most to GDP growth. Income from tourism grew by 8%.

In July, Croatia submitted a letter of intent to join the European Exchange Rate Mechanism (ERM II), making the first step towards the adoption of euro. It also introduced a reduced VAT rate of 13% on food products (the overall rate is 25%).



Insurance market

A total of 18 insurance companies operated in the Croatian insurance market (9 composite, 6 non-life and 3 life), which was two fewer than the year before, because Croatia osiguranje kredita was merged with Croatia osiguranje and Erste osiguranje VIG with Wiener osiguranje VIG. The whole portfolio of Ergo osiguranje and Ergo životno osiguranje was transferred to Sava osiguranja at the end of November.

Total written premium of HRK 10.5 billion (EUR 1.4 billion) was 7.0% higher than in 2018. Non-life insurance premium increased by 11.3%, whereas life insurance premium fell by 2.1%. In total written premium, non-life insurance premium increased to 70.9% (compared to 68.2% in 2018) and life insurance accounted for the rest.

Market concentration is high, with top three insurers controlling almost 51% of the market. With a 25.7% market share, Croatia osiguranje maintained its dominant position (2.2 percentage points less than in the previous year). By increasing its market share by 0.2 percentage point to 4.6%, **Triglav Osiguranje, Zagreb** ranked eighth on the market (a rank higher than the year before).



Croatia | **4.6%** market share of the Triglav Group | **8th** rank

Premium per capita (2018 data) **119** EUR

Premium as a percentage of GDP (2018 data) **1.9** percent

Insurance market growth index in Q1-3 2019 **105.9**

Source: Swiss RE, SIGMA 3/2019, National Bank of Serbia

7.4.1.3 Serbia

The Serbian economy was affected by declined external demand, quotas on steel exports to the EU and 100% customs tariff on exports of goods to Kosovo and Metohija. At slightly poorer conditions, the results achieved are solid. In addition to EU membership, Serbia's main development goals are maintaining macroeconomic, financial and fiscal stability, while improving the overall business and investment environment. The establishment of a "mini-Schengen", which would allow the movement of people and goods without major administrative procedures throughout Serbia, North Macedonia and Albania, would also have a positive impact on Serbia's economic situation.

The estimated GDP growth reached 3.5%, half a percentage point less than the previous year. The inflation rate was estimated at 2.2% and the unemployment rate at 9.5%. Gross fixed capital formation is estimated to have generated real growth of 14.2%, bringing its share in GDP closer to the level of Central European countries.

The largest contributor to GDP growth was the construction industry, which grew by 28.5%. Good results were also achieved in the service sector; tourism reached 7.6%, hospitality 9.1%, transport 6.4% and real retail trade growth 9.2%. The share of exports in trade increased by 8.0%, while its growth stood at 7.8%.



Insurance market

The Serbian insurance market was characterised by premium growth and high concentration. A total of 16 insurance companies (one fewer than in 2018) were active on the Serbian market, of which 6 were composite insurers, 6 non-life insurers and 4 life insurers. In September 2019, OTP osiguranje was acquired by Generali Osiguranje. The top three insurers (Dunav, Generali Osiguranje and DDOR) control nearly 60% of the market.

Total written premium increased by 5.9% in the first nine months of 2019 to RSD 79.0 billion (EUR 669 million). Non-life insurance premium recorded a 6.3% growth, whilst life insurance premium grew by 4.5%. In total written premium, non-life insurance accounted for the bulk (77.6%).

Triglav Osiguranje, Belgrade increased its market share to 6.4% (compared to 6.0% in 2018) and maintained its fifth place. Its premium growth was higher than the Serbian insurance market growth by 7.0 percentage points.



Serbia | **6.4%** market share of the Triglav Group | **5th** rank

Premium per capita (2018 data) **140** EUR

Premium as a percentage of GDP (2018 data) **1.9** percent

Insurance market growth index in 2019 **109.1**

Source: Insurance Supervision Agency of Montenegro

7.4.1.4 Montenegro

The Montenegrin economy is expected to record a 3% GDP growth in 2019. The estimated average annual inflation was 1.1% and the unemployment rate stood at 15.2%. Tourism achieved a 3.1% growth. A positive trend was also seen in construction, which recorded a 31% growth in the third quarter.

The service sector contributes 72% of total GDP, with tourism being the third largest industry. The main industries are the metalworking industry and the production of consumer goods. The whole industrial sector contributes 19% of total GDP.

Montenegro's strategic goal is to join the EU. Thus, development and economic policies are focused on the energy industry, agriculture and tourism. Montenegro also invests heavily in the construction and renovation of transport infrastructure.



Insurance market

A total of 9 insurance companies were active on the rather small Montenegrin insurance market in 2019 (5 non-life insurers and 4 life insurers), which together collected EUR 94.8 million in written premium, up by 9.1% relative to the previous year. Life and non-life insurance premiums increased by 12.5% and 8.4% respectively. In total written premium, non-life insurance remained by far the largest segment with an 81.9% market share.

The insurance companies of the Triglav Group **Lovćen Osiguranje** and its subsidiary **Lovćen životna osiguranja** together hold a 38.7% market share (0.8 percentage point more than in 2018), maintaining their dominant position.

Lovćen Osiguranje is followed by Uniq (non-life and life insurance together) with a 15.0% market share and Sava Osiguranje with a 14.5% market share.



Montenegro | **38.7%** market share of the Triglav Group | **1st** rank

Premium per capita (2018 data) **103** EUR

Premium as a percentage of GDP (2018 data) **2.2** percent

Insurance market growth index in H1 2019 **106.7**

Source: FBiH Insurance Supervision Agency, RS Insurance Agency

7.4.1.5 Bosnia and Herzegovina

The estimated GDP growth of Bosnia and Herzegovina (BiH) in 2019 was 2.8%, which is significantly less than in 2018, when it was 3.6%. The average inflation rate stood at 1.1% and the estimated unemployment rate was 18%.

The service sector, which employs almost half of labour force, accounts for the largest share of GDP (65%). The industrial sector generated 27% of GDP, with mining and steel industry being the most important sectors.

Developments on the European and global markets (Brexit, fiscal policy changes in France and Italy, the decline of the metal industry in Germany) had a negative impact on the BiH economy. Although Bosnia and Herzegovina's trade with EU countries accounts for 75% of its total trade, it has tried to enter into new markets in the Middle East and Asia. Customs tariffs on imports to Kosovo had a particularly negative impact, as they significantly reduced exports, which resulted in a lower number of jobs.

Bosnia and Herzegovina continues its efforts to achieve the set economic and fiscal policy objectives, which could lead to EU membership, and to strengthen regional cooperation and internal stability.



Insurance market

A total of 26 insurance companies operated on the very small but highly competitive insurance market of Bosnia and Herzegovina in the first half of 2019, of which 11 are domiciled in the Federation of BiH and 15 in the Republic of Srpska. The insurance companies operating in the insurance market of Bosnia and Herzegovina as a whole collected BAM 382.8 million (EUR 196 million) in written premium, an increase of 6.7% compared to the previous year. In the insurance market of the Federation of BiH, written premium increased by 8.4% and in the Republic of Srpska by 2.8%. In total written premium, non-life insurance premium accounted for 80%.

In the Federation of BiH, Agram (Adriatic Osiguranje and Euroherc) remained the market leader with a 21.7% market share in the first half of 2019. With an 8.7% market share, **Triglav Osiguranje, Sarajevo** maintained its seventh rank (a 0.5 percentage point less than in the same period of 2018).

With a 9.2% market share, Drina osiguranje is the market leader in the Republic of Srpska. With a 4.8% market share (0.2 percentage point less than the year before), **Triglav Osiguranje, Banja Luka** ranked tenth (ninth in 2018). **The branch of Triglav Osiguranje, Sarajevo**, which sells only life insurance, achieved 32% premium growth and increased its market share to 0.6% (compared to 0.5% in 2018).

On the insurance market of Bosnia and Herzegovina as a whole, **the two insurance subsidiaries of the Triglav Group** taken together maintained their sixth place and achieved a 7.7% market share as at the 2019 year-end (0.3 percentage point less than the previous year).



Bosnia and Herzegovina | **7.7%** market share of the Triglav Group | **6th** rank

Premium per capita (2018 data) **78** EUR

Premium as a percentage of GDP (2018 data) **1.5** percent

Insurance market growth index in 2019 **106.6**

Source: Insurance Supervision Agency of North Macedonia

7.4.1.6 North Macedonia

North Macedonia's economic growth is expected to reach 3.2% in 2019, slightly higher than in 2018. By ending the political crisis that lasted several years, North Macedonia was able to accelerate its Euro-Atlantic integration. The inflation rate was estimated at 1.3% and the unemployment rate at 17.9%.

The service sector, the main segments of which are transport, energy and telecommunications, accounts for 63% of GDP, while the industrial sector accounts for 28% of GDP, with leather and textile industries being the most important sectors. As with most of the region's countries, the future of a small but liberalised economy largely depends on European integration. In February 2019, the Greek Parliament ratified an agreement with North Macedonia on its name change, which is one of the key conditions for further progress.

