

# 7. Operations of the Triglav Group and Zavarovalnica Triglav

- The COVID-19 pandemic resulted in the contraction of most insurance markets (with the exception of the Slovenian and Serbian insurance markets) and the fall in GDP of the countries where the Triglav Group operates.
- Premium growth was recorded in most insurance markets of the Group and in the non-life and health insurance segments.
- The Group maintained its leading market position in Slovenia, Montenegro and North Macedonia. Its market share improved in Bosnia and Herzegovina, Slovenia, Croatia and Serbia.
- Unlike the year before, the year 2020 was less favourable in terms of major CAT events.
- Premium growth was higher than the growth in operating expenses of the insurance business.
- Low interest rates continued to reduce rates of return on investment.

## 7.1 The general economic environment worldwide and in Slovenia

The year 2020 was marked by the COVID-19 pandemic and its effects on the global economy. The deep and unusual recession far exceeded the known consequences of the great financial crisis in 2008 and hit service activities the hardest. At the beginning of the year, tight measures to curb the spread of the virus paralysed the entire economy. Central banks and governments responded swiftly and uniformly and provided support in historic proportions. The adopted aid packages mitigated unemployment growth relatively successfully, but at the same time they significantly expanded the balance sheets of central banks and caused the fiscal statistics to deteriorate. With the epidemiological situation improving, the global economy recovered in the middle of the year, but the recovery was uneven, as the opening up of activities was gradual and selective. Industrial production and related international trade in particular strengthened. Towards the end of the year, a resurgence in the number of infections and renewed containment measures was seen, which slowed down economic growth again, but to a lesser extent. Expectations also deteriorated again. In December, financial institutions forecast a 7.4% decline in the real GDP of the euro area for 2020, while consumer prices are expected to rise by only a few tenths of a percent.

The fate of the euro area was shared by the Slovenian economy. In its December publication for 2020, the Institute of Macroeconomic Analysis and Development (IMAD) forecast a 6.6% decline in real GDP and a slightly milder recession than in the euro area, while consumer prices are expected to stagnate at zero inflation. Slovenian industrial production recovered considerably over the year, but the more modest recovery in the service sector had a strong impact on the decline in economic activity and international trade. Nevertheless, the latter made a slightly positive contribution to real GDP growth. The steep decline in final consumption mitigated the growth of government consumption. At the same time, government aid packages halted a significant reduction in household consumption and mitigated the decline in employment. The surveyed unemployment rate rose moderately to 5.1%, which is significantly less than during the previous financial crisis. Compared to the preceding year, the budget deficit and gross government debt increased sharply. According to the European Commission's November forecast, the former was 8.7% and the latter 82.2% of GDP.

Following the extremely high fall in stock market prices in March, the decline in risk-free interest rates and the opening of credit spreads, the financial markets recovered by the end of the year. Some stock indices even reached all-time highs. In the first quarter, the US Federal Reserve (Fed) reduced the key interest rate range to 0.0–0.25% in two steps and began with unlimited and accelerated purchase of government bonds. Towards the end of the year, the Fed announced that no change in the key interest rate range was expected over the next three years. The European Central Bank (ECB) did not change its record-low interest rate policy and outlook, but adopted a number of quantitative measures. One such measure was the pandemic emergency purchase programme (PEPP) adopted in March, which was further expanded in two steps later in the year. The ECB, like the Fed, emphasised its commitment to a loose monetary policy in order to maintain favourable financial conditions and meet its inflation target. Apart from that, financial markets responded positively to the December conclusion of an agreement on future trade relations between the EU and the United Kingdom of Great Britain and Northern Ireland, ending the transitional period following the UK's official exit in January. At the end of the year, the focus of EU government measures was on the recovery instrument, i.e. Next Generation EU, and its record seven-year budget. In the United States, on the other hand, presidential elections and the adoption of anti-crisis aid packages were at the forefront.

After the first wave of the epidemic, bond markets remained under the strong influence of central banks for most of the year. The required yield on the ten-year German bond saw a record-high drop in March 2020 (when it was also affected by oil prices and the general withdrawal of investors into safe investments), but later stabilised, ending the year at –0.57%. The required yields on

low-rated bonds rose sharply in the first quarter, followed by a gradual decline. The required yield on Italian and Slovenian bonds was thus only 0.54% and –0.17% respectively by the year-end. Stock market indices suffered high losses in the first quarter, over 30%, which were largely offset over the rest of the year, while some stock market indices even recorded positive annual growth. This was also seen in the American S&P and the German DAX, which recorded a 16.5% and 3.5% annual growth respectively, while the European STOXX50 and the Slovenian SBITOP fell by 5.1% and 2.8% respectively.

Forecasts for the global and European economy in 2021 are moderately favourable and uncertain. Most official institutions anticipate an end to the health crisis and the phasing out of containment measures, which will boost growth, together with sustainable development programmes. Nevertheless, the recovery will be uneven across sectors and countries, and on average, economies will only reach pre-epidemic levels of activity in mid-2022. According to the estimates of institutions, the euro area and Slovenia will record around 4% real GDP growth and a 1% inflation rate in 2021, but the forecasts are accompanied by a high level of uncertainty. This is mainly related to the course of the health crisis, and the risk of lower-than-forecast growth is high. Given the situation in which loose economic policies will continue to be pursued, it is expected that the extensive quantitative easing programmes of central banks will maintain most required yields on government bonds at negative values. In the absence of unforeseen shocks, credit spreads on corporate bonds, especially those that will not be paralysed by the pandemic, will remain low, and equity investments will be an appealing investment alternative in such circumstances.

## 7.2 Environmental impact on the Triglav Group's operations<sup>16</sup>

Due to the COVID-19 pandemic, insurance markets contracted and GDP declined in most countries where the Triglav Group operates (with the exception of the Slovenian and Serbian insurance markets). Challenging market conditions and fierce price competition continued in the insurance markets. Zavarovalnica Triglav and its subsidiaries cope with the demanding market conditions by pursuing marketing, sales and pricing policies, launching new products and redesigning the existing ones, upgrading business processes, and taking various measures to improve the underwriting result. [See Section 11. Development and marketing activities](#) for more information.

The unfavourable situation continued in the financial markets, as low interest rates resulted in lower rates of return on investment. Due to low interest rates, additional insurance technical provisions were formed for life and non-life insurance.

The pandemic also had an impact on the decline in written premium of some insurance classes ([see Section 7.5 Gross written insurance, coinsurance and reinsurance premiums for more information](#)), lower growth in gross claims paid due to lower economic activity and lower population mobility due to restrictive measures to curb the spread of the epidemic ([see Section 7.6 Gross claims paid for more information](#)) and reduction of some types of gross operating expenses ([see Section 7.7 Gross operating expenses for more information](#)). Due to the pandemic, additional provisions for bonuses and discounts and other insurance technical provisions for health insurance were formed ([see Section 7.8 Risk equalisation for more information](#)).

Business conditions in 2020 were also less favourable due to major CAT events, which amounted to a total estimated value of EUR 31.1 million. Hail storms in Slovenia, Croatia and North Macedonia caused EUR 22.0 million in claims (of which claims of EUR 18.8 million were reported and settled). The earthquakes in Croatia are estimated to have caused EUR 8.6 million in claims; the earthquake with the epicentre near Zagreb with a 5.3 magnitude on the Richter scale at the end of March caused EUR 5.4 million in claims, while the earthquake at the end of December with the epicentre near Petrinja with a 6.3 magnitude caused EUR 3.1 million in claims. Pozavarovalnica Triglav Re received claims estimated at EUR 474 thousand due to the Maysak typhoon in South Korea.

## 7.3 Global insurance market

Total premiums written on the **global insurance market** reached USD 6.3 trillion (according to latest official data from Swiss Re reinsurance company) or 2.9% real growth (nominal growth was 2.3%). Non-life insurance premium increased by 3.5% in real terms, while life insurance premium grew by 2.2%. The US, which remained the market leader, accounted for 43.7% of total global written premium and reached a 2.2% growth. The highest growth among groups of countries was again contributed by Asia (Asia-Pacific), as it achieved a 4.4% growth and increased its share by 0.4 percentage point to 27.7%. Advanced Europe accounted for 25.5% of total global written premium, up by 2.4%. The countries of the Middle East and Africa maintained their 1.8% share in the global insurance market, while emerging Europe and Central Asia represented a 1.3% share (Slovenia is also part of this group). Advanced markets accounted for 81.5% of the global insurance premium (2.1% premium growth) and the rest was contributed by emerging markets (6.6% premium growth).

Swiss Re estimates that the pandemic will put global premium growth back by 3% in 2020. Life insurance premium will shrink by 6%, while non-life insurance premium will remain at approximately the same level as in 2019. According to expectations, at a 3% increase the premium will recover to the 2019 level over the course of 2021. Emerging markets will outperform advanced markets in both 2020 and 2021.

### *Global premium growth in 2019, estimates for 2020 and forecasts for 2021 (%)*

	Total written premium		Non-life insurance		Life insurance		2020 estimate	2021 forecast
	2019	2020 estimate	2021 forecast	2019	2020 estimate	2021 forecast		
Advanced markets	+2.1	–4	+2	+2.7	–1	+3	+1.3	–8
Emerging markets	+6.6	+1	+7	+7.7	+3	+7	+5.6	0
World	+2.9	–3	+3	+3.5	0	+3	+2.2	–6

Source: Swiss RE, SIGMA 4/2020

## 7.4 Operations of the Triglav Group in the Adria region (South-East Europe)<sup>17</sup>

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

Due to the COVID-19 pandemic, a decline in insurance markets and a drop in GDP were recorded in most countries. More premiums were written only in the Slovenian and Serbian markets.

#### Main macroeconomic indicators for 2020 by insurance market of the Triglav Group and the EU

Macroeconomic indicators	Slovenia	Croatia	Serbia	Montenegro	Bosnia and Herzegovina	North Macedonia	European Union
Population (in million)	2.1	4.0	6.9	0.6	3.3	2.1	444.7
GDP growth (estimate in %)	-6.7	-9.0	-2.5	-12.0	-6.5	-5.4	-7.6
2020 GDP (estimate in USD million)	51.8	56.8	52.0	4.9	18.9	12.5	14,926.5
2020 GDP per capita (estimate in USD)	25,039	14,033	7,497	7,933	5,762	6,019	43,616
2020 inflation rate (estimate in %)	0.5	0.3	1.5	-0.1	-0.8	0.9	0.8
2020 unemployment rate (estimate in %)	8.0	9.3	13.4	19.0*	19.0	20.2	n/a

Source: IMF, World Economic Outlook, October 2020

\*Agency for Statistics of Montenegro (Q3 2020)

The Group maintained its dominant market position in Slovenia, Montenegro and North Macedonia. Its market share grew in Bosnia and Herzegovina, Slovenia, Croatia and Serbia, while premium volume increased in most markets. More information is provided below and in [Section 7.5 Gross written insurance, coinsurance and reinsurance premiums](#).

### Market shares and market position of the insurance subsidiaries of the Triglav Group in 2020

Market	Market share	Market share trend	Ranked in 2020	Ranked in 2019	
Slovenia	36.5%	↑	+0.4-percentage point	1	1
Croatia	5.2%	↑	+0.6-percentage point	8	8
Serbia*	6.9%	↑	+0.4-percentage point	5	5
Montenegro	38.7%	■	0.0-percentage point	1	1
Bosnia and Herzegovina**	9.0%	↑	+1.3-percentage point	3	6
- Federation of BiH	9.7%	↑	+0.9-percentage point	5	7
- Republic of Srpska**/**	6.4%	↑	+0.9-percentage point	6	8
North Macedonia	12.9%	↓	-1.0-percentage point	1	1

\* Data for January–September 2020

\*\* Data for January–June 2020

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

During the COVID-19 pandemic, great attention continued to be paid to strengthening business development and the competitive position of insurance subsidiaries outside Slovenia. In the existing markets, the Group intensively implemented the market processing strategy, maintained and strengthened the competitive position and carried out the product development strategy, i.e. the launch of upgraded and new or innovative products and services, especially for remote business. The implementation of the market development strategy (entry into new markets, establishing partnerships and building visibility) and the diversification strategy (development of new products and services in new markets) was adapted to the new situation.

In achieving the strategic objectives in core and support activities, cooperation among Group members was strengthened. This was especially seen in the health and pension insurance segments and strategic projects, where the development of digital content and modern approaches to sale and marketing were at the forefront. At the organisational level, a significant step towards the target organisational culture was made. Special attention was devoted to the setting up of a single information and data system, which will enable the Group to achieve the highest level of transparency and business transformation at the Group level.

