INSURANCE SYSTEM IN SLOVAKIA

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What is insurance?

Insurance is the transfer of risk from the insured to the insurance company against payment. The negative consequences of the risk of a future adverse situation are transferred to the insurance company which, under the terms of the insurance contract, covers the losses or damages either wholly or partially. Insurance is a specific type of service that is sold on the market and the buyer must pay price called insurance premium.

The basic principles of insurance are:

Solidarity - the insured together create insurance reserves by paying premiums (funds that are intended to cover compensation for all persons facing the risk or damage).

Conditional return - the insurance compensation (claim) is provided to the insured only in the case of an insured event appears, which was in advance agreed in the insurance contract and in the general insurance conditions.

Non-equivalence - insurance compensation does not depend on the amount of premiums paid.

Basic types of insurance in Slovakia

There are three basic types of insurance:

1. **Healthcare insurance**
2. **Social insurance**
3. **Commercial insurance**

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Healthcare insurance is compulsory insurance and is also called public health insurance. Public health insurance arises by birth of every person with permanent residence in Slovakia. Every citizen can choose a health insurance company out of currently three in the Slovak Republic. The health insurance for children, students and pensioners is paid by the state. Employed working citizens and employers pay

14% of the salary, which in the case of a salary of 1000EUR gross represents 140EUR per month. This money is used to cover basic health care in Slovakia.

Social insurance

The social insurance system is provided by the Social Insurance Agency. In accordance with the Social Insurance Act, the Social Insurance Agency provides five types of insurance:

• sickness insurance - is insurance against loss or reduction of income due to temporary inability to work s a result of his or her sickness or accident, pregnancy and maternity.

• pension insurance - insurance that provides old-age, early old-age, disability, widow's, widower's and orphan's pensions.

• accident insurance - insurance against injury or death as a result of an accident at work or an occupational disease.

• guarantee insurance - is insurance against the employer's insolvency to meet the employee's claims in form of salaries and wages.

• unemployment insurance - is insurance against the loss of income from the employee's activity as a result of unemployment and to secure income as a result of unemployment. The insured person is entitled to unemployment benefit.

The basic source of income of the Social Insurance Company are premiums paid by policyholders, employers and the state. The Social Insurance Act determines who should pay how much and who is entitled to payments from the Social Insurance Agency. The employed citizen with a gross monthly wage of 1000EUR, together with the employer's contributions pays in total 346EUR to the Social Insurance Agency.

Commercial insurance

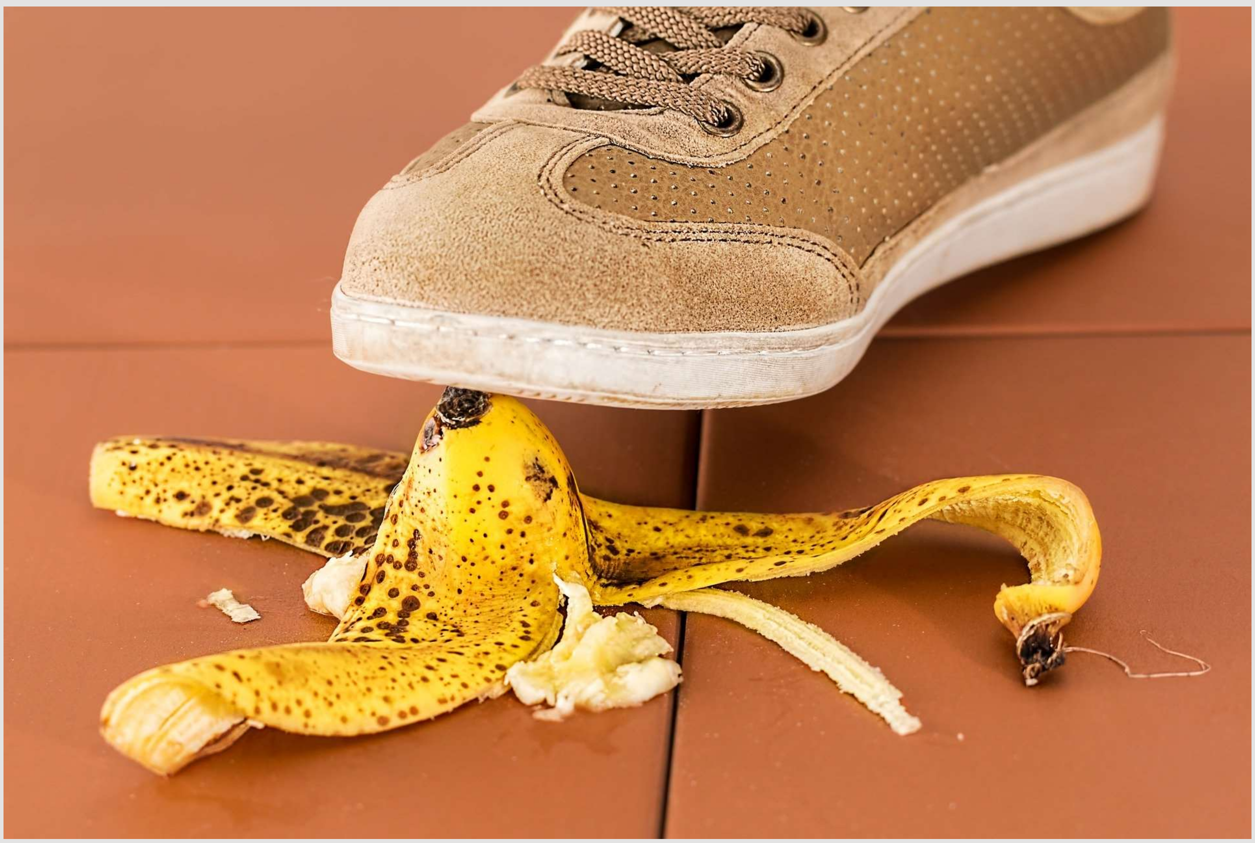
Commercial insurance is provided by commercial insurance companies. These are business entities whose aim is to make a profit by selling insurance contracts and paying out claims. Every commercial insurance company needs a license from the National Bank of Slovakia for its business. At the same time, the NBS oversees the business of commercial insurance companies and therefore commercial insurance companies are stable and safe entities.

