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CONTACTS: Andrea Porta
Financial Analyst
+31 20 808 1700
andrea.porta@ambest.com

Dr. Angela Yeo
Senior Director, Analytics
+31 20 808 1712
angela.yeo@ambest.com

Christopher Sharkey
Associate Director, Public Relations
+1 908 882 2310
christopher.sharkey@ambest.com

Al Slavin
Senior Public Relations Specialist
+1 908 882 2318
al.slavin@ambest.com

AM Best Affirms Credit Ratings of Zavarovalnica Triglav d.d. and Pozavarovalnica Triglav Re, d.d.

AMSTERDAM, 3 October 2024—AM Best has affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Ratings of “a” (Excellent) of Zavarovalnica Triglav d.d. (Triglav), the operating holding company of the Triglav group and Pozavarovalnica Triglav Re, d.d. (Triglav Re), a wholly owned subsidiary of Triglav. Both companies are domiciled in Slovenia. The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect Triglav’s balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management (ERM). The ratings of Triglav Re factor in its strategic importance to Triglav, together with its strong integration into the group.

Triglav’s very strong balance sheet strength assessment is underpinned by its risk-adjusted capitalisation at the strongest level, as measured by Best’s Capital Adequacy Ratio (BCAR). The assessment also considers the group’s good financial flexibility, with proven access to equity and debt markets. Financial leverage and interest coverage are well within AM Best’s tolerances. Historically, a partially offsetting balance sheet strength factor has been the high average guarantees embedded within the group’s life portfolio compared with peers; however, this average has been reducing in recent years, as the sale of products with guarantees was discontinued in 2019, while the company’s investment yield has been increasing, driven by the rise in interest rates.

In 2023, Triglav’s profitability was negatively impacted by both Nat CAT events in the third quarter and

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the government-imposed price cap on supplementary health insurance. This resulted in a combined ratio of 102.6% based on IFRS 17, which compares to a five-year (2018-2022) weighted average combined ratio of 93.6% that was based on IFRS 4 (as calculated by AM Best). Return on equity (ROE) was 1.8% based on IFRS 17 (as calculated by AM Best), materially lower than the five-year (2018-2022) weighted average ROE of 11.3% based on IFRS 4 (as calculated by AM Best). The profitability of Triglav's international operations in the West Balkans remains modest mainly due to intense competitive conditions and high operating costs. Nonetheless, the group continues to demonstrate improvements in earnings derived from this region, as it grows and actively seeks alternative, lower cost distribution channels.

For the first half of 2024, the group reported a strong profit before tax of EUR 89.5 million and a combined ratio of 90.6%. AM Best expects full-year results to be in line with Triglav's historical track record of strong operating performance, benefiting from excellent non-life profitability, organically supported by life, reinsurance and asset management businesses.

Triglav benefits from its leading position in its domestic market, with a 40% market share, in terms of gross written premium (GWP), in 2023. The group is also a dominant player in the Adria region, with approximately 22% market share. Triglav writes a well-diversified portfolio by product and geography. While the discontinuation of the supplementary health insurance will result in a slight slowdown in GWP growth in 2024, AM Best does not expect this to impact Triglav's dominant market position.

AM Best considers Triglav's ERM to be developed and appropriate for the company's risk profile and operational scope.

This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit

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