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INSURANCE SUPERVISION AGENCY

ANNUAL REPORT  
ON THE SITUATION AND MOVEMENTS ON THE INSURANCE MARKET IN REPUBLIC OF  
MACEDONIA IN 2013

Skopje, 2014

## CONTENTS

<b>1. INTRODUCTION.....</b>	<b>3</b>
<b>2. LEGAL FRAMEWORK.....</b>	<b>3</b>
<b>3. INSURANCE MARKET IN R. MACEDONIA .....</b>	<b>4</b>
<b>A) INSURANCE UNDERTAKINGS.....</b>	<b>4</b>
1. OWNERSHIP STRUCTURE .....	5
2. INSURANCE MARKET DEVELOPMENT .....	6
3. GROSS WRITTEN PREMIUM .....	9
4. GROSS WRITTEN PREMIUM STRUCTURE.....	13
5. EMPLOYMENT IN THE INSURANCE UNDERTAKINGS .....	15
6. ASSETS AND LIABILITIES STRUCTURE.....	16
7. CAPITAL AND REQUIRED LEVEL OF SOLVENCY MARGIN .....	18
8. TECHNICAL PROVISIONS .....	19
9. ASSETS COVERING THE TECHNICAL PROVISIONS .....	19
10. OPERATIONAL FINANCIAL RESULTS .....	21
11. INSURANCE INDUSTRY INDICATORS.....	22
<b>B) NATIONAL INSURANCE BUREAU.....</b>	<b>24</b>
1. NIB'S GUARANTEE FUND .....	24
2. REFUNDING CLAIMS FROM THE GUARANTEE FUND .....	25
<b>C) INSURANCE INTERMEDIATION .....</b>	<b>26</b>
1. INSURANCE AGENCIES.....	27
2. INSURANCE BROKERAGE ACTIVITIES .....	28

*The Reports have been prepared in accordance with Article 158-r, and Article 158-t of the Law on Insurance Supervision and for their preparation the Insurance Supervision Agency used data from its own records.*

## 1. INTRODUCTION

The Insurance Supervisory Agency of R. of Macedonia (hereinafter: „ISA“) is an autonomous and independent regulatory authority on the insurance market undertaking public authorizations as stipulated by the Law on Insurance Supervision and the Law on Compulsory Insurance in Traffic. ISA aims to contribute to the legal and effective functioning of the domestic insurance market and to its continuous development and adequate protection of the rights and interests of policyholders, as well as strengthening the financial stability of the economy.

At the end of 2013, there were 15 insurance companies on the insurance market of Republic of Macedonia, of which 11 operating in the area of non-life insurance, and 4 operating in the area of life insurance. During 2013, the number of insurance brokerage companies increased by 6 new companies, rising to a total of 26 companies, whereas the number of insurance agencies increased by 1 new companies, rising to a total of 10.

In 2013, the gross written premium (hereinafter: „GWP“) on the Macedonian insurance market reached the total amount of MKD 7.19 billion, which makes an increase of 2.56% in the GWP compared to 2012 (2012: MKD 7.01 billion). The non-life insurance segment amounted to MKD 6.47 billion representing 89,86% of the insurance industry GWP, an increase of 0,76% compared to the previous year (2012: MKD 6.41 billion). The life-insurance segment GWP was MKD 729 million (2012: MKD 598 million), which represents a growth of 21.96% compared to the previous year.

On 31.12.2013, the insurance undertakings had at their disposal assets in the amount of MKD 13.88 billion, an increase of 6.25% compared to the previous year (2012: MKD 13.06 billion). At the end of 2013, the total capital of the insurance undertakings amounted to MKD 4.67 billion, which is an increase of 6.37% compared to 2012, whereas the solvency margin as key indicator for the insurance industry stability amounted to MKD 1.15 billion, thus making the capital of the insurance sector 4 times above the level of the solvency margin.

In the course of 2013, the insurance sector reported profit in the amount of MKD 211.53 million. The non-life insurance segment reported loss of MKD 165.43 million, and the life insurance segment reported loss of MKD 46.11 million.

Concerning the regulations, in 2013 the Law on Insurance Supervision (Official Gazette of Republic of Macedonia no. 188/2013), and a decision of the Constitutional Court repealing certain articles from the Law on Insurance Supervision were amended. Also, 5 new regulations and 2 amendments to previously adopted bylaws were adopted, thus contributing to a more detailed regulation of the legal matters in several fields.

## 2. LEGAL FRAMEWORK

The Law on Insurance Supervision ("Official Gazette of the R. of Macedonia" no. 27/2002, 79/2007, 88/2008, 67/2010, 44/2011 and 188/2013), and the Law on Compulsory Insurance in Traffic ("Official Gazette of the Republic of Macedonia" no. 88/05, 70/06, 81/08, 47/11 and 135/11) are the main legal framework that regulates the conditions and the manner for performing insurance and reinsurance activities, the manner and conditions for performing insurance intermediation and supervision of the operations of insurance

undertakings, insurance brokerage companies, and insurance agencies. With regard to the insurance contracts, the Contract Law and the Company Law serve as complementary legislation.

The **Law on Insurance Supervision** incorporates the insurance principles and standards of the International Association of Insurance Supervisors (IAIS), as well as the EU Insurance Directives. The Law regulates the establishment and operation of insurance undertakings, risk management, role of authorised actuaries, financial reporting, internal and external auditing, activities of insurance brokerage companies and insurance agency, supervision over insurance undertakings, procedure for decision-making by the ISA, operations of insurance and reinsurance pools, cooperation with supervisory agencies and EU authorities, as well as penalty provisions.

