

5. MONEY, FINANCE AND CREDIT

Barbora Drugdová

Ing., PhD.,

Faculty of National Economics, Department of Insurance,
University of Economics in Bratislava, Slovakia

COMMERCIAL INSURANCE AND COMMERCIAL INSURANCE MARKET IN THE SLOVAK REPUBLIC

The article is concentrated on the commercial insurance and commercial insurance market in the Slovak Republic. The Slovak commercial insurance market is well-developed. There were 21 commercial insurance companies, and they were all associated in the Association of Slovak Insurance Companies and they operated in the Slovak Republic until December 31, 2015. Development of insurance in the area of life insurance in recent years is more dynamic than in non-life insurance. The Slovak Republic is gradually closer to the European average on the insurance market, which is about 62 percent in favour of life insurance. Commercial insurers offer a wide variety of insurance products.

Keywords: *commercial insurance, commercial insurance market, insurance companies insurance indicators.*

1. Introduction

At present, our society is undergoing a period of important changes in both the social and economic fields. The Slovak insurance sector has gone through a period that has significantly affected its development by economic changes, mainly by the introduction of a market economy and the privatization of stateowned property. The development of the insurance market in Slovakia accelerated after 1990, when Slovenská poisťovňa lost its monopoly position. An important landmark in the insurance field was the adoption of the Act of the National Council of the SR No. 24/1991 Zb. on Insurance, as amended by subsequent legislation. Slovenská štátna poisťovňa was first turned into a stateowned company, and as of January 1, 1992 it became a jointstock company with the name Slovenská poisťovňa, a.s. In the process of demonopolization of the insurance business, other insurance companies, in the form of jointstock companies, were formed (Koooperativa, Otčina, Union, and so forth). Also, several foreign insurance companies obtained a license to operate on the territory of Slovakia, usually founding subsidiaries here.

The Act No. 24/1991 Zb. created conditions for the democratization of the insurance business, enabled the entry of foreign capital and thereby the formation of a competitive environment in the insurance market. In this Act, the supervision over insurance businesses has been established. The position of the authority supervising the insurance business has been delineated by the Act No. 25/1991 Zb.

Another legislative step was the adoption of the Act of the NC SR No. 306/1995 Zb., amending Act No. 24/1991 Zb. on Insurance Business. The transition from special insurance funds to reserves has been made thereunder. A solvency tool for insurance companies conforming to the standards in place in developed countries has been introduced. Another legislative step was Act No. 95/2002 Zb. on Insurance Business, Act No. 8/2008 Zb. on Insurance Business. and Act No. 39/2015 Zb. on Insurance Business.

2. The commercial Insurance market

The insurance market is a part of the financial market. Besides the insurance market, the financial market is comprised of the money market, capital market, foreign exchange market and market in precious metals. The division of the financial market into the five said segments is purposeoriented and historically limited. It needs to be mentioned that no sharp dividing line can be made between the respective financial market segments. These segments are interlinked by tools, entities, operations, ownership and the like.

The insurance market, being a segment of the financial market, is characterized by certain special features. It represents a system of different market tools and regulatory measures, which provide for the flow of funds and insurance services between insurance market participants in accordance with the principle of conditional recovery and nonequivalence.

The insurance market is the place at which supply and demand for insurance protection meet.

Insurance services, i.e. services of insurance protection, are specific goods sold on the insurance market. A need for insurance protection arises in each society due to the existence of different risks. Such risks have objective and subjective character and are divided accordingly.

The insurance sector, as one of the branches of the national economy, offers its respective goods (money services, i.e. insurance) on the insurance market. Insurance helps to resolve the main problems that may arise as a result of extraordinary and unexpected events. By this token, insurance performs the function of stabilizing the economic standard of business entities and the standard of living of private persons and has an irreplaceable part to play in the financial management of businesses and family budgets. The basis of insurance lies in the objective existence of risks that pose a danger to nature and any human activity. Humans should naturally strive to reduce the risks and the likelihood of losses caused thereby. Nevertheless, if we were to take the population of Slovakia, being the main market entity, as a whole, we would find out that insurance ranks the lowest in their personal consumption ladder. It needs to be mentioned that the proportion of life assurance to nonlife insurance is unsatisfactory in Slovakia compared to developed economies. As an example, this proportion in Japan is 78 to 22, in England it is 67 to 33 and in France 61 to 39 (CEA Number of companies, 2014). In Slovakia, the proportion of life assurance to nonlife insurance is 54 to 46.

Depending on the line of its business, an insurance company may carry out two different types of activities, namely those in the insurance market itself i.e. matching insurance supply and demand, and in the investment insurance market, being a part of the financial market i.e. investing free funds.

Business objects pursued by an insurance company in the insurance market proper consist of insurance, reinsurance and other associated activities.

The investment insurance market is based on the fact that insurance operates on the principle of raising reserves to eliminate the negative financial impacts of random events on the insured. Each insurance company must try to behave as a business entity and to invest temporarily free funds so as to make profit. The insured, in their role of indirect market participants, must believe that their insurance company will find the right spot in the financial market in which to place money.

3. The commercial insurance market in Slovakia

The insurance market in developed economies is populated by many insurance companies. Each of them gets involved in this market by offering different insurance products and is interested in covering the widest possible segment (insurance market coverage). Competitor insurance companies keep track of the size of the insurance market covered and try to gain as large a share in it as possible by offering new types of insurance products.

Numerous commercial insurance companies operate on the commercial insurance market in advanced economies. Each of them participates in this market with a different offer of insurance products and attempts to cover the largest possible space (insurance field).¹ As at 31 December 2015 as mentioned before, as many as twenty-one commercial insurance companies operated on the Slovak insurance market; all of them were associated in the Slovak Association of Insurers and recorded technical insurance premium indicators as shown in Table 1 (Table 1: The total of technical premium - technical insurance premium in non-life insurance and life insurance as at 31 December 2015 in thousand of euro).

