

# On the Issue of Commercial Insurance Market as in the Slovak Republic

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The insurance industry in the Slovak Republic has become an important dynamically developing area of economy. Insurance affects all the activities into the national economy, touching every company, business, citizen, society, and foreign countries. The Slovak insurance market is developed. As at 31.12.2017, there operated 21 commercial insurance companies on the Slovak commercial insurance market. The evolution of the market in life insurance in recent years is more dynamic than in the non-life insurance.

*Keywords:* commercial insurance market, life insurance, non-life insurance, indicators of the insurance market, commercial insurance companies

## Introduction

Insurance as a non-productive sector is of a vital importance to the national economy of every advanced and modern economy. Insurance, as one of the ways of covering the risks, is part of the finances, namely the finances of all the entities of the national economy. Insurance plays an important role not only in the insurance of business risks, but also in international risks, which we include according to Insurance Act No. 39/2016 Coll. on Insurance in the Slovak Republic among non-life risks. Insurance and insurance intervene directly or indirectly in all areas of human activity, so they affect every business, enterprise, citizen, society, and foreign. All changes in the company are also in some way reflected in the insurance business. The development of science, technology, and culture brings new modern products, new activities, and new risks to the market. These risks must be taken into consideration and calculated by businesses and entrepreneurs, citizens, the state, and insurance companies. Therefore, commercial insurers have to prepare new insurance products for the insurance market, while monitoring developments throughout the economy (e.g., unemployment, GDP growth, inflation, price growth, money income movements, demographic data, etc.). While explaining the essence of insurance, we assume that the operation of the insurance market mechanism involves the transfer of risk from one entity to the Community and the joint bearing of losses under predetermined conditions by all members of that community (E. J. Vaughan & T. M. Vaughan, 2007).

Since January 1, 2004, the Slovak insurance market is an inseparable part of the European Union's single insurance market. In practice, this means that commercial insurance companies in all EU Member States have the option to perform insurance and reinsurance activities in the Slovak Republic. This is also true of the

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reverse relation: domestic insurers in the Slovak Republic can offer their services to clients in other countries of the European Union. In connection with the integration into the insurance market of the European Union, it was necessary to adapt the legislation of the Slovak Republic in the field of insurance and the insurance industry to the legislation of the European Union, which affected both life and non-life insurance. The last law, which came into force on 1 January 2016 was Act No. 39/2015 Coll. on insurance. Under this law, there are changes that affect individual sectors in both life and non-life insurance.

### **Characteristic of the Insurance and its Delimitation/Definition**

The insurance market is the place where supply and demand for insurance come together. Insurance is a specific commodity, the essence of which is the transfer of risk. The insurance market operates on the basis of market principles. The insurance market has a significant position in each market economy with specific roles, principles, and meanings. Pretože ponúka nástroje na riadenie rizík, ktoré súčasná “riziková spoločnosť” produkuje (Beck, 1992). The insurance industry, covering the insurance market, has an irreplaceable position in every economy because it offers the risk management tools that the current “venture company” produces. As a result, it is also referred to as a secondary sector of economic activity because it deals with the negative consequences that would have occurred even if the insurance had not existed.

The subject of the insurance market is insurance and reinsurance. Insurance, as one of the important sectors of the market economy, offers its services in the insurance market, or insurance and reinsurance. The insurance industry includes insurance houses, insurance companies, insurance companies from other Member States, branches of an insurance company from another Member State, foreign insurance and reinsurance undertakings from another Member State, insurance intermediaries, insurance supervision, insurance association, insurers’ office, insurance institutions offering insurance apart from their main business (banks, leasing companies, car services, etc.) and other entities. In the Slovak commercial insurance market, similarly as in other European Union countries and in the advanced world in a strong competitive environment, commercial insurance companies and their intermediaries are applying for clients—the insured. Similarly, as in other markets, the condition of fair competition includes the creation of quality insurance products and their price evaluation (reasonable price for optimum insurance protection). The commercial insurance market, its scope, efficiency, and the importance in terms of the national economy can be characterized by several indicators. Among the most frequent indicators we encounter in the literature are the following: the number of commercial insurers, technical premiums, the share of life and non-life insurance in GDP, the ratio of life and non-life insurance, the number of employees of commercial insurers (number of internal and external employees), insurance products, and other indicators. In the next part, we analyze selected indicators of the commercial insurance market for 2017.

### **Analysis of Selected Indicators of the Commercial Insurance Market in the Slovak Republic for the Year 2017**

In 2017, twenty-one commercial insurance companies operated in the Slovak insurance market, creating a relatively strong competitive environment among them. Of the total number of insurers operating on the Slovak insurance market, 21 commercial insurance companies were associated in the Slovak Insurance Association as of 31 December 2017. Of the members of the Slovak Insurance Association, 14 commercial insurance companies had universal/general licence; life insurance was provided by four commercial insurers and non-life

insurance by three commercial insurance companies. (Spring: Slovak Insurance Association (SAP) Internal Materials, Bratislava, 2018). The most important indicators of the commercial insurance market include technical premiums. Table 1 shows the technical premiums as at 31 December 2016 in thousands of euros and that as at 31 December 2017 thousands of euros. We present both years to compare the development of this indicator of the insurance market.