During the 2013, the Law on Supervision of Insurance ("Official Gazette of Republic of Macedonia" no. 188/2013) was amended. These amendments were made in order to promote the method and procedure for passing the exam required to obtain a license to practice as certified actuary, insurance broker, and insurance agent as part of the systemic reform for implementing professional examinations organized by public institutions in order to increase the cost-effectiveness and transparency in their implementation. In addition, in 2013, the Constitutional Court of the Republic of Macedonia adopted the Decision of the Constitutional Court no. 122/2011 ("Official Gazette of Republic of Macedonia" no. 23/2013), repealing certain articles of the Law on Insurance Supervision stipulating that a certificate from competent institution confirming regular payment of public taxes has to be submitted in order to obtain a permit for conducting insurance activities.

The compulsory insurance in traffic is regulated by the Law on Compulsory Insurance in Traffic which stipulates the following: extended protection of the interests of victims in traffic accidents by increasing the insured sum and their gradual (upon previously legally defined phases) harmonization with the insured sum adopted in the EU Directives, regulation of the deadlines for filing claims and indemnification of claims by the insurance undertakings, imposition of the entitlement to mediation, strict regulation of the competencies of the Guarantee Fund, changes in the manner of establishing the premium tariffs for which the Auto Insurance Commission has been established, as well as facilitating the provision of cross-border insurance services by introduction of the so-called Authorised claims representative and introduction of Damage Compensation Service (the last two items shall be realised once Republic of Macedonia joins the European Union).

### **3. INSURANCE MARKET IN R. MACEDONIA**

#### **A) INSURANCE UNDERTAKINGS**

There were 15 insurance undertakings operating on the insurance market of R. Macedonia in 2013, of which 4 operated in the life insurance segment, and the remaining 11 in the non-life insurance segment. Only one insurance undertaking was licensed for reinsurance business besides the non-life insurance operations (Table no. 1).

In the second quarter of 2013, the acquisition of JSC for Insurance and Reinsurance QBE Macedonia by Vienna Insurance Group (VIG), which commenced in 2012, was finalised. Thereby, VIG became an owner of 94.25% of the company shares. Additionally, ADOR QBE Macedonia changed its name and is now known as:

Insurance Macedonia - Vienna Insurance Group. With this activity, VIIG became owner of 3 insurance undertakings in Republic of Macedonia.

**Table 1:** Registry of Insurance Undertakings

	Insurance undertaking	Insurance segment
1	MACEDONIA <sup>1</sup> Skopje Vienna Insurance Group	Non-life insurance and reinsurance
2	TRIGLAV INSURANCE	Non-life insurance
3	SAVA INSURANCE	
4	EUROINS	
5	WINNER – Vienna Insurance Group	
6	EUROLINK	
7	INSIG - MACEDONIA	
8	UNIQA	
9	INSURANCE POLICY	
10	ALBSIG	
11	CROATIA INSURANCE	
12	CROATIA INSURANCE	
13	GRAWE	
14	WINNER Life - Vienna Insurance Group	
15	UNIQA Life	

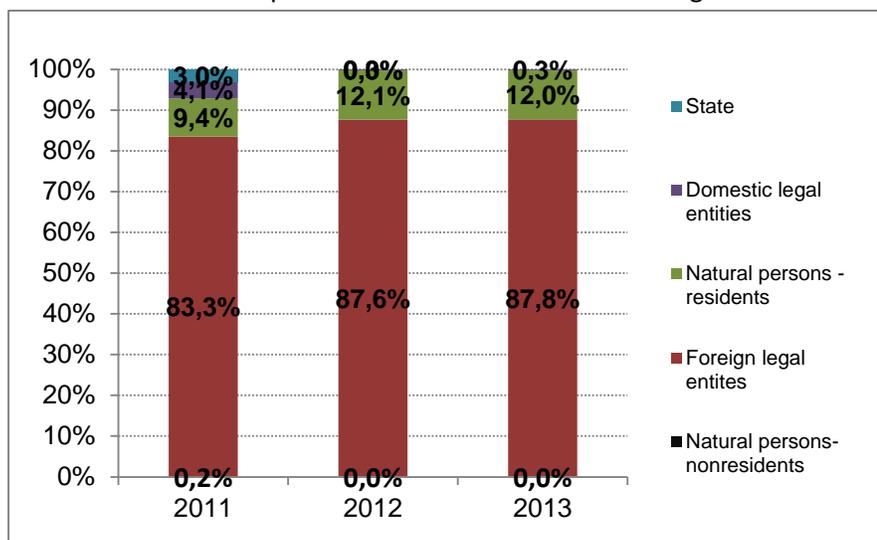
## 1. Ownership Structure

In the course of 2013, the ownership structure of the insurance undertakings underwent no significant changes. The insurance undertakings are in dominant ownership of foreign legal entities from the financial sector (87.76%), i.e. they have partial or complete ownership in 14 from total of 15 insurance undertakings on the market. Accordingly, 11 insurance undertakings are owned by insurance groups with head offices in EU Member States, and only insurance company is fully owned by domestic investors.

Graph no. 1 shows the ownership structure of the insurance undertakings as on 31.12.2013.

<sup>1</sup> Since 2004 the undertaking is not signing new insurance contracts, and only services the existing life insurance contracts.

