

General meeting of shareholders of Sava Re d.d.

Shareholder questions

Shareholder question:

Sava Re is a successful business making high profits, which is reflected in its growing dividends. Nevertheless, dividends were not paid out in 2020. Can shareholders receive dividends retroactively (i.e. for the financial year 2019)?

Management board answer:

Because dividends were not paid out in the previous year, these funds were added to distributable profits of the Company. Theoretically, the Company could pay a higher dividend (which would also include the dividend for the past financial year); however, this is not possible this year because of regulatory restrictions.

Shareholder question:

Has the Management Board considered doing anything special or specific with all or part of the unpaid dividend? Charitable donation? Scholarship? Training scheme? Specific investment?

Management board answer:

The part of the distributable profit that was not paid out as dividends in 2020 remains unallocated and, in the next year, is automatically transferred to the distributable profit, the appropriation of which is exclusively decided on by the general meeting. In the meantime, these assets are invested by the Company in line with its investment policy.

Shareholder question:

How well is the Management Board controlling the FoS business? I understand that this is mainly written under MGA arrangements, meaning that Sava are 'giving their pen away;' one principal rule of underwriting was not to trust others with one's own capital.

Management board answer:

Zavarovalnica Sava writes FoS business in cooperation with various companies in the European Union. As the underwriter, it sets the terms and conditions under which it writes individual risks. The actual underwriting is then done by MGAs (managing general agents), but only within the conditions and limits acceptable to the underwriter, i.e. Zavarovalnica Sava and Sava Re, acting as reinsurer in some cases. The management board periodically monitors FoS business and decides on further steps based on the development of individual contracts.

Issue addressed by a shareholder: The combustion of fossil fuels continues to be the primary cause of disastrous climate change.

Shareholder question:

Does Sava Re plan to publish a climate change strategy and, if yes, by when? In particular, with regard to its approach to investments in coal, oil, gas and related industries, and insurance and reinsurance underwriting of existing and new coal, oil and gas risks?

Management board answer:

The Company is preparing an ESG policy for its investment operating segment. The policy, which will be aligned with the Regulation on Sustainability-Related Disclosure in the Financial Services Sector (SFDR Regulation) and will include an exclusion list, is scheduled to be published by the end of June 2021.

Shareholder question:

What percentage of the group investment portfolio as of 31 December 2020 was constituted by investments in coal companies (more than 20% of revenues from thermal coal) and/or electricity derived from thermal coal (as defined by Global Coal Exit List)?

Management board answer:

Sava Re is currently selecting a data provider, which will allow us to include ESG criteria into the investment process. The first SFDR-aligned report will be publicly released in 2022.

Shareholder question:

What percentage of gross premiums in 2020 was generated from facultative reinsurance of the construction of coal mines and/or coal power plants or coal-related infrastructure?

Management board answer:

In 2020, Sava Re did not underwrite any facultative reinsurance in respect of construction projects related to the mentioned insurance covers.

Shareholder question:

What percentage of non-life gross premiums written was derived from contracts with clients defined as coal companies under the Global Coal Exit List?

Management board answer:

As regards direct insurance premiums, the premiums written on contracts with clients defined as coal companies in 2020 totalled about EUR 0.4 million, or 0.1% of the total non-life premiums of the Sava Insurance Group.

The percentage of Sava Re non-Group reinsurance premiums indirectly related to the coal sector was 0.15% of total non-Group reinsurance premiums.

Shareholder question:

What percentage of gross facultative reinsurance premiums in 2020 was generated by contracts with oil and gas sector clients?

Management board answer:

The share of premiums relating to contracts with oil and gas sector clients written by Sava Re as part of its non-Group facultative reinsurance portfolio represented about 0.3% of the total non-Group and Group reinsurance premiums.

Shareholder question:

- What tools does Sava Re management use to minimise the transition risk understood as loosing value by businesses dependent on fossil fuels? Are there any steps taken to mitigate this risk?
- By when does Sava Re plan to publish clear exclusion criteria guiding direct investments (new coal mines, plants, infrastructure) into the coal sector?
- By when does Sava Re plan to publish a policy with a detailed plan for gradually phasing out insurance and reinsurance underwriting of coal in line with the requirements of the Paris Climate Agreement and Net Zero by 2050?
- What is the Sava Re approach to insurance and reinsurance underwriting of new oil and gas projects?
- By when does Sava Re plan to publish a roadmap for the total elimination of coal risk from its underwriting portfolio?

Management board answer:

At Sava Re, we are concerned about the accelerated global warming and the associated impacts. We follow, with all due care, global efforts to improve climate conditions.

As regards the reinsurance segment, we are well aware at Sava Re that changes are not possible overnight, as due to objective circumstances and the very nature of the reinsurance business (portfolio assumptions) a certain transitional period will be necessary to adapt.

Currently, Sava Re reinsurance underwriting guidelines contain conditional restrictions regarding the underwriting of property business relating to underground risks or mines. We have already started declining such risks in our day-to-day facultative reinsurance underwriting. The outline for our new underwriting guidelines for facultative reinsurance business classifies mining activities (underground mining) under excluded activities.

Regarding the investment segment, Sava Re is currently preparing a policy to implement the Sustainable Finance Disclosure Regulation. The first milestone in this project is setting up the controlling of investment portfolio data, which will allow us to assess the status of the portfolio and to make both a timeline and further commitments to channel funds into investments that take into account environmental, social and corporate criteria.

We will put an even greater focus on our climate commitments when preparing the strategic plan of the Sava Insurance Group for 2023–2027.