In the coming period, even greater focus will be on strengthening and achieving synergies in various fields of activity, especially at a horizontal level, i.e. among the core segments or activities, which will be a key guideline at the leadership and management levels.

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

#### 7.4.1.1 Slovenian insurance market

Despite being somewhat small, the Slovenian insurance market is well-developed. On a global scale, in 2019 Slovenia ranked 30<sup>th</sup> by premium per capita (a rank lower than the preceding year) and 29<sup>th</sup> by insurance penetration (premium share in GDP), which is a rank higher than the year before. Globally, the Slovenian insurance market ranked 54<sup>th</sup> by written premium (a rank higher than the preceding year), accounting for 0.04% of the global insurance market and 0.8% of the largest European insurance market – UK (Swiss Re data for 2019).

**Premium per capita and market penetration for Slovenia and some other European countries in 2019**

	Premium per capita		Insurance penetration	
	(in USD)	World rank	(% of GDP)	World rank
Slovenia*	1,354	30	5.2%	29
Croatia	391	49	2.6%	50
Serbia	140	65	1.9%	64
Switzerland	6,835	4	8.4%	14
United Kingdom	4,362	13	10.3%	9
Austria	2,219	25	4.4%	37
Czech Republic	677	37	2.8%	45
Poland	418	47	2.7%	48
Turkey	131	67	1.5%	71
European union	2,374	-	6.8%	-
Euro area	2,784	-	7.2%	-

Source: Swiss RE, SIGMA 4/2020

\* Data for Slovenia: Slovenian Insurance Association

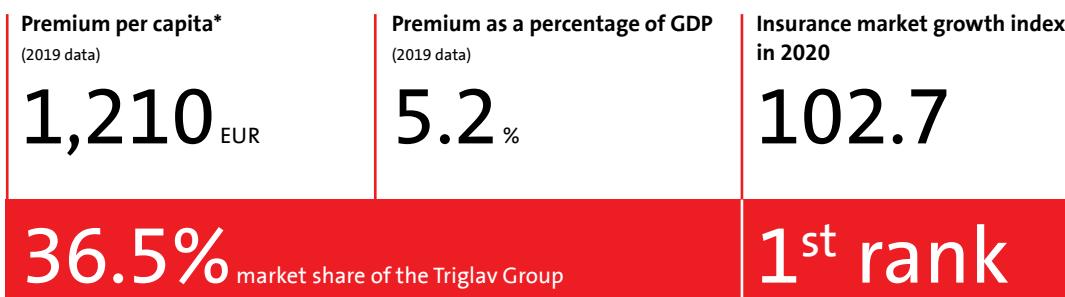
The average premium per capita in Slovenia rose to EUR 1,210 in 2019, reaching its peak value in the last ten years. Premium as a percentage of GDP slightly increased to 5.24% (compared to 5.07% in 2017, its bottom in the last ten years).

A total of 13 insurance companies, four foreign branches and two reinsurance companies were active on the Slovenian insurance market in 2020, all members of the Slovenian Insurance Association (hereinafter: SZZ). On 3 January 2020, Generali acquired Adriatic Slovenica. The portfolio of the ERGO branch, which ceased to operate in Slovenia on 1 October 2020, was transferred to ERGO Versicherung Aktiengesellschaft, Vienna. After taking over Pozavarovalnica Sava d.d., the insurer NLB Vita, življenska zavarovalnica was renamed Vita, življenska zavarovalnica.

\* Source: Slovenian Insurance Association



Slovenia



There were seven composite and ten 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.

The insurance companies recorded gross written insurance, coinsurance and reinsurance premiums of EUR 2.6 billion, up by 2.7%. **Non-life insurance premium** recorded a 4.8% growth and a 73.2% share. Excluding **health insurance**, which experienced a higher premium growth (7.1%), non-life premium growth would be 3.7%. Health and real property insurance (fire and natural disaster insurance and other non-life insurance) contributed the most to the increase in non-life insurance premium. **Life insurance** premium declined by 2.7% due to lower premiums of life and unit-linked life insurance.

The Slovenian insurance market continues to be highly concentrated, with the four largest insurers holding a 75.0% market share. With a 27.6% market share (compared to 27.7% in 2019), **Zavarovalnica Triglav** is the market leader, followed by Zavarovalnica Sava (a 17.5% market share). **The Triglav Group** (the parent company, Triglav, Zdravstvena zavarovalnica and Triglav, pokojninska družba) increased its market share by 0.4 percentage point to 36.5%.

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

- non-life insurance (excluding health insurance): 43.6% (an increase of 0.3 percentage point);
- life insurance: 29.7% (the same as in 2019);
- health insurance: 30.1% (an increase of 1.0 percentage point).

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

- non-life insurance: 28.6% (a decrease of 0.1 percentage point);
- life insurance: 25.0% (a decrease of 0.1 percentage point).

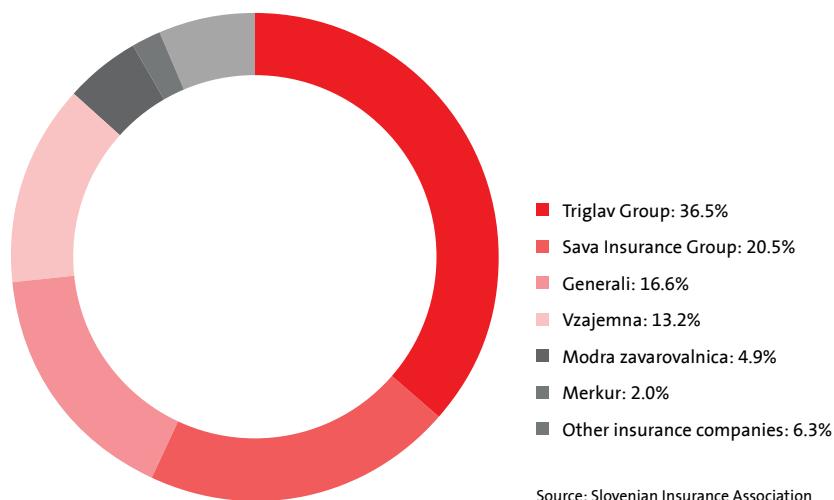
#### The market share of **Triglav, Zdravstvena zavarovalnica**:

- health insurance: 30.0% (an increase of 1.0 percentage point).

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

- supplemental voluntary pension insurance (SVPI): 19.8% (the leading position, an increase of 0.1 percentage point).

#### *The market share of insurance companies in Slovenia in 2020*



Source: Slovenian Insurance Association

### 7.4.1.2 Croatia

After a more encouraging start of the year when Croatia took over the Presidency of the Council of the European Union, the year 2020 was marked by deteriorating circumstances. In addition to the extraordinary situation caused by the COVID-19 pandemic, the country was hit by a strong earthquake in the spring, followed by two slightly more severe earthquakes at the end of the year. At the end of the third quarter, Croatia saw a 9.0% drop in GDP, the unemployment rate was estimated at 9.3% and the inflation rate was 0.3%.

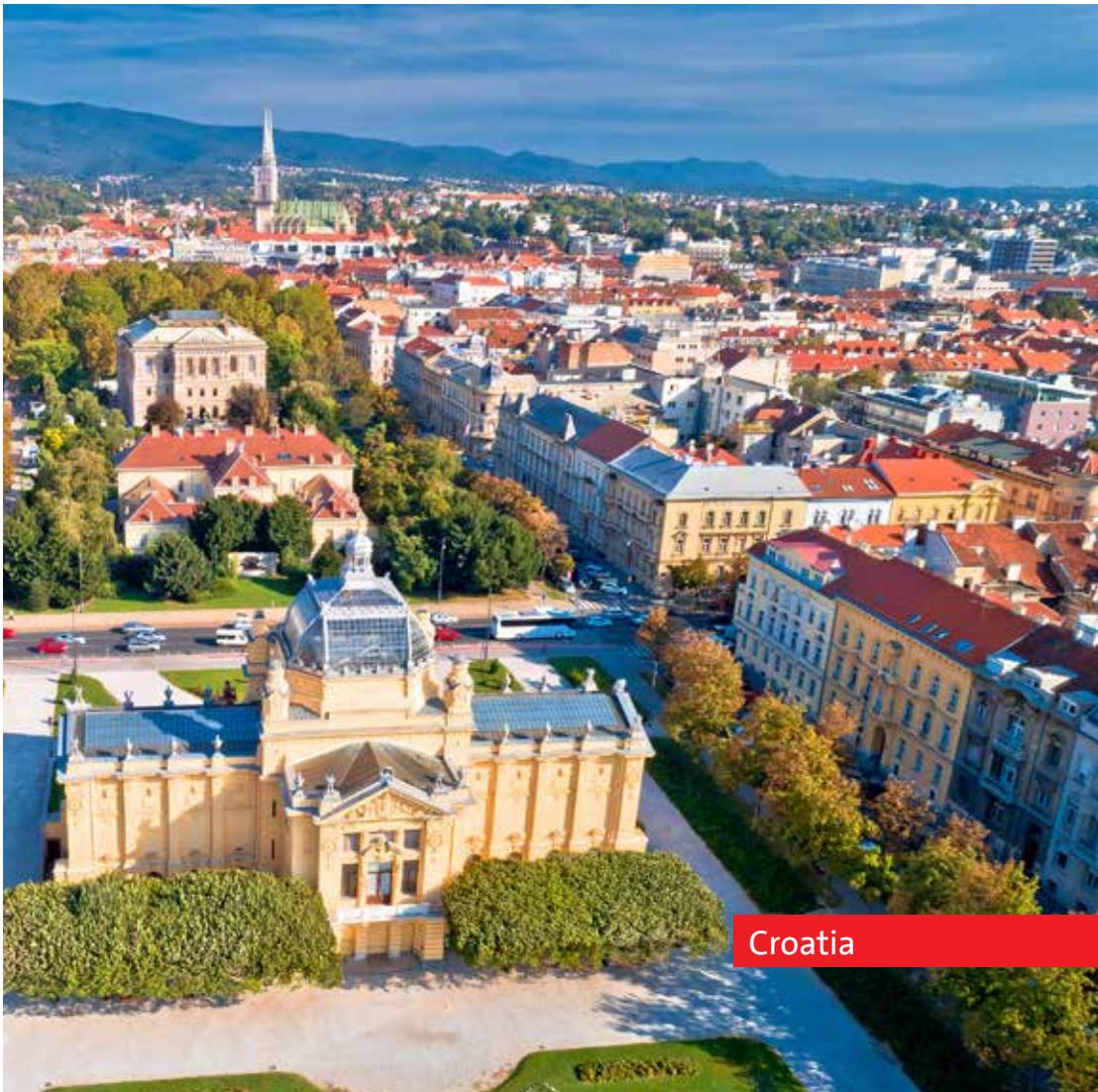
As a result of effects of the COVID-19 pandemic, Croatia is one of the most affected countries in Europe, as it has experienced a shock in the labour market due to its dependence on the tourism industry. The unemployment rate for the next year is expected to reach 10.3%.

In July 2020, Croatia joined the EU Exchange Rate Mechanism (ERM II), committing itself to at least two years of price and exchange rate stability in order to meet the condition for the introduction of the euro.

#### Insurance market

A total of 16 insurance companies (two fewer than in 2019) were active in the Croatian market, of which nine were composite insurers, five non-life insurers and two life insurers. The whole portfolio of Ergo osiguranje and Ergo životno osiguranje was transferred to the branch Sava osiguranje. Total written premium of HRK 10.5 billion (EUR 1.4 billion) was slightly lower than in 2019 (index 99.3). Non-life insurance premium increased by 4.7%, whereas life insurance premium fell by 13.7%. In total written premium, non-life insurance premium increased to 74.7% (compared to 70.9% in 2019) and life insurance accounted for the rest.

Market concentration continued to be high, with top three insurers controlling almost 50% of the market. With a 25.8% market share, Croatia osiguranje retained its dominant position (0.1 percentage point more than in the preceding year). Having increased its market share by 0.6 percentage point to 5.2%, **Triglav Osiguranje, Zagreb** again ranked eighth.



Premium per capita\*  
(2019 data)

**349** EUR

Premium as a percentage of GDP  
(2019 data)

**2.6** %

Insurance market growth index  
in 2020

**99.3**

**5.2%** market share of the Triglav Group

**8<sup>th</sup>** rank

### 7.4.1.3 Serbia

The Serbian economy showed resilience to the first effects of the pandemic and recorded a lower fall in gross domestic product than most European countries. Increased indebtedness will make it more difficult to solve existing structural problems. At the end of the third quarter, Serbia recorded a 2.5% drop in GDP, the inflation rate fell to 1.5% and the unemployment rate rose to 13.4%.