**Chart no. 1: Ownership structure of insurance undertakings**

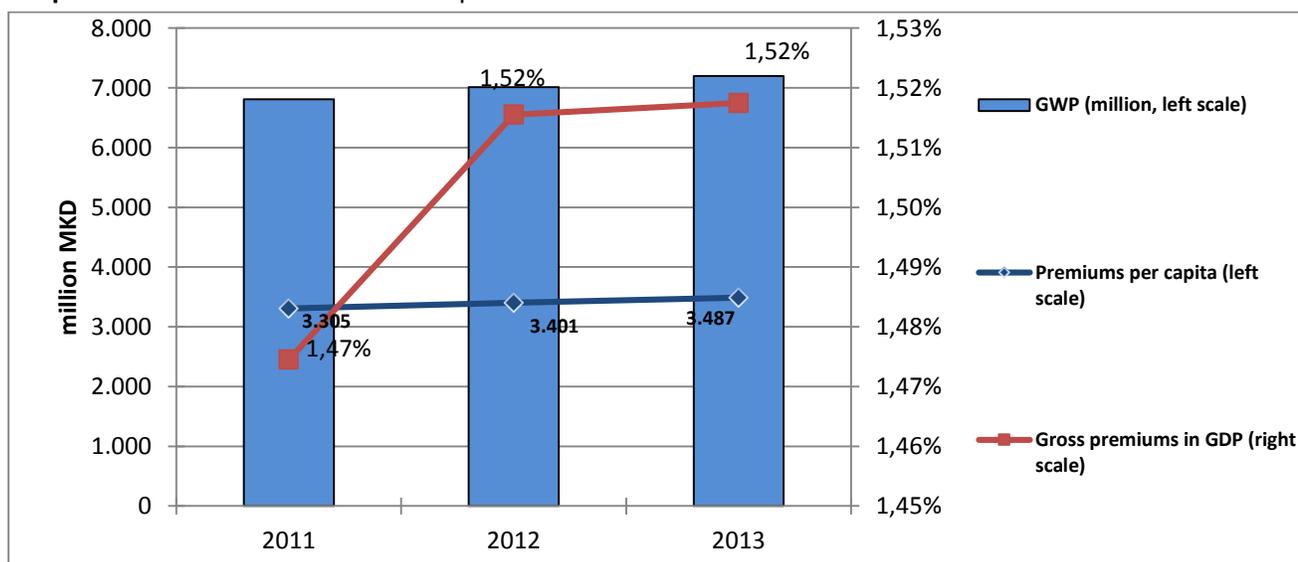


Source: Quarterly Reports, ISA

## 2. Insurance market development

The basic indicators that measure the level of development of the insurance market are the insurance density rate and insurance penetration rate<sup>2</sup>. The data on the insurance penetration in 2013 show that the total GWP in the country accounts for 1.52% of GDP, whereas the density rate is MKD 3487 per capita. The data trends are presented in the Graph no.2.

**Graph no. 2: Insurance market development indicators**



Source: Quarterly Reports, ISA and Ministry of Finance of R. Macedonia

<sup>2</sup> The density rate is calculated as ratio of gross written premium and the country population, whereas the penetration rate is the ratio of gross written premium and gross domestic product..

The insurance sector in Macedonia is characterised with moderate market competitiveness. Herfindahl index<sup>3</sup>, calculated via the GWP in 2013 was 891.77 (2012: 951.07). A similar result was obtained in 2013 by measurement of the index through the assets of insurance undertakings at 869.25 (2012: 896.28).

The analysis per insurance segments, in particular, shows high concentration in life insurance and reinsurance, due to the small number of undertakings in this area. For life insurance undertakings, the Herfindahl-index measured against the GWP was 3,818.398 (2012: 3,723.22), whereas when measured against the assets of the undertakings it was 3,177.59 (2012: 2,965.78).

With regard to non-life insurance, there is presence of continuous and moderate decline in concentration, which is also shown through the measurement of the Herfindahl-index (relative to GWP), which reached 1,055.77 in 2013 (2012: 1,104.32), and relative to assets it is 1151.24 (2012: 1172.79).

The tables below shows the Herfindahl-index and concentration index for the top five insurance companies (CR5):

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

Gross written premium	2012		2013	
	Herfindahl	CR5	Herfindahl	CR5
<b>The whole sector</b>	951.07	57.58%	891.768	54.39%
<b>Non-life insurance</b>	1,104.32	62.95%	1,055.767	60.53%
<b>Life insurance</b>	3,723.22	100.00%	3,818.398	100.00%

Source: Quarterly Reports, ISA

**Table no. 3:** Herfindahl index and CR5 index measured against the assets of insurance undertakings

Assets	2012		2013	
	Herfindahl	CR5	Herfindahl	CR5
<b>The whole sector</b>	896.28	54.97%	869.248	52.95%
<b>Non-life insurance</b>	1,172.79	66.06%	1,151.243	65.47%
<b>Life insurance</b>	2,965.78	100.00%	3,177.585	100.00%

Source: Balance Sheet of the insurance sector

<sup>3</sup> Herfindahl-index shall be calculated using the formula:

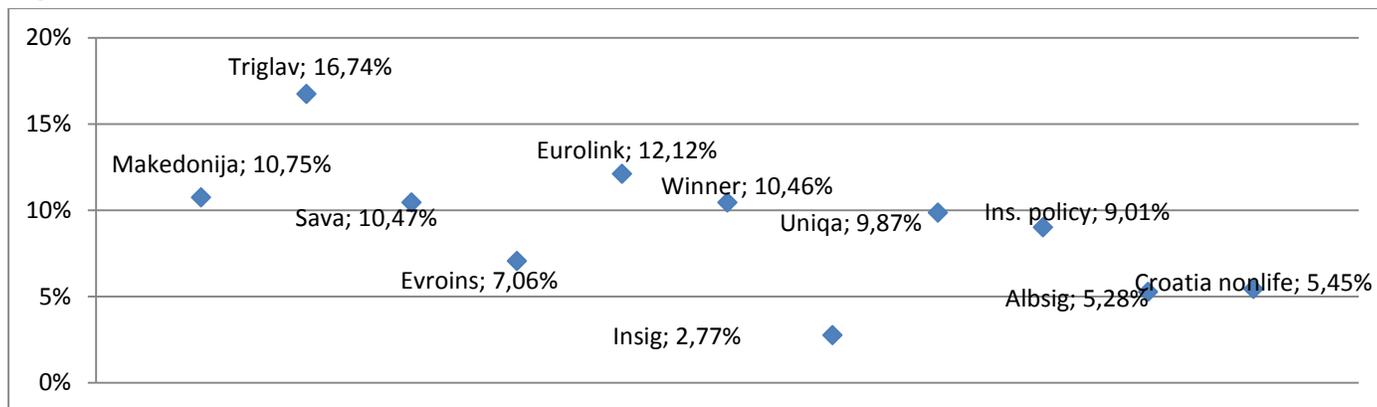
$$HI = \sum_{i=1}^n (S)_i^2$$

where S is the share of each insurance company in the total assets (gross written premium) of the insurance sector, and n is the number of institutions in the respective segment. When the index is in an interval between 1,000 and 1,800 units, the concentration level of the insurance sector shall be deemed acceptable.

