

10 Risk management

We present the risk and capital management systems and the significant risks to which the Sava Insurance Group is exposed. Qualitative and quantitative treatment of risk exposures is presented in section C.3.6 “Risk management”. These areas will also be presented in more detail in the Solvency and Financial Condition Report of Sava Re as at 31 December 2025, which will be posted on Sava Re’s website on 3 April 2026, and the Solvency and Financial Condition Report of the Sava Insurance Group as at 31 December 2025, which will be posted on the Sava Re website on 20 May 2026.

10.1 Risk management system

The Sava Insurance Group’s management is aware that risk management is key to achieving operational and strategic goals and to ensuring the long-term solvency of the Group. For this reason, we are continuously improving our risk management system at both the company and the Group level.

The risk management system is based on the requirements of the Solvency II legislation, but we also take into account the regulatory specificities of non-insurance companies and adapt the risk management system of these companies accordingly, depending on the business activities of each company, the scope of these activities and the risks to which each company is exposed. Best practices from Sava Re’s risk management model and the risk management organisation are also transferred to other Group companies.

The Sava Insurance Group has a risk strategy that defines the Group’s risk appetite and policies covering the overall risk management framework, its own risk and solvency assessments and risk management for each risk category.

We have integrated risk management into all phases of business management. It consists of the following key elements:

- the risk strategy,
- risk management processes as part of the first and second lines of defence,
- the own risk and solvency assessment (ORSA) process.

As part of our systematic approach to risk management, we focus on:

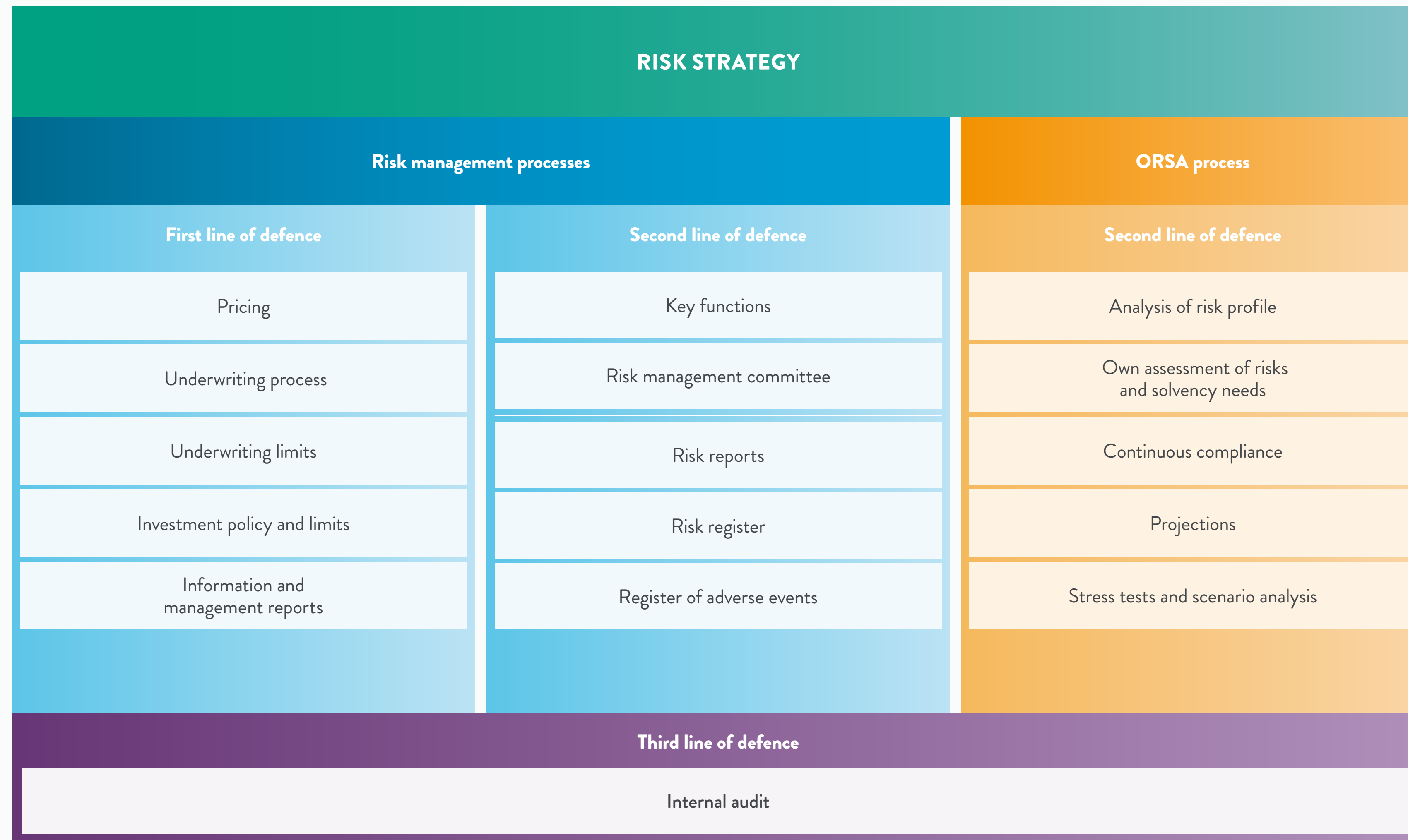
- establishing a clearly expressed risk appetite within the framework of the risk strategy and, on this basis, setting operational limits,
- developing our own risk assessment models and improving ORSA,
- integrating ORSA and the risk strategy into business planning and strategy setting,
- integrating risk management processes into business processes,
- systematically improving the internal control environment, adapting processes to new activities and monitoring the occurrence of adverse events,
- establishing appropriate risk management standards in all Group companies, depending on the scope, nature and complexity of the business and the associated risks.