A stable exchange rate between the Serbian dinar and the euro and a low inflation rate are expected in 2021, which will have a negative impact on international price competitiveness. Among major events in the financial sector was the takeover of Komercialna banka, the largest state-owned bank, by Nova Ljubljanska banka.

In 2020, Serbia continued to strengthen bilateral relations with countries in the region and activities for gradual accession to the European Union. It signed a memorandum of cooperation with North Macedonia and Albania in the fight against COVID-19 and an interstate agreement with Albania on the free movement of citizens.

#### Insurance market

The Serbian insurance market was characterised by high concentration, where 16 insurance companies were active (six composite insurers, six non-life insurers and four life insurers). The top three insurers (Dunav, Generali Osiguranje and DDOR) control nearly 60% of the market. Total written premium increased by 2.2% in the first nine months of 2020 to RSD 80.7 billion (EUR 686 million). Non-life insurance premium recorded a 2.2% growth, while life insurance premium grew by slightly less, 2.1%. In total written premium, non-life insurance accounted for the bulk (77.6%).

**Triglav Osiguranje, Belgrade** increased its market share to 6.9% (compared to 6.4% in 2019) and maintained its fifth place. Its growth was somewhat higher than the Serbian insurance market growth by 7.0 percentage points.



Serbia

Premium per capita\*  
(2019 data)

125 EUR

6.9% market share of the Triglav Group

Premium as a percentage of GDP  
(2019 data)

1.9 %

Insurance market growth index  
in Q1–3 2020

102.2

5<sup>th</sup> rank

#### 7.4.1.4 Montenegro

Montenegro recorded a 12% drop in GDP in the first three quarters, resulting from the general decline in economic activity in the region due to its significant dependence on the tourism industry. The inflation rate was –0.07%.

The development of transport infrastructure was one of the main development goals of Montenegro. In addition to the demanding construction of the Bar–Boljare motorway, the construction of a EUR 2.5 billion container terminal in Bar was announced in 2020, which could become the first port for ships sailing to Europe across the Adriatic Sea. This will have a positive impact on improving connections and infrastructure investment in other countries in the region.

Apart from focusing on meeting the conditions for joining the EU and privatisation, Montenegro will strive to increase future fiscal stability in order to ensure the long-term sustainability of public finance. Furthermore, it plans to reduce public debt, which is very high due to the aforementioned investments, and exceeds 80.0%.

##### Insurance market

A total of nine insurance companies were active in the rather small Montenegrin insurance market in 2020 (five non-life insurers and four life insurers), which together collected EUR 93.7 million in written premium, down by 1.1% relative to the preceding year. Life insurance premium increased by 15.1%, whereas non-life insurance premium, representing 78.9% of total written premium, declined by 4.7%.

**Lovćen Osiguranje** and its subsidiary **Lovćen životna osiguranja**, both insurance subsidiaries of the Triglav Group, together hold a 38.7% market share, maintaining their dominant market position (as in 2019). Lovćen Osiguranje is followed by Uniqa (non-life and life insurance together) with a 14.5% market share and Sava Osiguranje with a 13.7% market share.



Premium per capita\*  
(2019 data)

152 EUR

Premium as a percentage of GDP  
(2019 data)

1.9 %

Insurance market growth index  
in 2020

98.9

38.7% market share of the Triglav Group

1<sup>st</sup> rank

\* Source: Insurance Supervision Agency of Montenegro

#### 7.4.1.5 Bosnia and Herzegovina

In recent years, Bosnia and Herzegovina's economy has shown high potential for growth and development, but the COVID-19 pandemic has severely hampered economic activity and shifted it toward levels in previous years. The estimated decline in GDP after the end of the third quarter is 6.5%. Negative inflation of -0.8% was recorded, whereas the unemployment rate rose to 19.0%. High dependence on the euro area, where economic activity is expected to decline, is also problematic.

As a potential candidate for EU membership, Bosnia and Herzegovina will need to implement economic and social changes, including: improving the business environment, increasing competitiveness, reforming the healthcare system and promoting economic growth.

In 2021, Bosnia and Herzegovina will continue negotiations for the approval of a loan from the International Monetary Fund in the amount of EUR 750 million. In the future, the focus will be on measures designed to mitigate pandemic-related effects, including the establishment of a guarantee fund at the FBiH Development Bank and direct assistance to the most affected industries, such as tourism, transport and export-oriented industry.

##### Insurance market

A total of 25 insurance companies operated on the very small but highly competitive insurance market of Bosnia and Herzegovina in the first half of 2020 (one fewer than in 2019 because Atos was merged with Grawe osiguranje), of which 11 are domiciled in the Federation of BiH and 14 in the Republika Srpska. Insurers in the insurance market of Bosnia and Herzegovina as a whole collected BAM 375.1 million (EUR 192 million) in written premium, down by 2.0% relative to the preceding year. The premium written in the Federation of BiH was 3.1% lower, whereas in the Republika Srpska it was slightly higher than last year (index 100.7). In total written premium, non-life insurance premium represented 80.0%.

In the Federation of BiH, the Agram corporate group (Adriatic Osiguranje and Euroherc) remained the market leader with a 22.7% market share in 2020. By increasing its market share by 0.9 percentage point to 9.7%, **Triglav Osiguranje, Sarajevo** ranked fifth (vs. seventh in 2019).

With a 13.2% market share, Grawe osiguranje was the market leader in the Republika Srpska (Drina osiguranje was the market leader in 2019) in the first half of 2020. By increasing its market share by 0.1 percentage point to 4.9%, **Triglav Osiguranje, Banja Luka** ranked eighth (vs. tenth in 2019).

The branch of **Triglav Osiguranje, Sarajevo**, which sells only life insurance, achieved 133% premium growth and increased its market share to 1.5% (compared to 0.6% in 2019).

In the insurance market of Bosnia and Herzegovina as a whole, the **two insurance companies of the Triglav Group** taken together ranked third (sixth the year before) and increased their market share by 1.3 percentage points to 9.0% in the first half of 2020.

\* Source: FBiH Insurance Supervision Agency, RS Insurance Agency



Bosnia and Herzegovina

Premium per capita\*  
(2019 data)

**110** EUR

Premium as a percentage of GDP  
(2019 data)

**2.2** %

Insurance market growth index  
in H1 2020

**98.0**

**9.0%** market share of the Triglav Group

**3<sup>rd</sup>** rank

#### 7.4.1.6 North Macedonia

The increase in attractiveness for foreign investors and the improved position in South-East Europe have placed North Macedonia among the countries with high market potential. Its economic growth in recent years has been largely the result of increased government consumption and foreign investment, but in 2020 the effects of the pandemic shifted the growth curve downward. GDP fell 5.4% after the first three quarters. The inflation rate rose slightly to 0.9%, and due to the poor economic situation, the unemployment rate climbed to 20.2%.

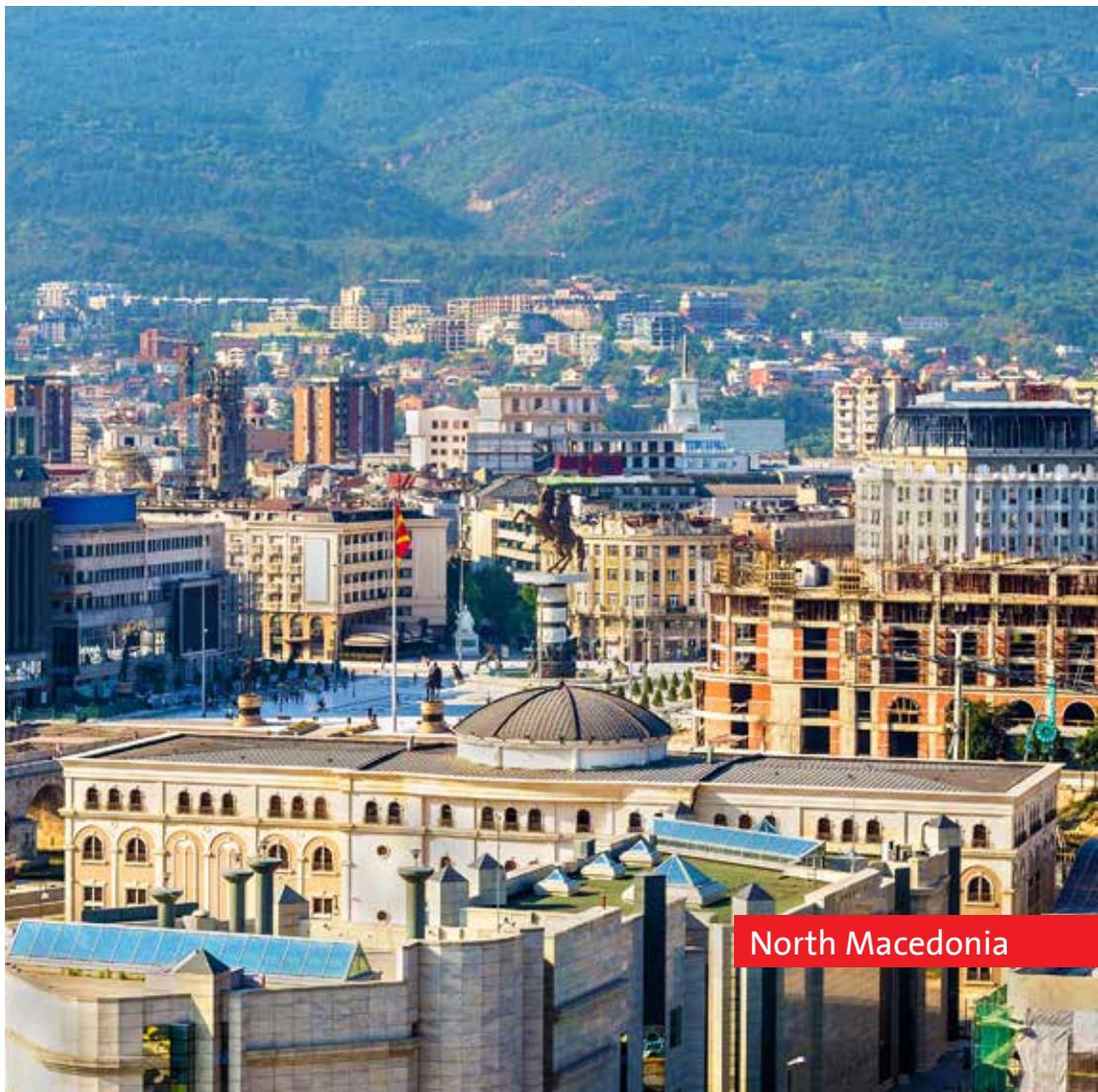
The export-oriented manufacturing industry focused on higher value-added products, but the government will be forced to address structural problems related to the education system and infrastructure investments, which are essential for improving labour productivity and competitiveness of the economy, in addition to implementing measures to mitigate the effects of the pandemic on economic growth and employment.

In 2020, North Macedonia signed a memorandum of cooperation with Serbia and Albania in the fight against the COVID-19 pandemic. It also became a full member of NATO and fulfilled all the conditions for the start of EU accession negotiations, which were suspended due to the opposition of Bulgaria.

##### Insurance market

A total of 16 insurance companies were active in the North Macedonian insurance market as at the 2020 year-end (11 non-life insurers and five life insurers), of which Osiguruvanje Makedonija also holds a licence to conduct reinsurance business. In 2020, the insurance companies booked MKD 10.1 billion (EUR 163 million) in written premium or 4.9% less than the year before. Non-life and life insurance premiums also shrank by 4.9%. The non-life insurance premium represented 82.7% of total premium written in the market. The five largest insurers booked 47% of total written premium. The market concentration was particularly high in the life insurance segment, with Croatia Život and Grawe controlling 68% of the market.

With a 12.2% market share (1.2 percentage points less than in 2019), **Triglav Osiguruvanje, Skopje** continues to remain the leader in the North Macedonian insurance market. The insurer only sells non-life insurance products, holding a 14.8% market share (compared to 16.3% in 2019). It is followed by Eurolink, holding a 11.6% market share, and Osiguruvanje Makedonija (the VIG Group) with a 10.4% market share. **Triglav Osiguruvanje Život, Skopje** achieved a 3.6% market share in the life insurance market (compared to 2.0% in 2019). Both insurers taken together held a 12.9% market share, down by 1.0 percentage point compared to the year before.



