

6 Mission, vision, strategic focus and goals

2018

2018 goals exceeded.

6.1 Mission and vision²²

We are working to become a recognised provider of comprehensive insurance and reinsurance services in our target markets, to establish a climate of trust and loyalty among stakeholders, to become recognised as a company that communicates transparently and fairly, to meet the expectations of our shareholders and achieve an adequate return on equity, to raise the awareness about the organisation’s values and to integrate them into fundamental business policies and people’s behaviour.

Through a positive climate, good business culture, continuous training and investments in employees, we contribute to a continuous development of insurance and ancillary products and to more optimal business processes. We are developing a Group-specific corporate culture that will be reflected in the quality of services and in the loyalty of the employees to their company and the Group.

By definition, insurance is the provision of economic security through the spreading of economic risks, which is why the industry is tightly intertwined with the economy at large. Within this system, Sava Re has a responsibility to support activities that contribute to improving the social environment. Sustainable development is an area to which the Company is increasingly committed. Special attention is given to the exchange of knowledge, ongoing training of employees and external stakeholders and the utilization of synergies among Sava Re Group companies. The social responsibility demonstrated by the Company reflects the values on which we intend to focus more in the future.

²² GRI 102-16

Our mission

Through commitment and constant progress, we ensure security and quality of life.

Our vision

We are creating a modern, digital, people-focused and sustainable insurance Group.

What we are like

We grow relationships with our colleagues in a responsible, frank and respectful manner.

We exceed client expectations with our ongoing efforts to make improvements and strengthen relationships.

We are active in relation to the environment (owners, social environment).

6.2 Goals achieved in 2018²³

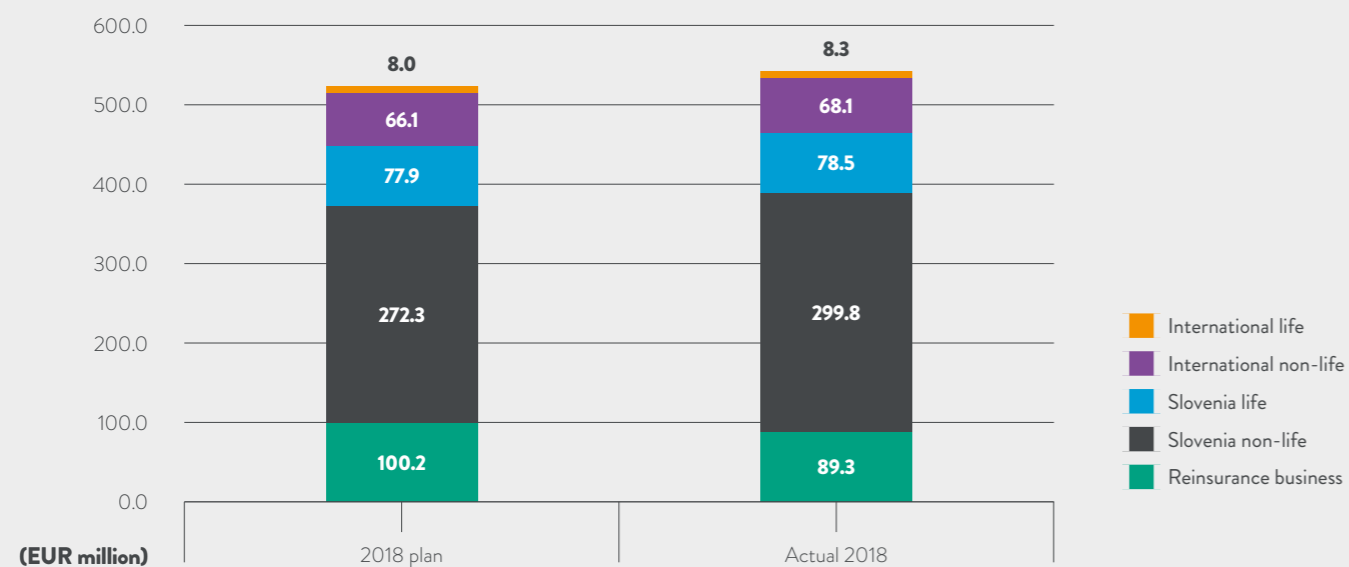
The Sava Re Group achieved the following targets in 2018:

(EUR million)	2018 plan	Actual 2018	Index / deviation in p.p.
Gross written premiums	> 520.0	546.3	105.1
Growth in premiums	2.8%	5.6%	2.8 p.p.
Net expense ratio	31.4–31.7%	33.1%	1.4 p.p.
Net incurred loss ratio, excluding the effect of exchange differences	59.4–59.9%	57.0%	-2.9 p.p.
Net combined ratio, excluding the effect of exchange differences	94.0–94.5%	92.9%	-1.6 p.p.
Profit, net of tax	37.0–39.0	43.0	116.2
Investment return, excluding the effect of exchange differences	1.7%	1.7%	0.0 p.p.
Return on equity	> 11.0%	13.1%	2.1 p.p.