10.1.1 Organisation of risk management

The efficient functioning of the risk management system is primarily the responsibility of the Sava Re management board and the management board of each individual subsidiary. To ensure effective risk management, the Group uses a three-lines-of-defence model, which clearly segregates responsibilities and tasks among the lines of defence. The first line of defence consists of all organisational units with operational responsibilities. The second line of defence consists of three key functions and the risk management committee, if set up in the company. The third line of defence consists of the internal audit function.

The Group’s risk management system is presented in the following diagram.





The Group's risk management system has been set up on a top-down basis, taking into account the specific characteristics of each of the companies. The management board of each company plays a key role and bears ultimate responsibility for the effectiveness of the risk management processes in place and their alignment with the Group's standards and the applicable laws.

The supervisory board of each company also plays an important role by reviewing and approving all key risk-related documents. A risk committee has been set up within the supervisory board of the parent company to provide relevant expertise and support in the risk management process in the company and in the Group.

Under the second line of defence, the company and the Group have three key functions in place: the actuarial function, risk management function and compliance function. In addition, the Group's large members have a risk management committee in place. Each individual company ensures the independence of the key functions, which are organised as management support services and report directly to the management board.

The risk management function of each individual company is mainly responsible for setting up

effective risk management processes and for coordinating risk management processes already in place at the company or Group level. It is involved in identifying, assessing, monitoring, managing and reporting on risks. It is also involved in the preparation of the risk strategy and the setting of risk tolerance limits. The risk management function regularly monitors and reports on risks at all levels. It also provides decision-making support to the management board.

The main tasks of the actuarial function in the risk management system are to provide an opinion on the underwriting policy, to provide an opinion on the adequacy of reinsurance arrangements, and to independently verify and challenge the calculation of liabilities and assets from (re)insurance contracts, including the assumptions, methods and professional judgement used. The actuarial function of each company works in cooperation with the Group's actuarial function.