Premium per capita\*  
(2019 data)

83  
EUR

Premium as a percentage of GDP  
(2019 data)

1.5  
%

Insurance market growth index  
in 2020

95.1

12.9% market share of the Triglav Group

1<sup>st</sup> rank

## 7.5 Gross written insurance, coinsurance and reinsurance premiums

The Triglav Group collected 4% more consolidated gross insurance, coinsurance and reinsurance premiums than in the preceding year. The volume of written premiums amounted to EUR 1,233.8 million and increased in the non-life and health insurance segments:

- **non-life insurance:**  
EUR 807.2 million (index 104),
- **life and pension insurance:**  
EUR 230.8 million (index 100),
- **health insurance:**  
EUR 195.7 million (index 111).

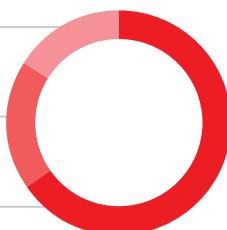
The proportion of health insurance premium in total consolidated gross written premium increased, whereas the proportion of non-life, life and health insurance premiums decreased:

- non-life insurance: a 65.4% share (compared to 65.5% in 2019),
- life and pension insurance: an 18.7% share (compared to 19.6% in 2019),
- health insurance: a 15.9% share (compared to 14.9% in 2019).

The Group continues to gradually increase the share of insurance premium written in markets outside Slovenia, which grew by 0.1 percentage point compared to the year before. A total of 74.9% of consolidated gross written premium was generated in the Slovenian insurance market, 18.2% of the premium was charged in markets outside Slovenia, while international reinsurance premium represented 6.9%.

*Consolidated insurance, coinsurance and reinsurance premiums of the Triglav Group by segment*

Health: 15.9%  
Life and pensions: 18.7%  
Non-life: 65.4%



*Consolidated insurance, coinsurance and reinsurance premiums of the Triglav Group by market*

- Slovenia: 74.9%
- Croatia: 5.9%
- Serbia: 4.9%
- Montenegro: 2.9%
- Bosnia and Herzegovina: 2.7%
- North Macedonia: 1.7%
- International reinsurance: 6.9%

*Consolidated gross written insurance, coinsurance and reinsurance premiums of the Triglav Group by market*

Country	Gross written premium			Index		Share		
	2020	2019	2018	2020/2019	2019/2018	2020	2019	2018
Slovenia	924,490,143	900,665,415	820,229,351	103	110	74.9%	76.1%	76.8%
Croatia	72,871,040	65,827,865	57,876,297	111	114	5.9%	5.6%	5.4%
Serbia	60,770,184	58,052,569	48,979,893	105	119	4.9%	4.9%	4.6%
Montenegro	36,249,030	36,627,953	32,880,893	99	111	2.9%	3.1%	3.1%
Bosnia and Herzegovina	33,220,348	30,460,993	28,032,889	109	109	2.7%	2.6%	2.6%
North Macedonia	20,976,376	23,738,156	23,438,597	88	101	1.7%	2.0%	2.2%
International reinsurance	85,198,244	68,801,156	56,956,487	124	121	6.9%	5.8%	5.3%
<b>Total</b>	<b>1,233,775,365</b>	<b>1,184,174,107</b>	<b>1,068,394,407</b>	<b>104</b>	<b>111</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Premium growth was recorded in most insurance markets with the exception of the Montenegrin and Macedonian insurance markets. Premium growth in the Slovenian market was 3%, while in markets outside Slovenia it stood at 4%. The Group insurance subsidiaries (excluding Pozavarovalnica Triglav Re) generated EUR 1,173.1 million in non-consolidated gross written premium, up by 4% relative to 2019.

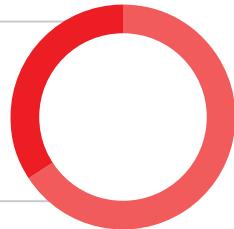
The share of non-consolidated gross insurance premium of retail clients, amounting to EUR 769.4 million, accounted for 65.6% of total written premium and decreased by 1.4 percentage points. The remaining EUR 403.7 million was accounted for by the premium of corporate clients.

+4%

Consolidated gross written premium of the Triglav Group

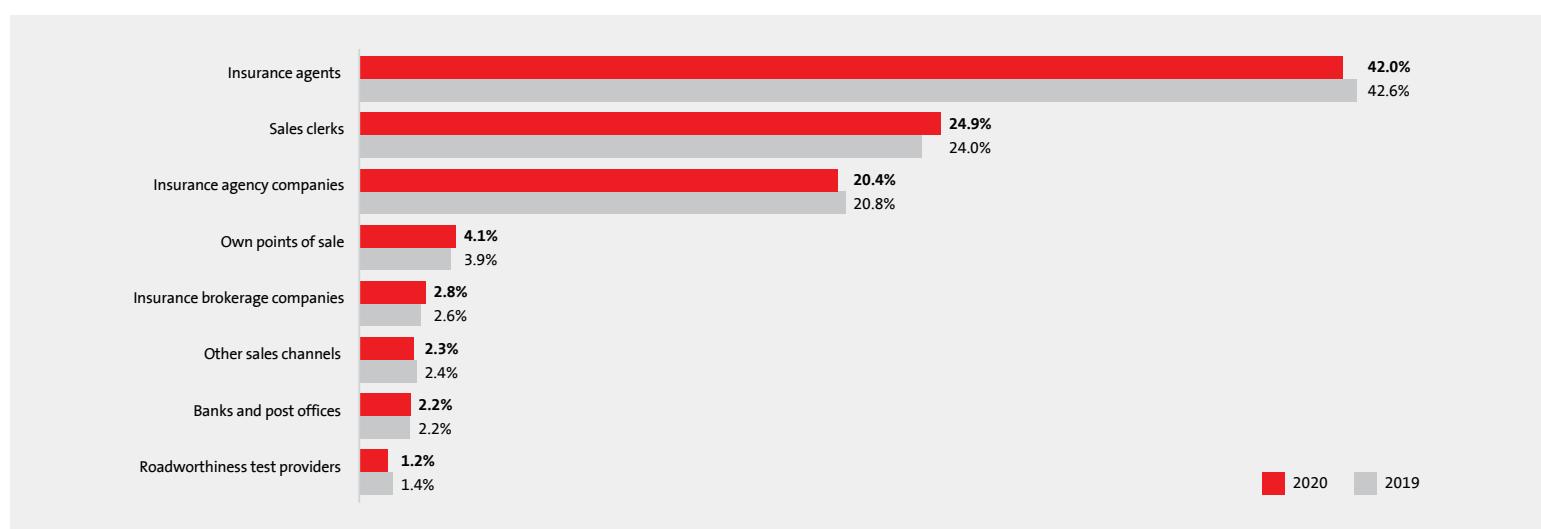
**The structure of non-consolidated gross written insurance, coinsurance and reinsurance premiums in 2020 of the Triglav Group (excluding Pozavarovalnica Triglav Re) by policyholder type**

Corporate clients: 34.4%



In terms of sales channels, the share of non-consolidated gross written premium of the Group, which was collected via own sales network (agents, sales clerks, own points of sale, online and other own sales channels), reached 73.3% of total written premium and slightly strengthened. It increased by 0.3 percentage point and amounted to EUR 860.2 million. The remaining share of gross written premium of EUR 312.9 million was collected via the external sales network (insurance agency and brokerage companies, banks, post offices and roadworthiness test providers).

**Non-consolidated gross written insurance, coinsurance and reinsurance premiums in 2020 by sales channel of the Triglav Group (excluding Pozavarovalnica Triglav Re)**



**Gross written insurance, coinsurance and reinsurance premiums in 2020 by the insurance company of the Triglav Group**

Insurance company	Gross written premium			Index		Share	
	Non-life	Life and pension	Total	Non-life	Life and pension	Total	2020
Zavarovalnica Triglav*	544,795,372	174,468,691	719,264,063	104	97	102	61.3%
Triglav, Zdravstvena zavarovalnica	196,770,140	0	196,770,140	111	0	111	16.8%
Triglav, pokojninska družba	0	32,841,315	32,841,315	0	99	99	2.8%
Triglav Osiguranje, Zagreb	64,918,960	7,967,169	72,886,129	112	99	111	6.2%
Triglav Osiguranje, Sarajevo	16,678,200	10,899,291	27,577,491	99	136	111	2.4%
Lovčen Osiguranje, Podgorica	31,963,960	0	31,963,960	97	0	97	2.7%
Triglav Osiguranje, Belgrade	54,369,276	6,401,421	60,770,697	101	143	105	5.2%
Triglav Osiguranje, Banja Luka	5,702,454	0	5,702,454	100	0	100	0.5%
Triglav Osiguruvanje, Skopje	19,969,792	0	19,969,792	86	0	86	1.7%
Lovčen životna osiguranja, Podgorica	0	4,285,070	4,285,070	0	122	122	0.4%
Triglav Osiguruvanje Život, Skopje	0	1,023,718	1,023,718	0	170	170	0.1%
<b>Total</b>	<b>935,168,154</b>	<b>237,886,675</b>	<b>1,173,054,829</b>	<b>105</b>	<b>100</b>	<b>104</b>	<b>100.0%</b>
Pozavarovalnica Triglav Re	180,967,469	0	180,967,469	115	0	115	
Consolidation eliminations	-113,177,911	-7,069,022	-120,246,933	119	124	119	
<b>Total consolidated</b>	<b>1,002,957,712</b>	<b>230,817,653</b>	<b>1,233,775,365</b>	<b>105</b>	<b>100</b>	<b>104</b>	<b></b>

\* The data already include pre-consolidation adjustments.

## 7.5.1 Non-life insurance

In the **non-life insurance** segment, the Triglav Group's insurance subsidiaries charged EUR 935.2 million in non-consolidated written premium, a 5% increase compared to the preceding year. Growth was recorded in most insurance classes, with the exception of credit insurance, accident insurance and general liability insurance.

**Motor vehicle insurance** remained the largest insurance class with a 28.1% share in total written premium. Its share is lower by 0.7 percentage point, while its premium increased by 1% to EUR 329.2 million. A total of EUR 175.7 million was generated in motor vehicle liability insurance, up by 1% relative to the preceding year. Due to the consequences of the pandemic, most insurance subsidiaries recorded a decline in written premium, with the exception of the parent company and Triglav Osiguranje, Zagreb. A 4% growth in Zavarovalnica Triglav was achieved primarily through effective sales based on the principle of freedom of movement of services in the EU markets. The Croatian insurer achieved a 6% growth mainly through an increase in the value of the average premium despite a lower insurance premium for rent-a-car vehicles.

**Comprehensive car insurance** premium totalled EUR 153.5 million, an increase of 2% compared to the year before. High (11%) growth was achieved by Triglav Osiguranje, Belgrade with effective sales through leasing companies and agencies, sales to major policyholders and premium growth in insurance products for retail clients. Premium growth was also recorded by Triglav Osiguranje, Zagreb (index 103) and Zavarovalnica Triglav (index 102). Lovčen Osiguranje, Triglav Osiguruvanje, Skopje, and Triglav Osiguranje, Sarajevo recorded a decline in written premium

due to non-renewal of insurance or lower insurance coverage of some major policyholders and lower sales of new cars.

**Real property insurance** premium (fire and natural disaster insurance and other damage to property insurance) rose by 11% to EUR 237.4 million, thereby increasing its share in total written premium to 20.2%. A 14% premium growth was recorded in other damage to property insurance and a 6% premium growth in fire and natural disaster insurance. High premium growth was seen in most insurance subsidiaries. The highest growth was achieved by Triglav Osiguranje, Zagreb (index 138), Triglav Osiguranje, Sarajevo (index 122) and Lovčen Osiguranje (index 121) by attracting new policyholders and increasing the scope of insurance coverage with existing policyholders. In addition, the Croatian insurer achieved premium growth in animal insurance and crop insurance. A 10% growth was recorded by the parent company (a 79% share in total written premium) by attracting new policyholders and developing new projects, increasing the scope of insurance coverage and partly through different premium charging dynamics. Strong growth was mainly recorded in combined non-life insurance, cyber insurance and mobile phone insurance.

In **health insurance**, EUR 204.1 million was collected in premium, up by 11% relative to the preceding year. The majority of premium was written by Triglav, Zdravstvena zavarovalnica in the amount of EUR 196.8 million, an 11% increase, which was predominantly a result of last year's increase in average premium. The bulk of its premium was accounted for by supplemental health insurance, in addition to being successful in the sale of additional health insurance products. Moreover, high growth was

recorded by Triglav Osiguranje, Sarajevo and Triglav Osiguranje, Belgrade by attracting new policyholders, mainly corporate clients.