The decline in market concentration of the non-life insurance undertakings is also evidenced by the CR5 index measured against their share in GWP, which indicates decreases of 60.53% in 2013 (2012: 62.95%).

With regard to the market concentration, at the end of 2013, 5 non-life insurance undertakings exceeded the threshold of 10% share in the total GWP. Accordingly, the shares of the market leaders are as follows: Triglav Insurance with 16.74% (2012: 19.21%), Eurolink with 12.12% (2012: 12.34%), Insurance Macedonia with 10,75% (2012: 10.73%), Sava with 10.47% (2012: 10.85%), Winner with 10.46% (2012: 9.81%). Moreover, none of the insurance undertakings on the Macedonian insurance market exceed the threshold of over 20% market share (Graph no. 3).

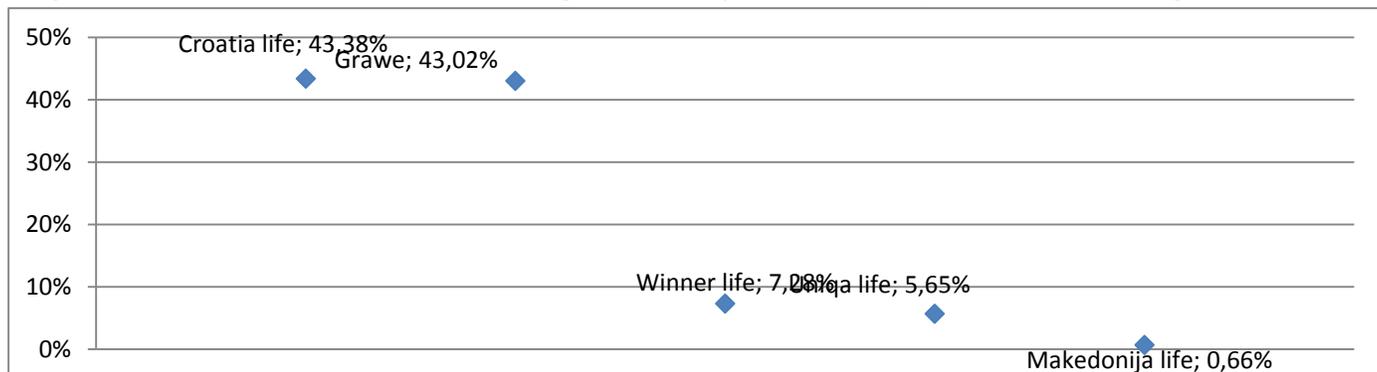
**Graph no. 3:** Market concentration relative to gross written premium in 2013, for the non-life insurance segment



Source: Quarterly Reports, ISA

Two insurance undertakings, i.e. Croatia Life with 43.38% (2012: 40.76%) and Grawe with 43.02% (2012: 44.37%), have dominant market shares in the life insurance segment. The small market share of Winner Life and Uniqa Life is due to their relatively short presence on the market since 2011. As for Macedonia Life, it has not signed new life insurance contracts since 2004 (Graph no. 4).

**Graph no. 4:** Market concentration relative to gross written premium in 2012, for life insurance segment



Source: Quarterly Reports, ISA

### 3. Gross written premium

The GWP for insurance and reinsurance of the non-life insurance undertakings includes all the insurance premiums contracted (written) within the current accounting period, regardless if they partially or completely refer to the following period, whereas the total life-insurance written premium includes all the paid premiums until the end of the accounting period.

In 2013, a total GWP of 7.19 billion denars has been achieved, representing a 2.56% increase compared to the GWP in 2012 (2012: 7.01 billion denars).

**Table no. 4:** Gross written premium by insurance classes (thousand MKD)

Line of business insurance	GROSS WRITTEN PREMIUM (GWP)		SCHEDULE 2013/2012	SHARE IN TOTAL GWP	
	2013	2012		2013	2012
01. Accident insurance	540,877	519,418	4.13%	7.52%	7.41%
02. Health insurance	2,113	2,403	-12.07%	0.03%	0.03%
03. Motor vehicle insurance – Casco	721,808	761,712	-5.24%	10.03%	10.86%
05. Aircraft insurance - Casco	81,920	73,678	11.19%	1.14%	1.05%
06. Vessel insurance – Casco	1,020	672	51.79%	0.01%	0.01%
07. Insurance of goods in transportation - cargo	72,536	79,833	-9.14%	1.01%	1.14%
08. Property insurance against fire	485,910	611,921	-20.59%	6.75%	8.72%
09. Other property insurance	829,717	781,166	6.22%	11.53%	11.14%
10. Motor Third-Party Liability insurance	3,380,016	3,276,874	3.15%	46.99%	46.72%
11. Aircraft third-party liability insurance	9,412	10,762	-12.54%	0.13%	0.15%
12. Vessel third-party liability insurance	1,937	1,676	15.57%	0.03%	0.02%
13. Other liability insurance	160,758	140,316	14.57%	2.23%	2.00%
15. Guaranties insurance	1,343	908	47.91%	0.02%	0.01%
16. Insurance against financial loss	23,838	11,909	100.17%	0.33%	0.17%
17. Legal protection insurance	1	3	-66.67%	0.00%	0.00%
18. Travel insurance	150,836	142,237	6.05%	2.10%	2.03%
19. Life insurance	729,459	598,134	21.96%	10.14%	8.53%
<b>TOTAL</b>	<b>7,193,501</b>	<b>7,013,622</b>	<b>2.56%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>TOTAL NON-LIFE</b>	<b>6,464,042</b>	<b>6,415,488</b>	<b>0.76%</b>	<b>89.86%</b>	<b>91.47%</b>
<b>TOTAL LIFE</b>	<b>729,459</b>	<b>598,134</b>	<b>21.96%</b>	<b>10.14%</b>	<b>8.53%</b>

Source: Source: Quarterly Reports, ISA

The positive trend is present in both insurance groups. The non-life insurance group achieved a 6.46 billion denars GWP (2012: 6.41 billion denars), representing 89.86% of the total GWP of the insurance sector, or a 0.76% increase compared to the same period in the last year.