The main tasks of the compliance function in relation to the risk management system are the identification, management and reporting of non-compliance, including the monitoring of the legal environment, the analysis of existing processes in relation to their compliance with internal

and external regulations and any changes to regulations.

The third line of defence is provided by the internal audit function, which is set up to provide assurance and advice to management on how to add value and improve the efficiency and effectiveness of operations. Internal audit assists the Company in achieving its goals by systematically and methodically assessing the effectiveness and efficiency of the governance, risk management and internal control systems and making recommendations for their improvement. The internal audit function of the Company is performed by the internal audit department (IAD), which operates as an independent unit, organisationally directly subordinate to the management board and functionally and organisationally separate from other parts of the Company. It is organised in accordance with the Slovenian Insurance Act, which guarantees the autonomy and independence of its activities. It reports quarterly to the management board, audit committee and supervisory board on completed audit engagements, the effectiveness and efficiency of control systems, corporate governance, risk management, identified breaches and irregularities and the status of recommendations. It coordinates the work

of the external auditors, cooperates with the regulators and follows up on the recommendations of the internal and external auditors. It also provides consulting services in agreement with the management board, audit committee and supervisory board. Group Internal Audit has been set up across all companies of the Sava Insurance Group. The IAD ensures the continuous development and high quality of internal auditing, transferring its standards and best practices to the internal audit departments of its subsidiaries and providing them with the necessary professional assistance. It is also involved in internal audits of subsidiaries and performs IT audits for all companies. Internal auditing is technologically supported by software that supports the entire internal audit process at the level of the Sava Insurance Group.

In accordance with the Slovenian Insurance Act and under an outsourcing agreement, Sava Re d.d. performs the key function of internal audit for the companies Zavarovalnica Sava d.d., Vita, Življenjska Zavarovalnica, d.d., Sava Pokojninska Družba d.d. and Sava Infond, Družba za Upravljanje, d.o.o. for an indefinite period.

10.1.2 Risk and capital management strategies

The Group seeks to operate in compliance with its business strategy and meet its key strategic goals while maintaining an adequate capital level. The risk strategy is prepared in line and in parallel with the strategic plan. The Group has adopted the Sava Insurance Group Risk Strategy for 2023–2027, which defines the risk appetite by operating segment, a set of key indicators and their limits, and a set of operational indicators for ongoing monitoring. Each Group company sets its own risk strategy, risk tolerance limits and operational limits based on the Group's risk appetite.

The key indicators for monitoring and measuring compliance with risk appetite are:

- the solvency ratio,
- the profitability of the operating segments, including their acceptable level of volatility (tolerance),
- investment and liquidity indicators.

The Group manages its capital to ensure that each Group company has sufficient funds available, on an ongoing basis, to meet its obligations and regulatory capital requirements. The composition of eligible own funds held to ensure capital adequacy must comply with regulatory requirements.

The solvency ratio is the most important indicator of the risk strategy in relation to capital management. The Group's solvency requirement is designed to meet regulatory and rating agency requirements, while the Group must hold sufficient surplus capital to cover the potential capital needs of the subsidiaries should a stress scenario materialise for any of them.

10.1.3 Risk management processes

The main risk management processes are identifying, assessing (measuring) and monitoring risks, determining appropriate actions to manage them and reporting on them. Risk management processes are inherently connected with and incorporated into the basic processes conducted at both the company and the Group level. They take place in all three lines of defence of the risk management system and are integrated into the decision-making system so that all important business and strategic decisions are also evaluated from a risk perspective.

Risk identification

As part of the risk identification process, each Group company identifies the risks to which it is exposed. The key risks, which are compiled in each company's risk register and form the company's risk profile, are regularly reviewed, and new risks are added as necessary. Risk identification at the Group level is conducted in the same way. Risk identification in the individual Group companies and at the Group level is both a top-down and a bottom-up process. The top-down approach is mainly used for strategic risks, such as reputational risk and regulatory risk, and to identify emerging risks. Bottom-up risk identification takes place in individual organisational units and with risk owners (first line of defence).