Table 1

*Technical Premium Insurance Premium as at 31 December 2016 and as at 31 December 2017 in EUR Thousands*

Year	Life insurance	Share	Non-life insurance	Share	Total
2016	1,145,414	54.3%	964,579	45.7%	2,109,993
2017	1,279,400	52.3%	1,167,881	47.7%	2,447,281

Source: Internal materials, SAP, Bratislava 2016; 2017.

In the next part of the paper, we compare the years 2016 and 2017. We will analyse the total technical premium as at 31 December 2016 and as at 31 December 2017 and the technical premium of life insurance and that of non-life insurance as at 31 December 2016 and 31 December 2017.

The total technical premium as at 31 December achieved the amount of 2,109,993 thousand euros.

Of this, the technical life-insurance non-insurance premium amounted to 1,145,414 thousand euros and the non-life technical insurance premium was 964,579 tis. euros.

As at 31 December 2017, the total technical premium achieved the amount of 2,447,281 thousand euros.

Of this, the technical premium of life insurance amounted to 1,279,400 thousand euros, and the technical premium of non-life insurance was 1,167,881 thousand euros.

The total technical premium in 2017, was 2,447,281 thousand euros in comparison with the total technical premium in the year 2016, which was 2,109,993 thousand euros—it was higher in comparison with preceding year.

The share of life insurance on the total technical premium in the year 2017 was 52.3% and in the year 2016 it was 54.3%—it was a decline in comparison with the preceding year.

The share of non-life insurance on the total technical premium in the year 2017 was 47.7% and in the year 2016 the amount was 45.7%—an increase in comparison with the previous year.

The ratio of life insurance and non-life insurance in the year 2017 was 52.3 : 47.7, and in the year 2016 it was 54.3 : 45.7—in favour of life insurance.

Table 2 depicts the technical premium in life and non-life insurance as at 31 December 2017 in thousand euros and the participation of individual commercial insurance companies in the total technical insurance premium on the Slovak insurance market.

The total technical premium in 2017 was 2,447,281 thous. euros. As can be seen from Table 2, technical insurance in life and non-life insurance as at 31 December 2017 (ths. Euro) of the insurance company Allianz—Slovenská poisťovňa, a. s., indicates it was the leader in the Slovak insurance market in the life insurance business with 239,329 thousand euros and in non-life insurance with CZK 364,039 thousand euros.

The second position was occupied by KOOPERATÍVA, insurance company, a. s. in the area of life insurance amounting to 202,263 thous. euros and also in non-life insurance amounting to 226,431 thous. euros; the third place in life insurance business was taken by the insurance company of the Slovak Savings Bank, a. s. VIG with 154,122 thous. euros and in non-life insurance by the insurance company Generali Slovensko, insurance company, a. s. with 130,280 thous. euros.

Table 2

*Technical Insurance Premium in Life Insurance and Non-life Insurance as at 31 December 2017 in EUR Thousands*

Technical insurance premium (in EUR thousands) as at 31 December 2017			
No.	Commercial insurance company	Technical insurance premium in life insurance	Technical insurance premium in non-life insurance
1	AEGON Life Insurance company, a.s.	48,690	0
2	Allianz—Slovenská poisťovňa/Slovak Insurance company , a. s.	239,329	364,039
3	ČSOB Poisťovňa/Insurance company, a. s.	48,724	37,619
4	ERGO Life Insurance company, a.s.	6,509	870
5	Generali Slovensko insurance company, a. s.	94,735	130,280
6	NN Life Insurance company, a. s.	74,570	0
7	KOMUNÁ LNA insurance company, a.s.VIG	108,202	87,229
8	KOOPERATIVA insurance company, a. s., VIG	202,263	226,431
9	Insurance company Cardif Slovakia, a.s.	6,447	17,750
10	Poštová poisťovňa/Post Office Insurance company, a.s.	12,494	1,784
11	Insurance company of the Slovak Savings Bank, a. s. VIG	154,122	214
12	UNION Insurance company, a. s.	9,894	43 221
13	UNIQA Insurance company, a. s.	37,594	92,062
14	Wüstenrot Insurance company, a. s..	31,992	25 198
15	AXA, life-insurance company, a. s. branch of insurance from another Member State	55,214	13,219
16	AXA, insurance company, a. s. branch/agency from another Member State	0	0
17	BASLER, Sachversicherungs, insurance company, a. s. from another Member State	0	4,669
18	Collonade Insurance, S.A., insurance company, a. s. from another Member State	0	23,388
19	D.A.S.	0	2,862
20	Groupama insurance company, a.s., branch/agency	370	7,628
21	MetLife, Europe	120,326	6,317
22	Slovak Office of Insurers	0	11
Total		1,229,254	1,167,881

Source: Internal materials, SAP, Bratislava 2018.

## Conclusion

We can state in conclusion that the Slovak insurance market is a dynamically developing market, which forms part of the financial market. The total technical premium in the year was 2,447,281 thousand euros. The share of life insurance of the total technical premium in the year 2017 was 52.3% and in the year 2016, it was 54.3%—a decline in comparison with the preceding year. The share of non-life insurance on the total technical insurance premium in the year 2017 was 47.7% and in the year 2016, it was 45.7%—an increase in comparison with the preceding year. The ratio of life insurance to non-life insurance in the year 2017 was 52.3 : 47.7 and in the year 2016, it was 54.3 : 45.7—in favour of life insurance. The population is gradually becoming aware of life risks and uses insurance products of life insurance. The offer of insurance products in the area of life insurance as well as non-life insurance via commercial insurance companies on the Slovak insurance market is flexible.

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