The life-insurance segment GWP was MKD 729 million (2012: MKD 598 million), which represents a growth of 21.96%. This significant growth was due to the increased supply of life insurance in the country, the ever

growing number of citizens informed of the benefits for this type of insurance, as well as the macroeconomic stability of the country, expecting even further development of this insurance segment.

Table no. 5 shows the index of annual change of GWP for the period 2006 – 2013, separately for life insurance, non-life insurance and the total respectively. It is evident from the table that the trend of change corresponds to the trend of non-life insurance as the dominant insurance segment.

**Table no. 5:** Change index of the gross written premium

	2006/2005	2007/2006	2008/2007	2009/2008	2010/2009	2011/2010	2012/2011	2013/2012
<b>Total GWP</b>	106.66%	111.93%	105.36%	96.28%	104.83%	105.05%	103.02%	102.56%
<b>Non-life insurance</b>	106.32%	111.20%	103.85%	95.56%	104.17%	103.01%	101.65%	100.76%
<b>Life insurance</b>	124.90%	147.98%	155.76%	112.80%	117.85%	140.19%	140.19%	121.96%

Source: Annual accounts of insurance undertakings

The total reinsurance amount in 2013 was MKD 3.42 million (2012: MKD 5.48 million), and it was realised by Macedonia Insurance, as the only reinsurance undertaking on the market in Republic of Macedonia.

Individually, if compared with 2012, the increase in GWP was noted in 6 of the 11 non-life insurance undertakings in 2013 (Table no. 6).

**Table no. 6:** Gross written premium by non-life insurance undertakings (thousand MKD)

No.	INSURANCE UNDERTAKING	GROSS WRITTEN PREMIUM (GWP)			SHARE IN TOTAL GWP	
		2013	2012	2013/2012	2013	2012
1	TRIGLAV	1,082,218	1,232,665	-12.21%	16.74%	19.21%
2	EUROLINK	783,546	791,803	-1.04%	12.12%	12.34%
3	MACEDONIA	695,165	688,603	0.95%	10.75%	10.73%
4	SAVA	676,654	695,937	-2.77%	10.47%	10.85%
5	WINNER	676,227	629,351	7.45%	10.46%	9.81%
6	UNIQA	638,138	493,823	29.22%	9.87%	7.70%
7	INSURANCE POLICY	582,585	576,847	0.99%	9.01%	8.99%
8	EUROINS	456,594	468,032	-2.44%	7.06%	7.30%
9	CROATIA NON-LIFE	352,465	330,129	6.77%	5.45%	5.15%
10	ALBSIG	341,136	326,151	4.59%	5.28%	5.08%
11	INSIG	179,314	182,147	-1.56%	2.77%	2.84%
	<b>TOTAL NON-LIFE</b>	<b>6,464,042</b>	<b>6,415,488</b>	<b>0.76%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Quarterly Reports, ISA

In regards to life insurance companies, almost all of them noted increase in the GWP, except for Macedonia Life which does not sign new agreements for life insurance and only services the previously signed agreements for life insurance (Table no. 7).

**Table no. 7:** Gross written premium by life insurance undertakings (in thousand MKD)

No.	INSURANCE UNDERTAKING	GROSS WRITTEN PREMIUM (GWP)		DYNAMICS	SHARE IN TOTAL GWP	
		2013	2012	2013/2012	2013	2012
1	CROATIA LIFE	316,445	243,800	29.80%	43.38%	40.76%
2	GRAWE	313,843	265,377	18.26%	43.02%	44.37%
3	WINNER LIFE	53,130	40,249	32.00%	7.28%	6.73%
4	UNIQA LIFE	41,233	40,692	1.33%	5.65%	6.80%
5	MACEDONIA	4,808	8,016	-40.02%	0.66%	1.34%
	<b>TOTAL LIFE</b>	<b>729,459</b>	<b>598,134</b>	<b>21.96%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Source: Quarterly Reports, ISA

The most adequate indicator regarding the development of the insurance sector is the analysis of the scope of operations in different line of business insurance by the insurance undertakings. Hence, by using the data on the GWP by insurance classes, the market structure of all insurance undertakings in 2013 is also presented (Table No. 8).