Risk identification is essentially ongoing but is particularly important during business planning and for all major projects and business initiatives, such as new product launches, investments in a new asset class, acquisitions and others.

Risk assessment (measurement)

The Group has established a regular process for assessing (measuring) the risks to which each company or the Group is exposed. Risks are measured using both qualitative and quantitative methods, which are constantly being refined.

We use a variety of approaches and models to measure each risk. These vary according to the risk:

- the Solvency II standard formula,
- own risk and solvency assessment (ORSA),
- stress testing and scenario analysis,
- qualitative risk assessment in the risk register,
- various risk measures that facilitate the measurement and monitoring of the current risk profile.

Climate change risks are included in the risk register and periodically assessed alongside other risks. They are linked to the basic risk categories they affect (market, insurance, credit, strategic and operational risks) and are divided into transition and physical risks.

**Risk monitoring**

We monitor risks at several levels: in each organisational unit, the risk management department, the risk management committee and at the level of the management board, the risk committee of the supervisory board (in Sava Re) and the supervisory board of each Group company. In addition, the risk profile of each Group company is monitored at the Group level with regard to its impact on the Group's risk profile.

In order to monitor risks and compliance with the risk strategy on an ongoing basis, we have a core set of risk measures for each risk category in each Group company, which allows us to monitor the current risk profile and capital position of each company and the Group. Additionally, we monitor and control the measures taken to manage risk. Adverse events and the implementation of relevant corrective measures to prevent the recurrence of an individual event are also monitored.

Risk management

Risk management takes into account the cost-benefit aspect of each action and any recommendations made by the risk management committee and key functions. If there is a need to adopt a new measure to limit a specific risk, we analyse the measure in the company concerned and take cost effectiveness into account in our decisions.

Each Group company considers the impact of its business strategy on its risk profile and capital position as part of its business planning. When decisions are taken during the year that have a significant impact on the risk profile but were not assessed for risk in the business planning process, the company concerned assesses the impact of these decisions on its own and the Group's risk profile, checks compliance with its risk appetite and takes the necessary action.

Risk reporting

Regular risk reporting is in place in the larger Group companies and at the Group level. Risk owners report to the risk management function on specific risk categories, such as a predefined set of relevant risk measures and additional qualitative information. On this basis, the risk management function, in collaboration with the risk owners, prepares a risk report covering the overall risk profile of each company. The report is discussed at all levels and is shared with the Group's risk management function. Relevant risk information is also monitored at the Group level and reported in the Group's risk report.

10.1.4 Own risk and solvency assessment (ORSA)

ORSA is a process that runs in parallel with business planning. It aims to understand the risk profile and analyse the impact of changes in the risk profile over the next three years on capital adequacy. The analysis takes into account both the standard Solvency II formula and the own risk assessment and impact analysis of various stress tests and scenarios.

In ORSA, we assess all significant measurable and unmeasurable risks that could affect the performance of an individual Group company or the Group as a whole. Sustainability risks, in particular climate change risks, are also addressed and assessed as the Group and the Company recognise the importance of the impact of climate change on long-term business performance. Therefore, both qualitative and quantitative assessments of climate change risks are included in ORSA. In addition to climate change risks, we also address the risks of biodiversity loss.

ORSA is embedded in the decision-making process and ensures that key decisions and business strategy are made in light of the risks and associated capital requirements. The results of ORSA are used to review the alignment of the business strategy with the risk strategy. In this way, we have established a link between business strategy, the risks assumed, the capital requirements arising from them and capital management.

The Company's management board, the risk management committee and specialist staff from different areas are actively involved in the entire ORSA process.

10.2 Material risks of the Sava Insurance Group

In the Group and its individual companies, all identified risks fall into the following main risk categories: underwriting risks, financial risks (comprising market risk, liquidity risk, credit risk and the risk of failure to achieve guaranteed returns), operational risks and strategic risks.

