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INSURANCE SUPERVISION AGENCY

ANNUAL REPORT  
ON THE STATUS AND MOVEMENT OF THE INSURANCE MARKET IN 2019

Skopje, 2020

*The report was prepared in accordance with Article 158-o of the Law on Insurance Supervision and for its preparation the Insurance Supervision Agency used data from its own records.*

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## 1. INTRODUCTION

The Insurance Supervision Agency (hereinafter "ISA") is an independent regulatory body on the insurance market that exercises public authority, established by the Law on Insurance Supervision and the Law on Compulsory Traffic Insurance. ISA aims to contribute to the legal and efficient functioning of the insurance market in the country, for its continuous development, for the protection of the rights and interests of the insured, as well as for the promotion of the financial stability of the country.

At the end of 2019, 16 insurance companies are actively operating on the insurance market in the Republic of North Macedonia, out of which 11 companies perform non-life insurance operations, whereas 5 - life insurance operations. In the field of intermediation, there are 39 active insurance brokerage companies, 10 insurance representation companies and 7 banks that perform insurance representation activities at the end of 2019.

In 2019, a gross written premium (hereinafter: "GWP") in amount of 10.58 billion denars was realized, which is an increase of 6.61% compared to GWP realized in 2018 (2018: 9.93 billion denars). In the non-life insurance sector, the GWP was in amount of 8.75 billion denars (2018: 8.26 billion denars), i.e. an increase of 5.99% compared to 2018. At the same time, in life insurance, the GWP was realized in amount of 1.83 billion denars (2018: Denar 1.67 billion), which is an increase of 9.69%.

As of 31.12.2019, insurance companies have assets in amount of 23.92 billion denars, which is an increase of 10.53% compared to last year (2018: 21.64 billion denars). The total calculated capital of insurance companies increased by 5.22% compared to 2018, i.e. at the end of 2019 amounted to 6.65 billion denars. The solvency margin, as the main indicator for assessing the stability of the insurance sector is 1.69 billion denars, which means that the capital of the insurance sector is 3.9 times above the level of the solvency margin.

During 2019, the insurance sector had a loss of 25.36 million denars. The non-life insurance companies had a loss of 125.91 million denars, while the life insurance companies realized a profit after tax of 100.54 million denars.

In the field of legislation, in 2019, amendments to the Law on Insurance Supervision and the Law on Compulsory Traffic Insurance were adopted.

## 2. LEGAL FRAMEWORK

Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" No. 27/2002, 98/02, 79/07, 88/08, 67/10, 44/11, 112/11, 188/13, 30/14, 43/14, 112/14, 153/15, 92/15, 23/16, 83/18 and 198/18 and "Official Gazette of the Republic of North Macedonia" No. 101/19), the Law on Compulsory Traffic Insurance ("Official Gazette of the Republic of Macedonia" No. 88/05, 70/06, 81/08, 47/11, 135/11, 112/14 and 145/15 and "Official Gazette of the Republic of North Macedonia" No. 220 / 19), the Law on Voluntary Health Insurance ("Official Gazette of the Republic of Macedonia" no. 145/12 and 192/15), the Law on Payment of Pensions and Pension Benefits in the Field of Fully Funded Pension Insurance ("Official Gazette of the Republic of Macedonia" No. 11/12, 147/15 and 30/16) and the Law on Prevention of Money Laundering and Financing of Terrorism ("Official Gazette of the Republic of Macedonia" No. 120/18 and "Official Gazette of the Republic of North Macedonia" No. 275 / 19) constitute the basic legal framework that regulates the conditions and the manner of performing insurance and reinsurance activities, the manner and conditions of performing insurance mediation activities and the implementation of supervision over the operations of insurance companies, insurance brokerage companies and insurance representation companies.

The wider legal framework is represented by the Law on Obligations ("Official Gazette of the Republic of Macedonia" no. 18/01, 4/02, 5/03, 84/08, 81/09, 161/09 and 123/13) in the part that refers to insurance contracts and the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" No. 28/04, 84/05, 25/07, 87/08, 42/10, 48/10, 24/11, 166 / 12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 88/15, 192/15, 6/16, 30/16 and 61/16, 64/18 and 120/18).

**The Law on Insurance Supervision** incorporates the insurance principles and standards of the International Insurance Supervisors Association (IAIS) as well as the European Union (EU) Insurance Directives. This law regulates the establishment and operation of insurance companies, risk management, the role of authorized actuaries, keeping business books and reports, internal and external audit, insurance representation and mediation, supervision of insurance companies, ISA operation, the implementation of the supervision and the decision-making procedure by ISA, the work of the insurance and reinsurance pools, the cooperation with the supervisory bodies and bodies of the EU, as well as the penal provisions.

In 2019, the Law on Amending the Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" No. 101/2019) was adopted, which removes the restriction for the founders of an insurance representation company to be capital or management-related to insurance companies, i.e. the insurance representation company must not be an entity related to an insurance company. The amendments to the Law aim at enabling greater availability of insurance products and services through insurance representation as a channel for distribution of insurance products and services.

Compulsory traffic insurance is regulated by the **Law on Compulsory Traffic Insurance**, which regulates compulsory insurance contracts, minimum insurance amounts, deadlines for reporting and compensation by insurance companies, determining the right to mediation, the competencies of the Guarantee Fund, change of the manner of determining the premium tariffs through the functioning of the Automobile Liability Insurance Commission and the penal provisions for the insurance companies and the National Insurance Bureau. Also, the Law provides for the facilitation of cross-border provision of insurance services through the establishment of the so-called Authorized

Representative for Damages and Establishment of a Service for Compensation of Damages, by which these activities will be actualized at the moment of accession of the Republic of Macedonia to the European Union.

In 2019, the Law on Amendments to the Law on Compulsory Traffic Insurance ("Official Gazette of the Republic of North Macedonia" No. 220/19) was adopted in order to comply with the EU regulations in the field of civil aviation, i.e. it introduces compulsory insurance for luggage and belongings, for damages caused to unmanned third-party aircraft, as well as insurance for damage caused to passengers during non-commercial aircraft operations. The amendments also improve the rights of the injured parties in a traffic accident, in order to speed up the process of compensation by introducing a period of 60 days in which the responsible insurance company is obliged to submit an elaborated offer for compensation to the injured party or an elaborated response to the claim for damages.

The **Law on Voluntary Health Insurance** provides a legal opportunity and opens a wide field of action for insurance companies to offer packages of health services that are already covered by the system of compulsory health insurance. Voluntary health insurance is regulated both additionally and privately. The additional health insurance ensures the coverage of the costs on behalf of participation with personal funds when using health services from the compulsory health insurance (co-payment), in accordance with the regulations from the compulsory health insurance and health care. Private health insurance provides coverage of the costs for using the health services for a higher standard of health services arising from the compulsory health insurance, the costs for covering the health services used in the additional activity, as well as for using the health services in health institutions outside the network of health institutions in which the health activity is performed and in the legal entities that make, issue and service orthopedic and other aids.

**The Law on Payment of Pensions and Pension Benefits in the Field of Fully Funded Pension Insurance** completes the regulation of fully funded pension insurance in the Republic of North Macedonia by regulating the deaccumulation phase, i.e. the Law regulates the payment of pensions from the second and third pension pillar. The law regulates thoroughly the types of second pillar pension payments (programmed withdrawals, lifetime annuities and their combination), the types of third pillar pension benefits payments (programmed withdrawals, annuities, one-time and multiple payments), the characteristics and rules of payments and the manner and the procedure for acquiring the right to age, disability and family pension from the second pillar, as well as the procedure for acquiring the right to pension compensation from the third pillar.

The law also regulates which institutions will be able to pay pensions and pension benefits from the second and third pillar - pension companies and life insurance companies. Also, in order to increase the transparency of the choice of pension from the second pillar and pension compensation from the third pillar, a centralized electronic listing system is established, through which they submit applications for quotations for different types of payments and will receive offers from the pension and insurance companies.

**The Law on Prevention of Money Laundering and Financing of Terrorism** establishes the competence of ISA to conduct supervision over the insurance market, which is subject to regulation by this law, and in particular the part of the implementation of measures and actions for prevention of money laundering and terrorism financing.

### 3. INSURANCE MARKET IN THE REPUBLIC OF NORTH MACEDONIA

#### 3.1. INSURANCE COMPANIES

During 2019, 16 insurance companies operated on the insurance market, of which 5 insurance companies operate with life insurance, while the remaining 11 work with non-life insurance. Only one company, in addition to non-life insurance, has a license to perform reinsurance activities. (Table No. 1).

**Table no. 1:** Register of insurance companies

	Company name	Group of insurance
1	Join-stock insurance and reinsurance company <a href="#">MAKEDONIJA</a> - Skopje Viena Insurance Group	Non-life insurance and reinsurance
2	<a href="#">TRIGLAV OSIGURUVANJE</a> AD Skopje	Non-life insurance
3	<a href="#">SAVA OSIGURUVANJE</a> AD Skopje	
4	Join-stock insurance company <a href="#">EUROINS</a> Skopje	
5	Join-stock insurance company <a href="#">WINER</a> – Viena Insurance Group Skopje	
6	Join-stock insurance company <a href="#">EUROLINK</a> Skopje	
7	<a href="#">GRAWE</a> insurance Nezivot (non-life) AD Skopje	
8	Insurance company <a href="#">UNIQA</a> AD Skopje	
9	National insurance group <a href="#">OSIGURITELNA POLISA</a> AD Skopje	
10	<a href="#">HALK INSURENCE</a> AD Skopje	
11	<a href="#">CROATIA OSIGURUVANJE</a> AD – Non-life insurance company	
12	<a href="#">CROATIA OSIGURUVANJE</a> AD- Life insurance company	
13	<a href="#">GRAWE</a> insurance AD Skopje	
14	Join-stock insurance company <a href="#">Winer Life</a> – Viena Insurance Group	
15	Insurance company <a href="#">UNIQA Life</a> AD Skopje	
16	<a href="#">TRIGLAV OSIGURUVANJE</a> Zivot AD Skopje	

Source: *ISA*

In 2019, there were two acquisitions of non-life insurance companies. The first one concerns the non-life insurance company Nova Osiguranje AD Skopje by Halk Bank AD Skopje, part of the Turkish financial group which also owns an insurance company in its portfolio. The transaction was conducted on January 8, 2019, following a Decision for issuing consent for acquiring a qualified participation of Halk Bank AD Skopje in Nova Osiguruvanje AD Skopje from December 24, 2018. After the acquisition, the company operates under a new name Halk Insurance AD Skopje.

The second acquisition refers to the non-life insurance company Eurosig AD Skopje by the Austrian insurance group GRAWE. The transaction was conducted on July 8, 2019, following a Decision on issuing consent for acquiring a qualified participation of the insurance group GRAWE from Austria on May 27, 2019. After the acquisition, the company operates under a new name GRAWE Insurance Nezivot (non-life) AD Skopje.

We consider both acquisitions a recognition of the existence of a functional insurance market and at the same time as a positive trend, given that the domestic market is attracted by insurance groups with a long tradition, which means better insurance services for citizens and the economy.

Insurance companies at the end of 2019 employ 1.948 workers, which is almost an unchanged number of hired labor compared to 2018 (2018: 1,949).

### 3.1.1. Ownership structure

Insurance companies are predominantly owned by foreign legal entities in the financial sector (79.51%), which are partially or fully present in 14 out of 16 insurance companies on the market in total (Table 2). 12 insurance companies are part of insurance groups based in EU member states, while two insurance companies are fully owned by domestic investors.