Following the signing of the Declaration on the implementation of the "mini-Schengen", both North Macedonia and the region expect a significant improvement in the economic situation and stabilisation of the political situation.



Insurance market

A total of 16 insurance companies were active on the North Macedonian insurance market in 2019, of which 11 were non-life insurers and 5 life insurers. Makedonija Osiguruvanje VIG also holds a licence to conduct reinsurance business. In the reporting period, the insurance companies booked MKD 10.6 billion (EUR 172 million) in written premium or 6.6% more than the year before. Life insurance premium recorded a high growth of 9.6%, whilst the growth of non-life insurance premium stood at 6.0%, accounting for 82.7% of total written premium. The five largest insurers booked 48% of total written premium. The market concentration was particularly high in the life insurance segment, with Croatia život and Grawe controlling almost 74% of the market.

With a 13.5% market share (0.9 percentage point less than in 2018), **Triglav Osiguruvanje, Skopje** continues to remain the leader in the North Macedonian insurance market. The insurer only sells non-life insurance, holding 16.3% of the non-life insurance market (compared to 17.3% in 2018). It is followed by EuroLink, holding a 11.6% market share, and Osiguruvanje Makedonija (the VIG Group) with a 10.6% market share. **Triglav Osiguruvanje Život, Skopje** achieved a 2.0% market share in the life insurance market (compared to 1.1% in 2018). **Both insurers taken together** held a 13.8% market share, down by 0.7 percentage point compared to the year before.



North Macedonia | **13.8%** market share of the Triglav Group | **1st** rank

7.5 Gross written insurance, co-insurance and reinsurance premiumus

The Triglav Group posted a total of EUR 1,184.2 million in consolidated gross written insurance, co-insurance and reinsurance premiums, an increase of 11% relative to the previous year. Total written premium increased in all insurance segments:

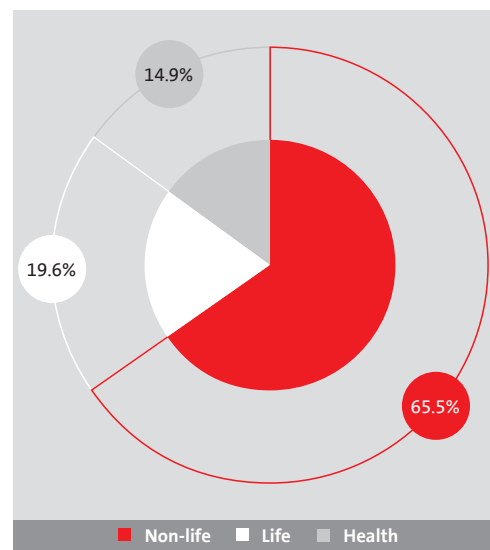
- **non-life insurance:** EUR 775.5 million (index 110),
- **life and pension insurance:** EUR 231.9 million (index 104),
- **health insurance:** EUR 176.7 million (index 123).

The proportion of health insurance premium in total consolidated gross written premium increased, whereas the proportion of non-life, life and pension insurance premiums decreased:

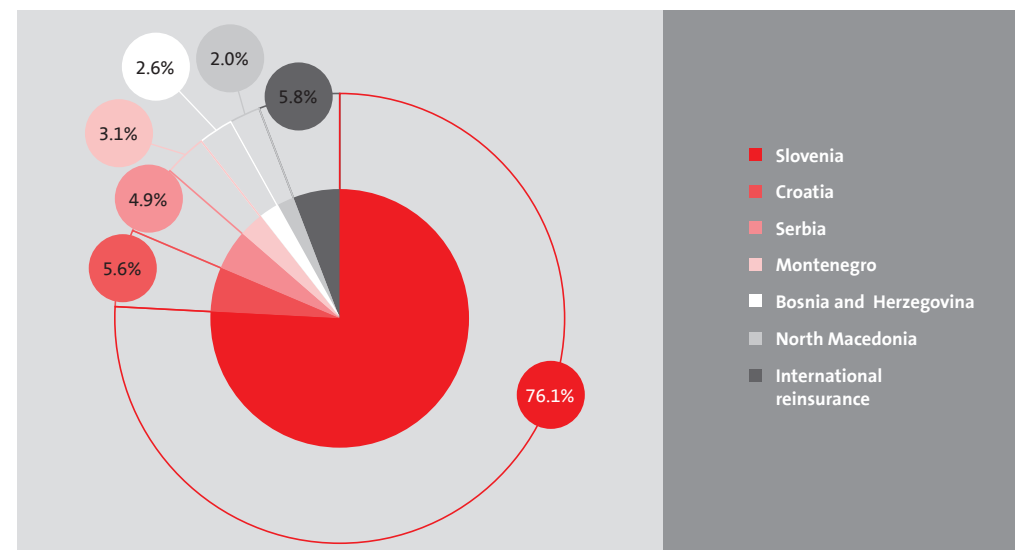
- non-life insurance: a 65.5% share (compared to 65.7% in 2018),
- life and pension insurance: a 19.6% share (compared to 20.8% in 2018),
- health insurance: a 14.9% share (compared to 13.5% in 2018).

The Group continues to gradually increase the share of insurance premium written on markets outside Slovenia, which grew by 0.2 percentage point compared to the year before. A total of 76.1% of consolidated gross written premium was generated on the Slovene insurance market, 18.1% of the premium was charged on markets outside Slovenia, while international reinsurance premium represented 5.8%.

Consolidated insurance, co-insurance and reinsurance premiums of the Triglav Group by segment



Consolidated insurance, co-insurance and reinsurance premiums of the Triglav Group by market



Consolidated gross written insurance, co-insurance and reinsurance premiums of the Triglav Group by market

Country	Gross written premium			Index		Share		
	2019	2018	2017	2019/2018	2018/2017	2019	2018	2017
Slovenia	900,665,415	820,229,351	769,865,731	110	107	76.1%	76.8%	77.0%
Croatia	65,827,865	57,876,297	53,548,115	114	108	5.6%	5.4%	5.4%
Serbia	58,052,569	48,979,893	43,730,967	119	112	4.9%	4.6%	4.4%
Montenegro	36,627,953	32,880,893	31,265,239	111	105	3.1%	3.1%	3.1%
Bosnia and Herzegovina	30,460,993	28,032,889	27,181,479	109	103	2.6%	2.6%	2.7%
North Macedonia	23,738,156	23,438,597	21,358,432	101	110	2.0%	2.2%	2.1%
International reinsurance	68,801,156	56,956,487	52,966,663	121	108	5.8%	5.3%	5.3%
Total	1,184,174,107	1,068,394,407	999,916,626	111	107	100.0%	100.0%	100.0%

Premium growth was recorded on all insurance markets (see the table below for the overview by insurance subsidiary). The Group insurance subsidiaries (excluding Pozavarovalnica Triglav Re) generated EUR 1,127.7 million in non-consolidated gross written premium, up by 10% compared to the previous year.

+11%
Consolidated gross written premium of the Triglav Group

Gross written insurance, co-insurance and reinsurance premiums in 2019 by the insurance company of the Triglav Group

Insurance company	Gross written premium			Index			Structure
	Non-life	Life and pensions	Total	Non-life	Life and pensions	Total	2019
Zavarovalnica Triglav*	522,227,911	179,897,811	702,125,722	107	103	106	62.3%
Triglav, Zdravstvena zavarovalnica	177,660,628		177,660,628	123	0	123	15.8%
Triglav, pokojninska družba		33,096,078	33,096,078	0	101	101	2.9%
Triglav Osiguranje, Zagreb	57,786,672	8,041,193	65,827,865	115	104	114	5.8%
Triglav Osiguranje, Sarajevo	16,826,620	8,004,116	24,830,736	105	123	110	2.2%
Lovćen Osiguranje, Podgorica	33,113,852		33,113,852	108	0	108	2.9%
Triglav Osiguranje, Belgrade	53,575,559	4,477,599	58,053,158	118	120	119	5.1%
Triglav Osiguranje, Banja Luka	5,718,843		5,718,843	103	0	103	0.5%
Triglav Osiguruvanje, Skopje	23,144,123		23,144,123	100	0	100	2.1%
Lovćen životna osiguranja, Podgorica		3,514,101	3,514,101	0	163	163	0.3%
Triglav Osiguruvanje Život, Skopje		603,041	603,041	0	198	198	0.1%
Total	890,054,208	237,633,939	1,127,688,147	111	105	110	100.0%
Pozavarovalnica Triglav Re	157,582,324		157,582,324	120	0	120	
Consolidation eliminations	-95,393,309	-5,703,055	-101,096,364	110	114	110	
Total consolidated	952,243,223	231,930,884	1,184,174,107	113	104	111	

* The data already include pre-consolidation adjustments.

7.5.1 Non-life insurance

In the non-life insurance segment, the Group recorded high growth (11%) in non-consolidated insurance, co-insurance and reinsurance premiums, which amounted to EUR 890.1 million. Total written premium increased in all non-life insurance classes.