In **general liability insurance**, the Group generated EUR 48.4 million in written premium, down by 1% relative to the year before. Zavarovalnica Triglav, accounting for 80% of total written premium, also recorded a 1% drop in written premium. This predominantly resulted from a premium decrease in general liability insurance and product liability insurance due to different premium charging dynamics, completed projects and cancelled insurance policies due to the pandemic. A decline in premium was seen in the majority of the remaining insurance subsidiaries. The exception are the Croatian and the Serbian insurer, which achieved growth by acquiring new policyholders and increasing the scope of insurance coverage with existing policyholders.

**Accident insurance** premium amounted to EUR 38.2 million, down by 5% (representing 3.3% of total written premium). Excluding Triglav Osiguruvanje, Skopje, lower premium was recorded in all insurance subsidiaries, the largest of which was seen in Triglav Osiguranje, Belgrade (due to lower sales of accident insurance to borrowers via one of the banks) and Triglav Osiguranje, Sarajevo (lower group accident insurance and car accident insurance premium).

**Credit insurance** premium amounted to EUR 25.5 million, down by 14% compared to the year before (representing 2.2% of total written premium). Zavarovalnica Triglav's written premium, which accounted for 75% of total written premium, declined by 17%. The main reason for this trend is the lower volume of consumer loan insurance, which was influenced by the Bank of Slovenia's measures to limit retail lending, changes in the

credit policy of some banks and the consequences of the pandemic (less lending by banks). A drop in premium was recorded by Triglav Osiguranje, Zagreb (a lower volume of loans due to the pandemic), Triglav Osiguruvanje, Skopje (lower insurance coverage of a major policyholder) and Lovčen Osiguranje (premium decrease in loan protection insurance covering loss of employment, accidental death or disability).

Premium from **other non-life insurance** (accounting for 4.5% of total written premium) increased by 7% to EUR 52.5 million. Said premium grew in Triglav Osiguranje, Zagreb (index 133) and Zavarovalnica Triglav (index 109). Triglav Osiguranje, Zagreb generated high premium growth through fruitful partnership with one of the agencies with regard to marine insurance and by attracting new policyholders in suretyship insurance. The parent company achieved a good result in railway insurance, marine insurance (high growth of international comprehensive marine insurance) and assistance insurance (premium growth in roadside assistance insurance).

## 7.5.2 Life and pension insurance

The Group booked EUR 237.9 million in non-consolidated gross written premium from **life and pension insurance**, which is approximately at the same level as in 2019 (index 100). Life and pension insurance accounted for 20.3% of total gross written premium, down by 0.8 percentage point compared to the year before.

**Life insurance** premium (traditional life, annuity, pension annuity and voluntary pension insurance) grew by 3%. With EUR 106.8 million, it accounted for 44.9% of total life and pension insurance premium. Strong premium growth was seen in Triglav Osiguranje, Sarajevo (effective sales via bank and agency sales channels), Triglav Osiguranje, Belgrade (effective sales via the bank sales channel), Lovćen životna osiguranja (effective sales of group loan protection insurance covering death via the bank sales channel) and Triglav Osiguruvanje Život, Skopje (effective sales via own sales channel). The parent company's premium was 3% lower than in the preceding year.

The premium generated by **unit-linked life insurance** (life insurance linked to the units of investment funds) declined by 3% to EUR 112.2 million. This insurance class accounted for 47.2% of total written life and pension insurance premium. Triglav Osiguranje, Zagreb achieved a 9% premium growth due to increased sales via one of the banks. Zavarovalnica Triglav's premium dropped by 5% primarily due to less success in retaining assets from matured policies. The premium volume of Triglav, pokojninska družba decreased by 1%, which is a result of lower payments by some employers due to increased uncertainty in doing business during the pandemic.

**Capital redemption insurance** increased by 7% relative to the preceding year and amounted to EUR 18.9 million (representing 7.9% of total life and pension insurance premium). The growth stemmed from transfers of assets from other insurance companies and higher regular premium payments at the parent company.

### *Non-consolidated gross written insurance, coinsurance and reinsurance premiums of insurance companies of the Triglav Group (excluding Pozavarovalnica Triglav Re) by insurance class*

Insurance class	Gross written premium			Index	2019/2018	Share
	2020	2019	2018			
Accident insurance	38,181,300	40,143,471	39,686,378	95	101	3.3%
Health insurance	204,060,344	184,488,230	149,749,316	111	123	17.4%
Comprehensive car insurance	153,459,390	150,648,365	141,013,328	102	107	13.1%
Real property insurance	237,408,204	213,086,928	196,458,671	111	108	20.2%
Motor liability insurance	175,732,026	174,254,220	163,017,829	101	107	15.0%
General liability insurance	48,408,488	48,981,728	45,614,375	99	107	4.1%
Credit insurance	25,453,099	29,437,207	26,807,158	86	110	2.2%
Other non-life insurance	52,465,305	49,014,062	39,442,439	107	124	4.5%
<b>Non-life insurance</b>	<b>935,168,156</b>	<b>890,054,211</b>	<b>801,789,494</b>	<b>105</b>	<b>111</b>	<b>79.7%</b>
Life insurance	106,799,922	103,963,662	98,726,660	103	105	9.1%
Unit-linked life insurance*	112,206,228	116,014,370	111,706,354	97	104	9.6%
Capital redemption insurance	18,880,523	17,655,904	16,748,583	107	105	1.6%
<b>Life and pensions insurance</b>	<b>237,886,673</b>	<b>237,633,936</b>	<b>227,181,597</b>	<b>100</b>	<b>105</b>	<b>20.3%</b>
<b>Total</b>	<b>1,173,054,829</b>	<b>1,127,688,147</b>	<b>1,028,971,091</b>	<b>104</b>	<b>110</b>	<b>100.0%</b>

\* 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, coinsurance and reinsurance premiums of Zavarovalnica Triglav by insurance class*

Insurance class	Gross written premium			Index	2019/2018	Share
	2020	2019	2018			
Accident insurance	25,696,568	26,948,216	26,173,583	95	103	3.6%
Health insurance	926,557	728,634	692,746	127	105	0.1%
Comprehensive car insurance	127,536,357	124,555,111	118,662,442	102	105	17.7%
Real property insurance	188,545,816	171,195,183	157,967,652	110	108	26.2%
Motor liability insurance	106,754,958	102,352,357	92,416,996	104	111	14.8%
General liability insurance	38,619,888	39,134,048	37,671,614	99	104	5.4%
Credit insurance	19,137,654	22,962,440	25,456,965	83	90	2.7%
Other non-life insurance	37,569,379	34,351,972	27,054,464	109	127	5.2%
<b>Non-life insurance</b>	<b>544,787,177</b>	<b>522,227,961</b>	<b>486,096,462</b>	<b>104</b>	<b>107</b>	<b>75.7%</b>
Life insurance	79,466,230	82,300,599	81,164,340	97	101	11.0%
Unit-linked life insurance	76,121,938	79,947,507	76,201,048	95	105	10.6%
Capital redemption insurance	18,880,523	17,655,904	16,748,583	107	105	2.6%
<b>Life and pensions insurance</b>	<b>174,468,691</b>	<b>179,904,010</b>	<b>174,113,971</b>	<b>97</b>	<b>103</b>	<b>24.3%</b>
<b>Total</b>	<b>719,255,868</b>	<b>702,131,971</b>	<b>660,210,433</b>	<b>102</b>	<b>106</b>	<b>100.0%</b>

### 7.5.3 Gross written reinsurance premium of Pozavarovalnica Triglav Re

Pozavarovalnica Triglav Re posted a total of EUR 181.0 million in gross written reinsurance premium, up by 15% relative to 2019. The highest growth was recorded in other damage to property insurance and marine insurance in transactions outside the Group and land motor vehicle insurance in transactions within the Group.

An 8% premium growth was seen in transactions within the Group and a 24% premium growth in transactions outside the Group, which is the result of organic growth of renewed transactions from the preceding year and the increase in shares in some contracts. The reinsurer recorded the highest premium growth in the markets of Japan, Central and South America (Peru and Chile), Thailand and Hong Kong.

### 7.6 Gross claims paid

Consolidated gross claims paid of the Triglav Group dropped by 3% and amounted to EUR 697.4 million (including claim handling expenses less income from collected subrogation receivables). Gross claims paid in the **non-life insurance** segment decreased by 4% to EUR 380.9 million, while in the **life and pension insurance** segment they declined by 5% to EUR 172.9 million. In contrast, gross claims paid in the **health insurance** segment

increased by 2% and amounted to EUR 143.7 million.

Business interruption insurance claims due to the COVID-19 pandemic are estimated at around EUR 8 million.

A 2% decrease was seen in some non-consolidated gross claims paid of the Group insurance subsidiaries (excluding Pozavarovalnica Triglav Re), which totalled EUR 669.0 million. Most

insurance subsidiaries recorded a decline in gross claims paid, whereas growth was recorded by Triglav Osiguruvanje Život, Skopje (index 753), Lovčen životna osiguranja (index 113), Triglav Osiguranje, Belgrade (index 112), Triglav, Zdravstvena zavarovalnica (index 102) and Triglav, pokojninska družba (index 101).

**-3%**  
Consolidated  
gross claims  
paid of the  
Triglav Group

### Gross claims paid in 2020 by insurance company of the Triglav Group

Insurance company	Gross claims paid			Index	Life and pension	Total	Share
	Non-life	Life and pension	Total				
Zavarovalnica Triglav*	258,037,808	150,240,333	408,278,141	97	94	96	61.0%
Triglav, Zdravstvena zavarovalnica	143,657,792	0	143,657,792	102	0	102	21.5%
Triglav, pokojninska družba	0	12,501,341	12,501,341	0	101	101	1.9%
Triglav Osiguranje, Zagreb	32,636,595	5,772,816	38,409,411	89	103	91	5.7%
Triglav Osiguranje, Sarajevo	9,121,078	3,240,535	12,361,613	91	115	96	1.8%
Lovčen Osiguranje, Podgorica	13,886,054	0	13,886,054	95	0	95	2.1%
Triglav Osiguranje, Belgrade	21,271,029	4,056,467	25,327,496	110	125	112	3.8%
Triglav Osiguranje, Banja Luka	1,604,915	0	1,604,915	91	0	91	0.2%
Triglav Osiguruvanje, Skopje	9,590,558	0	9,590,558	93	0	93	1.4%
Lovčen životna osiguranja, Podgorica	0	3,157,851	3,157,851	0	113	113	0.5%
Triglav Osiguruvanje Život, Skopje	0	226,489	226,489	0	753	753	0.0%
<b>Total</b>	<b>489,805,829</b>	<b>179,195,832</b>	<b>669,001,661</b>	<b>98</b>	<b>96</b>	<b>98</b>	<b>100.0%</b>
Pozavarovalnica Triglav Re	76,015,279	0	76,015,279	103	0	103	
Consolidation eliminations	-41,255,823	-6,317,549	-47,573,372	111	127	113	
<b>Total consolidated</b>	<b>524,565,285</b>	<b>172,878,283</b>	<b>697,443,568</b>	<b>98</b>	<b>95</b>	<b>97</b>	

\* The data already include pre-consolidation adjustments.

## 7.6.1 Non-life insurance

Non-consolidated gross claims paid in **non-life insurance** amounted to EUR 489.8 million, down by 2% relative to the preceding year. Despite some major CAT events, which are reported in more detail in [Section 7.2 Environmental impact on the Triglav Group's operations](#), gross claims paid were lower primarily as a result of the decline in economic activity and population mobility due to restrictive measures to curb the COVID-19 epidemic.

The movement of gross claims paid by insurance class is presented below. Compared to the preceding year, a decline was seen in most insurance classes, whereas an increase was recorded in health insurance, general liability insurance and credit insurance.

In **health insurance**, gross claims paid rose by 3% and amounted to EUR 147.9 million, representing 22.1% of total gross claims paid. The majority (EUR 143.7 million) was accounted for by gross claims paid of Triglav, Zdravstvena zavarovalnica, which at a 2% increase lagged slightly behind the trend in health insurance claims paid. This trend reflects the lower number of healthcare services provided in the context of both supplemental and additional health insurance, mainly in the second quarter of 2020 due to the COVID-19 epidemic. In contrast, equalisation scheme expenses grew by 5% to EUR 7.9 million.