**Table no. 1:** Ownership structure of the insurance companies (percentage)

	2019	2018	2017
<b>1. Foreign shareholders</b>	<b>79,51%</b>	<b>87,29%</b>	<b>87,07%</b>
1.1. Natural persons	0,04%	0,05%	0,05%
1.2. Non-financial legal entities	0,00%	0,00%	0,00%
1.3. Financial institutions	79,46%	87,24%	87,01%
<b>2. Domestic shareholders</b>	<b>20,46%</b>	<b>12,67%</b>	<b>12,90%</b>
2.1. Natural persons	4,97%	5,86%	6,08%
2.2. Non-financial legal entities	0,91%	5,10%	5,09%
2.3. Financial institutions	14,58%	1,72%	1,72%
<b>3. Country</b>	<b>0,03%</b>	<b>0,04%</b>	<b>0,04%</b>
<b>TOTAL</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>

Source: ISA

### 3.1.2. Degree of development

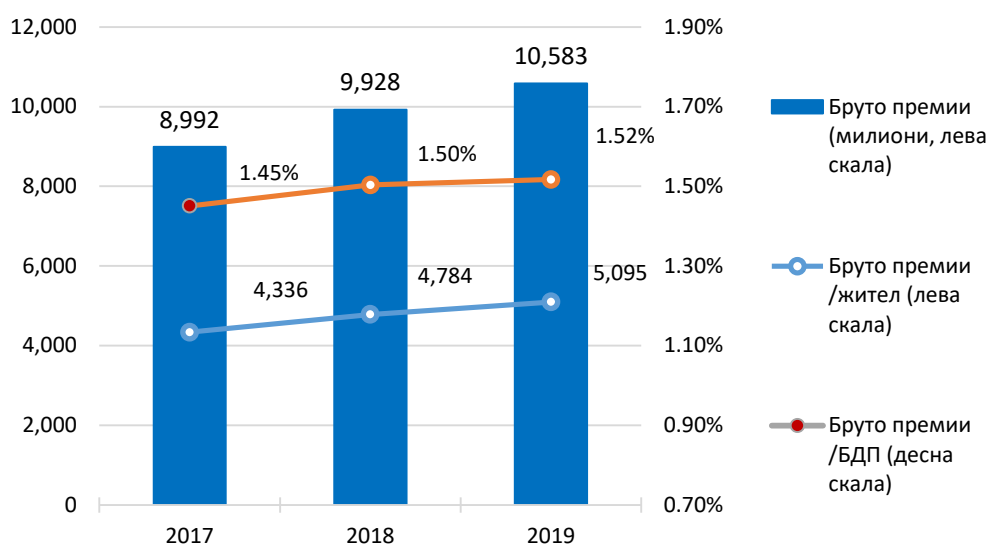
The basic indicators that measure the degree of development of the insurance market are the degree of penetration and the degree of density<sup>1</sup>. Data on the level of insurance penetration in 2019 show that total GWP in the country participates with 1.52% in the gross domestic product (2018: 1.50%), while the degree of density is 5,095 denars per capita<sup>2</sup>, which is an increase of 6.51% compared to the previous year (Chart no. 1).

**Chart no. 1:** Insurance market development indicators (million denars; right axis - percentage)

<sup>1</sup> The degree of penetration is calculated as the ratio of gross written premium and gross domestic product, and the degree of density as the ratio of gross written premium and the number of inhabitants in the country

<sup>2</sup> The data on the number of inhabitants is for 2018, as the last published data on the population from the SSO.





Source: ISA, State Statistical Office and Ministry of Finance

The insurance sector in the Republic of North Macedonia is characterized by low concentration which is a prerequisite for functional market competition. The Herfindahl index, calculated through GWP, in 2019 is 792.42 (2018: 830.10). A similar result shows the measurement of the index through the assets of insurance companies - 821.71 in 2019 (2018: 827.41)<sup>3</sup>.

Analyzed by groups of insurances, higher concentration is present in life insurance, due to the small number of companies in this domain. In life insurance companies, the Herfindahl index, measured according to GWP, is 3,157.74 (2018: 3,374.55), while, measured according to the assets of the companies, is 3,083.30 (2018: 3,085.58).

In non-life insurance, the indicators show a low concentration, with the measurement through the Herfindahl index according to GWP in 2019 being 1,020.43 (2018: 1,061.77) and showing a decrease compared to last year, while the same indicator measured by companies' assets is 1,058.79 (2018: 1,097.37).

The CR5<sup>4</sup> indicator, measured through the share in GWP of non-life insurance companies, in 2019 decreased by 57.99% (2018: 60.67%).

The following are tables showing the movements of the Herfindahl index and the concentration indicator of the first five insurance companies (CR5):

**Table no. 2:** Herfindahl index and CR5 index measured according to GWP

	2019		2018		2017	
	Herfindahl	CR5	Herfindahl	CR5	Herfindahl	CR5
<b>Whole sector</b>	792,42	47,87%	830,10	50,46%	823,65	53,56%
<b>Non-life</b>	1.020,43	57,99%	1.061,77	60,67%	1121,64	64,26%
<b>Life</b>	3.157,74	100,00%	3.374,55	100,00%	3.040,90	100,00%

<sup>3</sup> The Herfindahl index is calculated according to the formula:

$$HI = \sum_{i=1}^n (S)_i^2$$

where S is the share of each insurance company in the total assets (gross written premium) of the insurance sector, and n is the total number of institutions in the respective segment. When the index moves in the range of 1,000 units to 1,800 units, the level of concentration of the insurance sector is considered acceptable.

<sup>4</sup> The CR5 indicator represents the share of the first 5 insurance companies with the largest share in the overall structure.

Source: ISA

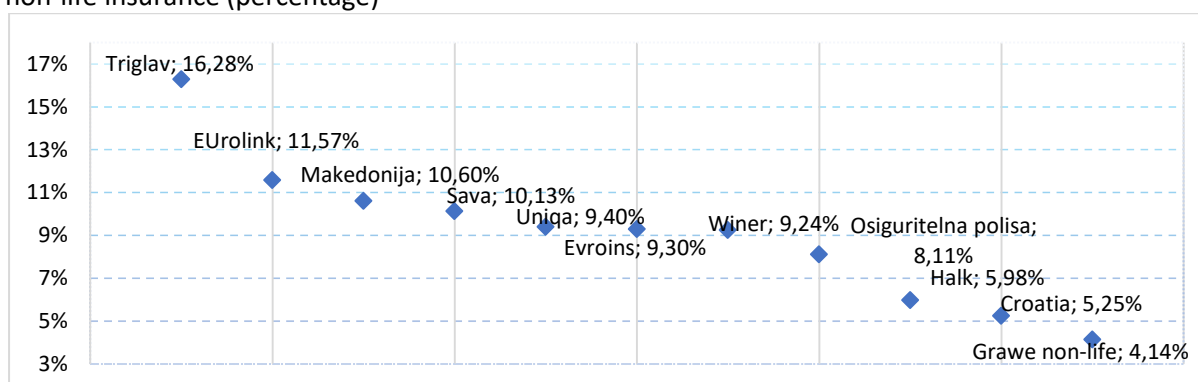
**Table no 3:** Herfindahl index and CR5 index measured according to assets

	2019		2018		2017	
	Herfindahl	CR5	Herfindahl	CR5	Herfindahl	CR5
<b>Whole sector</b>	821,71	53,50%	827,41	53,86%	836,45	51,02%
<b>Non-life</b>	1.058,79	60,64%	1.097,37	62,15%	1063,94	60,79%
<b>Life</b>	3.083,30	100,00%	3.085,58	100,00%	3.371,13	100,00%

Source: ISA

At the end of 2019, regarding the market concentration in the field of non-life insurance, 4 insurance companies cross the threshold of participation with over 10% in the total GWP. Thereby, on the insurance market in the Republic of North Macedonia, not a single company exceeds the threshold of over 20% market share (Chart no. 2).

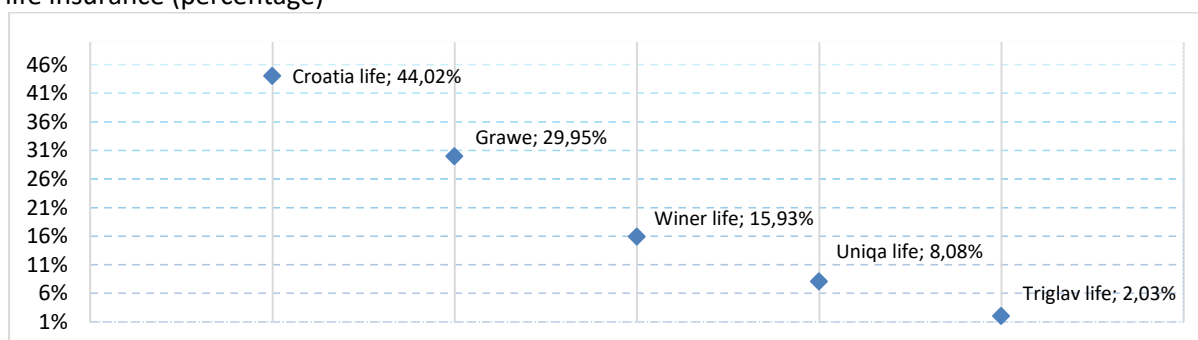
**Chart no. 2:** Market concentration according to the gross written premium in 2019, in the group of non-life insurance (percentage)



Source: ISA

In the group of life insurance, two life insurance companies have a dominant share (Chart no. 3).

**Chart no. 3:** Market concentration according to the gross written premium in 2019, in the group of life insurance (percentage)



Source: ISA

### 3.1.3. Gross written premium

GWP in insurance and reinsurance in non-life insurance companies includes all amounts of premium that are agreed (written policies) in the current accounting period, whether they fully or partially refer to the next period, whereas in life insurance the total policy premium includes all premiums paid by the end of the accounting period.

In 2019, GWP in total amount of 10.58 billion denars was realized (Table No. 5), which is an increase of 6.61% compared to GWP realized in 2018 (2018: 9.93 billion denars).

**Chart no. 4:** Gross written premium in insurance classes (thousands MKD denars)

Insurance class	GROSS WRITTEN PREMIUM (GWP)		DYNA MICS	PARTICIPATION IN TOTAL GWP	
	2019	2018	19/18	2019	2018
01. Accident insurance	694.160	680.256	2,04%	6,56%	6,85%
02. Health insurance	188.885	125.709	50,26%	1,78%	1,27%
03. Insurance of motor vehicles-kasko	838.236	797.324	5,13%	7,92%	8,03%
05. Insurance of aircraft - kasko	53.321	29.221	82,47%	0,50%	0,29%
06. Insurance of vessels - kasko	565	684	-17,40%	0,01%	0,01%
07. Insurance of goods - cargo	81.562	78.947	3,31%	0,77%	0,80%
08. Property insurance from fire	751.603	587.019	28,04%	7,10%	5,91%
09. Other property insurance	1.020.798	1.131.792	-9,81%	9,65%	11,40%
10. Auto liability	4.577.080	4.313.885	6,10%	43,25%	43,45%
11. Aircraft liability insurance	14.336	6.669	114,96%	0,14%	0,07%
12. Marine liability insurance	3.063	2.635	16,24%	0,03%	0,03%
13. Other liability insurance	226.948	212.179	6,96%	2,14%	2,14%
14. Credits	12.927	3.523	266,93%	0,12%	0,04%
15. Guarantee insurance	1241	5.249	-76,36%	0,01%	0,05%
16. Insurance of financial losses	67.203	69.589	-3,43%	0,63%	0,70%
17. Legal protection	5	12	-58,33%	0,00%	0,00%
18. Insurance of tourist assistance	220.692	212.994	3,61%	2,09%	2,15%
19. Life insurance	1.603.231	1.502.400	6,71%	15,15%	15,13%
20. Marriage or giving birth	1.020	889	/	0,01%	/
21. Life insurance when the investment risk is borne by the insured	226.538	166.589	35,99%	2,14%	1,68%
<b>TOTAL</b>	<b>10.583.414</b>	<b>9.927.565</b>	<b>6,61%</b>	<b>100,00%</b>	<b>99,99%</b>
<b>TOTAL NON-LIFE</b>	<b>8.752.625</b>	<b>8.257.687</b>	<b>5,99%</b>	<b>82,70%</b>	<b>83,18%</b>
<b>TOTAL LIFE</b>	<b>1.830.789</b>	<b>1.668.989</b>	<b>9,69%</b>	<b>17,30%</b>	<b>16,81%</b>

Source: ISA

The positive trend is present in both segments of insurance, with the non-life insurance realizing GWP in amount of 8.75 billion denars (2018: 8.26 billion denars), or 82.70% of the total GWP of the insurance sector, and represents an increase of 5.99% compared to 2018. During 2019, no reinsurance premium was realized (2018: 110.2 thousand denars).