In addition, the Group and its companies monitor emerging risks that may affect any of the above risk categories. As part of identifying these risks, we also identify and assess sustainability risks, which in the Sava Insurance Group mainly relate to market and underwriting risks. They are discussed in the strategic risks section of this report.

Details on individual risks are provided in section [C.3.6 “Risk management”](#), while sustainability risks are presented in detail in the sustainability report.

In the following, we describe each risk category and the risks within each category.

10.2.1 Underwriting risks

Underwriting risk arises from insurance transactions, the primary purpose of which is to assume risk from insureds (underwriting) and to perform (re)insurance contracts and transactions that are directly related to (re)insurance transactions. It relates to the risks covered under (re)insurance contracts and related processes and arises from uncertainty as to the occurrence, extent and timing of obligations.

In addition to the risks assumed directly by the Group's direct insurers, Sava Re assumes underwriting risk from cedants outside the Group (accepted reinsurance). Sava Re retains a portion of the assumed risks (Group and non-Group) and retrocedes the portion that exceeds its own capacity.

Underwriting risks are broadly divided into non-life underwriting risks, life underwriting risks and health underwriting risks (which include accident (re)insurance). The Group and Sava Re are exposed to all three categories of risks.

10.2.1.1 Non-life underwriting risks

Non-life underwriting risks are further subdivided into premium risk, risk of insufficient liabilities and assets from (re)insurance contracts, lapse risk and catastrophe risk.

Premium risk: this is the risk that premiums written are insufficient to meet the obligations arising from (re)insurance contracts. This risk depends on many factors, such as inadequate assessment of market developments, inadequate assessment of claims development, use of inadequate statistics, deliberately insufficient premiums for certain classes of business that are expected to be offset by other classes of business, or inadequate assessment of external macroeconomic factors that may change significantly during the term of a contract; in certain classes of business, there is also inadequate assessment of environmental factors, including climate change. Premium risk includes underwriting process risk, price risk and the risk of unexpected increase in claims.

Given the Group's portfolio structure, the largest contributors to premium risk include motor vehicle and property (re)insurance (fire and other damage to property, including related business interruption insurance).

The Group seeks to mitigate underwriting process risk by restricting authorisations for mass underwriting, providing additional training to underwriters and agents, by providing understandable, clear and detailed instructions, and setting appropriate underwriting limits that are consistent with the business strategy, the risk strategy and the reinsurance programme. We also pay particular attention to offering products to appropriate target clients (to avoid mis-selling and adverse selection), accepting reinsurance from trusted cedants, and ensuring that appropriate limits are in place for exposure concentrations by geographic location and homogeneous risk groups, thereby maintaining favourable risk diversification.

Risk of insufficient liabilities and assets from (re)insurance contracts: this is the risk that the liabilities and assets from (re)insurance contracts are either (i) insufficient to meet the obligations arising from (re)insurance contracts due to inadequate methods, inappropriate, incomplete and inaccurate data, inefficient procedures and controls or inadequate expert judgement, or (ii) misstated, resulting in unreliable information about the financial position of the company or the Group. This includes the risk of data availability and accuracy, the risk of using inappropriate methods or assumptions, the risk of calculation errors, and the risk that the complexity of the tools used in the process may lead to misleading results. Sustainability risks, including those related to climate change, are also considered when assessing the adequacy of provisions.

As with premium risk, the majority of the risk of insufficient liabilities and assets from (re)insurance contracts arises from the motor and property business, where liabilities and assets from (re) insurance contracts are structurally the largest due to the Group's traditional focus on such business.

The Group manages the risk of insufficient liabilities and assets from (re)insurance contracts through robust processes and effective controls for their calculation under both IFRS and Solvency II regulations. In addition, each year we back-test the adequacy of the (re)insurance contract liabilities and assets established in previous years, which is used to identify any major causes of inadequate (re)insurance contract liabilities and to apply the lessons learned to the setting of these liabilities in the future.