Motor vehicle insurance remained the largest insurance class with a 28.9% share in total written premium. The Group insurance subsidiaries generated EUR 150.6 million in **comprehensive car insurance** premium, up by 7% compared to the previous year. All insurance subsidiaries recorded premium growth, primarily through effective sales campaigns, enhanced sales activities and winning new clients. The strongest growth in written premium was recorded by Triglav Osiguranje, Belgrade (index 140), Triglav Osiguranje, Banja Luka (index 122), Triglav Osiguranje, Zagreb (index 114) and Lovćen Osiguranje (index 113). The

parent growth achieved a 5% premium growth and represented 83% of the Group's total written premium. Such a good result is a reflection of effective sales activities and sales campaigns (the *Together in Action* vignette sales campaign and the *Free Time* sales campaign) and revised motor vehicle insurance tariffs in January 2019.

The Group collected EUR 174.3 million in **motor liability insurance premium**, up by 7% compared to the preceding year. The highest growth (11%) was recorded by the parent company, holding a 59% share in total written premium, as a result of effective sales activities and sales campaigns, revised motor vehicle insurance tariffs and the increased number of taken out insurance policies, especially for goods vehicles. Premium growth in this insurance class, which continues to account for the largest share on markets outside Slovenia, was recorded by Triglav Osiguranje, Belgrade, Lovćen Osiguranje, Podgorica and Triglav Osiguranje, Sarajevo.

A decrease in premium was recorded by Triglav Osiguranje, Banja Luka (lower written premium in compulsory motor vehicle liability insurance as a result of the decision of the Insurance Agency of Republika Srpska), Triglav Osiguruvanje, Skopje (reduced cooperation with insurance brokers and agencies) and Triglav Osiguranje, Zagreb (restricted conclusion of insurance via car hire providers).

In the **real property insurance** class (fire and natural disaster insurance and other damage to property insurance), premium of EUR 213.1 million was generated, having increased by 8%. A 13% premium growth was recorded in other damage to property insurance and a 1% premium growth in fire and natural disaster insurance. The highest growth among insurance subsidiaries was seen in Triglav Osiguranje, Belgrade (index 124) as a result of attracting new policyholders and increasing the scope of insurance coverage with existing policyholders, mainly in crop insurance and contrac-

tors insurance. The parent company, accounting for 80% of the Group's total written premium, recorded an 8% premium growth. Strong growth in combined non-life insurance was generated by attracting new policyholders and increasing the scope of insurance coverage. The high premium growth seen in mobile phone insurance was a result of higher sales volume, while premium growth in property and interest in property insurance for natural persons was a consequence of the higher number of taken out insurance policies. In contrast, a decrease in premium was recorded by Triglav Osiguruvanje, Skopje (index 90) due to the loss of several major policyholders.

Good results were seen in **health insurance**, which generated a 23% premium growth or EUR 184.5 million. The majority (EUR 177.7 million) was posted by Triglav, Zdravstvena zavarovalnica, which also recorded a 23% increase in written premium. The bulk of its written premium stems from supplemental health insurance, where the increased number of concluded insurance policies and the premium increase in March and September 2019 were the main reasons for the increase. It was also successful in selling additional health insurance products. Most other insurance subsidiaries selling health insurance products also recorded a high premium growth.

In **general liability insurance**, the Group generated EUR 49.0 million in premium income, an increase of 7% relative to the previous year. Zavarovalnica Triglav, representing 80% of total premium, recorded a 4% growth compared to the previous year. The high growth was seen in product liability insurance and in different types of professional liability insurance. Strong premium growth was generated by most other insurance subsidiaries by attracting new policyholders and increasing the scope of insurance coverage with existing policyholders.

Accident insurance accounted for 3.6% of total written premium or EUR 40.1 million in nominal terms, up by 1% compared to the preceding year. Premium growth was seen in Triglav Osiguranje, Zagreb, the parent company and Triglav Osiguranje, Banja Luka (primarily as a result of premium growth and the higher number of taken out group accident insurance policies). A 3% premium growth generated by the parent company (representing 67% of the Group's total written premium) was mainly a result of the largest insurance sub-class among accident insurance, i.e. group accident insurance, and accident insurance for children and pupils.

Credit insurance premium grew by 11% to EUR 29.4 million (representing 2.6% of total written premium). Zavarovalnica Triglav's share, which accounted for 78% of total written premium, declined by 10%. The decline in premium was primarily a result of the lower volume of consumer loan insurance (at 55% it is the largest credit insurance subclass), unemployment, disability and whole life insurance (sold by banks as an additional product taken out simultaneously with consumer and housing loans) and overdraft insurance. Lower credit insurance premium was also a consequence of changes in the credit policy of some banks and the measures taken by the Bank of Slovenia to restrict retail lending. Other insurance subsidiaries of the Group selling insurance products of this class generated a high premium growth, with the highest growth recorded in Triglav Osiguranje, Zagreb as a result of fruitful partnership with one of the banks.

Premium from **other non-life insurance** (representing 4.3% of total written premium) rose by 24% to EUR 49.0 million. All insurance companies generated strong premium growth, with the highest seen in Zavarovalnica Triglav (index 127), Triglav Osiguranje, Zagreb (index 124) and Triglav Osiguranje, Belgrade (index 119). The high premi-

um growth recorded by the parent company (representing 70% of total written premium) mainly resulted from assistance insurance (a high growth in roadside assistance premium) and aircraft insurance (a high growth in international aircraft hull insurance, mostly due to fronting arrangements). Triglav Osiguranje, Zagreb generated high premium growth predominantly through fruitful partnership with one of the agencies with regard to marine insurance and effective roadside assistance sales. Triglav Osiguranje, Belgrade achieved good results primarily by generating premium growth in surety insurance (effective sale of the new insolvency insurance product for travel agencies) and assistance insurance.

7.5.2 Life and pension insurance

The Group insurance subsidiaries booked EUR 237.6 million in non-consolidated gross written premium from **life and pension insurance**, an increase of 5% relative to the previous year. Life and pension insurance accounted for 21.1% of total gross written premium, down by 1.0 percentage point compared to the year before.

Life insurance premium (traditional life, annuity, pension annuity and voluntary pension insurance) grew by 5% to EUR 104.0 million, representing 43.7% of total life and pension insurance premium. The parent company recorded a 1% premium growth (representing 79% of total written premium), mainly as a result of higher premium payments. High premium growth was generated in Lovćen životna osiguranja (index 163) through effective sales via the banking sales channel, Triglav Osiguruvanje Život, Skopje (index 198) through good sales results achieved by its own sales network, Triglav Osiguranje, Sarajevo (index 123) through effective sales via banks and agencies, and Triglav Osiguranje, Belgrade (index 120), primarily through increased sales via banks.

Unit-linked life insurance premium (life insurance linked to the units of investment funds) increased by 4% compared to the preceding year. With EUR 116.0 million, this insurance class accounted for 48.8% of total written life and pension insurance premium. Zavarovalnica Triglav generated a 5% premium growth predominantly through effective sales via its own and external sales networks and increased success in retaining assets from matured policies.

Triglav Osiguranje, Zagreb achieved a 4% premium growth mainly through increased sales via one of the banks. Triglav, pokojninska družba recorded a 1% premium growth.

Capital redemption insurance generated EUR 17.7 million or 7.4% of total life and pension insurance premium. A 5% growth stemmed from large supplemental voluntary insurance premium payments in the parent company.

Non-consolidated gross written insurance, co-insurance and reinsurance premiums by insurance subsidiary of the Triglav Group (excluding Pozavarovalnica Triglav Re) by insurance class

Insurance class	Gross written premium			Index		Share
	2019	2018	2017	2019/2018	2018/2017	2019
Accident insurance	40,143,471	39,686,378	40,355,334	101	98	3.6%
Health insurance	184,488,230	149,749,316	133,059,981	123	113	16.4%
Comprehensive car insurance	150,648,365	141,013,328	126,375,942	107	112	13.4%
Real property insurance	213,086,928	196,458,671	173,951,099	108	113	18.9%
Motor liability insurance	174,254,220	163,017,829	155,140,020	107	105	15.5%
General liability insurance	48,981,728	45,614,375	43,344,456	107	105	4.3%
Credit insurance	29,437,207	26,807,158	26,841,774	110	100	2.6%
Other non-life insurance	49,014,062	39,442,439	37,730,426	124	105	4.3%
Non-life insurance	890,054,211	801,789,494	736,799,032	111	109	78.9%
Life insurance	103,963,662	98,726,660	98,518,498	105	100	9.2%
Unit-linked life insurance	116,014,370	111,706,354	105,851,192	104	106	10.3%
Capital redemption insurance*	17,655,904	16,748,583	18,070,394	105	93	1.6%
Life and pensions insurance	237,633,936	227,181,597	222,440,084	105	102	21.1%
Total	1,127,688,147	1,028,971,091	959,239,116	110	107	100.0%

* According to the definition of the Insurance Supervision Agency, premiums generated by Triglav, pokojninska družba are included in unit-linked life insurance.