Individually, compared to 2018, an increase in GWP was registered in 9 non-life insurance companies (Table no. 6).

**Table no. 5:** Gross written premium in non-life insurance companies (in thousands MKD denars)

NO.	Insurance companies	GROSS WRITTEN PREMIUM (GWP)		DYNAMICS	PARTICIPATION IN TOTAL GWP	
		2019	2018	19/18	2019	2018
1	TRIGLAV	1.424.892	1.425.500	-0,04%	16,28%	17,26%
2	EUROLINK	1.013.069	1.067.959	-5,14%	11,57%	12,93%
3	MAKEDONIJA	927.978	910.677	1,90%	10,60%	11,03%
4	SAVA	886.426	802.983	10,39%	10,13%	9,72%
5	UNIQA	823.176	802.822	2,54%	9,40%	9,72%
6	WINER	808.989	770.222	5,03%	9,24%	9,33%
7	EUROINS	813.562	674.725	20,58%	9,30%	8,17%
8	OSIGURITELNA POLISA	710.064	700.761	1,33%	8,11%	8,49%
9	CROATIA NON-LIFE	459.102	422.124	8,76%	5,25%	5,11%
10	HALK	523.287	344.200	52,03%	5,98%	4,17%

<b>11</b>	<b>GRAWE NON-LIFE</b>	362.080	335.713	7,85%	4,14%	4,07%
	<b>TOTAL NON-LIFE</b>	<b>8.752.625</b>	<b>8.257.686</b>	<b>5,99%</b>	<b>100,00%</b>	<b>100,00%</b>

Source: ISA

In the part of life insurance, which represents 17.30% of the total GWP of the insurance sector, GWP in amount of 1.83 billion denars was realized (2018: Denar 1.67 billion), which is an increase of 9.69% compared to 2018.

Individually, compared to 2018, an increase in GWP was observed in all life insurance companies (Table 7).

**Table no. 6:** Gross written premium in life insurance companies (in thousands MKD denars)

No.	Insurance company	Gross written premium (GWP)		Dynamics	Share in the total GWP	
		2019	2018	19/18	2019	2018
<b>1</b>	<b>CROATIA LIFE</b>	805.885	771.270	4,49%	44,02%	46,19%
<b>2</b>	<b>GRAWE</b>	548.376	514.037	6,68%	29,95%	30,78%
<b>3</b>	<b>WINER LIFE</b>	291.559	268.454	8,61%	15,93%	16,08%
<b>4</b>	<b>UNIQA LIFE</b>	147.842	97.374	51,83%	8,08%	5,83%
<b>5</b>	<b>TRIGLAV LIFE</b>	37.127	18.743	0,00%	2,03%	1,12%
	<b>TOTAL LIFE</b>	<b>1.830.789</b>	<b>1.669.878</b>	<b>9,64%</b>	<b>100,00%</b>	<b>100,00%</b>

Source: ISA

One of the most appropriate indicators of the volume of work performed by insurance companies is the analysis of the volume of work performed by different classes of insurance. Thus, through the data on GWP by insurance classes, the market structure of all insurance companies in 2019 is additionally shown (Table 8).

**Table no. 7:** Gross written premium for the period 01.01.2019- 31.12.2019 (thousands MKD denars)

Класа на осигурување	неживот											Вкупно
	Македонија	Триглав	Сава	Евроинс	Еуролинк	Винер	Граве неживот	Уника	Осигурите лна	Халк	Кроација	
01. Незгода	91.910	95.588	87.207	33.169	133.592	66.428	15.775	61.822	42.401	19.808	46.460	694.160
02. Здравствено	2284	71.380	8.926	10648	86.766	2.491	0	6.249	141	0	0	188.885
03. Каско моторни возила	66.560	170.725	136.847	62.695	94.218	48.153	12.123	57.818	102.003	34.216	52.878	838.236
04. Каско шински возила	0	0	0	0	0	0	0	0	0	0	0	0
05. Каско воздухоплови	0	37738	0	0	7.235	8.348	0	0	0	0	0	53.321
06. Каско пловни објекти	6	143	148	26	106	78	0	36	22	0	0	565
07. Карго	24.669	20.778	4.931	12.188	5.740	5.688	16	5.144	956	178	1.274	81.562
08. Имот од пожар и др.опасности	128.760	76.456	55.893	174.875	100.121	15.559	3.953	77.798	37.298	31.253	49.637	751.603
09. Имот останато	272.348	222.855	106.674	82.512	66.510	107.088	2.043	61.543	15.614	67.008	16.603	1.020.798
10. АО (вкупно)	281.631	581.758	433.668	411.470	416.215	525.043	321.474	501.943	475.728	358.910	269.240	4.577.080
11. Одговорност воздухоплови	0	8875	0	0	2.647	2.515	0	0	299	0	0	14.336
12. Одговорност пловни објекти	196	763	633	103	341	226	0	309	487	0	5	3.063
13. Општа одговорност	36.771	41.201	11.657	12.197	61.499	12.832	690	24.997	15.199	5.580	4.325	226.948
14. Кредити	402	12486	39	0	0	0	0	0	0	0	0	12.927
15. Гаранции	9	62	830	126	135	0	0	0	79	0	0	1.241
16. Финансиски загуби	7.741	47.265	3.425	790	293	0	0	7.554	0	0	135	67.203
17. Правна заштита	0	0	0	0	0	0	0	0	0	0	5	5
18. Туристичка помош	14.691	36.819	35.548	12.763	37.651	14.540	6.006	17.963	19.837	6.334	18.540	220.692
<b>Вкупно</b>	<b>927.978</b>	<b>1.424.892</b>	<b>886.426</b>	<b>813.562</b>	<b>1.013.069</b>	<b>808.989</b>	<b>362.080</b>	<b>823.176</b>	<b>710.064</b>	<b>523.287</b>	<b>459.102</b>	<b>8.752.625</b>

Класа на осигурување	живот					Вкупно
	Кроација живот	Граве	Винер живот	Уника живот	Триглав Живот	
19. Живот	768.266	543.843	148.964	105.031	37.127	1.603.231
20. Браќ или породување	0	0	0	1020	0	1.020
21. Осигурување на живот кога инвестициониот ризик е на товар на осигуреникот	37619	4533	142595	41791	0	226.538
<b>Вкупно</b>	<b>805.885</b>	<b>548.376</b>	<b>291.559</b>	<b>147.842</b>	<b>37.127</b>	<b>1.830.789</b>

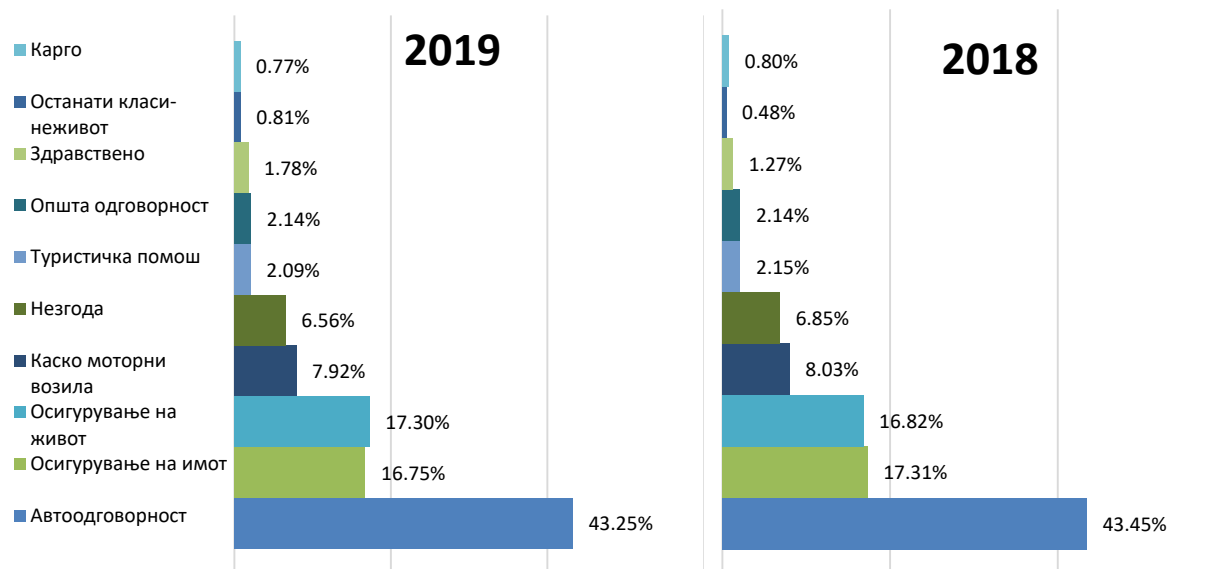
**Вкупно: 10.583.414**

Source: ISA

### 3.1.4. Participation structure

The most significant share in the total GWP has the motor vehicle insurance with 51.17% (2018: 51.49%), which consists of the dominant compulsory auto liability insurance (AL), which participates with 43.25% (2018: 43, 45%), and from the voluntary insurance of motor vehicles (casco) which participates with 7.92% (2018: 8.03%). An important place in the GWP structure has the property insurance with 16.75% (2018: 17.31%), life insurance with a share of 17.30% (2018: 16.82%) and accident insurance with share of 6.56% (2018: 6.85%). The structure of significant classes of insurance, as well as the comparison with 2018, is presented in Chart no. 4.

**Chart no. 4:** GWP structure in classes of insurance (percentage)



Source: ISA

GWP growth of 6.10% compared to 2018 was recorded in the class of auto liability insurance (AL) with a total premium of 4.58 billion denars (2018: 4.31 billion denars), and an increase in the number of concluded contracts of 5.36%, as well as casco insurance of motor vehicles with a total premium of 838.24 million denars (2018: 797.32 million), amid simultaneous increase in the number of concluded contracts of 3, 98%.

Property insurance increased by 3.12% with GWP of 1.77 billion denars (2018: 1.72 billion), amid simultaneous growth in the number of concluded contracts by 7.11%. Analyzing by groups, among individuals there is an increase of 9.40% of the concluded contracts, followed by an increase of 22.69% of GWP, whereas for legal entities there is a slight increase of 0.17% of the concluded contracts, and a decrease of 2.73% of GWP.

Within the property insurance, in agricultural insurance there is an increase of 8.87% in the number of concluded contracts, and an increase of 48.12% in the realized GWP for agricultural insurance which amounts to 386.63 million denars (2018: GWP of 261,03 million denars).