* The net incurred loss ratio and the net combined ratio are given for the reinsurance and non-life insurance operating segments.
 ** The net expenses ratio is given for the reinsurance, non-life insurance and life operating segments.

In 2018 the Sava Re Group exceeded its target gross premiums written, primarily as a result of the high premium growth achieved by the Slovenian Zavarovalnica Sava. While the expense ratio was only slightly higher than planned, the net incurred loss ratio and the combined ratio were both poorer than planned. The Group's expense ratio increased as a result of a higher expense ratio in the reinsurance segment (lower premiums and higher commission rates aggravated by the current soft reinsurance market) and the acquisitions of companies underway. The incurred loss ratio and the combined ratio are lower thanks to a low incidence of large losses. The investment return did not deviate from the planned one. The return on equity of 13.1% exceeded the target figure. All major metrics remained within the ranges set in the Group's strategic plan

Realisation of planned consolidated gross premiums written



²³ GRI 103-1, 103-2, 103-3

6.3 Sava Re Group strategy highlights

The Sava Re Group defines its strategy in terms of four pillars:



Key guidelines set out in the strategy:

- digitalisation and technological modernisation of operations to place the client in the centre;
- growth through acquisitions;
- seeking opportunities in environmentally/sustainability-oriented investment projects;
- closing the gap between intrinsic value and market price of shares.

Long-term strategic targets:

- The long-term objective is to achieve, at the Group level and in terms of a 3-year average, a return on equity (ROE) that is at least equal to the cost of capital. The internally-calculated cost of equity of the Sava Re Group with regard to its composition is 10.4% (+/- 0.5 p.p.).
- In the period 2017–2019, the solvency ratio at the Group level will be in the range of 170% and 230% (between the lower end of the optimum/target range and the upper end of suboptimal capital).
- Non-life business of the Group will achieve a three-year average combined ratio of not more than 95%, while reinsurance²⁴ will achieve a combined ratio of not more than 93%.
- As regards life insurance business, the profitability of new policies written by Zavarovalnica Sava and insurers outside Slovenia will be at least 5% and 2.5%, respectively (ratio of the value of new policies to the present value of expected premiums of such new policies).

Strategic directions by operating segment**Non-life insurance business in Slovenia:**

- strengthening the position of the combined insurer in the market;
- improving the results of the non-life insurance segment other than motor insurance;
- taking advantage of segment cost synergies.

Life insurance in Slovenia:

- strengthening the position of the combined insurer in the market;
- maintaining premium volumes and particularly profitability of life business;
- taking advantage of segment cost synergies.

Health insurance in Slovenia:

- boosting health insurance product sales in Zavarovalnica Sava; gradual roll-out to companies outside Slovenia.

Pension business:

- growth above market growth rates;
- utilisation of synergies in the Group;
- active approach to the marketing and promotion of increasing individuals' contributions to pension funds.

Reinsurance operations:

- growth in international reinsurance markets;
- maintaining a high-quality reinsurance portfolio;
- good geographic diversification.

Bancassurance:

- streamlining processes in existing banking partners, developing new products and forming new partnerships.

Assistance services:

- development of own assistance services in Slovenia and roll-out of assistance services to other Group companies;
- expansion of assistance services to include health and home assistance.

Non-Slovenian operations:

- making use of established platforms (in terms of processes and products) to increase growth in gross premiums written;
- improving the expense ratios;
- seeking opportunities through investments in vehicle inspection;
- strengthening companies' brand recognition;
- increasing the productivity of the sales network and focus on premium and recourse collection;
- utilising synergies in Group subsidiaries in individual markets;
- development and focus both on selling products with a higher risk component and on more affordable products (life policies);

²⁴ When calculating the combined ratio based on the planning financial statements for Sava Re, it is necessary to exclude part of the expenses relating to the administration of the Group that are not related to reinsurance business.