**Table no. 8: Gross written premium for the period 01.01.2013-31.12.2013**

000 MKD

Line of business insurance	Non-life insurance											Total non-life
	Macedonia	Triglav	Sava	Euroins	Eurolink	Winner	Insig	Uniqa	Insurance Policy	Albsig	Croatia	
01. Accident	91,749	86,858	40,566	36,619	82,043	66,065	8,599	34,635	41,181	15,924	36,638	540,877
02. Health	0	0	1,135	0	0	928	0	0	50	0	0	2,113
03. Motor vehicles - casco	79,589	198,107	94,594	42,684	83,024	54,781	5,124	40,928	65,356	12,243	45,378	721,808
05. Aircraft insurance – casco	0	0	0	0	6,665	75,255	0	0	0	0	0	81,920
06. Vessel insurance - casco	71	131	365	0	205	85	0	56	82	0	25	1,020
07. Insurance of goods in transport - cargo	24,918	19,069	7,167	5,943	4,049	5,625	0	4,327	732	159	547	72,536
08. Property insurance against fire and other hazards	91,704	73,168	77,972	19,674	120,239	21,629	1,919	24,176	27,041	13,271	15,117	485,910
09. Other property insurance	136,521	167,190	80,857	19,484	152,129	123,712	1,389	99,623	23,416	4,210	21,186	829,717
10. MTPL (total)	230,569	463,435	335,434	312,907	274,764	300,476	157,786	403,681	395,236	284,661	221,067	3,380,016
11. Aircraft third party liability insurance	0	15	0	0	1,606	7,629	0	0	129	0	33	9,412
12. Vessel third-party liability insurance	208	149	504	23	241	200	0	0	505	0	107	1,937
13. General Liability insurance	23,597	34,811	13,524	6,992	35,216	9,934	80	16,366	13,761	2,429	4,048	160,758
15. Guaranties insurance	66	46	116	12	0	281	0	0	822	0	0	1,343
16. Insurance against financial loss	2,254	14,576	5,444	1,256	0	0	0	308	0	0	0	23,838
17. Legal Protection	0	0	0	0	0	0	0	0	0	0	1	1
18. Travel insurance	13,919	24,663	18,976	11,000	23,365	9,627	4,417	14,038	14,274	8,239	8,318	150,836
<b>Total</b>	<b>695,165</b>	<b>1,082,218</b>	<b>676,654</b>	<b>456,594</b>	<b>783,546</b>	<b>676,227</b>	<b>179,314</b>	<b>638,138</b>	<b>582,585</b>	<b>341,136</b>	<b>352,465</b>	<b>6,464,042</b>

Life insurance	Life insurance					Total life
	Croatia	Grave	Winner	Uniqa	Macedonia	
19. Life insurance	316,445	313,843	53,130	41,233	4,808	729,459
<b>Total</b>	<b>316,445</b>	<b>313,843</b>	<b>53,130</b>	<b>41,233</b>	<b>4,808</b>	<b>729,459</b>

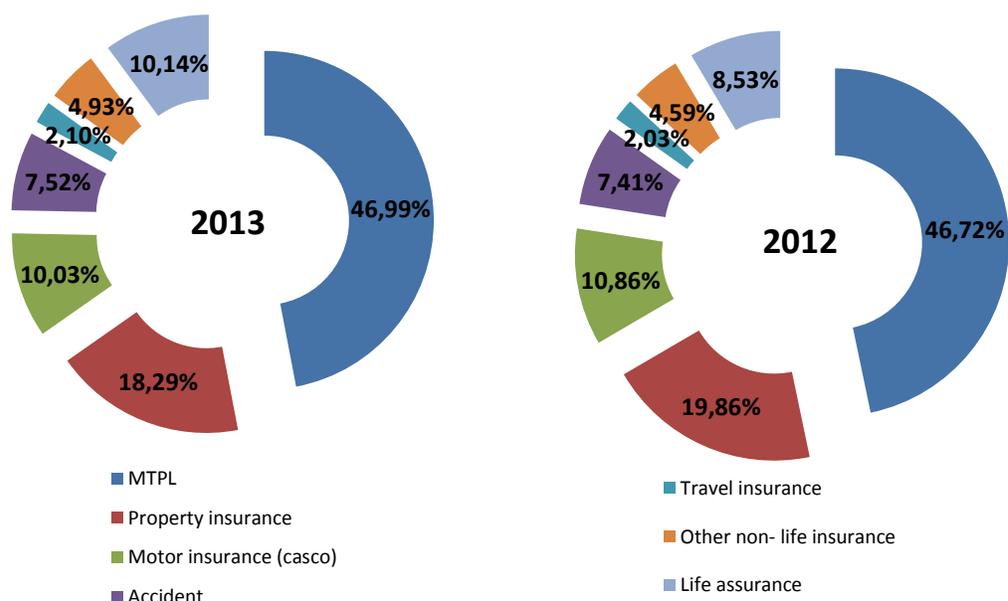
**Total 7,193,501**

Source: Quarterly reports pursuant to Article 104 of the Insurance Supervision Agency

#### 4. Gross written premium structure

In regards to the total GWP, the most significant market share is recorded in motor vehicle insurance of 57.02% (2012: 57.58%), where the motor third-party liability insurance (MTPL) participates with 46.99% (2012: 46.72%), and the voluntary motor vehicle insurance policies (casco) with 10.03% (2012: 10.86%). It is followed by property insurance (against fire, natural disasters, theft and other risks) with 18.29% (2012: 19.86%), and insurance against accident consequences (accident) with 7.52% (2012: 7.41%). Also, the life insurance holds a significant market share with 10,14% (2012: 8.53%). The structure by lines of business, including a comparison with 2012, is shown in Graph no. 5.