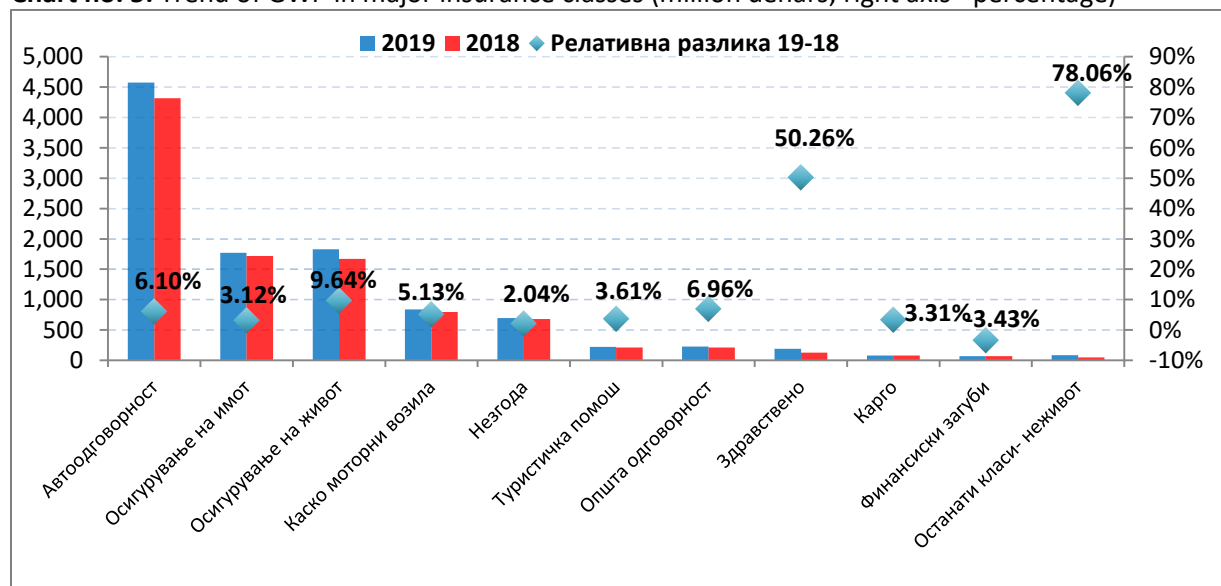
In 2019, there is a large increase in the sale of health insurance with 7,895 concluded health insurance contracts with a total GWP of 188.88 million denars, which, compared to 2018, represents an increase of 90.52% of the number of concluded contracts, i.e. 50.26% of the total GWP.

In life insurance, GWP in amount of 1.83 billion denars (2018: 1.66 billion) was realized, which is an increase of 9.69%, with life insurance participating with 17.30% in the total GWP of the insurance sector.

In the traditional life insurance (class 19) the positive trend of GWP growth in amount of 1.49 billion (2018: 1.39) continues, which is an increase of 6.78%, with an increase in the number of newly concluded insurance life contracts of 38.20%, mostly of the type of term life insurance contracts (risiko). In life insurance, when the investment risk is borne by the insured (class 21), the expressed upward trend of 35.99% continues, with realized GWP of 226.54 million denars (2018: 166.59) and an increase of concluded contracts of 4.43%.

Chart no. 5 shows the trend of GWP in major insurance classes.

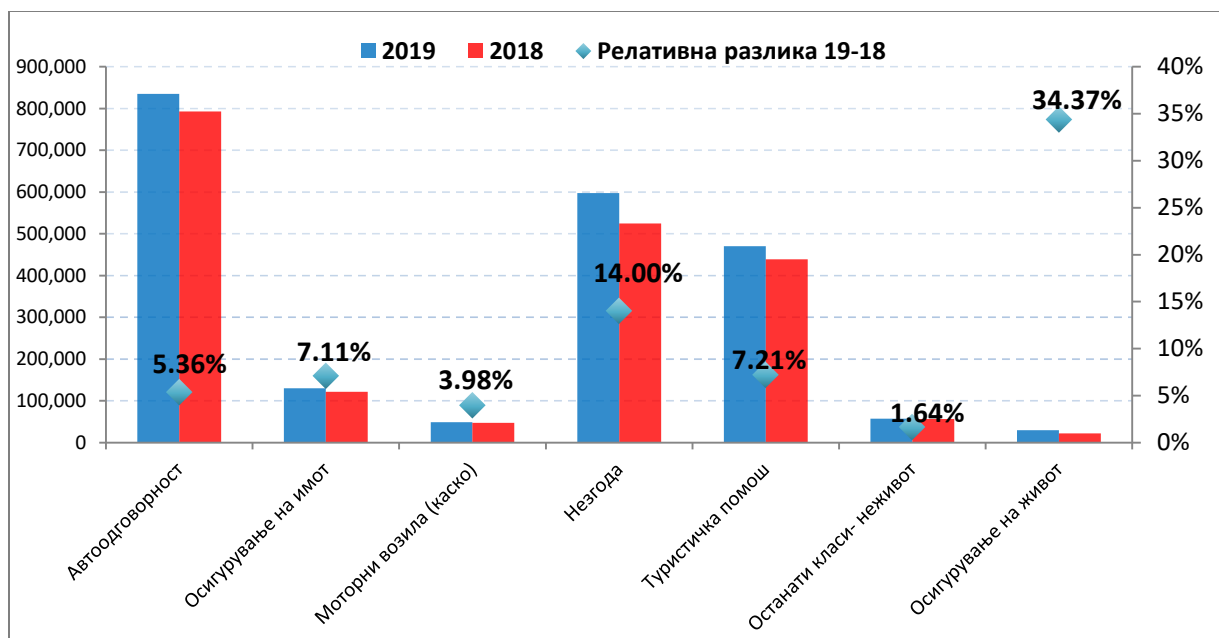
**Chart no. 5:** Trend of GWP in major insurance classes (million denars; right axis - percentage)



Source: ISA

During 2019, the insurance companies concluded 1,608,546 contracts, with an increase of 8.95% compared to 2018 when 1,476,374 contracts were concluded. Out of the total number of concluded contracts, 1,578,629 policies are within the scope of non-life insurance, which is an increase of 8.56% compared to the number of policies in 2018 (2018: 1,454,110 policies), while 29,917 are life insurance policies, which is an increase of 34.37% compared to 2018. The change in the number of concluded contracts in more significant insurance classes is presented in Chart no. 6.

**Chart no. 6:** Concluded contracts in insurance companies (number; tight axis - performance)



Source: ISA

### 3.1.5. Gross claims paid

Insurance companies in 2019 paid gross amount of claims (damages) of 4.03 billion denars (Table no. 9). Compared to 2018, gross claims paid increased by 2.87% (2018: 3.92 billion denars). The share of reinsurance in the gross claims paid is 13.34%.

**Table no. 8:** Claims paid in insurance classes (thousands of denars)

Insurance classes	2019	Share	2018	Share	Dynamics 19/18
<b>Auto liability</b>	2.060.176	51,11%	1.931.366	49,29%	6,67%
<b>Motor vehicles insurance (casco)</b>	542.704	13,46%	520.690	13,29%	4,23%
<b>Property insurance</b>	483.427	11,99%	626.026	15,98%	-22,78%
<b>Accident insurance</b>	421.000	10,44%	373.922	9,54%	12,59%
<b>Life insurance</b>	347.218	8,61%	330.299	8,43%	5,12%
<b>Insurance of tourist assistance</b>	67.163	1,67%	59.828	1,53%	12,26%
<b>Other insurance – non-life</b>	109.265	2,71%	76.375	1,95%	43,06%
<b>Total</b>	<b>4.030.953</b>	<b>100,00%</b>	<b>3.918.506</b>	<b>100,00%</b>	<b>2,87%</b>

Source: ISA

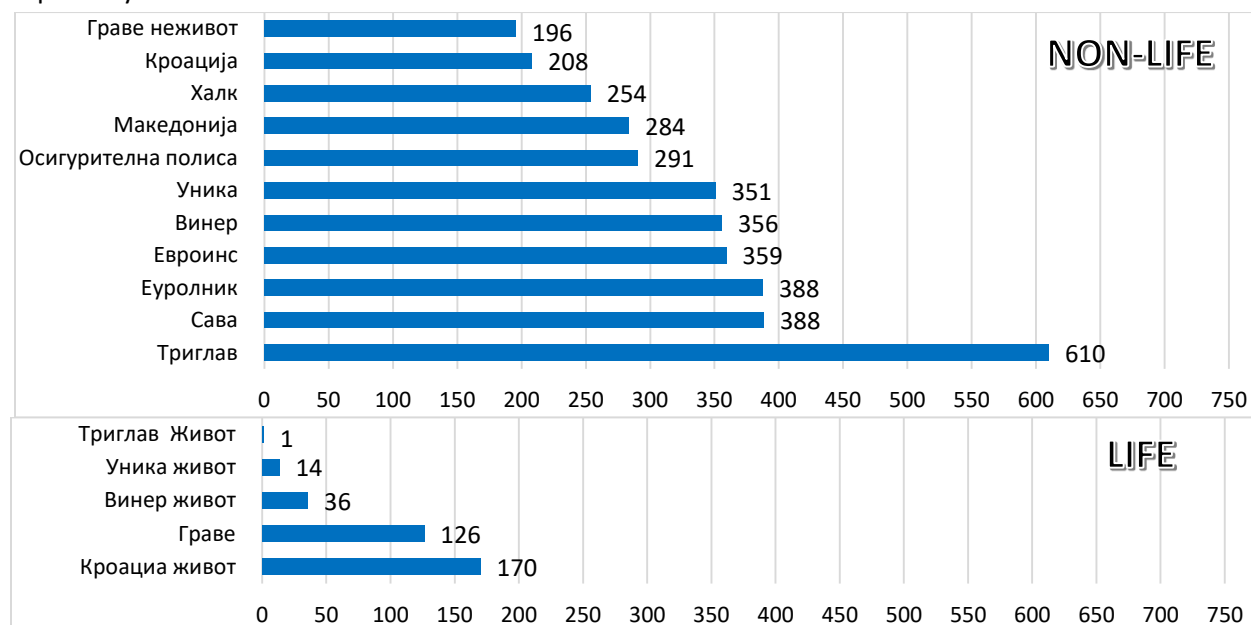
In the structure of gross claims paid, the largest share belongs to auto liability claims with 51.11%, followed by paid claims for casco insurance for motor vehicles with 13.46%, property insurance claims with a share of 11.99%, insurance claims from accident with 10.44% and 12.99% are paid damages in the other classes of insurance.



In the field of property insurance, a significant part is taken by agricultural insurance with a share of 41.89% and a total of paid damages of 202.49 million denars.

Chart no. 7 shows the individual share of the insurance companies in the total amount of paid claims for 2019.

**Chart no. 7:** share of the insurance companies in gross paid claims in 2019 (in thousands denars), separately for life and non-life



Source: ISA

### 3.1.6. Assets and assets resources

#### 3.1.6.1. Assets structure

The value of the assets of the insurance companies on 31.12.2019 was 23.92 billion denars and is higher by 10.53% compared to the total assets of the insurance companies in 2018 (Table no. 10).

The investments have the largest share of 76.02% in the structure of the assets of the insurance companies (2018: 75.75%), and they have increased by 10.93% compared to the invested assets in 2018. Within the investments, the most significant share of 91.53% belongs to the category of other financial investments and it has an increase of 13.23% compared to the previous year.

This category includes: financial investments available for sale (47.15%), deposits in banks, loans and other placements (35.99%), financial investments held until maturity (13.01%) and financial investments for trading (3.85%). The next more significant category is the investments in land, construction facilities and other tangible assets (7.07%) which decreased by 10.64%, compared to 2018. In addition, part of the investments are the financial investments in companies in a group - subsidiaries, associates and jointly controlled entities, which participate with 1.40% in the total investments and have decreased by 0.36%.