Lapse risk: this is the risk of loss or adverse change in the value of insurance contract liabilities resulting from changes in the level or volatility of lapse rates. The Group and Sava Re are not materially exposed to this type of risk. This risk is mitigated primarily by maintaining good relationships with policyholders and cedants and by closely monitoring market conditions.

Catastrophe risk: this is the risk of a catastrophic event occurring; such events are rare, but their financial impact is too great to be covered by otherwise adequate premiums and provisions alone. Catastrophe risk may materialise in the case of extreme events or a large number of

catastrophic events over a short period. The risk also includes an excessive geographical accumulation of risk. The Group's portfolio is relatively well diversified geographically, with a slightly higher concentration of risks in Slovenia, which is further addressed through the reinsurance programme. This risk is managed by means of a well-designed underwriting process, by controlling risk concentration for products covering larger properties against natural catastrophes and fire, by geographical diversification, and by adequate retrocession protection against natural and man-made catastrophes.

Sustainability and climate change risks are also important in non-life insurance and have recently gained in importance and attention at both the Group and Company level. We carry out qualitative assessments, exposure analyses and longer-term scenario analyses, and we monitor the progress of their modelling. The knowledge gained in this area is then applied to underwriting, setting insurance premiums, determining liabilities and assets from (re)insurance contracts and arranging sufficient reinsurance protection to keep risks within the risk appetite.

Other underwriting risks, such as economic environment risk and policyholder behaviour risk, may be relevant, but their impact is already indirectly reflected in the non-life underwriting risk above.

10.2.1.2 Life underwriting risks

We divide life underwriting risks into biometric risks, life expenses risk and life lapse risk.

Biometric risks: among these, mortality risk, which is the most significant risk for the Group, is the risk that the actual mortality of insured persons will turn out to be higher than that projected in the mortality tables used for premium pricing. It depends on the use of relevant statistics and the identification of insured persons whose health or lifestyle may increase their mortality risk. The procedures used to manage this risk include the consistent application of underwriting protocols, detailing deviations from the normal mortality risk, regular monitoring of exposures and the adequacy of the mortality tables used, and appropriate reinsurance protection.

Life expense risk: this is the risk that the actual cost of servicing life insurance contracts will be higher than that assumed in pricing. The level of risk depends on the use of appropriate statistics and an increase in the actual cost of servicing life insurance contracts. The Group manages the life insurance expense risk by periodically monitoring the expenses incurred in servicing life insurance contracts, monitoring the macroeconomic situation (e.g., inflation) and appropriately planning these expenses for the coming years.

Life lapse risk: this is the risk of a (low or high) increase in lapse rates (rate of early contract termination) due to surrenders, conversions to paid-up status or premium default. The level of risk depends on the use of appropriate statistics, the identification of lapses for various reasons in an underwriting year and the economic situation, which may also affect policyholder behaviour. The level of risk also depends on the competitive insurance products available in the market and the advice provided by insurance intermediaries and financial advisers. The Group manages this risk

mainly by monitoring the number and percentage of policy lapses on a quarterly basis, by restricting surrenders where insurer approval is required and by systematically preventing insurance rearrangements by intermediaries.

Sustainability and climate change risks are also increasingly important in life insurance. They have become more relevant in recent years and can affect life insurance in a number of ways, including an increase in cancellations and surrenders, an increase in biometric risks (especially mortality and morbidity) and other impacts. We therefore take sustainability and climate change factors into account, among others, when setting insurance premiums and making assumptions for the calculation of liabilities and assets from (re)insurance contracts.

Life insurance risks also include other biometric risks (longevity risk and disability and morbidity risk), revision risk and life-catastrophe risk. These risks are minor for the Group and are therefore not discussed in detail.