Gross claims paid in **motor vehicle liability insurance** totalled EUR 94.2 million, down by 1% relative to the year before. They represented 14.1% of the Group's total gross claims paid. Lower population mobility due to restriction measures also resulted in a smaller number of reported claims and therefore all insurance

subsidiaries, except Triglav Osiguranje, Belgrade (index 108) and the parent company (index 101), recorded a decline in gross claims paid.

Gross claims paid in **comprehensive car insurance** dropped by 6% and reached EUR 92.9 million. They represented 13.9% of the Group's total gross claims paid. Most insurance subsidiaries in this insurance class recorded a decline in gross claims paid due to a lower number of claims reported. Growth was recorded only by Triglav Osiguranje, Belgrade (index 134) due to some major individual claims paid and Triglav Osiguranje, Banja Luka (index 105) as a result of higher average amount of claims paid.

In **real property insurance**, gross claims paid amounted to EUR 89.1 million, down by 3% compared to the preceding year (representing 13.3% of total gross claims paid). The decrease was recorded in most insurance subsidiaries, the highest in Triglav Osiguranje, Banja Luka (index 37), Lovčen Osiguranje (index 86) and Triglav Osiguranje, Zagreb (index 89).

Compared to the preceding year, the decline was the highest in gross claims paid in **accident insurance**, which fell by 12% and amounted to EUR 20.7 million. The decline in gross claims paid was primarily a result of lower gross claims paid in Zavarovalnica Triglav (lower payouts in group accident insurance and AO-plus insurance predominantly as a result of business restrictions and the lower activity of policyholders due to the pandemic), Triglav Osiguranje, Sarajevo (lower growth in group accident insurance claims) and Triglav Osiguranje, Belgrade (a lower number of reported claims).

Growth in gross claims paid was recorded in **general liability insurance**, which amounted to EUR 18.2 million, up by 4% relative to the year before. This increase was primarily a result of a 6% rise in gross claims paid by the parent company (which accounted for 89% of the gross claims paid by the Group in this insurance class) due to the payment of a large claim in directors and officers liability insurance. As a result of some major claims paid, gross claims paid increased also at Lovčen Osiguranje and Triglav Osiguranje, Sarajevo.

Gross claims paid in **credit insurance** totalled EUR 6.1 million, up by 1% despite their decrease at Zavarovalnica Triglav. They increased sharply in Triglav Osiguranje, Belgrade (the payment of a major claim) and Triglav Osiguranje, Zagreb (payments of claims based on a court decision). At the parent company (representing 77% of total credit insurance claims paid by the Group), gross claims paid were 10% lower than in the preceding year when a major domestic trade credit insurance claim was paid.

Gross claims paid from **other non-life insurance** fell by 5% to EUR 20.7 million. The decrease was recorded by Triglav Osiguranje, Zagreb (a lower number of reported marine insurance claims due to the pandemic), Triglav Osiguranje, Banja Luka (a lower number of reported travel health insurance claims due to the pandemic) and the parent company (lower claims paid in insurance for business interruption due to fire and railway insurance). Gross claims paid by other insurance subsidiaries went up.

## 7.6.2 Life and pension insurance

Non-consolidated gross claims paid in **life and pension insurance** declined by 4% to EUR 179.2 million. Their share in total non-consolidated claims paid decreased to 26.8% (compared to 27.3% in 2019).

The bulk of total claims paid was accounted for by **life insurance** (traditional life, annuity, pension annuity and voluntary pension insurance). Gross claims paid in life insurance reached EUR 111.6 million, up by 2% relative to the preceding year. Significant growth in gross claims paid was seen in Triglav Osiguranje, Sarajevo (higher claims paid due to death and policyholders' unemployment), Triglav Osiguruvanje Život, Skopje and Triglav Osiguranje, Belgrade (higher claims paid due to maturity), and Lovćen životna osiguranja (higher claims paid due to death). Gross claims paid by the parent company remained at approximately the same level as in 2019 (index 100).

Gross claims paid in **unit-linked life insurance** amounted to EUR 62.9 million, down by 12% relative to the preceding year. This significant decrease resulted predominantly from lower payments due to surrenders and advances and from lower payments due to maturity at the parent company (index 84).

Gross claims paid in **capital redemption insurance** (supplemental voluntary pension insurance) were 8% lower, which was mainly a result of lower payments due to insurance transfers 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	2019/2018	Share
	2020	2019	2018			
Accident insurance	20,727,007	23,673,861	23,608,780	88	100	3.1%
Health insurance	147,911,003	143,785,330	121,356,577	103	118	22.1%
Comprehensive car insurance	92,882,937	98,799,095	93,863,228	94	105	13.9%
Real property insurance	89,057,583	91,798,667	111,847,394	97	82	13.3%
Motor liability insurance	94,229,264	95,003,851	93,438,289	99	102	14.1%
General liability insurance	18,212,366	17,589,035	18,430,832	104	95	2.7%
Credit insurance	6,079,260	6,012,228	3,881,949	101	155	0.9%
Other non-life insurance	20,706,410	21,731,247	23,186,370	95	94	3.1%
<b>Non-life insurance</b>	<b>489,805,830</b>	<b>498,393,314</b>	<b>489,613,419</b>	<b>98</b>	<b>102</b>	<b>73.2%</b>
Life insurance	111,595,230	109,763,192	92,472,985	102	119	16.7%
Unit-linked life insurance*	62,944,570	71,885,180	75,211,711	88	96	9.4%
Capital redemption insurance	4,656,031	5,050,338	5,885,491	92	86	0.7%
<b>Life and pension insurance</b>	<b>179,195,831</b>	<b>186,698,710</b>	<b>173,570,187</b>	<b>96</b>	<b>108</b>	<b>26.8%</b>
<b>Total</b>	<b>669,001,661</b>	<b>685,092,024</b>	<b>663,183,606</b>	<b>98</b>	<b>103</b>	<b>100.0%</b>

\* 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	2019/2018	Share
	2020	2019	2018			
Accident insurance	11,259,216	13,732,622	13,893,520	82	99	2.8%
Health insurance	425,255	252,787	141,362	168	179	0.1%
Comprehensive car insurance	77,548,159	81,388,346	78,121,265	95	104	19.0%
Real property insurance	67,698,027	68,522,847	79,094,590	99	87	16.6%
Motor liability insurance	64,244,617	63,861,193	61,265,319	101	104	15.7%
General liability insurance	16,143,731	15,188,764	16,915,196	106	90	4.0%
Credit insurance	4,709,310	5,217,685	3,701,849	90	141	1.2%
Other non-life insurance	16,009,493	17,220,406	19,114,790	93	90	3.9%
<b>Non-life insurance</b>	<b>258,037,808</b>	<b>265,384,650</b>	<b>272,247,891</b>	<b>97</b>	<b>97</b>	<b>63.2%</b>
Life insurance	96,431,879	96,566,196	81,883,672	100	118	23.6%
Unit-linked life insurance	49,152,423	58,203,197	60,985,528	84	95	12.0%
Capital redemption insurance	4,656,031	5,050,338	5,885,491	92	86	1.1%
<b>Life and pension insurance</b>	<b>150,240,333</b>	<b>159,819,731</b>	<b>148,754,691</b>	<b>94</b>	<b>107</b>	<b>36.8%</b>
<b>Total</b>	<b>408,278,141</b>	<b>425,204,381</b>	<b>421,002,582</b>	<b>96</b>	<b>101</b>	<b>100.0%</b>

### 7.6.3 Gross claims paid of Pozavarovalnica Triglav Re

Gross claims paid by Pozavarovalnica Triglav Re amounted to EUR 76.0 million, up by 3% compared to the preceding year. Gross claims increased by 4% in transactions outside the Group and by 2% in transactions within the Group. The increase in gross claims paid in transactions outside the Group was predominantly a result of the payment of comprehensive car insurance claims under the French non-life insurance contract and marine insurance claims paid in the South Korean market. Higher gross claims paid in the Group mainly resulted from the payment of a major general liability insurance claim under the facultative contract with the parent company and higher payments of motor vehicle liability insurance claims.

### 7.7 Gross operating expenses

Total consolidated gross operating expenses incurred by the Triglav Group amounted to EUR 306.7 million, thus remaining at approximately the same level as the year before (index 100). **Insurance business expenses** totalled EUR 272.3 million, down by 1% relative to the preceding year. The share of insurance business operating expenses in gross written premium dropped by 1.1 percentage points to 22.1%. Operating expenses varied by insurance group. **Health insurance** operating expenses decreased by 18% to EUR 14.8 million, **non-life insurance** operating expenses of EUR 217.8 million remained at approximately the same level as the year before, whereas **health and pension insurance** operating expenses grew by 4% to EUR 39.8 million.

**Non-insurance business expenses** amounted to EUR 34.4 million. The 11% increase is mainly a result of the merger of ALTA Skladi with Triglav Skladi and the rise in other costs of services in Sarajevostan.

In contrast, acquisition costs (fees and commissions) fell by 4% to EUR 54.1 million, primarily due to lower costs at Triglav, Zdravstvena zavarovalnica. The decline is mostly a result of lower sales due to restrictive measures related to the COVID-19 pandemic. The 12% increase in depreciation costs in the amount of EUR 22.0 million was predominantly the consequence of higher depreciation costs of computer equipment and intangible fixed assets at the parent company and higher depreciation costs at Triglav Skladi due to the aforementioned merger of ALTA Skladi.

At 48.8%, labour costs accounted for the largest portion of total expenses, amounting to EUR 157.5 million, up by 2% relative to the preceding year. This increase is predominantly a result of the higher number of employees at Triglav Osiguranje, Belgrade, the merger of ALTA Skladi with Triglav Skladi and higher labour costs at Zavarovalnica Triglav. The latter were influenced by a change in the salary model, reassignment of employees from the subsidiary Triglav INT to the parent company, higher payments to insurance agents due to increased sale of insurance products and more accrued provisions for unused annual leave. Costs of services provided by natural persons other than sole traders decreased by 8%. They amounted to EUR 1.2 million and represented only 0.4% of total expenses. Other operating expenses dropped by 2% to EUR 87.9 million. Due to the measures related to the COVID-19 pandemic, the highest decrease was recorded in the reimbursement of work-related costs and the costs of representation, advertising and trade shows. With regard to the growth of costs, the highest increase was seen in the costs of payment transactions and banking services (at Triglav Skladi due to the merger of ALTA Skladi), rent and lease costs (due to the change in the recording of costs of certain computer software licenses previously classified as maintenance costs) and other costs of services (provisions were formed due to additionally established tax liabilities at Sarajevostan).

Acquisition costs represented 60.0% (the largest share) of total gross operating expenses of the insurance business broken down by functional group. Other operating expenses represented 28.4%, claim handling expenses 9.9% and asset management costs 1.6% of total gross operating expenses of the insurance business.