Commercial insurance companies offer life and non-life insurance products on the market.

Life insurance provide the insured and his / her loved ones with protection against the financial consequences of serious life situations. At the same time, it is a safe investment option and serves to solve social security problems. This is usually a long-term insurance. Its share is growing and the more advanced the economy and the higher the standard of living, the more people decide for life insurance.

Non-life insurance is insurance of property, medical costs, loans and liabilities. Non-life insurance is short-term insurance and the contract is concluded indefinitely with a one-year insurance period. Most products are voluntary, which means you can or may not take out insurance. However, there are also products that are required by law. For example, each car owner must have MTPL. This insurance covers damages caused by the car owner to others in case of an accident.

Most insurance contracts are concluded by commercial insurance companies through intermediaries. Intermediaries in the form of insurance brokers or agents meet potential clients and propose insurance products according to their needs.



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Vocabulary:

- **Premium** - represents the price for the insurance protection that the policyholder has to pay in return for the financial coverage of the risk.
- **Insurer** - is an insurance company that is licensed to carry on, take out and manage insurance. The insurer must always be able to meet all its obligations under concluded insurance contracts.
- **Policyholder** - is a person (natural or legal) who has concluded an insurance contract with an insurance company. He is obliged to pay insurance premiums.
- **Insured** - is a person whose entitlement to insurance indemnity arises on the basis of a concluded insurance contract. The policyholder does not need to be the same parson with policyholder.
- **Authorized person** - is a natural or legal person to whom the insurance benefit is paid in the event of an insured event. If the insurance contract does not include beneficiaries, the indemnity is paid according to the Civil Code: wife of the insured, children, parents, persons who lived with the insured in the common household at least one year before his death and finally heirs.
- **Single insurance premium** - paid all at once for the entire insurance period.
- **Current insurance premium** - paid in regular payments agreed in the insurance contract (monthly, quarterly, semi-annually, annually).
- **Insured Amount** - represents the maximum indemnity paid by the insurance company to the client upon the occurrence of an insured event.
- **Insurance period** - time for which the policyholder agrees the insurance contract. Non-life insurance contracts are concluded for an annual insurance period. Life insurance contracts are concluded for a specific number of years, as the risk assessment rates are derived from the length of the insurance period.
- **Insurance value** - the price of the thing on the day of conclusion of the insurance contract.
- **Insured event** - an event in which the insurance company is obliged to pay for the damage incurred while the risk occurred accidentally is specified in the insurance contract and is not excluded from the indemnity.
- **Insurance indemnity** - represents compensation to be paid by the insurance company in the event of an insured event. The amount of claims is determined according to the insurance company's liquidation principles.
- **Additional insurance** - extension of already agreed risks in the insurance contract by some other risks.
- **Bonus** - discount on premiums for a favourable loss history in the previous periods.
- **Malus** - opposite of the bonus, i.e. increase of the insurance premium. Most often due to unfavourable damage history in the previous period
- **Unused premiums** - occurs in non-life insurance. If the client cancels an insurance contract that was concluded before the end of the insurance period, a refund of the aliquot amount of the insurance.