Gross written insurance, co-insurance and reinsurance premiums of Zavarovalnica Triglav by insurance class

Insurance class	Gross written premium			Index		Share
	2019	2018	2017	2019/2018	2018/2017	2019
Accident insurance	26,948,216	26,173,583	27,032,366	103	97	3.8%
Health insurance	728,634	692,746	486,415	105	142	0.1%
Comprehensive car insurance	124,555,111	118,662,442	106,632,936	105	111	17.7%
Real property insurance	171,195,183	157,967,652	138,883,785	108	114	24.4%
Motor liability insurance	102,352,357	92,416,996	87,528,335	111	106	14.6%
General liability insurance	39,134,048	37,671,614	35,174,509	104	107	5.6%
Credit insurance	22,962,440	25,456,965	26,094,675	90	98	3.3%
Other non-life insurance	34,351,972	27,054,464	26,662,620	127	101	4.9%
Non-life insurance	522,227,961	486,096,462	448,495,641	107	108	74.4%
Life insurance	82,300,599	81,164,340	82,276,487	101	99	11.7%
Unit-linked life insurance	79,947,507	76,201,048	73,128,814	105	104	11.4%
Capital redemption insurance	17,655,904	16,748,583	18,070,394	105	93	2.5%
Life and pensions insurance	179,904,010	174,113,971	173,475,695	103	100	25.6%
Total	702,131,971	660,210,433	621,971,336	106	106	100.0%

7.5.3 Gross written reinsurance premium of Pozavarovalnica Triglav Re

Pozavarovalnica Triglav Re recorded a higher volume of operations and an increase in gross reinsurance premium. It generated EUR 157.6 million in gross reinsurance premium, an increase of 20% compared to the previous year. Pozavarovalnica Triglav Re recorded the highest growth in motor liability insurance (transactions within the Group), other damage to property insurance (high growth in transactions both within and outside the Group) and fire and natural disaster insurance (high growth in transactions outside the Group).

Transactions outside the Group generated a 21% premium growth, primarily due to the conclusion of new contracts in 2019. The highest premium growth was recorded on the markets of the Republic of South Africa, Italy, Israel and Germany. Transactions within the Group experienced a high premium growth (20%), predominantly as a result of new contracts concluded with the Group members outside Slovenia.

7.6 Gross claims paid

Consolidated gross claims paid of the Triglav Group increased by 5% and amounted to EUR 716.7 million (including claim handling expenses and reduced income from collected subrogation receivables). In the largest segment, **non-life insurance**, they amounted to EUR 394.7 million, an increase of 1% relative to the previous year. An 18% increase was recorded in the **health insurance** segment, in which gross claims paid totalled EUR 140.3 million, and a 7% increase in the **life and pension insurance** segment, in which gross claims paid reached EUR 181.7 million.

The Triglav Group insurance subsidiaries (excluding Pozavarovalnica Triglav Re) posted a total of EUR 685.1 million in non-consolidated gross claims paid, up by 3%. High growth in gross claims paid was recorded by Lovćen životna osiguranja (index 238), Triglav Osiguranje, Belgrade (index 124), Triglav Osiguranje, Sarajevo and Triglav, Zdravstvena zavarovalnica (index 118).

Gross claims paid in 2019 by insurance company of the Triglav Group

Insurance company	Gross claims paid			Index		Share	
	Non-life	Life and pensions	Total	Non-life	Life and pensions	Total	2019
Zavarovalnica Triglav*	265,384,654	159,819,727	425,204,381	97	107	101	62.1%
Triglav, Zdravstvena zavarovalnica	140,273,939		140,273,939	118	0	118	20.5%
Triglav, pokojninska družba		12,429,836	12,429,836	0	98	98	1.8%
Triglav Osiguranje, Zagreb	36,551,052	5,591,164	42,142,216	95	95	95	6.2%
Triglav Osiguranje, Sarajevo	10,043,781	2,807,275	12,851,056	115	130	118	1.9%
Lovćen Osiguranje, Podgorica	14,686,380		14,686,380	67	0	67	2.1%
Triglav Osiguranje, Belgrade	19,343,346	3,238,163	22,581,509	125	118	124	3.3%
Triglav Osiguranje, Banja Luka	1,768,162		1,768,162	100	0	100	0.3%
Triglav Osiguruvanje, Skopje	10,342,003		10,342,003	89	0	89	1.5%
Lovćen životna osiguranja, Podgorica		2,782,466	2,782,466	0	238	238	0.4%
Triglav Osiguruvanje Život, Skopje		30,076	30,076	0	20	20	0.0%
Total	498,393,317	186,698,707	685,092,024	102	108	103	100.0%
Pozavarovalnica Triglav Re	73,805,192		73,805,192	105	0	105	
Consolidation eliminations	-37,193,202	-4,961,878	-42,155,080	76	115	79	
Total - consolidated	535,005,307	181,736,829	716,742,136	105	107	105	

* The data already include pre-consolidation adjustments.

+5%
Consolidated gross claims of the Triglav Group

7.6.1 Non-life insurance

Non-consolidated gross claims paid in **non-life insurance** amounted to EUR 498.4 million, an increase of 2% compared to the preceding year. The business result was affected by several major CAT events, which is described in greater detail in [→ Section 7.2 Environmental impact on the performance of the Triglav Group].

The movement of gross claims paid by insurance class is presented below.

In **health insurance**, gross claims paid grew by 18% to EUR 143.8 million, representing 21.0% of total gross claims paid. The majority (EUR 140.3 million) is accounted for by gross claims paid of Triglav, Zdravstvena zavarovalnica, which increased by 18% compared to the year before. The high growth was a result of the higher number of insured persons and medical inflation. Equalisation scheme expenses increased by 22% to EUR 7.6 million.

Gross claims paid in **comprehensive car insurance** totalled EUR 98.8 million, up by 5% compared to the previous year. They represented 14.4% of the Group's total gross claims paid. Growth in gross claims paid was recorded by Triglav Osiguranje, Banja Luka (index 134), Triglav Osiguranje, Zagreb (index 127), Zavarovalnica Triglav (index 104) and Triglav Osiguranje, Belgrade (index 103). The high growth of gross claims paid in Triglav Osiguranje, Banja Luka resulted from the increased number of reported claims and the higher average amount of claims paid, whilst in Triglav Osiguranje, Zagreb this was mainly the result of bankruptcy of one of the policyholders providing rent-a-car services and thereto related claims paid. Higher gross claims paid in the parent company resulted from a larger number of insured vehicles and higher repair costs, while in Triglav Osiguranje, Belgrade this was a result of an increased number of claims reported.

Gross claims paid in **motor liability insurance** totalled EUR 95.0 million, an increase of 2% relative to the previous year. They represented 13.9% of the Group's total gross claims paid. Gross claims paid of the parent company, accounting for 67% of the Group's total gross claims paid in this insurance class, increased by 4%. This increase resulted from the higher number of policyholders, higher costs of repair services and required material, and from growth in international claims. Triglav Osiguranje, Belgrade (index 110) and Triglav Osiguranje, Sarajevo (index 103) also recorded higher gross claims paid due to an increase in the number of reported claims. The rest of the Group's insurance subsidiaries recorded a decrease in gross claims paid.

In **real property insurance**, gross claims paid amounted to EUR 91.8 million, down by as much as 18% compared to the year before (representing 13.4% of total gross claims paid). In fire and natural disaster insurance, a 21% decrease in gross claims paid was seen, along with a 17% drop in other damage to property insurance. The largest decrease was recorded by Lovćen Osiguranje (index 18), Triglav Osiguruvanje, Skopje (index 65), Triglav Osiguranje, Zagreb (index 78) and Zavarovalnica Triglav (index 87). The high decline in gross claims paid in Lovćen Osiguranje was a result of last year's payout of a large claim, while the decrease in the parent company, the Macedonian insurance subsidiary and the Croatian insurance subsidiary was a result of last year's mass claims paid due to natural disasters and some major individual claims paid. High growth in gross claims paid in 2019 due to the payout of large individual claims was also seen in Triglav Osiguranje, Sarajevo, Triglav Osiguranje, Belgrade and Triglav Osiguranje, Banja Luka.

Gross claims paid in **accident insurance**, which amounted to EUR 23.7 million, remained at the

level of the previous year (index 100). Gross claims paid were lower in Triglav Osiguruvanje, Skopje (lower growth in key person insurance claims), Lovćen Osiguranje (lower payouts in professional liability accident insurance), Zavarovalnica Triglav (lower payouts in AO-plus insurance) and Triglav Osiguranje, Banja Luka. Higher gross claims paid were recorded in Triglav Osiguranje, Belgrade (the increased number of reported claims and payment of some large claims from the international programme) and Triglav Osiguranje, Sarajevo (growth in claims paid from group accident insurance).

Gross claims paid in **general liability insurance** amounted to EUR 17.6 million, down by 5% compared to the year before. Gross claims paid of the parent company represented 86% of the Group's total gross claims paid in this insurance class. They declined by 10%, predominantly due to last year's payment of some major individual product liability insurance claims and lower gross claims paid in general liability insurance. Other insurance subsidiaries selling these insurance products saw an increase in gross claims paid.