**Gross operating expenses of the Triglav Group by nature**

Operating expenses by nature	Gross operating expenses			Index	Share	
	2020	2019	2018		2019/2018	2020
Acquisition costs (fees and charges)	54,124,019	56,219,931	50,066,326	96	112	16.8%
Costs of goods sold	11,179	48,845	52,904	23	92	0.0%
Depreciation of operating assets	22,001,097	19,694,948	14,264,627	112	138	6.8%
Labour costs	157,524,456	154,621,686	146,572,719	102	105	48.8%
- wages and salaries	110,229,227	107,324,972	101,612,962	103	106	34.1%
- social security and pension insurance costs	24,559,378	24,289,499	23,640,837	101	103	7.6%
- other labour costs	22,735,851	23,007,215	21,318,920	99	108	7.0%
Costs of services provided by natural persons other than SPs, including related taxes	1,208,769	1,317,788	2,756,994	92	48	0.4%
Other operating expenses	87,942,602	90,018,718	93,062,955	98	97	27.2%
- costs of entertainment, advertising, trade shows	17,181,444	19,394,377	22,174,825	89	87	5.3%
- costs of material and energy	8,426,457	8,261,184	8,232,171	102	100	2.6%
- maintenance costs	15,181,848	15,575,036	14,126,532	97	110	4.7%
- reimbursement of labour-related costs	3,202,363	5,690,278	5,483,902	56	104	1.0%
- costs of intellectual and personal services	5,560,110	5,781,460	5,620,509	96	103	1.7%
- non-income related costs, excluding insurance	3,241,068	3,391,165	3,492,721	96	97	1.0%
- costs of transport and communication services	5,360,314	5,584,949	5,499,061	96	102	1.7%
- costs for insurance premiums	1,159,846	1,121,622	1,843,152	103	61	0.4%
- payment transaction costs and banking services	9,495,754	8,470,561	7,344,413	112	115	2.9%
- rents	4,847,443	4,062,029	7,919,477	119	51	1.5%
- costs of professional training services	1,099,790	1,354,981	1,141,933	81	119	0.3%
- other costs of services	13,183,530	11,310,828	10,175,371	117	111	4.1%
- long-term employee benefits	2,635	20,248	8,888	13	228	0.0%
<b>Total</b>	<b>322,812,122</b>	<b>321,921,916</b>	<b>306,776,525</b>	<b>100</b>	<b>105</b>	<b>100.0%</b>
Consolidation eliminations	-16,065,703	-16,653,191	-17,950,309	96	93	
<b>Total consolidated</b>	<b>306,746,419</b>	<b>305,268,725</b>	<b>288,826,216</b>	<b>100</b>	<b>106</b>	

**Gross operating expenses of Zavarovalnica Triglav by nature**

Operating expenses by nature	Gross operating expenses			Index	Share	
	2020	2019	2018		2019/2018	2020
Acquisition costs (fees and charges)	28,550,727	28,759,114	27,174,985	99	106	15.9%
Depreciation of operating assets	12,145,270	11,167,744	9,603,035	109	116	6.7%
Labour costs	101,313,635	99,873,831	96,407,090	101	104	56.3%
- wages and salaries	72,334,018	70,238,081	68,211,092	103	103	40.2%
- social security and pension insurance costs	12,000,752	11,837,017	11,730,444	101	101	6.7%
- other labour costs	16,978,865	17,798,733	16,465,554	95	108	9.4%
Costs of services provided by natural persons other than SPs, including related taxes	289,970	349,916	339,137	83	103	0.2%
Other operating expenses	37,651,247	40,343,368	40,898,603	93	99	20.9%
- costs of entertainment, advertising, trade shows	7,607,576	8,598,847	8,712,404	88	99	4.2%
- costs of material and energy	3,782,544	3,425,880	3,606,749	110	95	2.1%
- maintenance costs	8,823,036	9,627,759	8,869,489	92	109	4.9%
- reimbursement of labour-related costs	2,175,475	3,360,635	3,306,295	65	102	1.2%
- costs of intellectual and personal services	2,072,025	1,963,379	2,246,162	106	87	1.2%
- non-income related costs, excluding insurance	1,380,668	1,628,366	1,523,918	85	107	0.8%
- costs of transport and communication services	2,978,697	3,072,649	3,210,568	97	96	1.7%
- costs for insurance premiums	379,318	327,304	1,093,183	116	30	0.2%
- payment transaction costs and banking services	1,218,983	1,698,171	1,602,368	72	106	0.7%
- rents	3,024,699	2,216,058	3,303,744	136	67	1.7%
- costs of professional training services	764,945	902,200	632,487	85	143	0.4%
- other costs of services	3,443,281	3,522,120	2,791,236	98	126	1.9%
<b>Total</b>	<b>179,950,849</b>	<b>180,493,973</b>	<b>174,422,850</b>	<b>100</b>	<b>103</b>	<b>100.0%</b>

## 7.8 Risk equalisation

### 7.8.1 Insurance technical provisions

The Triglav Group equalised 87.0% of the risks within its own equalisation capacities. Claims were covered with the current annual inflow of technical premium by insurance class and the insurance technical provisions formed. The Group was able to equalise risks that exceeded its own equalisation capacities by reinsurance and, to a lesser extent, by coinsurance arrangements.

**Gross insurance technical provisions of the Triglav Group** are the basis for balanced operations and ensure the long-term safety of insured persons. They amounted to EUR 3,033.2 million as at 31 December 2020, up by 5% relative to 2019. The amount of gross insurance technical provisions increased in **non-life insurance** (index 105), **life and pension insurance** (index 104) and **health insurance** (index 201). **Zavarovalnica Triglav** allocated EUR 2,199.0 million to gross insurance technical provisions, up by 2% relative to 2019.

Provisions by type as at 31 December 2020 relative to 31 December 2019:

- **Gross unearned premium** was 4% higher and amounted to EUR 344.8 million. Unearned premium from non-life insurance also increased by 4% to EUR 340.9 million, unearned premium from life and pension insurance rose by 3% to EUR 458 thousand and unearned premium from health insurance grew by 1% to EUR 3.4 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** rose by 5% to EUR 645.3 million. 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 609.3 million, up by 5%, primarily due to earthquakes in Croatia and claims provisions formed as a result of the decision of the Supreme Court of the Republic of Croatia, which changed the criteria and amounts for determining monetary compensation for non-pecuniary damages from motor vehicle liability insurance. Claims provisions from life and pension insurance totalled EUR 21.4 million (index 103) and those from health insurance amounted to EUR 14.6 million (index 101).
- **Mathematical provisions** were 4% higher and amounted to EUR 1,967.0 million. The rise in mathematical provisions is also a result of additional provisions, both due to the lower internally set maximum interest rate used for the valuation of life insurance liabilities and due to the increase in provisions as a result of the liability adequacy test. Mathematical provisions for the guarantee fund backing life insurance totalled EUR 1,457.0 million (index 104), while insurance technical provisions for unit-linked life insurance contracts amounted to EUR 510.0 million (index 105). They increased due to the growth in the price of fund units. Zavarovalnica Triglav's mathematical provisions of EUR 1,490.3 million accounted for the bulk (index 102), of which mathematical provisions for the guarantee fund backing life insurance amounted to EUR 1,041.6 million (index 102) and insurance technical provisions for unit-linked life insurance contracts equalled EUR 448.7 million (index 103).
- **Provisions for bonuses and discounts** grew by 43% to EUR 28.2 million, mainly as a result of additional insurance technical provisions created due to the pandemic.
- **Other insurance technical provisions** rose by 119% to EUR 47.9 million as a result of additional other insurance technical provisions for health insurance due to the pandemic in the amount of EUR 18.5 million.

### Gross insurance technical provisions of the Triglav Group as at 31 December 2020

	Gross insurance technical provisions			Index	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	2020/2019	2019/2018
Unearned premiums	344,760,927	332,510,935	300,166,946	104	111
Mathematical provisions	1,967,008,673	1,889,382,583	1,759,831,056	104	107
Claims provisions	645,331,168	615,398,744	614,943,915	105	100
Provisions for bonuses and discounts	28,195,354	19,683,771	19,833,253	143	99
Other insurance technical provisions	47,917,732	21,894,138	18,325,930	219	119
<b>Total</b>	<b>3,033,213,854</b>	<b>2,878,870,171</b>	<b>2,713,101,100</b>	<b>105</b>	<b>106</b>

### Gross insurance technical provisions of Zavarovalnica Triglav as at 31 December 2020

	Gross insurance technical provisions			Index	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	2020/2019	2019/2018
Unearned premiums	235,190,816	232,791,056	213,919,937	101	109
Mathematical provisions	1,490,283,181	1,455,824,397	1,374,950,680	102	106
Claims provisions	430,259,621	428,320,763	442,560,188	100	97
Provisions for bonuses and discounts	23,837,107	19,065,148	19,547,002	125	98
Other insurance technical provisions	19,470,754	13,012,868	10,403,743	150	125
<b>Total</b>	<b>2,199,041,479</b>	<b>2,049,014,232</b>	<b>2,061,381,550</b>	<b>102</b>	<b>104</b>

### 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 2020 in all reinsurance and coinsurance contracts. The Group allocated EUR 154.5 million of reinsurance premium to external equalisation, up by 18% relative to 2019. Ceded reinsurance premium accounted for 12.5% of total gross written premium or 1.5 percentage points more than the year before. Reinsurance premium growth was 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 4.6 million. The amount of EUR 31.7 million was received from reinsurance (index 90). The change in gross claims provisions for the reinsurance portion amounted to EUR 17.4 million (compared to EUR 1.5 million in 2019). The Group also received EUR 30.6 million in reinsurance fees and commissions (index 139). The reinsurance result was negative and amounted to EUR –70.2 million (compared to EUR –60.9 million in 2019).

The reinsurance result of **Zavarovalnica Triglav** was EUR –73.0 million (compared to EUR –57.6 million in 2019).

## 7.9 Investment structure of the Triglav Group and Zavarovalnica Triglav<sup>18</sup>

Amid the challenging situation of the COVID-19 pandemic and the situation in the financial markets, the Triglav Group continued to pursue a somewhat conservative investment policy, focusing on investment security and liquidity governed by adequate profitability. The structure of the Group's investment portfolio remained similarly conservative as at the 2019 year-end, while actively making minor adjustments to the shares of individual investment grades in order to maintain adequate diversification, appropriate security and high credit ratings of the whole investment portfolio. Bonds invested in developed markets account for the largest share (73.6%) in the financial investments portfolio (89.6% of bond investments have a rating of at least "BBB" and 61.3% have the "A" rating).

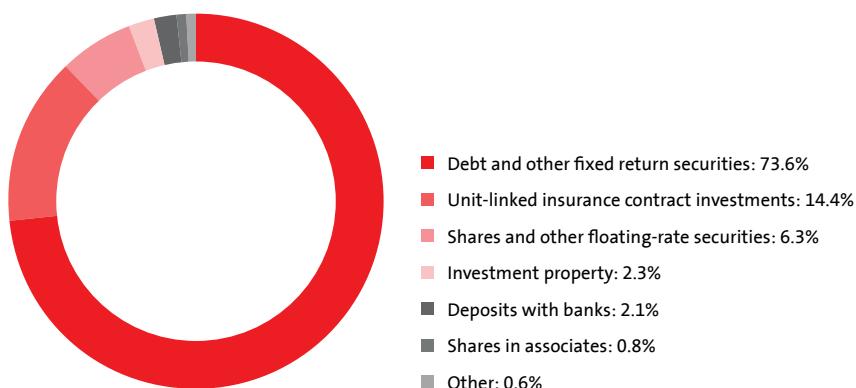
Financial investments of the **Triglav Group** including investment property and investments in associates amounted to EUR 3,496.4 million as at 31 December 2020, an increase of 5% relative to the 2019 year-end. Their share in total assets of the Group rose by 0.3 percentage point to 84.5%.

Compared to the 2019 year-end, the total value of the largest investment grade, i.e. debt and other fixed-return securities, increased by 6%, while the share of this investment grade in total portfolio grew by 0.5 percentage point to 73.6%. The value of equity investments including investments in funds was 6% higher, whereas their share in total portfolio remained the same (6.3%).

*Financial investments (including investment property) of the Triglav Group as at 31 December 2020 and 31 December 2019*

	Financial investments		Index	Share	
	31 Dec. 2020	31 Dec. 2019		2020/2019	31 Dec. 2020
Investment property	78,977,800	79,921,480	99	2.3%	2.4%
Shares in associates	28,237,714	13,154,379	215	0.8%	0.4%
Shares and other floating-rate securities	220,367,991	207,202,683	106	6.3%	6.3%
Debt and other fixed return securities	2,572,533,950	2,423,949,186	106	73.6%	73.1%
Loans given	4,218,279	5,161,148	82	0.1%	0.2%
Deposits with banks	72,474,217	88,402,963	82	2.1%	2.7%
Other financial investments	6,462,139	6,712,517	96	0.2%	0.2%
Financial investments of reinsurance companies in reinsurance contracts with cedents	11,210,682	8,602,454	130	0.3%	0.3%
Derivatives	113,301	0	0	0.0%	0.0%
Unit-linked insurance contract investments	501,808,980	482,031,288	104	14.4%	14.5%
<b>Total</b>	<b>3,496,405,053</b>	<b>3,315,138,098</b>	<b>105</b>	<b>100.0%</b>	<b>100.0%</b>

*The structure of investments of the Triglav Group as at 31 December 2020*



The share of unit-linked insurance contract investments declined by 0.2 percentage point to 14.4%. The majority is accounted for by assets invested in mutual funds of the policyholders' choice and mostly in funds managed by Triglav Skladi.

The share of investments in associates rose by 0.4 percentage point as a result of the capital increase of ZTSR, while the share of investment property declined by 0.2 percentage point to 2.3%. Share of deposits with banks fell further to 2.1%. The shares of other investment grades did not change significantly.

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

The largest share (65.4%) in the Group's bond portfolio **by issuer sector** was accounted for by government bonds. In terms of volume, they rose by 18% compared to the preceding year, while their share was higher by 6.4 percentage points. Government bonds are followed by financial bonds accounting for 17.9% and corporate bonds accounting for 16.6%, both shares were lower. In the second half of the year, the share of government bond issuers started to be increased at the expense of corporate and financial issuers in order to improve portfolio security.