**Table no. 9:** Assets structure of the insurance companies (denars)

	31.12.2019	Share	31.12.2018	Share	Dynamics9/18
<b>Intangible assets</b>	73.840.739	0,31%	63.336.480	0,29%	16,58%
<b>Investments</b>	18.181.249.466	76,02%	16.390.552.460	75,75%	10,93%
<b>Part for co-insurance and re-insurance in gross technical reserves</b>	1.281.907.306	5,36%	1.148.962.057	5,31%	11,57%
<b>Financial investments where the insured person undertakes the investment risk (insurance contracts)</b>	239.766.212	1,00%	111.265.813	0,51%	115,49%
<b>Deffered and current tax assets</b>	19.012.011	0,08%	14.658.653	0,07%	29,70%
<b>Receivables</b>	2.730.388.399	11,42%	2.621.668.762	12,12%	4,15%
<b>Other assets</b>	574.435.405	2,40%	560.808.211	2,59%	2,43%
<b>Accruals</b>	817.349.967	3,42%	727.512.871	3,36%	12,35%
<b>Non-current assets held for sales and non-current operations</b>	0	0,00%	0	0,00%	0,00%
<b>TOTAL ASSETS</b>	<b>23.917.949.505</b>	<b>100,00%</b>	<b>21.638.765.308</b>	<b>100,00%</b>	<b>10,53%</b>

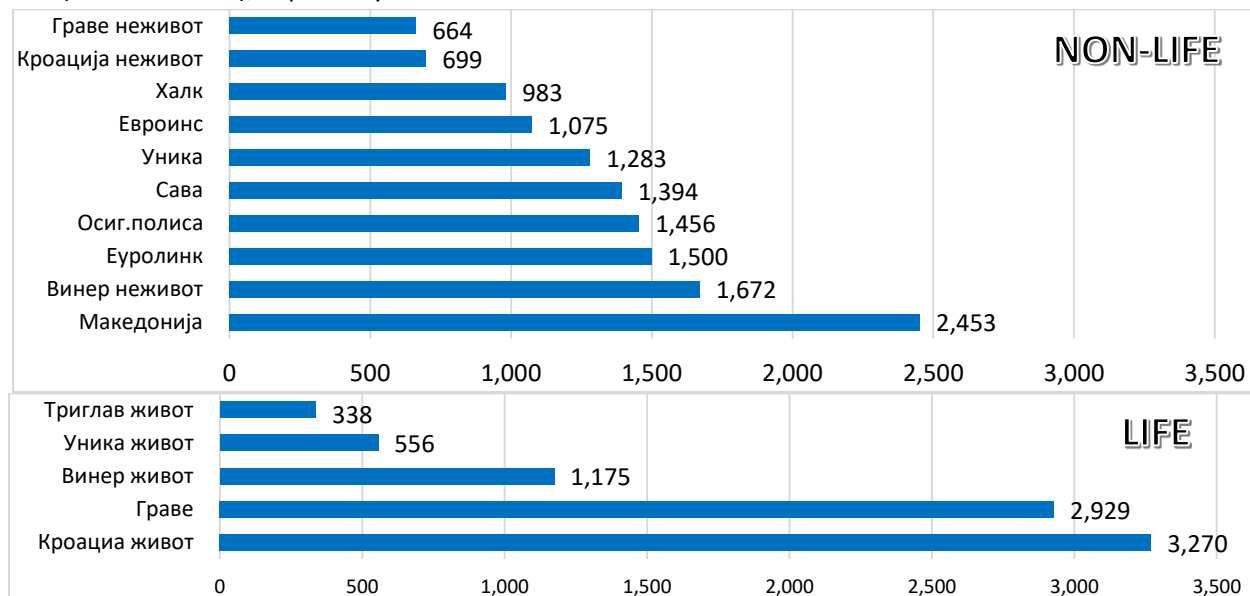
Source: ISA

Next in significance, with a share of 11.42% in the structure of assets, are receivables and they have increased by 4.15% compared to receivables in 2018 (2018: 12.12%). Receivables include receivables from direct insurance operations (which include receivables from insured persons, receivables from intermediaries and other receivables from direct insurance operations), receivables from co-insurance and reinsurance operations and other receivables. The largest share of 79.36% belongs to receivables on direct insurance operations in amount of 2.17 billion denars and have increased by 5.56% compared to 2018. Receivables from co-insurance and reinsurance activities amounted to 81.16 million denars (2.97% of total receivables) and decreased by 15.73% compared to 2018, as a result of reduced receivables on the basis of participation in compensation from co-insurance and reinsurance. Other receivables amount to 482.48 million denars (17.67% of the total receivables) and they are higher by 2.05% compared to 2018.

Although with a share of 1.00% in the structure of assets, the highest relative increase of 115.49% is found in financial investments in which the insured assumes the investment risk. Life insurance companies operating in class 21 (Life insurance in case the investment risk is borne by the insured) are obliged to invest these funds, which serve as a cover of the special reserve in accordance with Article 94 of the Law on Insurance Supervision, to invest in shares of open-end investment funds registered in the Register of Investment Funds in the Republic of North Macedonia, and maintained by the Securities and Exchange Commission of the Republic of North Macedonia.

Dominant part of the total assets in the insurance sector are the assets of non-life insurance companies, but the trend of increasing the share of assets of life insurance companies is increasing, which in 2019 is 38.20% (2018: 32.78%) of the total assets of the insurance companies. The structure of the participation of insurance companies in the total assets of the insurance sector is shown in Chart no. 8.

**Chart no. 8:** Structure of the share of insurance companies in the total assets of the insurance sector in 2018 (million denars), separately for life and non-life



Source: ISA

### 3.1.6.2. Structure of the sources of assets

The sources of assets of insurance companies in 2019 increased by 10.53% compared to 2018 (Table no. 11).

The largest share of 59.74% in the structure of the sources of assets of the insurance companies, have gross technical reserves (2018: 58.95%) and they have an increase of 12.03% compared to the previous year.

The next category, with a share of 29.77% in the structure of the sources of assets, are the capital and reserves, which increased by 4.99%.

The liabilities of insurance companies, which participate in the structure of sources with 7.30% (2018: 7.43%), increased by 13.04% compared to the previous year. In the structure of liabilities, other liabilities (50.23%), liabilities from reinsurance and co-insurance (43.72%) and liabilities from direct insurance (6.06%) have the largest share.

**Table no. 10:** Structure of sources of assets of the insurance companies (denars)

	31.12.2019	Share	31.12.2018	Share	Dynamics 19/18
<b>Capital and reserves</b>	7.120.891.599	29,77%	6.782.542.488	31,34%	4,99%
<b>Subordinated liabilities</b>	156.790.030	0,66%	109.563.920	0,51%	43,10%
<b>Gross technical reserves</b>	14.289.238.412	59,74%	12.755.357.559	58,95%	12,03%
<b>Gross technical reserves related to contracts where the insured assumes the investment risk</b>	239.766.212	1,00%	111.264.162	0,51%	115,49%
<b>Other reserves</b>	73.462.578	0,31%	49.631.672	0,23%	48,02%

<b>Deferred and current tax liabilities</b>	34.643.998	0,14%	33.711.893	0,16%	2,76%
<b>Liabilities arising from deposits of insurance companies for reinsurers, on the basis of reinsurance</b>	66.660.261	0,28%	47.520.705	0,22%	40,28%
<b>Liabilities</b>	1.745.161.079	7,30%	1.543.786.951	7,13%	13,04%
<b>Deferrals</b>	191.335.335	0,80%	205.385.958	0,95%	-6,84%
<b>TOTAL SOURCES OF ASSETS</b>	<b>23.917.949.505</b>	<b>100,00%</b>	<b>21.638.765.308</b>	<b>100,00%</b>	<b>10,53%</b>

Source: ISA

### 3.1.7. Technical reserves

The total amount of technical reserves of non-life insurance companies at the end of 2019 amounted to 8.24 billion denars, i.e. 8.20% increase compared to the previous year, while the total amount of technical reserves of non-life insurance companies performing insurance activities in the group of life insurance amounted to 6.28 billion denars, which is an increase of 19.77% compared to the previous year.

**Table no. 11:** Structure and change of technical reserves (thousand denars)

Structure of technical reserves	Non-life			Life			Total		
	2019	2018	19/18	2019	2018	19/18	2019	2018	19/18
<b>Reserves for damages</b>	4.124.483	3.800.347	8,53%	92.033	85.447	7,71%	4.216.516	3.885.794	8,51%
<b>Reserves for transferable premiums</b>	4.009.126	3.736.679	7,29%	35.973	34.437	4,46%	4.045.099	3.771.116	7,27%
<b>Mathematical reserve</b>	0	0	0,00%	6.035.373	5.009.587	20,48%	6.035.373	5.009.587	20,48%
<b>Reserves for bonuses and discounts</b>	87.223	64.733	34,74%	120.186	116.952	2,77%	207.409	181.685	14,16%
<b>Other technical reserve</b>	24.595	18.447	33,33%	0	0	0,00%	24.595	18.447	33,33%
<b>Total</b>	<b>8.245.427</b>	<b>7.620.206</b>	<b>8,20%</b>	<b>6.283.565</b>	<b>5.246.423</b>	<b>19,77%</b>	<b>14.528.992</b>	<b>12.866.629</b>	<b>12,92%</b>

Source: ISA

In the structure of technical reserves, claims reserves and the reserves for transferable premiums have the largest share, and in insurance companies that perform insurance activities in the life group, after these categories, follow the mathematical reserve (Table no. 12).

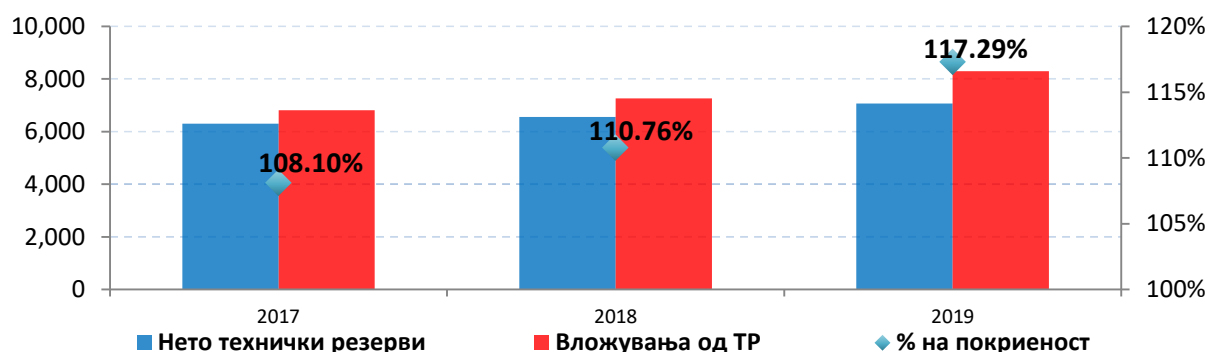
### 3.1.8. Assets covering the technical reserves

Assets that cover technical reserves are the assets of the insurance company that serve to cover the future liabilities arising from the insurance contracts, as well as to cover the possible losses in relation to those risks related to performing insurance activities, for which the company for insurance is obliged to allocate funds to cover net technical reserves. The insurance company is obliged to invest funds in amount at least equal to the value of technical reserves, net of reinsurance, in accordance with the provisions of the Law on Insurance Supervision and in accordance with the Rulebook on types and characteristics of assets covering technical reserves and assets which cover the mathematical

reserve, as well as detailed placement and limitation of those investments and their valuation ("Official Gazette of the Republic of Macedonia" no. 64/11, 127/14, 61/16 and 36/19).