The total of technical insurance premium for all insurance products in the year 2015 was 2,227 700 thousand euro. Table 1 entitled "Technical Premium in total in commercial insurance

¹ Note: Commercial insurance companies offer on the insurance market insurance products of life and non-life insurance. Non-life insurance products are more numerous, this is due to the fact that the number of risks of non-life character is higher in economic practice. These risks also include international risks.

companies as at 31 December 2015 in thousand €² shows also the succession of commercial insurance companies on the Slovak insurance market in the year 2015.

Table 1

Technical Premium in total in commercial insurance companies as at 31 December 2015 in thousand €³

Technical premium as at 31 December 2015 in thousand €			
No	Commercial Insurance company	Technical premium total for all insurance products	Technical premium in % for all insurance products
1	AEGON Life Insurance company	45 176	2,03%
2	Allianz – Slovenská Insurance company, a. s.	589 234	26,45%
3	AXA Life Insurance company, branch of an insurance company in another member state	56 199	2,52%
4	AXA Insurance company branch of an insurance company in another member state	10 640	0,48%
5	BASLER Lebensversicherung – AG branch of an insurance company in another member state	4 506	0,20%
6	ČSOB insurance company, a. s.	81 535	3,66%
7	D.A.S. Rechtsschutz AG, branch of an insurance company in another member state	2 848	0,13%
8	ERGO Insurance company, a.s.	44 106	1,98%
9	Generali Slovakia Insurance company, a. s.	194 270	8,72%
10	Groupama Garancia Insurance company,a.s., branch of an insurance company in another member state	5 093	0,23%
11	ING Life Insurance company, a. s.	75 560	3,39%
12	KOMUNÁLNA Insurance company, a. s. VIG	181 110	8,13%
13	KOOPERATIVA Insurance company, a. s., VIG	456 066	20,47%
14	MetLife insurance company, a.s.	121 485	5,45%
15	Cardif Slovakia, Insurance company a.s.	24 426	1,10%
16	Insurance company of the Poštová Banka, a. s.	86 804	3,90%
17	Insurance company of the Slovenská Sporiteľňa, a. s., VIG	16 905	0,76%
18	QBE Insurance (Europe) Limited,	16 905	0,76%
19	UNION insurance company, a. s.	44 889	2,02%
20	UNIQA insurance company, a. s.	115 109	5,17%
21	Wüstenrot insurance company	59 901	2,69%
22	Slovak Insurers Office	8	0,00%
	Total	2 227 700	100,00%

Source: www.slaspo.sk

The primacy in non-life and life insurance on the Slovak insurance market was held by Allianz – Slovenská Poist'ovňa, a. s., with 26,45%, which accounted for 589,234 thousand euro. The second place was occupied by KOOPERATÍVA insurance company, a.s., VIG in non-life and life insurance with 20.47%, which accounted for 456 066 thousand euros, and the third place in

² Source: www.slaspo.sk

³ Source: www.slaspo.sk

non-life and life insurance by Generali Slovensko, insurance company, a.s. with 8.72%, which is equal to 194, 270 thousand euro.

Insurance products designed for insuring international risks belong in the area of non-life insurance. The insurance company Allianz – Slovenská Poist'ovňa, a. s. has the widest offer of insurance products designed for the insurance of international risks. In the year 2015 the commercial insurance company Allianz – Slovenská Poist'ovňa, a.s. achieved primacy in the total technical insurance premium for all the insurance products, which amounted to 586,308 thousand euro and reached 26.88% share of the total commercial insurance market.

The most important insurance products in the area of international risks offered by commercial insurance companies on the commercial insurance market are: transportation insurance (insurance of international transportation of consignments), insurance of investment unit (building and assembly insurance), insurance of exhibitions and fairs, product liability insurance, insurance of international road carrier, motor hull insurance for travel abroad, aircraft operation insurance and special risks insurance. Special risks include mainly: insurance of equipment of nuclear industry and of allied perils, export credit insurance, insurance of caution money, insurance of early delivery of goods to a foreign buyer, and insurance of shipping charges.

Another group, which we classify in the area of international risks relate to insurance of persons, namely: insurance of tourist risks, tourism insurance, insurance of medical expenses incurred abroad and the like.

4. Conclusions

The total of technical insurance premium for all insurance products in the year 2015 was 2,227 700 thousand euro. Table 1 entitled “Technical Premium in total in commercial insurance companies as at 31 December 2014 in thousand €⁴” shows also the succession of commercial insurance companies on the Slovak insurance market in the year 2015. The primacy in non-life and life insurance on the Slovak insurance market was held by Allianz – Slovenská Poist'ovňa, a. s., with 26.45%, which accounted for 589,234 thousand euro.

Acknowledgments

This paper was created on the basis of the financial support of the grant project VEGA V-16-087-00 Ministry of Education of the Slovak Republic.

References:

1. Baranoff, E.: Risk Management and Insurance. Hoboken: Wiley, 2004. 259 pp.
2. Drugdová, B.: Insurance non life risks, Bratislava: ŠEVT, 2016, 180 pp.
3. Dorfman, M.S.: Introduction to Insurance. Prentice-Hall, Inc., NY, U.S. 1987, 205 pp.
4. Greene, H.: Risk and insurance, The University of Georgia, Cincinnati, Ohio, 213, 239pp [5] Rejda, G. E.: Principles of Risk Management and Insurance. 8th ed. Munich: Addison Wesley, 2003, 198 pp.
5. www.slaspo.sk
6. www.cap.cz.
7. www.nbs.sk
8. www.cea.org.assur.

⁴ Source: www.slaspo.sk