Gross claims paid in **credit insurance** rose by 55% to EUR 6.0 million. Gross claims paid rose sharply in Zavarovalnica Triglav (index 141), which represents the majority of claims in this insurance class (87%), and Triglav Osiguranje, Belgrade (index 476), where high growth resulted from the payment of two large claims. Growth in gross claims paid of the parent company was predominantly a result of higher payments in domestic trade credit insurance (payment of large claims due to insolvency) and in consumer and housing credit insurance (the volume of payments was closer to that in the past, as last year's claim payments were relatively low).

Gross claims paid in **other non-life insurance** dropped by 6% to EUR 21.7 million. Zavarovalnica Triglav, holding a 79% share of this insurance class,

recorded a 10% decrease resulting from last year's payments of some large claims from railway insurance and miscellaneous financial loss insurance. A high decline in gross claims paid was recorded by Lovćen Osiguranje, primarily due to the last year's payment of some large claims from aircraft insurance and marine insurance. By contrast, high growth was seen in Triglav Osiguranje, Belgrade (payout of a large individual claim from miscellaneous financial loss insurance), Triglav Osiguranje, Zagreb (growth in claims from suretyship insurance, assistance insurance and marine insurance), Triglav Osiguranje, Sarajevo (an increase in the number of reported roadside assistance claims) and in Triglav Osiguruvanje, Skopje (payouts of individual large claims from assistance insurance).

7.6.2 Life and pension insurance

Non-consolidated gross claims paid in **life and pension insurance** grew by 8% to EUR 186.7 million. Their share in total non-consolidated claims paid increased by 1.1 percentage point to 27.3%.

The bulk of total claims paid was accounted for by **life insurance** (traditional life, annuity, pension annuity and voluntary pension insurance), amounting to EUR 109.8 million, an increase of 19% compared to the year before. Higher gross claims paid were seen in Lovćen životna osiguranja (higher payouts due to death, maturity and accident), Triglav Osiguranje, Sarajevo (higher payouts due to maturity, surrender and death of the insured), the parent company (payments of mathematical provisions on capitalised traditional life insurance policies) and Triglav Osiguranje, Belgrade. In Triglav Osiguranje, Zagreb, gross claims paid remained at approximately the same level as in the previous year (index 100).

Gross claims paid in **unit-linked life insurance** amounted to EUR 71.9 million, a decrease of 4%

relative to the year before. The main reason for lower gross claims paid in both the parent company (index 95) and Triglav Osiguranje, Zagreb (index 81) was the decrease in sums paid out on maturity. Gross claims paid of Triglav, pokojninska družba were down by 2%.

Gross claims paid in **capital redemption insurance** decreased by 14%, primarily as a result of lower payouts due to withdrawals from insurance contracts and surrenders pursuant to the Pension and Disability Insurance Act in the parent company.

Non-consolidated gross claims paid of the insurance subsidiaries of the Triglav Group (excluding Pozavarovalnica Triglav Re) by insurance class

Insurance class	Gross claims paid			Index		Share
	2019	2018	2017	2019/2018	2018/2017	2019
Accident insurance	23,673,861	23,608,780	23,019,389	100	103	3.5%
Health insurance	143,785,330	121,356,577	106,519,452	118	114	21.0%
Comprehensive car insurance	98,799,095	93,863,228	87,626,067	105	107	14.4%
Real property insurance	91,798,667	111,847,394	84,422,815	82	132	13.4%
Motor liability insurance	95,003,851	93,438,289	87,670,650	102	107	13.9%
General liability insurance	17,589,035	18,430,832	14,880,210	95	124	2.6%
Credit insurance	6,012,228	3,881,949	2,871,513	155	135	0.9%
Other non-life insurance	21,731,247	23,186,370	18,996,651	94	122	3.2%
Non-life insurance	498,393,314	489,613,419	426,006,747	102	115	72.7%
Life insurance	109,763,192	92,472,985	91,119,134	119	101	16.0%
Unit-linked life insurance*	71,885,180	75,211,711	96,537,828	96	78	10.5%
Capital redemption insurance	5,050,338	5,885,491	5,365,889	86	110	0.7%
Life and pension insurance	186,698,710	173,570,187	193,022,851	108	90	27.3%
Total	685,092,024	663,183,606	619,029,598	103	107	100.0%

* According to the definition of the Insurance Supervision Agency, gross claims paid by Triglav, pokojninska družba are included in unit-linked life insurance.

Gross claims paid of Zavarovalnica Triglav by insurance class

Insurance class	Gross claims paid			Index		Share
	2019	2018	2017	2019/2018	2018/2017	2019
Accident insurance	13,732,622	13,893,520	13,035,715	99	107	3.2%
Health insurance	252,787	141,362	20,464	179	691	0.1%
Comprehensive car insurance	81,388,346	78,121,265	73,168,562	104	107	19.1%
Real property insurance	68,522,847	79,094,590	67,908,280	87	116	16.1%
Motor liability insurance	63,861,193	61,265,319	57,003,661	104	107	15.0%
General liability insurance	15,188,764	16,915,196	13,194,829	90	128	3.6%
Credit insurance	5,217,685	3,701,849	2,660,748	141	139	1.2%
Other non-life insurance	17,220,406	19,114,790	13,427,908	90	142	4.0%
Non-life insurance	265,384,650	272,247,891	240,420,167	97	113	62.4%
Life insurance	96,566,196	81,883,672	82,932,299	118	99	22.7%
Unit-linked life insurance	58,203,197	60,985,528	82,587,169	95	74	13.7%
Capital redemption insurance	5,050,338	5,885,491	5,365,889	86	110	1.2%
Life and pension insurance	159,819,731	148,754,691	170,885,357	107	87	37.6%
Total	425,204,381	421,002,582	411,305,524	101	102	100.0%

7.6.3 Gross claims paid of Pozavarovalnica Triglav Re

Gross claims paid of Pozavarovalnica Triglav Re totalled EUR 73.8 million, up by 5% compared to the previous year. A 24% growth in gross claims paid was seen in transactions outside the Group, whereas a decrease of 10% in gross claims paid was recorded in transactions within the Group. The high growth in gross claims paid in transactions outside the Group primarily resulted from portfolio growth in recent years, claims paid due to the 2018 Japanese Typhoon Jebi and crop damage in South Korea, as well as claims already paid due to Hurricane Dorian, which hit the Bahamas in late August. Gross claims paid in transactions within the Group, however, were lower mainly as a consequence of high payouts in 2018 due to storms in Slovenia.

7.7 Gross operating expenses

Total consolidated gross operating expenses of the Triglav Group amounted to EUR 305.3 million, up by 6% relative to the previous year. **Insurance business expenses** grew by 5% to EUR 274.2 million, predominantly as a result of higher acquisition costs and labour costs due to the increased volume of business, as well as depreciation of assets and costs of maintenance services, mostly due to past investments and IT maintenance costs. The proportion of insurance business operating expenses in gross written premium dropped by 1.3 percentage point to 23.2%. Operating expenses in the **non-life insurance** segment increased by 4% (EUR 218.0 million), in the **life and pension insurance** segments by 1% (EUR 38.1 million) and in the health insurance segment by 23% (EUR 18.1 million).

Non-insurance business expenses rose by 14% to EUR 31.0 million, primarily due to the strengthening of the asset management activity (the merger

of ALTA Skladi and the establishment of Triglav penzisko društvo).

Acquisition costs (fees and commissions) rose by 12% to EUR 56.2 million, predominantly as a result of higher acquisition costs in Triglav Osiguranje, Zagreb, Triglav Osiguranje, Belgrade, the parent company and Triglav, Zdravstvena zavarovalnica. Increased acquisition costs mainly result from the higher number of taken out insurance policies and the increased volume of written premium from insurance policies taken out via external sales channels (brokers, agencies and banks). The costs of goods sold totalled EUR 49 thousand. The 38% increase in depreciation costs in the amount of EUR 19.7 million was primarily the consequence of implementing the new IFRS 16 Leases, under which leases are differently defined, i.e. long-term leases are defined as long-term assets that are amortised. See [→ *Section 5.11 of the Accounting Report*] for further details.

At 48.0%, labour costs accounted for the largest portion of total expenses, amounting to EUR 154.6 million, up by 5% compared to the year before. This increase is predominantly a result of the higher number of employees in Triglav Osiguranje, Belgrade and Triglav, Zdravstvena zavarovalnica, the merger of ALTA Skladi and higher labour costs in Zavarovalnica Triglav. The latter were mainly influenced by higher payments to insurance agents due to higher sales of insurance products, a change in the salary model, employment of most employees from the subsidiary Triglav INT by the parent company and higher other labour costs. Costs of services provided by natural persons other than sole traders decreased by 52%. They amounted to EUR 1.3 million and represented only 0.4% of total expenses. Other operating expenses dropped by 3% to EUR 90.0 million. Among them, the highest decrease was seen in rental and lease costs (due to the implementation of IFRS 16 Leases) and costs

of representation, advertising and trade shows, whereas the costs of maintenance services (primarily information technology) and professional training services increased.