The investments of the assets that cover the technical reserves of the non-life insurance companies, at the end of 2019 amounted to 8.29 billion denras and covered 117.29% (2018: 110.76%) of the total net technical reserves (Chart No. 9)

**Chart no. 9:** Coverage of net technical reserves in non-life insurance companies (million denarsm; right axis – percentage)



Source: ISA

The assets that cover the technical reserves of the non-life insurance companies are placed in securities issued by the Republic of North Macedonia (47.94%), bank deposits (40.32%), shares in investment funds (9.17%) and in stocks (2.57%). The amounts and the structure of the investments are shown in Table no. 13.

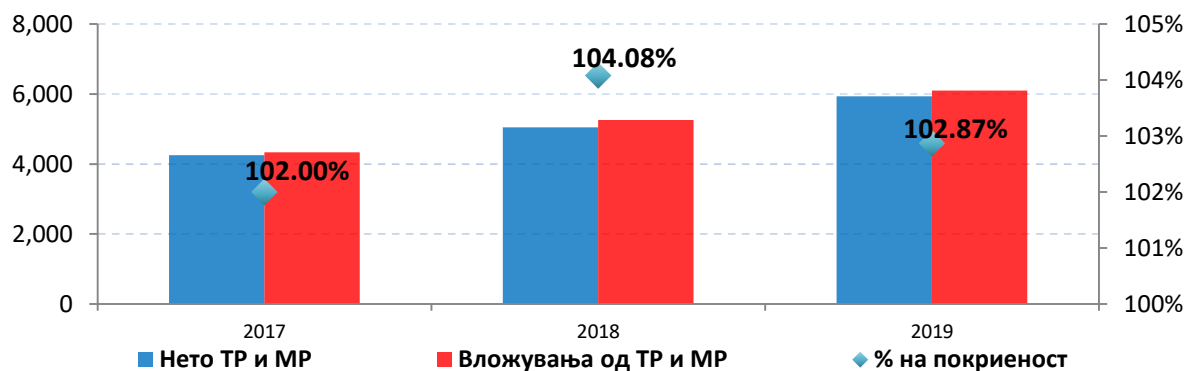
**Table no. 12:** Assets that cover the technical reserves of the non-life insurance companies (in thousands MKD denars)

	2019	2018	2017
<b>Bank accounts and bank deposits</b>	3.345.592	3.258.311	2.886.140
<b>State securities</b>	3.977.336	3.370.466	3.364.546
<b>Stocks</b>	213.021	120.472	101.919
<b>Long-term securities issued in EU or OECD</b>	0	36.407	74.795
<b>Investment funds</b>	760.648	474.738	391.001
<b>Total</b>	<b>8.296.596</b>	<b>7.260.394</b>	<b>6.818.401</b>

Source: ISA

In the companies operating life insurance, the investments of the funds from the technical reserves and the mathematical reserve amounted to 6.10 billion denars and have coverage of net technical reserves of 102.87% (2018: 104.08%) (Chart no. 10).

**Chart no. 10:** Coverage of net technical reserves in life insurance companies (milio denars; right axis - percentage)



Source: ISA

Life insurance companies place most of the assets covering the mathematical reserve in state securities issued by the Republic of North Macedonia (74.77%), bank deposits (23.84%), investment funds (0.64%) and in other financial instruments (0.75%) (Table no. 14).

**Table no. 13:** Assets covering technical reserves and mathematical reserve in life insurance companies (thousand MKD denars)

	2019	2018	2017
<b>Bank accounts and bank deposits</b>	1.454.971	1.106.998	922.944
<b>State securities</b>	4.562.433	4.052.740	3.354.867
<b>Stocks</b>	0	0	0
<b>Long-term securities issued in EU or OECD</b>	0	0	0
<b>Investment funds</b>	38.941	58.879	23.520
<b>Other</b>	45.512	38.272	31.287
<b>Total</b>	<b>6.101.857</b>	<b>5.256.889</b>	<b>4.332.618</b>

Source: ISA

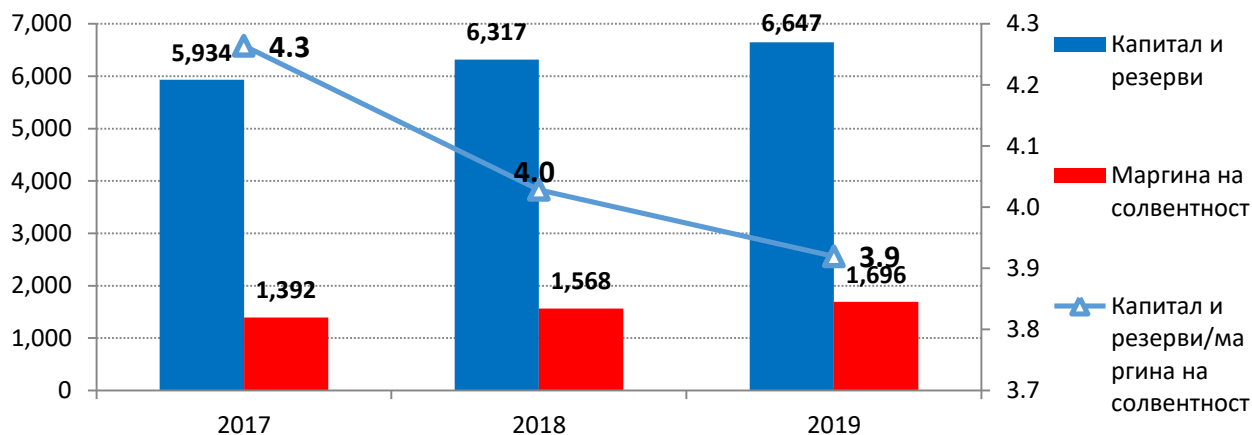
### 3.1.9. Equity adequacy of the insurance companies

In accordance with Articles 75 and 76 of the Law on Insurance Supervision, insurance companies must maintain the value of capital at least in the amount of the required level of the solvency margin. According to the data submitted to the ISA, at the end of 2019, the total calculated capital of insurance companies<sup>5</sup> is 6.65 billion denars, which is an increase of 5.22% compared to 2018. Analyzed by insurance groups, the capital of non-life insurance companies is 5.18 billion denars, and of life insurance companies 1.46 billion denars.

The solvency margin, as the main indicator for assessing the stability of the insurance sector, is 1.69 billion denars (1.30 billion in non-life insurance and 391 million in life insurance), thus the capital of the insurance sector is 3.9 times above the solvency margin level. The movement of capital and the required solvency margin of insurance companies are shown in Chart no. 11.

**Chart no. 11:** Movement of the capital and solvency margin in insurance companies (million denars)

<sup>5</sup> Rulebook on the types and description of items that will be taken into account when calculating the capital of the insurance and/or reinsurance company ("Official Gazette of the Republic of Macedonia" No. 5/11, 64/11, 61/16 and 170/19 )



Source: ISA

### 3.1.10. Financial result of the operations

During 2019, the insurance sector made a loss of 25.37 million denars, compared to the realized profit of 352.68 million denars in 2018 (Chart no. 12).

The non-life insurance companies realized a loss of 125.91 million denars (2018: profit of 269.65 million) which results from the result of seven companies that realized a profit in amount of 308.03 million denars and four companies that realized a loss in amount of 433.94 million denars.

The analysis of the loss in amount of 338.55 million denars, i.e. 78.02% of the total loss is of particular importance, which arises from the two companies where acquisitions took place (Halk Insurance AD Skopje and GRAWE Insurance Non-life AD Skopje)<sup>6</sup>. Prior to the acquisitions, these companies were under intensive supervisory measures, the most relevant of which are the undervalued technical reserves and the overestimated real estate investments. With the acquisition the new owners took steps to comply with the imposed supervision measures in order to increase the technical reserves and adjust the real estate<sup>7</sup> values in accordance with the amended rules.

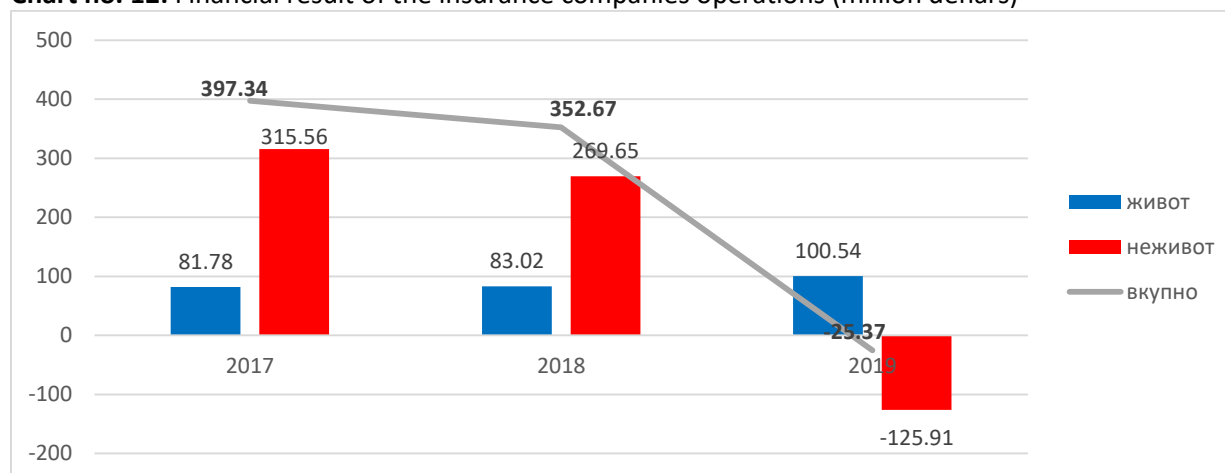
With the prudent application of the rules, these insurance companies faced a loss, but at the same time they recapitalized, which strengthened the capital position caused by the incurred loss. This leads to the conclusion that these are one-time events with the final effect on improving the financial stability of the insurance sector. The losses were supplemented by capital, which showed the new owners a serious interest in owning stable insurance companies.

Life insurance companies realized a profit of 100.54 million denars (2018: profit of 83.02 million denars) which results from the result of three companies that made a profit of 123.25 million denars and two companies that realized a loss of 22.71 million denars.

<sup>6</sup> Details of the acquisition are presented in Chapter 3.1. Insurance companies (pages 8 and 9)

<sup>7</sup> Rulebook on amending the Rulebook on chart of accounts of insurance and reinsurance companies, adopted by the Council of Experts of the Insurance Supervision Agency, at a meeting held on 7.8.2019, published in the "Official Gazette of the Republic of North Macedonia" no. 170/2019, and Rulebook on amending the Rulebook on the form and content of financial statements and detailed content of the annual report on the operations of insurance and/or reinsurance companies adopted by the Council of Experts of the Insurance Supervision Agency, at a meeting held on 7.8.2019, published in the "Official Gazette of the Republic of North Macedonia" no. 170/2019.

**Chart no. 12:** Financial result of the insurance companies operations (million denars)



Source: ISA

### 3.1.11. Indicators for the insurance sector

Indicators in the insurance industry are used to better monitor the work of insurance companies.

**The coefficient of damages** is calculated as the ratio between the incurred damages in the period and the premium, **and the cost coefficient** represents the ratio between the costs for conducting insurance and the premium. The sum of these two coefficients is given by the **combined coefficient**. More thoroughly, in insurance groups, Table no. 15 shows the ratios on a gross basis and on a net basis, after isolating the reinsurance effect.