**Graph no. 5:** Gross written premium structure by lines of business



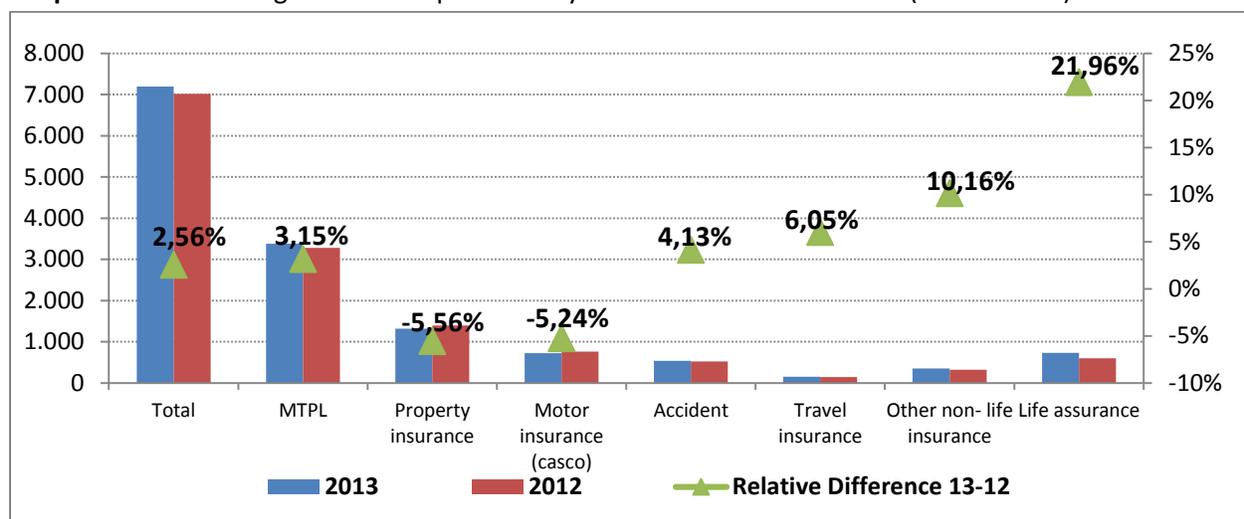
Source: Quarterly Reports, ISA

Compared to 2012, there was a GWP growth of 3.15% in the motor third-party liability insurance class in the amount of MKD 3.38 billion (2012: MKD 3.27 billion). With regard to motor vehicle insurance – casco, there was a GWP drop of 5.24% compared to 2012, since the count of concluded insurance contracts dropped by 12,42%. These trends are due to the decreased sales of new vehicles in 2013 compared to the previous year.

The second more significant line of business insurance within the GWP structure was property insurance. In this line of business there was a drop of GWP by 5.56% compared to 2012, while simultaneously the number of contracts concluded increased by 9.16%. This situation is due to the continuously increasing activity of non-life insurance undertakings in the promotion of property insurance, expressed in terms of price competition.

Special attention should be paid to the growth in life insurance, which was 21.96% compared to 2012 (2012:20.35%; 2011: 40.19%; 2010: 17.85%; 2009: 12.80%) (Graph no. 6).

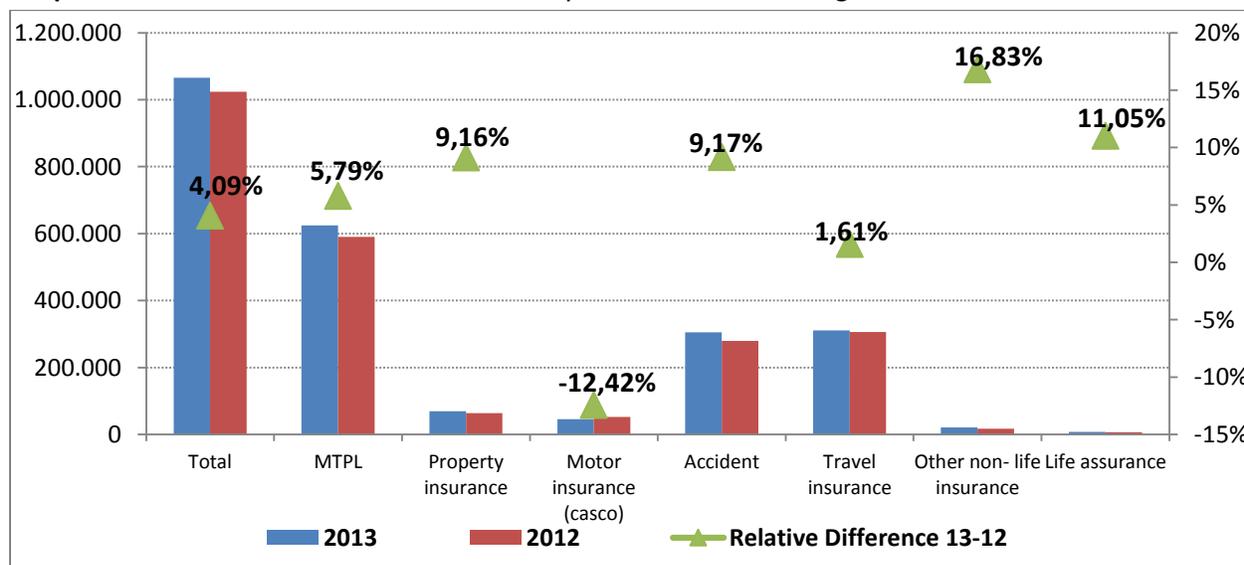
**Graph no. 6:** Trend of gross written premium by lines of business insurance (million MKD)



Source: Quarterly Reports, ISA

During 2013, the insurance undertakings issued 1,065,816 insurance policies, which represent a drop of 4.09% in signed contracts (2012: 1,023,983 insurance policies). Of the total number of issued policies, 7,741 were for life insurance, a 11.05% growth compared to 2012 (2011: 6,971 insurance policies). 1,058,075 or 99.27% of the total issued insurance policies were within the non-life insurance segment, which represents a 4.04% drop in regards to the number of insurance policies issued in 2012. The change of the number of contracts concluded by lines of business is presented in Graph no. 7.