The proportion of acquisition costs in total gross operating expenses broken down by functional group fell to 59.3% (compared to 60.9% in 2018). Other operating expenses increased to 29.9% (compared to 28.4% in 2018) and asset management costs to 1.0% (compared to 0.9% in 2018). The proportion of acquisition costs remained unchanged at 9.8%.

Gross operating expenses of the Triglav Group by nature

Operating expenses by nature	Gross operating expenses			Index		Share
	2019	2018	2017	2019/2018	2018/2017	2019
Acquisition costs (fees and charges)	56,219,931	50,066,326	43,571,169	112	115	17.5%
Costs of goods sold	48,845	52,904	230,774	92	23	0.0%
Depreciation of operating assets	19,694,948	14,264,627	13,222,256	138	108	6.1%
Labour costs	154,621,686	146,572,719	142,350,871	105	103	48.0%
- wages and salaries	107,324,972	101,612,962	98,913,028	106	103	33.3%
- social security and pension insurance costs	24,289,499	23,640,837	22,890,436	103	103	7.5%
- other labour costs	23,007,215	21,318,920	20,547,407	108	104	7.1%
Costs of services provided by natural persons other than SPs, including related taxes	1,317,788	2,756,994	1,019,815	48	270	0.4%
Other operating expenses	90,018,718	93,062,955	90,569,729	97	103	28.0%
- costs of entertainment, advertising, trade shows	19,394,377	22,174,825	22,133,067	87	100	6.0%
- costs of material and energy	8,261,184	8,232,171	7,608,524	100	108	2.6%
- maintenance costs	15,575,036	14,126,532	14,134,554	110	100	4.8%
- reimbursement of labour-related costs	5,690,278	5,483,902	5,395,372	104	102	1.8%
- costs of intellectual and personal services	5,781,460	5,620,509	5,782,774	103	97	1.8%
- non-income related costs, excluding insurance	3,391,165	3,492,721	3,126,976	97	112	1.1%
- costs of transport and communication services	5,584,949	5,499,061	5,180,429	102	106	1.7%
- costs for insurance premiums	1,121,622	1,843,152	1,620,212	61	114	0.3%
- payment transaction costs and banking services	8,470,561	7,344,413	7,280,330	115	101	2.6%
- rents	4,062,029	7,919,477	7,154,264	51	111	1.3%
- costs of professional training services	1,354,981	1,141,933	881,851	119	129	0.4%
- other costs of services	11,310,828	10,175,371	10,271,234	111	99	3.5%
- long-term employee benefits	20,248	8,888	142	228	6,259	0.0%
Total	321,921,916	306,776,525	290,964,614	105	105	100.0%
Consolidation eliminations	-16,653,191	-17,950,309	-16,919,317	93	106	
Total consolidated	305,268,725	288,826,216	274,045,297	106	105	

Gross operating expenses of Zavarovalnica Triglav by nature

Operating expenses by nature	Gross operating expenses			Index		Share
	2019	2018	2017	2019/2018	2018/2017	2019
Acquisition costs (fees and charges)	28,759,114	27,174,985	24,322,707	106	112	15.9%
Depreciation of operating assets	11,167,744	9,603,035	8,759,767	116	110	6.2%
Labour costs	99,873,831	96,407,090	94,573,786	104	102	55.3%
- wages and salaries	70,238,081	68,211,092	67,346,223	103	101	38.9%
- social security and pension insurance costs	11,837,017	11,730,444	11,476,948	101	102	6.6%
- other labour costs	17,798,733	16,465,554	15,750,615	108	105	9.9%
Costs of services provided by natural persons other than SPs, including related taxes	349,916	339,137	277,655	103	122	0.2%
Other operating expenses	40,343,368	40,898,603	39,810,837	99	103	22.4%
- costs of entertainment, advertising, trade shows	8,598,847	8,712,404	8,816,688	99	99	4.8%
- costs of material and energy	3,425,880	3,606,749	3,237,214	95	111	1.9%
- maintenance costs	9,627,759	8,869,489	9,358,251	109	95	5.3%
- reimbursement of labour-related costs	3,360,635	3,306,295	3,351,433	102	99	1.9%
- costs of intellectual and personal services	1,963,379	2,246,162	2,279,968	87	99	1.1%
- non-income related costs, excluding insurance	1,628,366	1,523,918	1,510,184	107	101	0.9%
- costs of transport and communication services	3,072,649	3,210,568	2,895,169	96	111	1.7%
- costs for insurance premiums	327,304	1,093,183	886,867	30	123	0.2%
- payment transaction costs and banking services	1,698,171	1,602,368	1,540,593	106	104	0.9%
- rents	2,216,058	3,303,744	2,799,532	67	118	1.2%
- costs of professional training services	902,200	632,487	447,740	143	141	0.5%
- other costs of services	3,522,120	2,791,236	2,687,198	126	104	2.0%
Total	180,493,973	174,422,850	167,744,752	103	104	100.0%

7.8 Risk equalisation

7.8.1 Insurance technical provisions

The Triglav Group equalised 88% of the risks within its own equalisation capacities. The Group was able to equalise risks that exceeded its own equalisation capacities by reinsurance and, to a lesser extent, by co-insurance arrangements. Within the Group's own equalisation capacities, claims were covered with the current annual inflow of technical premium by insurance class and the insurance technical provisions formed.

Gross insurance technical provisions are the basis for balanced operations and ensure the long-term safety of insured persons. As at the 2019 year-end, the **Triglav Group** allocated EUR 2,878.9 million to gross insurance technical provisions, which in total represented an increase of 6% compared to the preceding year. The amount of gross insurance technical provisions increased in **non-life insurance** (index 103), **life and pension insurance** (index 107) and **health insurance** (index 135). **Zavarovalnica Triglav** allocated EUR 2,149.0 million to gross insurance technical provisions, up by 4% relative to 2018.

Provisions by type as at 31 December 2019 compared to 31 December 2018:

- Gross provisions for unearned premium** were 11% higher and amounted to EUR 332.5 million. Unearned premium from non-life insurance increased at the same rate (index 111) to EUR 328.7 million, unearned premium from life insurance rose by 7% to EUR 444 thousand and unearned premium from health insurance grew by 18% to EUR 3.3 million. The movement of gross unearned premium corresponds to the movement and duration of gross written premium and the nature of underwritten risks.

- Gross claims provisions** amounted to EUR 615.4 million and were at a level approximately equal to the 2018 year-end (index 100). Gross claims provisions are formed for covering claims incurred but not settled by the end of the accounting period. Claims provisions from non-life insurance totalled EUR 580.1 million (index 99), those from life insurance equalled EUR 20.8 million (index 101) and those from health insurance amounted to EUR 14.5 million (index 147). Gross claims provisions from health insurance rose due to the higher volume of portfolio and growth in gross claims paid.

- Mathematical provisions** were 7% higher and amounted to EUR 1,889.4 million. Mathematical provisions for life insurance totalled EUR 1,404.4 million (index 103), while insurance technical provisions for unit-linked life insurance contracts amounted to EUR 484.9 million (index 120). They increased due to the growth in the price of fund units. Mathematical provisions of Zavarovalnica Triglav accounted for the majority with EUR 1,455.8 million, having increased by 6% compared to the previous year. Mathematical provisions for life insurance totalled EUR 1,020.2 million (index 101), while insurance technical provisions for unit-linked life insurance contracts amounted to EUR 435.6 million (index 119).

- Provisions for bonuses and discounts** declined by 1% to EUR 19.7 million.

- Other insurance technical provisions** grew by 19% to EUR 21.9 million. The highest growth (25%) was seen in Zavarovalnica Triglav, where they reached EUR 13.0 million. This increase was mainly the consequence of additional insurance technical provisions of EUR 3.2 million as a result of the liability adequacy test (LAT) due to a reduction in interest rates.

Gross insurance technical provisions of the Triglav Group as at 31 December 2019

	Gross insurance technical provisions			Index	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2017	2019/2018	2018/2017
Unearned premiums	332,510,935	300,166,946	278,112,719	111	108
Mathematical provisions	1,889,382,583	1,759,831,056	1,782,599,954	107	99
Claims provisions	615,398,744	614,943,915	638,473,713	100	96
Provisions for bonuses and discounts	19,683,771	19,833,253	18,943,606	99	105
Other insurance technical provisions	21,894,138	18,325,930	14,115,599	119	130
Total	2,878,870,171	2,713,101,100	2,732,245,591	106	99

Gross insurance technical provisions of Zavarovalnica Triglav as at 31 December 2019

	Gross insurance technical provisions			Index	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2017	2019/2018	2018/2017
Unearned premiums	232,791,056	213,919,937	196,528,185	109	109
Mathematical provisions	1,455,824,397	1,374,950,680	1,410,988,265	106	97
Claims provisions	428,320,763	442,560,188	469,230,899	97	94
Provisions for bonuses and discounts	19,065,148	19,547,002	18,349,804	98	107
Other insurance technical provisions	13,012,868	10,403,743	8,262,880	125	126
Total	2,149,014,232	2,061,381,550	2,103,360,033	104	98

7.8.2 Reinsurance

The Triglav Group operates in the global reinsurance market via Pozavarovalnica Triglav Re and Zavarovalnica Triglav. Optimum coverage terms and conditions were pursued and also achieved in 2019 in all reinsurance and co-insurance contracts. The Group allocated EUR 131.0 million of reinsurance premium to external equalisation, up by 26% relative to 2018. Ceded reinsurance premium accounted for 11.1% of total gross written premium or 1.3 percentage point more than the year before. Reinsurance premium growth was predominantly a result of the increased volume of non-life insurance premium and inward reinsurance, the higher number of facultative contracts, more expensive excess-of-loss reinsurance protection and higher settlement from these contracts.