**Table no. 14:** Technical coefficients

	2019			2018		
	Coefficient of damages	Coefficient of costs	Combined coefficient	Coefficient of damages	Coefficient of costs	Combined coefficient
<b>Net coefficient</b>						
<b>Non-life</b>	52,50%	51,46%	103,96%	49,40%	50,10%	99,50%
<b>Life</b>	76,66%	32,72%	109,38%	75,90%	30,90%	106,70%
<b>Total</b>	57,63%	47,48%	105,11%	54,80%	46,10%	101,00%
<b>Gross coefficient</b>						
<b>Non-life</b>	47,94%	45,44%	93,38%	45,90%	45,00%	90,90%
<b>Life</b>	75,60%	32,47%	108,07%	74,70%	31,00%	105,70%
<b>Total</b>	52,94%	43,09%	96,03%	51,00%	42,50%	93,50%

Source: ISA

**Return on investment (ROI)** is calculated as the ratio of income reduced to investment costs and the amount of investments. The return on investment at the industry level for 2019 is 2.46%, which indicates that the downward trend in return on investment continues (2018: 3.09%). Separately, by insurance groups, we notice that the return on investments in non-life insurance in 2019 is 1.42%, compared to the realized 2.76% in 2018, whereas in life insurance in 2019 this rate is 4.00%, which is an increase compared to the previous year when was 3.63%.



**Return on assets (ROA)** is calculated as a ratio of net-profit and total assets. At the industry level, this indicator is -0.11%, which means a decrease compared to the previous year when it was 1.69%. Separately, by insurance groups, the return on assets in non-life insurance in 2019 is -0.80%, compared to 1.8% in 2018, and in life insurance in 2019 is 1.22% compared to the previous year when it was 1.17%.

**Return on equity (ROE)** is calculated as a ratio of net-profit and the category of capital and reserves. At the industry level, this indicator is -0.36%, compared to 5.29% in 2018. Separately, by insurance groups, the return on equity in non-life insurance in 2019 is -2.28%, which is a decrease compared to the previous year when it was 5.1%, and in life insurance in 2019 is 6.29%, which indicates an increase compared to 2018 when it was 5.5%.

**Debt ratio** is calculated as the ratio of total liabilities and total assets. This coefficient shows how much of the assets are financed by liabilities (technical reserves and other liabilities), excluding capital and legal reserves. In 2019, this coefficient is 70.2%, which is an increase compared to 2018 when it was 68.7%.

An overview of all these financial indicators is given in Table no. 16.

**Table no. 15:** Financial indicators

	2019				2018			
	ROI	ROA	ROE	Debt ratio	ROI	ROA	ROE	Debt ratio
Non-life	1,42%	-0,80%	-2,28%	64,72%	3,09%	1,89%	5,19%	63,78%
Life	4,00%	1,22%	6,29%	80,66%	3,63%	1,26%	5,63%	78,64%
Total	2,46%	-0,11%	-0,36%	70,23%	3,31%	1,69%	5,29%	68,66%

Source: ISA

## 3.2. INSURANCE INTERMEDIATION

The role of sales intermediation is increasingly influential in the insurance sector. During 2019, 46.61% (2018: 48.74%) of the realized GWP were realized through direct sales by the insurance companies, while 53.39% (2018: 51.26%) were realized through indirect channels of mediation (Table 17).

**Table no. 16:** Structure of sales channels for insurance policies according to realized GWP (thousands denars)

	2019	%	2018	%	2017	%
Direct sales	4.933.179	46,61%	4.838.893	48,74%	4.551.392	50,62%
Insurance brokerage companies	3.135.577	29,63%	2.745.963	27,66%	2.380.037	26,47%
Insurance representatives	1.046.595	9,89%	1.053.116	10,61%	991.211	11,02%
Insurance representation companies	898.496	8,49%	858.660	8,65%	829.413	9,22%
Banks	508.507	4,80%	371.757	3,74%	193.260	2,15%
Travel agents	32.593	0,31%	34.198	0,34%	34.674	0,39%
Other distributive channels	17.823	0,17%	15.937	0,16%	5.019	0,06%
Auto salons	10.633	0,10%	9.041	0,09%	7.071	0,08%
<b>Total</b>	<b>10.583.403</b>	<b>100,00%</b>	<b>9.927.565</b>	<b>100,00%</b>	<b>8.992.077</b>	<b>100,00%</b>

Source: ISA

### 3.2.1. Insurance representation

Insurance representation is the preparation and conclusion of insurance contracts, on behalf and at the expense of one or more insurance companies, for insurance products that do not compete with each other. Representation on the insurance market in the Republic of North Macedonia is performed through insurance agents – natural persons, insurance representation companies and banks that have received a license to perform insurance representation activities. Through these channels, in 2019, 23.8% of GWP was realized (2018: 23.6%), i.e. 2.51 billion denars (2018: 2.34 billion denars), which is an increase of 7.34% compared to the previous year.

Insurance representation through natural persons is performed on the basis of a license from the ISA, which they receive after a previously passed exam for performing insurance representation activities. In the total GWP, the representation in insurance through natural persons participates with 9.9%, whereby in 2019 the number of representatives who had a license from ISA is 1,508. The register of all active insurance agents is available on the ISA website<sup>8</sup>.

The number of insurance representation companies in relation to 2018 decreased for two insurance representation companies (Decisions for termination of the license for performing insurance representation activities of MAKO AS and L.I.F.E), and there was a new license issued for work of a new company for insurance representation (DZO MOE OSIGURUVANJE), i.e. during 2019 on the insurance market there were ten active companies for insurance representation (Table no. 18)

In the total GWP, the companies for representation in insurance in 2019 participate with 898.49 million denars or 8.49% of the total intermediation (2018: 8.65%), but despite the decrease in the relative share, there was an increase of 4.64% compared to last year (2018: 858.66 million denars).

<sup>8</sup> [http://aso.mk/wp-content/uploads/2019/12/registar\\_licenczirani-zastapnici-vo-osiguruvanje-12-2019.pdf](http://aso.mk/wp-content/uploads/2019/12/registar_licenczirani-zastapnici-vo-osiguruvanje-12-2019.pdf)

Also, insurance representation can be performed by a bank that has received a license for performing insurance representation activities from the National Bank of the Republic of North Macedonia, based on prior consent from ISA. In 2019, a consent was issued for representation of 3 banks (Komercijalna Banka AD Skopje, Uni Banka AD Skopje and TTK Bank AD Skopje) and one Decision for revoking consent for representation of Ohridska Banka AD Skopje, thus the number of banks compared to the previous year increased for two more, i.e. at the end of 2019, banks which have a license to perform insurance are 7 in total (2018: 5) and participated with 508.50 million denars or 4.80% of the total GWP, which is a huge increase of 36.78% compared to last year (2018: 371.75 million denars).

**Table no. 17:** Register of insurance representation companies and banks

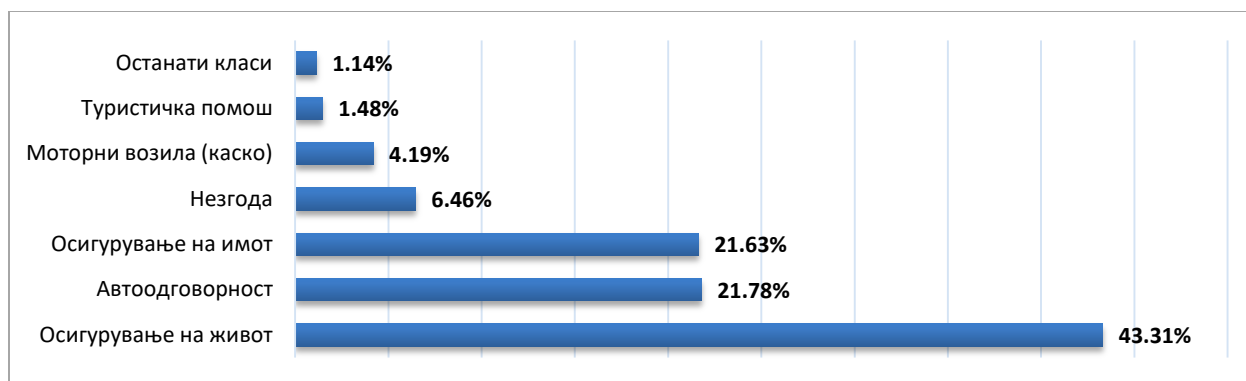
Назив на друштвото	
1	Insurance representation company <a href="#">AKTIVA OSIGURUVANJE</a> AD Skopje
2	Insurance representation company <a href="#">TREND-MR</a> AD Skopje
3	Joint stock insurance representation company <a href="#">LION INS</a> AD Skopje
4	Insurance representation company <a href="#">REA INSURANCE GROUP</a> AD Skopje
5	Joint stock insurance representation company <a href="#">SAFE LIFE</a> Makedonija AD Skopje
6	Insurance representation company <a href="#">FORTIS</a> AD Skopje
7	Insurance representation company <a href="#">LIFE VISION</a> AD Skopje
8	Insurance representation company <a href="#">VAS PRIJATEL</a> AD Prilep
9	Joint stock insurance representation company <a href="#">FAMILY PARTNER</a> AD Skopje
10	Joint stock insurance representation company <a href="#">MOE OSIGURUVANJE</a> AD Skopje
11	<a href="#">Sparkasse Banka</a> AD Skopje
12	<a href="#">NLB Tutunska Banka</a> AD Skopje
13	<a href="#">HALK Banka</a> AD Skopje
14	<a href="#">Stopanska Banka</a> AD Skopje
15	<a href="#">Komercijalna Banka</a> AD Skopje
16	<a href="#">Uni Banka</a> AD Skopje
17	<a href="#">TTK Banka</a> AD Skopje

Source: ISA

During 2019, 87,826 insurance contracts (policies) were concluded through insurance representation companies (2018: 87,730), which is a decrease of 0.11% compared to the previous year. Through the banks, in 2019, 138,278 insurance contracts were concluded (2018: 81,288), which is an increase of 70.11% compared to the previous year.

The distribution of the total GWP, by insurance classes, realized by the representation companies and the banks is presented in Chart no. 13.

**Chart no. 12:** GWP structure, in insurance classes



Source: ISA

### 3.2.1. Insurance brokerage operations

Insurance brokerage activities include mediation in negotiating insurance and reinsurance coverage, as well as in the realization of indemnity claims after an insured harmful event with the insurance and reinsurance companies, on behalf and for the account of the clients. Through this distribution channel, insurance brokerage companies in 2019 realized 29.63% of GWP (2018: 27.66%), i.e. 3.13 billion denars (2018: 2.74 billion denars), which is an increase of 14.19% compared to the previous year.

At the end of 2019, 39 insurance brokerage companies operated on the insurance market (2018: 37), (Table no. 19).

During 2019, a license was issued for the operation of four new insurance brokerage companies (Insurance brokerage company MAKOAS BROKER AD Strumica, Insurance brokerage company SMART MONEY SOLUTIONS AD Skopje, Insurance brokerage company IBIS INSURANCE AD Strumica, Insurance Brokerage Company ALPHA BROKER AD Kumanovo), and by the end of 2019 all have started performing insurance brokerage activities. On the other hand, the license to work was revoked from the Insurance Brokerage Company KMK BROKER AD Skopje and a decision was issued for termination of performing insurance brokerage activities for ENSA BROKER AD Skopje.