6.4 Plans of the Sava Re Group for 2019

Key targets for 2019

(EUR million)	2017	2018	2019 plan	Index/difference in p.p. P2019/18
Sava Re Group				
All income, other than from investments	492.4	540.5	> 535	99.0
Profit or loss, net of tax	31.1	43.0	at least 43.0	100.0
Return on equity	10.1%	13.1%	> 12%	-1.1 p.p.
Investment return, excluding the effect of exchange differences	2.0%	1.7%	1.7%	0.0 p.p.
(Re)insurance part				
Gross premiums written	517.2	546.3	> 555	101.6
Net premiums earned	470.9	504.7	> 515	102.0
Net expense ratio (reins. + non-life + life)	32.6%	33.1%	32.4-33.0%	-0.1 p.p.
Net incurred loss ratio, excluding the effect of exchange differences (reins. + non-life)	60.5%	57.0%	59.2-59.7%	2.7 p.p.
Net combined ratio, excluding the effect of exchange differences (reins. + non-life)	95.6%	92.9%	93.6-94.1%	1.2 p.p.

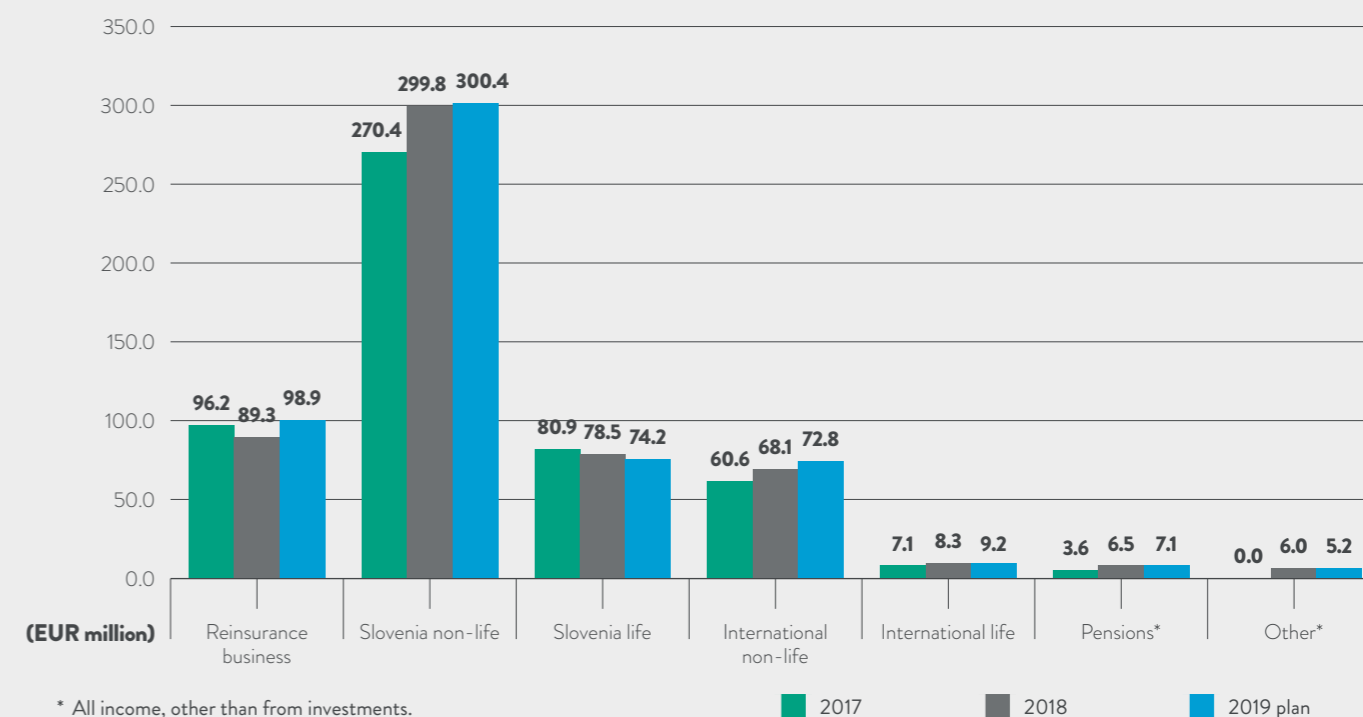
Insurance business

Client focus, digitisation of operations, development of innovative services and insurance products, assistance services in connection with insurance products, preparing for implementation of IFRSs 9 and 17.

Reinsurance business

Planned growth in new markets, partly as a result of writing more business following the improved credit rating in 2018, and preparing for implementation of IFRSs 9 and 17.

Target gross premiums written of insurance companies and income of non-insurance companies (Sava Re Group)



Pensions

Active approach to the marketing and promotion of increasing individuals' contributions to pension funds.

Ancillary services

Development of the assistance segment in Slovenia as well as in other markets; health and home assistance in addition to motor assistance.

Capital growth and utilisation

Exploring new growth opportunities (in line with the strategy) in insurance markets and ancillary business viewed by clients as additional services.