### Debt securities of the Triglav Group by issuer sector in 2020 and 2019

Issuer sector	Debt securities		Index	Share	
	31 Dec. 2020	31 Dec. 2019		2020/2019	31 Dec. 2020
Government	1,682,830,112	1,429,886,787	118	65.4%	59.0%
Financial	461,605,954	517,025,272	89	17.9%	21.3%
Corporate	427,038,594	475,884,757	90	16.6%	19.6%
Shared	1,059,291	1,152,369	92	0.0%	0.0%
<b>Total</b>	<b>2,572,533,950</b>	<b>2,423,949,186</b>	<b>106</b>	<b>100.0%</b>	<b>100.0%</b>

Unit-linked life insurance contract investments data are excluded.

The Group's bond investment portfolio is of good quality, its investments are globally diversified and consists of investments in debt securities with a **high credit rating**. The credit rating at the level of the entire portfolio increased in 2020. As much as 89.6% of debt securities have an investment grade credit rating of at least "BBB" (compared to 87.5% as at 31 December 2019) and 61.3% have the "A" credit rating or higher (compared to 55.2% as at 31 December 2019).

### Debt securities of the Triglav Group by credit rating in 2020 and 2019

Credit rating	Debt securities		Index	Share	
	31 Dec. 2020	31 Dec. 2019		2020/2019	31 Dec. 2020
AAA	463,012,284	247,171,318	187	18.0%	10.2%
AA	383,681,511	329,308,659	117	14.9%	13.6%
A	729,748,691	761,757,966	96	28.4%	31.4%
BBB	728,788,550	782,946,517	93	28.3%	32.3%
Below BBB	200,940,476	187,505,686	107	7.8%	7.7%
Not rated	66,362,438	115,259,039	58	2.6%	4.8%
<b>Total</b>	<b>2,572,533,950</b>	<b>2,423,949,186</b>	<b>106</b>	<b>100.0%</b>	<b>100.0%</b>

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 the Group appropriate security and liquidity. 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 2020 and 2019

Country of issuer	Debt securities		Index	Share	
	31 Dec. 2020	31 Dec. 2019		2020/2019	31 Dec. 2020
Germany	399,195,893	174,349,263	229	15.5%	7.2%
Slovenia	394,525,822	432,899,974	91	15.3%	17.9%
France	191,067,434	236,839,255	81	7.4%	9.8%
Spain	139,353,731	128,363,769	109	5.4%	5.3%
USA	123,650,851	108,397,196	114	4.8%	4.5%
Italy	123,487,125	138,469,634	89	4.8%	5.7%
Netherlands	117,712,265	167,277,688	70	4.6%	6.9%
International financial institutions	106,856,495	60,596,923	176	4.2%	2.5%
Croatia	106,124,399	103,869,838	102	4.1%	4.3%
Austria	85,172,491	33,634,748	253	3.3%	1.4%
Other	785,387,446	839,250,897	94	30.5%	34.6%
<b>Total</b>	<b>2,572,533,950</b>	<b>2,423,949,186</b>	<b>106</b>	<b>100.0%</b>	<b>100.0%</b>

Unit-linked life insurance contract investments data are excluded.

**Equity investments**, which include shares and other variable-return securities and investments in associates as shown in the table, represent 7.1% of the Group's total portfolio, an increase of 0.5 percentage point relative to the preceding year. Their value is 13% higher, primarily due to the capital increase of ZTSR and revaluation of equity investments. Equity investments also include the category **other funds**, which comprises mostly alternative funds, among which alternative funds managed by the associate Trigal hold a significant share. The share of **other funds** is increasing and represents 26.2% of equity investments.

### The structure of equity investments of the Triglav Group in 2020 and 2019

Equity investment type	Equity investments		Index	Share	
	31 Dec. 2020	31 Dec. 2019		2020/2019	31 Dec. 2020
Shares	91,531,483	79,449,680	115	36.8%	36.1%
Equity funds	58,121,021	56,504,953	103	23.4%	25.6%
Bond funds	30,288,800	17,653,170	172	12.2%	8.0%
Money market funds	3,436,410	11,117,584	31	1.4%	5.0%
Other funds	65,227,991	55,631,676	117	26.2%	25.2%
<b>Total</b>	<b>248,605,705</b>	<b>220,357,062</b>	<b>113</b>	<b>100.0%</b>	<b>100.0%</b>

### **Equity investments of the Triglav Group by geographic area in 2020 and 2019**

<b>Geographic area</b>	<b>Equity investments</b>		<b>Index</b>		<b>Share</b>
	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>	<b>2020/2019</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
Slovenia	80,365,862	69,483,453	116	32.3%	31.5%
Developed markets	150,493,047	130,100,465	116	60.5%	59.0%
Developing markets	13,244,477	13,094,408	101	5.3%	5.9%
Balkans	4,502,320	7,678,736	59	1.8%	3.5%
<b>Total</b>	<b>248,605,705</b>	<b>220,357,062</b>	<b>113</b>	<b>100.0%</b>	<b>100.0%</b>

Zavarovalnica Triglav's financial investments including investment property amounted to EUR 2,634.0 million, up by 3% relative to the preceding year.

### **Financial investments of the Triglav Group as at 31 December 2020 and 31 December 2019**

	<b>Financial investments</b>		<b>Index</b>		<b>Share</b>
	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>	<b>2020/2019</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
Investment property	44,451,276	46,091,135	96	1.7%	1.8%
Investments in subsidiaries and associates	163,675,415	152,992,692	107	6.2%	6.0%
Shares and other floating rate securities	113,586,570	107,310,068	106	4.3%	4.2%
Debt and other fixed return securities	1,837,372,253	1,760,076,255	104	69.8%	69.2%
Loans given	9,294,087	10,726,466	87	0.4%	0.4%
Deposits with banks	19,567,302	30,229,076	65	0.7%	1.2%
Other financial investments	3,654,860	3,865,518	95	0.1%	0.2%
Derivatives	113,301	0	0	0.0%	0.0%
Unit-linked insurance contract investments	442,292,488	433,758,610	102	16.8%	17.0%
<b>Total</b>	<b>2,634,007,552</b>	<b>2,545,049,820</b>	<b>103</b>	<b>100.0%</b>	<b>100.0%</b>

### **7.10 Investment in own-use real property and equipment**

The Triglav Group invested EUR 9.0 million in property, plant and equipment and EUR 7.7 million in intangible assets (software and property rights). The parent company invested EUR 4.7 million in property, plant and equipment and EUR 6.1 million in intangible fixed assets.

By actively managing own-use real property, its value is increased, while the aim of on-going renovation is to make the best use of the existing capacity and achieve high standards that are in line with advanced technological and functional guidelines. The renovation is carried out in accordance with the Triglav Group's sustainable development principles, which include a better spatial use of the premises, improved energy efficiency and a lower carbon footprint. The year 2020 was particularly marked by measures designed to protect health and ensure the safe use of real property for employees, clients, tenants and other users.

The energy and functional renovation of one of the largest commercial buildings in Dunajska cesta in Ljubljana and the renovation of the parent company's headquarters, which is the work of the architect Jože Plečnik and a cultural monument of national importance, both continued. The renovation of company headquarters was carried out in close cooperation with the Institute for the Protection of Cultural Heritage and in accordance with conservation plans. The functional renovation of the premises at Verovškova Street, including the modernisation of paint repair services at Triglav Avtoservis, was completed, thus significantly improving their use. 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 and commercial buildings of Triglav, Zdravstvena zavarovalnica in Koper and Triglav, Upravljanje nepremičnin in Ljubljana). Any excess real property is refurbished to increase market attractiveness and gain investment value. In 2020, a part of the commercial building of the Kranj regional unit was refurbished and leased.

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. The Company adopted standards for flexible arrangement of business premises, which correspond to international good practice examples, defined them as minimum standards of the Group and already renovated several premises in accordance with said standards.

IT support for real property management, which will be further upgraded in 2021, enables secure and complete record keeping, reporting and the implementation of various administration processes (e.g. advanced communication with clients).

In 2020, the Group's real property portfolio continued to be improved by seizing good market opportunities. Several strategically uninteresting real property assets (Hoče, Medlog, Podvin, several locations in Montenegro and Croatia) were sold and some real property assets were acquired, particularly in order to gain ownership of property at strategic locations (Dunajska Street in Ljubljana). Measures to curb the COVID-19 epidemic made it impossible for several tenants to carry out their activity, thus the Company sought appropriate solutions together with them. The value of real property, the excellent occupancy of investment property and its profitability were maintained, which is also a result of many years of systematic investment in real property of strategic importance and the sale of non-strategic real property.

## 7.11 Asset management

Asset management is one of the two strategic activities of the Triglav Group. It comprises the management of the parent company's own insurance portfolios (assets backing liabilities and guarantee funds), saving of clients through the Group's life and pension insurance companies, investment management by Trigal, and the management of clients' assets in mutual funds and discretionary mandates by Triglav Skladi. The value of assets under management of the Triglav Group as at 31 December 2020:

- own insurance portfolio: EUR 2,995 million (index 106),
- mutual funds and discretionary mandate assets at Triglav Skladi: EUR 1,156 million (index 105),
- Investment management at Trigal: EUR 53 million.

### Asset and investment fund management market

The volume of assets under management in the European industry has been on the rise for several years due to positive developments in the capital markets, the growing awareness of the importance of diversified asset accumulation and the low interest rate environment. At the end of the first half of 2020, the total volume of assets under management was estimated at EUR 24.9 billion, representing 157% of European GDP.

The COVID-19 pandemic had a strong impact on financial markets, with stock market correction seen in the first quarter of 2020, while the shutdown of entire economies will affect corporate performance in the future.

The European investment fund industry (UCITS) suffered net outflows of EUR 313 billion in March 2020, the largest monthly net outflow in history in absolute terms. After a sharp fall, the markets recovered and investment funds again recorded net inflows on a monthly basis. At the end of October 2020, the European investment fund industry (UCITS and AIF) managed EUR 17.6 billion in assets, a 1% decrease in the volume of assets compared to the 2019 year-end. Net inflows and the growth of prices in the capital markets after the correction helped to bring the volume of assets under management almost back to the value recorded at the beginning of the year.

**+5%**  
Mutual funds  
and discretionary  
mandate assets at  
Triglav Skladi

As at the 2020 year-end, a total of five management companies operated in Slovenia, which managed the net asset value of EUR 3.2 billion in mutual funds, up by 7% relative to the year before. Asset growth was primarily driven by market trends and to a lesser extent by net inflows into funds. At the year-end, Triglav Skladi held a 32.9% market share and is thus one of the leading managers of assets in investment funds in Slovenia.

A total of six companies provided **discretionary mandate services**, of which three were asset management companies. The value of discretionary mandate assets managed by said companies amounted to EUR 1.3 billion at the 2020 year-end, an increase of 29% compared to 2019. Triglav Skladi held a 7.5% market share in the discretionary mandate segment.

The offer of investment solutions of **Triglav Skladi** includes the management and marketing of mutual funds, discretionary mandate services and investment advice. With respect to mutual funds, the company offers 18 different investment policies: conservative investments (bond funds and money market funds), moderately risky investments (flexible and mixed funds) and dynamic equity investments (equity funds). In addition to mutual funds, the company also offers six investment combinations as predefined portfolios that correspond to the risk profiles of six different client segments. In the market of Bosnia and Herzegovina, the company holds a participating interest in PROF-IN asset management company.

In 2020, with the merger of the Alta umbrella fund with the umbrella fund *Triglav vzajemni skladi*, Triglav Skladi integrated investment solutions and clients. All clients were united under the single brand Triglav Skladi, thus consolidating its position in the market and enabling a comprehensive management of the clients' investment portfolio. As at 31 December 2020, the company managed the portfolio of 110,000 investors worth EUR 1.1 billion in mutual funds, which is 4% more than the year before.

Discretionary mandate assets amounted to EUR 95.6 million, an increase of EUR 13.2 million or 16% on the preceding year. Of the total discretionary mandate assets, EUR 38.1 million are invested in mutual funds and EUR 57.5 million in other financial instruments.

Triglav Skladi also manages the investment portfolios of the Triglav Group's clients. For 13 years, Triglav Skladi has managed the financial objectives strategies, which, as part of unit-linked life insurance, enable clients to actively adjust their portfolio according to the life cycle principle.

Triglav Skladi also manages guarantee funds backing supplemental voluntary pension insurance, within which two portfolios are managed: *Triglav Drzni* and *Triglav Zmerni*.

See [Section 11.3 Efficient asset management in the Triglav Group](#) for more information on the strengthening of asset management activities.