**Table no. 18:** Register of insurance brokerage companies

Назив на друштвото	
1	Joint stock insurance brokerage company <a href="#">EURO EXPERTS</a> Skopje
2	Insurance brokerage company <a href="#">EURO MAK BROKER AD</a> Skopje
3	Insurance brokerage company <a href="#">IN BROKER AD</a> Skopje
4	Joint stock insurance brokerage company <a href="#">WFP AD</a> Skopje
5	Insurance brokerage company <a href="#">MOBILITY BROKER AD</a> Skopje
6	Insurance brokerage company <a href="#">SEDA BROKER AD</a> Skopje
7	Insurance brokerage company <a href="#">NASE OSIGURUVANJE AD</a> Kocani
8	Insurance brokerage company <a href="#">JDB BROKER AD</a> Skopje
9	Insurance brokerage company <a href="#">DELTA-INS BROKER AD</a> Skopje
10	Joint stock insurance brokerage company <a href="#">A-TIMR</a> Skopje
11	Insurance brokerage company <a href="#">LEGRA AD</a> Skopje
12	Insurance brokerage company <a href="#">PLOSA PLUS AD</a> Skopje
13	Insurance brokerage company <a href="#">AMG PREMIUM AD</a> Skopje
14	Insurance brokerage company <a href="#">SUPER BROKER AD</a> Skopje

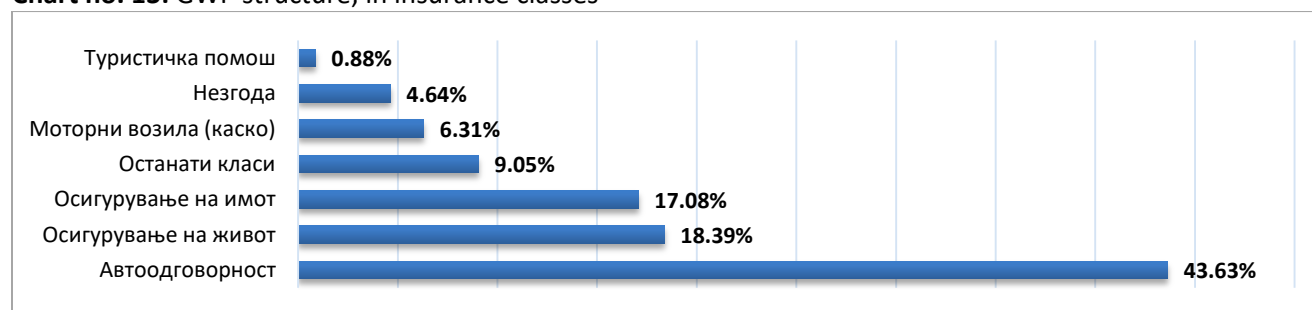
15	Insurance brokerage company <a href="#">KORAB INS AD</a> Skopje
16	Insurance brokerage company <a href="#">NOV OSIGURITELEN BROKER AD</a> Skopje
17	Insurance brokerage company <a href="#">CERTUS AD</a> Skopje
18	Insurance brokerage company <a href="#">STM BROKER PLUS AD</a> Skopje
19	Insurance brokerage company <a href="#">AM BROKER AD</a> Skopje
20	Insurance brokerage company <a href="#">MEGA BROKER AD</a> Skopje
21	Insurance brokerage company <a href="#">CVO BROKER AD</a> Ohrid
22	Insurance brokerage company <a href="#">ASUC BROKER AD</a> Skopje
23	Insurance brokerage company <a href="#">SAFE INVEST AD</a> Skopje
24	Insurance brokerage company <a href="#">VIA BROKER AD</a> Glumovo Skopje
25	Joint stock insurance brokerage company <a href="#">VEBER GMA AD</a> Bitola
26	Insurance brokerage company <a href="#">MAK TREND BROKER AD</a> Skopje
27	Insurance brokerage company <a href="#">SN OSIGURITELEN BROKER AD</a> Bitola
28	Joint stock company for performing insurance brokerage operations <a href="#">ΠΟΡΨΗ БРОКЕР</a> Skopje
29	Insurance brokerage company <a href="#">JOKER INS BROKER AD</a> Gevgelija
30	Insurance brokerage company <a href="#">EOS BROKER AD</a> Skopje
31	Insurance brokerage company <a href="#">PETROL OIL BROKER AD</a> Skopje
32	Insurance brokerage company <a href="#">AURO BROKER AD</a> Struga
33	Insurance brokerage company <a href="#">RIZIKO OSIGURUVANJE AD</a> Skopje
34	Insurance brokerage company <a href="#">VIN BROKER AD</a> Skopje
35	Insurance brokerage company <a href="#">BROLINS АД</a> Skopje
36	Insurance brokerage company <a href="#">MAKOAS BROKER AD</a> Strumica
37	Insurance brokerage company <a href="#">SMART MONEY SOLUTIONS AD</a> Skopje
38	Insurance brokerage company <a href="#">IBIS OSIGURUVANJE AD</a> Strumica
39	Insurance brokerage company <a href="#">АЛФА БРОКЕР AD</a> Kumanovo

Source: ISA

In this period, insurance brokerage companies realized sales of 335,253 policies (2018: 302,690), which is an increase of 8.2% compared to the previous year.

The distribution of the total GWP, by classes of insurance, realized by the insurance brokerage companies, is presented in Chart no. 14.

**Chart no. 13:** GWP structure, in insurance classes



Source: ISA

### **3.3. NATIONAL INSURANCE BUREAU**

Pursuant to the Law on Compulsory Traffic Insurance, the National Insurance Bureau (hereinafter: "NIB") performs the activities planned with the international agreements for insurance of owners and users of motor vehicles, from liability in traffic (green card) and represents the insurance companies from the Republic of North Macedonia in the international insurance organizations and institutions. The NIB also issues and prints international green cards for the needs of its members, maintains statistical records and performs statistical processing of statistical data from insurance companies, establishes and maintains a central system for recording policies and damages from the use of motor vehicles.

The NIB has been a member of the Council of Bureaux in Brussels since 1994, which aims to facilitate international road traffic of motor and trailer vehicles by insuring against liability for damages caused to third parties, under the conditions prescribed in the country visited and guaranteed that the injured persons in case of a traffic accident will be compensated for the damage caused by the use of the motor vehicle, by applying the national legislation of that country. At the same time, as a member of the Council, the NIB participates in the work of the Southeast European Group, which includes the countries in the region.

Eleven insurance companies are members of the NBO, i.e. all non-life insurance companies in the Republic of North Macedonia.

The report on the operations submitted by the NIBO to the ISA, in accordance with Article 54 paragraph (3) of the Law on Compulsory Traffic Insurance, shows the financial operations of the NIB and the financial operations of the Guarantee Fund for 2019.

As of December 31, 2019, the total assets of the NBO amounted to 316.4 million denars, of which 194.3 million are current assets, and the remaining 122.1 million refer to non-current assets and compared to the previous year increased by 4.6 %. In the total assets of the NIB, the largest share of 55.62% is taken by bank deposits, followed by receivables from insurance companies with 36.09% and investments in securities with 3.37%. In the total liabilities and capital of the NIB in 2019, the capital participates with 60.40%, and the liabilities with 39.43%. In 2019, NIB made a profit in amount of 1,282 thousand denars (2018: profit of 2,701 thousand denars).

### 3.3.1. Guarantee Fund of NIB

NIB, in accordance with Article 58 of the Law on Compulsory Traffic Insurance, establishes a Guarantee Fund that serves for the payment of:

1. damages caused on the territory of the Republic of North Macedonia by unknown and uninsured motor vehicles and trailers, uninsured boats and motor-powered ships, as well as uninsured aircraft;
2. damages caused on the territory of the Republic of North Macedonia by means of vehicles registered for transport of passengers in public traffic, for which the owners had not concluded a contract for insurance of passengers from the consequences of an accident;
3. damages from compulsory insurance that the damaged persons cannot collect due to termination of the insurance company with which the insurance contract was concluded, whereby only the part of the damage that was not compensated from the bankruptcy mass of the insurance company is paid; and
4. damages from insured motor vehicles originating from the territory of the Republic of North Macedonia, for which in accordance with the Cretan Agreement and other international agreements, are guaranteed by the National Insurance Bureau.

The work of the Guarantee Fund is based on the Law on Compulsory Traffic Insurance, as well as the Rulebook on the establishment and use of the Guarantee Fund and the Guidelines for keeping records and manner of payment of the Guarantee Fund assets, adopted by the NIB.

**Table no. 19:** Share in the Guarantee Fund in insurance companies for the period 1.1.-31.12.2019 (denars)

Name of the insurance company	Total GWP for every compulsory insurance	% of share in GWP for every compulsory share	Share in the Guarantee Fund
Triglav	576.888.659	12,67%	23.370.686
Winer	527.344.000	11,58%	21.363.552
Uniqa	501.155.902	11,01%	20.302.630
Osiguritelna polisa	465.387.833	10,22%	18.853.608
Sava	423.706.626	9,31%	17.165.036
Eurolink	414.352.662	9,10%	16.786.092
Euroins	406.174.085	8,92%	16.454.764
Halk insurance	367.091.294	8,06%	14.871.458
Grawe non-life	333.958.819	7,33%	13.529.208
Makedonija	271.962.287	5,97%	11.017.629
Croatia non-life	265.162.000	5,82%	10.742.138
<b>Total</b>	<b>4.553.184.167</b>	<b>100,00%</b>	<b>184.456.801</b>

Source: Report on the NIB operations for 2019

Insurance companies that perform compulsory auto liability insurance are obliged to pay funds to the Guarantee Fund in an amount proportional to the premium realized by certain classes of the compulsory auto liability insurance in the previous trimester, for the current trimester of the current year.

In accordance with the decision of the Board of Directors of NIB, every calendar year a new distribution of funds from the Guarantee Fund in amount of 3,000,000 EUR is made, according to the percentage of participation of the insurance company in the total written premium for compulsory insurance. For 2019, the participation in the Guarantee Fund by insurance companies is shown in Table. 20.

### 3.3.2. Reimbursement of damages from the Guarantee Fund

In accordance with Article 60 paragraph (4) of the Law on Compulsory Traffic Insurance, the insurance company that has processed and paid the claim for damages, has the right to a refund of the funds paid from the funds of the Guarantee Fund.

The funds of the Guarantee Fund do not compensate damages caused by the use of uninsured foreign motor vehicles moving on the territory of the Republic of North Macedonia, for which special international agreements are valid, signed by the Republic of North Macedonia.

**Table no. 20:** Reported and accepted claims for damages to be reimbursed by the Guarantee Fund for the period 1.1.2019-31.12.2019

Name of the insurance company	No. of reported claims for reimbursement	No. of accepted claims in the Guarantee Fund	Accepted claims in the Guarantee Fund (damages+fees) Amount in MKD denars
Makedonija	104	100	21.007.647
Euroins	88	88	15.604.359
Uniqa	86	86	10.650.449
Grawe non-life	84	84	21.137.681
Osiguritelna polisa	81	81	8.676.990
Triglav	78	78	12.550.334
Winer	69	69	7.267.209
Sava	65	65	10.366.454
Eurolink	61	61	7.580.773
Croatia non-life	52	52	8.242.231
Halk insurance	46	45	5.367.274
<b>Total</b>	<b>814</b>	<b>809</b>	<b>128.451.401</b>

Source: Report on the NIB operations for 2019

In 2019, 814 claims for refund were reported by the insurance companies to the NIB, out of which 809 claims in amount of 129,451 million denars were accepted and refunded.

The number of reported claims for refund to the Guarantee Fund in 2019 (814) was decreased by 39 claims compared to 2018 (853), i.e. decreased by 4.57%.

The average paid damage in 2019 is 158,778 denars and it decreased by 0.18% compared to the average paid damage in 2018 (2018: 159,065 denars).

The number of reported and accepted claims for refund from the Guarantee Fund during 2019 as well as the amount of accepted claims are shown in Table. 21.



INSURANCE SUPERVISION AGENCY  
President of the Council of Experts,  
Krstel Shajnoski

No. 08-396/1  
Skopje  
19.6.2020