Changes in unearned premium related to the reinsurance portion totalled EUR 11.5 million. The reinsurers' and co-insurers' share in gross claims paid amounted to EUR 35.1 million (index 87). The change in gross claims provisions for the reinsurance portion totalled EUR 1.5 million (compared to EUR -11.3 million in 2018). The Group also received EUR 22.0 million in reinsurance fees and commissions (index 140). The reinsurance result was negative and amounted to EUR -60.9 million (compared to EUR -53.1 million in 2018).

The reinsurance result of **Zavarovalnica Triglav** was EUR -57.6 million (compared to EUR -43.8 million in 2018).

7.9 The structure of investments of the Triglav Group and Zavarovalnica Triglav

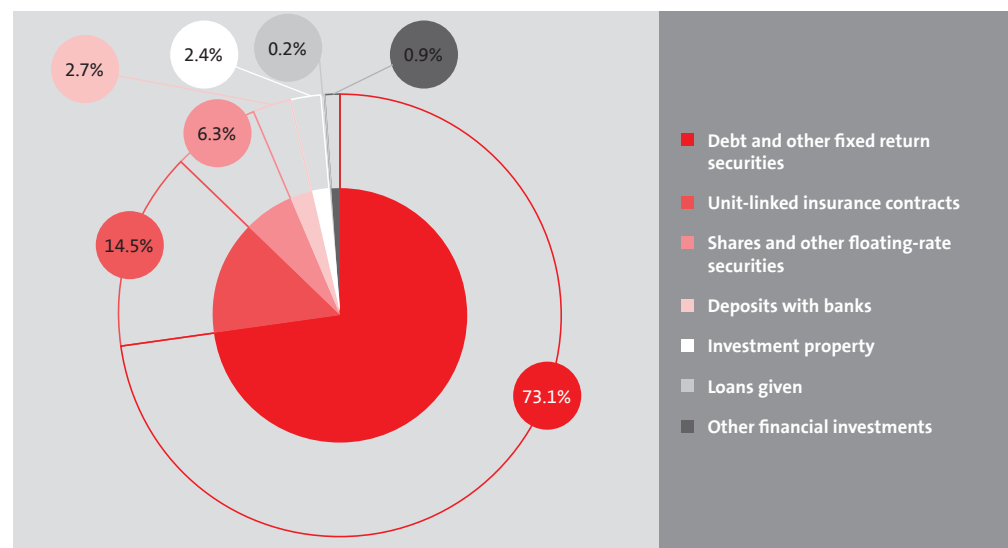
The Triglav Group continues to pursue a somewhat conservative investment policy, focusing on investment security and liquidity governed by adequate profitability. The key objective is to maintain a high overall rating of the whole investment portfolio. The structure of the portfolio remains similar to the previous year, and its maturity was extended. This was achieved by raising the share of high-quality government bonds, thereby reducing the Group's market risks. Bonds continue to hold the largest (73.1%) share in the portfolio, while their quality increased even further. As much as 87.5% of bond investments have a rating of at least »BBB«. When investing, the Company actively adjusted the shares of individual investment grades, doubling the share of alternative funds in the equity portfolio. The latter remains low in the overall portfolio at 1.7% (compared to 0.7% in 2018).

Financial investments of the Triglav Group including investment property amounted to EUR 3,315.1 million as at the 2019 year-end, an increase of 7% relative to the previous year. Their share in total assets of the Group was down by 0.7 percentage point to 84.2%.

Financial investments (including investment property) of the Triglav Group as at 31 December 2019 and 31 December 2018

	Financial investments		Index	Share	
	31 Dec. 2019	31 Dec. 2018	2019/2018	31 Dec. 2019	31 Dec. 2018
Investment property	79,921,480	89,840,456	89	2.4%	2.9%
Shares in associates	13,154,379	14,125,973	93	0.4%	0.5%
Shares and other floating-rate securities	207,202,683	168,345,913	123	6.3%	5.4%
Debt and other fixed return securities	2,423,949,186	2,281,642,459	106	73.1%	73.7%
Loans given	5,161,148	36,350,241	14	0.2%	1.2%
Deposits with banks	88,402,963	86,365,522	102	2.7%	2.8%
Other financial investments	6,712,517	9,918,886	68	0.2%	0.3%
Financial investments of reinsurance companies in reinsurance contracts with cedents	8,602,454	6,281,276	137	0.3%	0.2%
Unit-linked insurance contracts	482,031,288	402,515,770	120	14.5%	13.0%
Total	3,315,138,098	3,095,386,496	107	100.0%	100.0%

The structure of investments of the Triglav Group as at 31 December 2019



The value of total debt and other fixed-return securities rose by 6%, whereas their share in the total portfolio dropped by 0.6 percentage point. The share of equity investments, including investments in funds, increased by 0.8 percentage point to 6.3% as at the 2019 year-end. The share of unit-linked insurance contract investments increased by 1.5 percentage point primarily due to unit price growth. By contrast, the share of loans given stood at 0.2% as at the 2019 year-end, down by 1.0 percentage point compared to the previous year. This decrease was predominantly a result of maturity of some loans. The share of the Group's investment property fell by 0.5 percentage point to 2.4% due to the sale of some real property. The shares of other financial investments did not change significantly.

The structure of debt securities and equity investments is presented in detail below.

The largest share (59%) in the Group's bond portfolio by issuer sector was accounted for by government bonds. In terms of volume, they rose by 21% compared to the 2018 year-end, while their share was higher by 7.4 percentage points. The increase is a result of active adjustments of the bond portfolio, taking into account the credit rating and maturity of individual investments. The shares of financial bonds and corporate bonds in the portfolio remain equal.

Debt securities of the Triglav Group by issuer sector in 2019 and 2018

Issuer sector	Debt securities		Index	Structure	
	31 Dec. 2019	31 Dec. 2018	2019/2018	31 Dec. 2019	31 Dec. 2018
Government	1,429,886,787	1,177,116,267	121	59.0%	51.6%
Corporate	475,884,757	565,694,196	84	19.6%	24.8%
Financial	517,025,272	534,487,535	97	21.3%	23.4%
Structured	1,152,369	4,344,459	27	0.0%	0.2%
Total	2,423,949,186	2,281,642,459	106	100.0%	100.0%

Unit-linked life insurance contract investments data are excluded.

The Group's investment portfolio mostly consists of investments in debt securities with a **high credit rating**. The share of debt securities with a rating of at least »BBB« increased by 6.1 percentage points to 87.5% in 2019.

Debt securities of Zavarovalnica Triglav by credit rating in 2019 and 2018

Credit rating	Debt securities		Index	Structure	
	31 Dec. 2019	31 Dec. 2018	2019/2018	31 Dec. 2019	31 Dec. 2018
AAA	247,171,318	220,729,382	112	10.2%	9.7%
AA	329,308,659	151,075,209	218	13.6%	6.6%
A	761,757,966	647,169,663	118	31.4%	28.4%
BBB	782,946,517	838,541,633	93	32.3%	36.8%
Below BBB	187,505,686	324,940,014	58	7.7%	14.2%
Not rated	115,259,039	99,186,558	116	4.8%	4.3%
Total	2,423,949,186	2,281,642,459	106	100.0%	100.0%

Unit-linked life insurance contract investments data are excluded.

In terms of **issuer country**, the majority of the portfolio is accounted for by debt securities of issuers from the countries with a high credit rating, which ensures adequate liquidity of the Group. Some changes in exposure to individual countries are a result of price fluctuations and tactical adjustments of some positions.

Debt securities of the Triglav Group by issuer country in 2019 and 2018

Country of issuer	Debt securities		Index	Structure	
	31 Dec. 2019	31 Dec. 2018	2019/2018	31 Dec. 2019	31 Dec. 2018
Slovenia	432,899,974	372,682,300	116	17.9%	16.3%
France	236,839,255	170,997,573	139	9.8%	7.5%
Germany	174,349,263	174,147,165	100	7.2%	7.6%
Netherlands	167,277,688	152,372,593	110	6.9%	6.7%
Italy	138,469,634	130,282,806	106	5.7%	5.7%
Spain	128,363,769	165,345,901	78	5.3%	7.2%
USA	108,397,196	108,952,967	99	4.5%	4.8%
Croatia	103,869,838	100,188,584	104	4.3%	4.4%
Portugal	74,350,708	74,877,427	99	3.1%	3.3%
Great Britain	61,359,222	77,287,888	79	2.5%	3.4%
Other	797,772,637	754,507,255	106	32.9%	33.1%
Total	2,423,949,186	2,281,642,459	106	100.0%	100.0%

Unit-linked life insurance contract investments data are excluded.