10.2.1.3 Health underwriting risk

Health underwriting risks are divided into risks arising from health insurance pursued on a similar technical basis to non-life insurance (NSLT health insurance) and health insurance pursued on a similar technical basis to life insurance (SLT health insurance).

The Group manages NSLT-health underwriting risks using techniques similar to those used in non-life insurance, namely prudent underwriting, control of risk concentrations in accident and health products and appropriate reinsurance protection. SLT health insurance is very similar to life insurance; therefore, the Group manages the risks arising from SLT health insurance using similar techniques as for life insurance.

10.2.2 Financial risks

In their financial operations, individual Group companies are exposed to financial risks arising from their investment and underwriting portfolios relating to market, liquidity, credit risk and the risk of failure to realise guaranteed returns on the life insurance business. Sustainability risks are also important, especially those related to climate change, which can indirectly affect interest rates, credit spreads, property values and more.

10.2.2.1 Market risk

As part of the management of market risk, the Group assesses interest rate risk, investment property risk, equity risk and currency risk.

Interest rate risk: this is the risk that the Group or a company will be exposed to losses resulting from fluctuations in interest rates. When interest rates change, the risk may materialise as a result of a decrease in the value of investments or an increase in liabilities. We try to avoid this by carrying out sensitivity analyses and by matching assets and liabilities, i.e., cash-flow matching.



Investment property risk: this is the risk of a change in the fair value of investment property owned directly or indirectly by the Group or a company. In addition to investment property, real-estate funds are also exposed to this risk.

Equity price risk: this is the risk that the value of investments will decrease due to fluctuations in equity markets. Shares, as well as equity and mixed mutual funds, are exposed to this risk. The Group manages the equity risk by diversifying this part of the investment portfolio across different capital markets and through a limit system that limits overexposure to the equity portfolio.

Currency risk: this is the risk that changes in exchange rates will reduce the value of assets denominated in foreign currencies or increase the value of liabilities denominated in foreign currencies. The Group manages currency risk through the efforts of each company to optimise asset-liability currency matching.

10.2.2.2 Liquidity risk

This is the risk that, owing to unexpected or unexpectedly high obligations, a company will not be able to meet all its financial obligations. The liquidity risk assumed by each Group company is monitored by regularly measuring and monitoring

defined liquidity indicators. One of the indicators is the maturity matching of financial assets and liabilities. Liquidity requirements are met by allocating funds to money market instruments in a percentage consistent with the estimated normal current liquidity requirement. We ensure that we have the funds to cover the estimated liquidity buffer of the EU companies by investing at least 20% of portfolio investments in highly liquid assets.

10.2.2.3 Credit risk

This is the risk that an issuer of securities or other counterparty will default on its obligations. In the context of credit risk, each company and the Group address the excessive concentration of risk in a particular region, industry or issuer. Assets exposed to credit risk include financial investments (deposits, bonds, loans granted, bond and convertible mutual funds, and cash and cash equivalents) and other receivables.

10.2.2.4 Risk of failure to realise guaranteed returns

The Group is exposed to the risk of failing to achieve the guaranteed return, specifically with investment contracts and with traditional and unit-linked life insurance business.

10.2.3 Operational risks

This is the risk of loss arising from inadequate or failed internal processes, human behaviour, systems or external events. To manage operational risks effectively, the Group companies have processes in place to identify, measure, monitor, manage and report on such risks.

10.2.4 Strategic risks

The Group companies and the Group are exposed to various internal and external strategic risks that may have a negative impact on earnings or capital adequacy. Strategic risks also include reputational, project and sustainability risks as well as emerging risks. To prevent these risks from materialising, the Group companies mainly carry out preventive activities and have processes in place to identify, measure, monitor, manage and report on strategic risks to ensure that they are managed effectively.

We also manage strategic risks by continuously monitoring the achievement of short- and long-term goals of the Group companies and the Group, as well as by monitoring upcoming regulatory changes and market developments.