Equity investments, which include shares and other variable-return securities and investments in associates, represent 6.6% of the Group's total portfolio, an increase of 0.8 percentage point relative to the previous year. Their value is 21% higher, primarily due to new investments in alternative funds and growth in equity prices. Equity investments also include the category *other funds*, which comprises mostly alternative funds. Its share has doubled in 2019 and represents 25.2% of equity investments or 1.7% of the Group's total portfolio (compared to 0.7% in 2018).

The structure of equity investments of the Triglav Group in 2019 and 2018

Equity investment type	Equity investments		Index	Structure	
	31 Dec. 2019	31 Dec. 2018	2019/2018	31 Dec. 2019	31 Dec. 2018
Shares	79,449,680	80,697,172	98	36.1%	44.2%
Equity funds	56,504,953	56,903,183	99	25.6%	31.2%
Bond funds	17,653,170	12,487,022	141	8.0%	6.8%
Money market funds	11,117,584	9,618,545	116	5.0%	5.3%
Other funds	55,631,676	22,765,964	244	25.2%	12.5%
Total	220,357,062	182,471,886	121	100.0%	100.0%

Equity investments of the Triglav Group by geographic area in 2019 and 2018

Geographic area	Equity investments		Index		Structure	
	31 Dec. 2019	31 Dec. 2018	2019/2018	31 Dec. 2019	31 Dec. 2018	
Slovenia	69,483,453	61,154,968	114	31.5%	33.5%	
Developed markets	130,100,465	98,861,077	132	59.0%	54.2%	
Developing markets	13,094,408	13,081,652	100	5.9%	7.2%	
Balkans	7,678,736	9,374,190	82	3.5%	5.1%	
Total	220,357,062	182,471,886	121	100.0%	100.0%	

Zavarovalnica Triglav’s financial investments including investment property amounted to EUR 2,545.0 million, up by 6% compared to the preceding year.

Financial investments of Zavarovalnica Triglav as at 31 December 2019 and 31 December 2018

	Financial investments		Index		Structure	
	31 Dec. 2019	31 Dec. 2018	2019/2018	31 Dec. 2019	31 Dec. 2018	
Investment property	46,091,135	45,270,540	102	1.8%	1.9%	
Investments in subsidiaries and associates	152,992,693	148,898,023	103	6.0%	6.2%	
Shares and other floating-rate securities	107,310,068	83,493,766	129	4.2%	3.5%	
Debt and other fixed return securities	1,760,076,254	1,666,922,943	106	69.2%	69.4%	
Loans given	10,726,466	46,099,990	23	0.4%	1.9%	
Deposits with banks	30,229,076	38,481,554	79	1.2%	1.6%	
Other financial investments	3,865,518	3,645,433	106	0.2%	0.2%	
Derivative financial instruments	0	1,393,263	0	0.0%	0.1%	
Unit-linked insurance contract investments	433,758,610	366,664,078	118	17.0%	15.3%	
Total	2,545,049,820	2,400,869,590	106	100.0%	100.0%	

7.10 Investment in own-use real property and equipment

The Triglav Group invested EUR 9.3 million in property, plant and equipment and EUR 6.8 million in intangible assets (software and property rights). The parent company invested EUR 3.9 million in property, plant and equipment and EUR 4.7 million in intangible fixed assets (software and property rights).

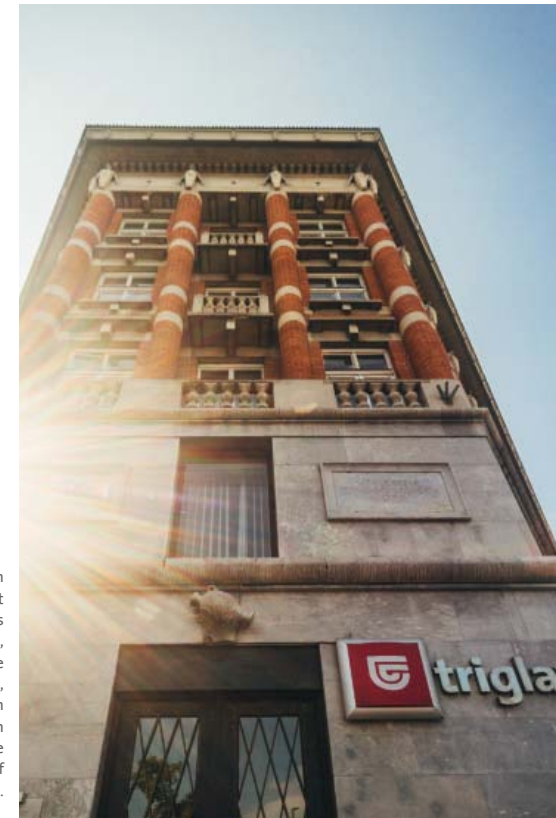
The value of own-use property is increased through active management. Such property was intensively renovated in 2019 in order to make the best use of the existing capacity and achieve high standards that are in line with advanced technological and functional guidelines as well as with the Group’s sustainable development principles. In addition to improved functionality, improving energy efficiency and reducing the carbon footprint will continue to be the main goals of renovation.

The energy renovation of one of the largest commercial buildings in Ljubljana was completed, while continuing with the renovation of the parent company’s headquarters, which is a cultural monument of national importance. The renovation of key elements of the architect Jože Plečnik’s heritage is carried out in close cooperation with the Institute for the Protection of Cultural Heritage and in accordance with conservation plans. In the coming strategy period, several major complete renovation projects of strategic real property are planned (especially commercial buildings of the Company’s regional units). Any surplus capacity will be rearranged to be commercially attractive as investment property.

Renovation works are carried out in accordance with the guidelines of modern and efficient operations and in accordance with the uniform renovation design of workplaces and points of sale. Following the best practices, the Company adopted the standards of flexible office space arrangement and defined them as the Group’s minimum standard. Some rearrangements were already made in accordance with the uniform design.

IT support for real property management was upgraded to ensure secure and complete record keeping, reporting and various administration processes (e.g. advanced communication with clients). The processes for monitoring and optimising real estate economics will be further upgraded in 2020.

The renovation of the parent company’s headquarters, the architect Jože Plečnik’s heritage, is carried out in close cooperation with the Institute for the Protection of Cultural Heritage.



7.11 Asset management

Asset management is performed by Zavarovalnica Triglav and its subsidiary Triglav Skladi. The parent company primarily manages the Group's own insurance portfolios (assets backing liabilities and guarantee funds), while Triglav Skladi manages mutual funds and discretionary mandate assets. The Company is also an important partner of the alternative investment management platform Triglav d.o.o.

In line with the strategic guidelines, the Company is increasing the visibility of the Group as a leading asset manager in the target markets and raising the volume of assets under management. To this end, the asset management activity as the Group's second strategic activity was enhanced in 2019 through the acquisition of ALTA Skladi and its merger with Triglav Skladi. With the establishment of Triglav penzisko društvo, the Group entered the pension insurance market in North Macedonia. See [[→ Section 11.3 Efficient asset management in the Triglav Group](#)] for more information.

Asset management market

As at the 2019 year-end, a total of 5 management companies operated in Slovenia, which managed the net asset value of EUR 3.0 billion in mutual funds, which is 22% more than the year before. Asset growth was primarily driven by market trends and to a lesser extent by net inflows into funds. A total of 6 companies provided discretionary mandate services, of which 3 were asset management companies. The value of discretionary mandate assets managed by said companies amounted to EUR 990.4 million at the 2019 year-end, an increase of 39% compared to 2018.

The subsidiary Triglav Skladi manages 36 mutual funds and 10 investment combinations under two umbrella funds (Triglav vzajemni skladi and Alta). It also manages 3 investment funds in Croatia, which were acquired through the acquisition of ALTA Skladi, and provides discretionary mandate services. In the market of Bosnia and Herzegovina, the company holds a participating interest in PROF-IN management company. As at the reporting date, it managed assets of EUR 1.0 billion in mutual funds, an increase of 68% on the previous year. The high increase resulted from both the takeover of ALTA Skladi as well as the situation on the capital markets and net inflows. Discretionary mandate assets amounted to EUR 82.5 million at the 2019 year-end, an increase of EUR 65% on the previous year.

Through the acquisition of ALTA Skladi, Triglav Skladi became the leader with a market share of 33.9% among mutual fund management companies (compared to 24.6% in 2018). Triglav Skladi strengthened its market position in the discretionary mandate segment, in which it reached an 8.3% market share (compared to 7.0% in 2018).

**EUR
1,0 billion**
in mutual funds,
managed by
Triglav Skladi