**Graph no. 7:** Number of contracts concluded by insurance undertakings



Source: Quarterly Reports, ISA

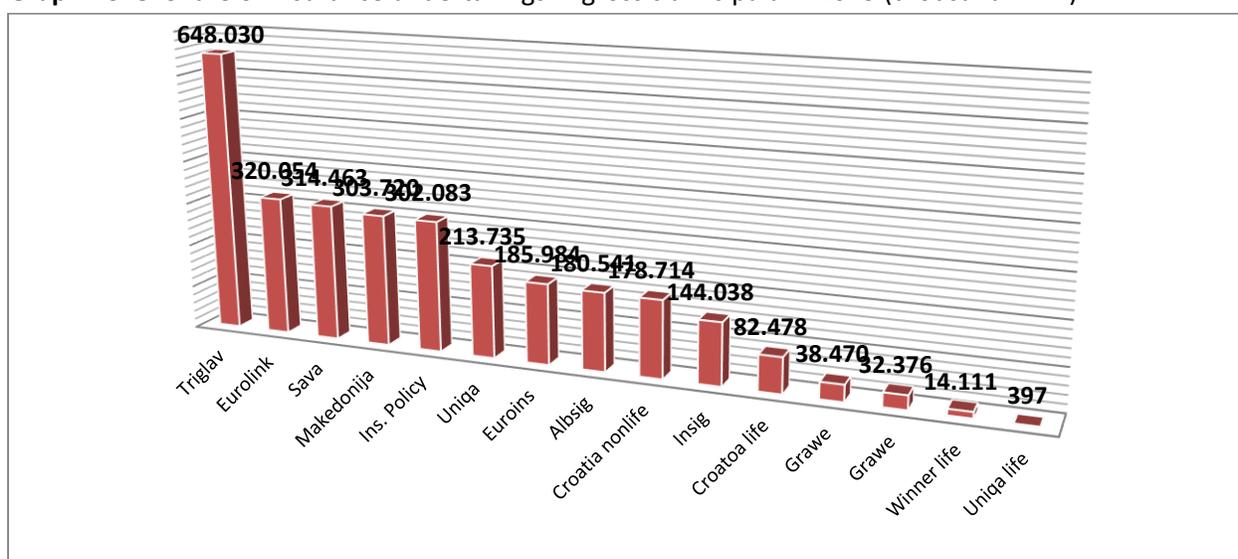
During 2013, the insurance undertakings paid claims at gross amount of MKD 2.96 billion. Compared to 2012, the settled gross amount decreased by 1.81% (Table No. 9).

**Table No. 9:** Gross claims paid by lines of business (thousand MKD)

Lines of business insurance	2009	2010	2011	2012	2013
Property insurance	459,407	476,584	488,248	587,355	439,745
Motor vehicle insurance – casco	529,979	539,443	532,569	500,565	434,905
Accident insurance	354,233	364,772	360,602	366,079	357,631
Motor Third-Party Liability insurance	1,491,083	1,504,818	1,487,067	1,405,306	1,550,495
Travel insurance	15,372	28,102	37,486	28,689	32,463
Other insurance – non-life	14,728	21,401	20,131	33,619	29,597
Life insurance	97,448	53,253	80,066	92,060	114,358
<b>Total</b>	<b>2,962,250</b>	<b>2,988,373</b>	<b>3,006,170</b>	<b>3,013,673</b>	<b>2,959,194</b>

Source: Quarterly Reports, ISA

Graph no. 8 shows the individual shares of insurance undertakings in the total gross claims paid in 2013.

**Graph no. 8:** Share of insurance undertakings in gross claims paid in 2013 (thousand MKD)

Source: Source: Quarterly Reports, ISA

## 5. Employment in the insurance undertakings

Table no. 10 gives an overview of the count of staff employed in the insurance undertakings.

**Table no. 10:** Count of staff in the insurance undertakings

Year	2006	2007	2008	2009	2010	2011	2012	2013
<b>Number of employees</b>	970	1,057	1,262	1,283	1,356	1,423	1,460	1,613

Source: Source: Quarterly Reports, ISA

As one can notice in the table, there is a trend of increasing the count of employees in the insurance undertakings, which is one of the indicators for development of the insurance sector in Republic of Macedonia. This trend is due primarily to the emergence of new actors on the insurance market, and the growing business activities of the existing ones.

## 6. Assets and liabilities structure

### 6.1 Assets structure

On 31.12.2013, the total assets value of the insurance industry was MKD 13.88 billion, which represents an increase of 6.25% compared to the total value of assets of the insurance undertakings in 2012, and is a continuation of the positive trend of growth from the previous year (Table no. 11).

**Table No. 11:** Assets structure of the insurance undertakings (MKD)

	<b>31.12.2012</b>	<b>Share</b>	<b>31.12.2013</b>	<b>Share</b>	<b>Index</b>
<b>Intangible assets</b>	64,874,297	0.50%	60,755,467	0.44%	93.65%
<b>Investments</b>	9,363,209,823	71.66%	10,233,054,992	73.71%	109.29%
<b>Co-insurers' and reinsurers' share in gross technical provisions</b>	721,809,678	5.52%	658,956,222	4.75%	91.29%
<b>Current and deferred taxes</b>	10,826,606	0.08%	26,652,882	0.19%	246.18%
<b>Receivables</b>	2,223,349,476	17.02%	2,048,939,001	14.76%	92.16%
<b>Other assets</b>	380,613,050	2.91%	450,260,256	3.24%	118.30%
<b>Active valuation reserves</b>	302,225,314	2.31%	404,504,296	2.91%	133.84%
<b>TOTAL ASSETS</b>	<b>13,066,908,245</b>	<b>100.00%</b>	<b>13,883,123,114</b>	<b>100.00%</b>	<b>106.25%</b>

Source: Balance Sheet of insurance undertakings, ISA

With regard to asset investments, there was a growth of 9.29% compared to 2012, as well increased share thereof in the assets structure of insurance undertakings (2013: 73.71% 2012: 71.66%).

The most significant share in the total investments is represented by other financial investments with 83.60%, which is an increase of 10.12% compared to the previous year. The group of other financial investments includes the following: deposits, loans and other placements with 47.21%, financial investments held for sales with 29.81%, financial investments held to maturity with 22.33%, and financial investments held for trading with 0.65%.

The total investments also include financial investments in companies forming a group – subsidiaries, affiliated undertakings, and jointly controlled entities, which represents 1.82% of the total investments, and show an increase of 0.36%. In addition, land and buildings and other tangible assets are also part of the total investments, accounting for 14.59% of the total investments, with a growth of 6.00% compared to 2012.

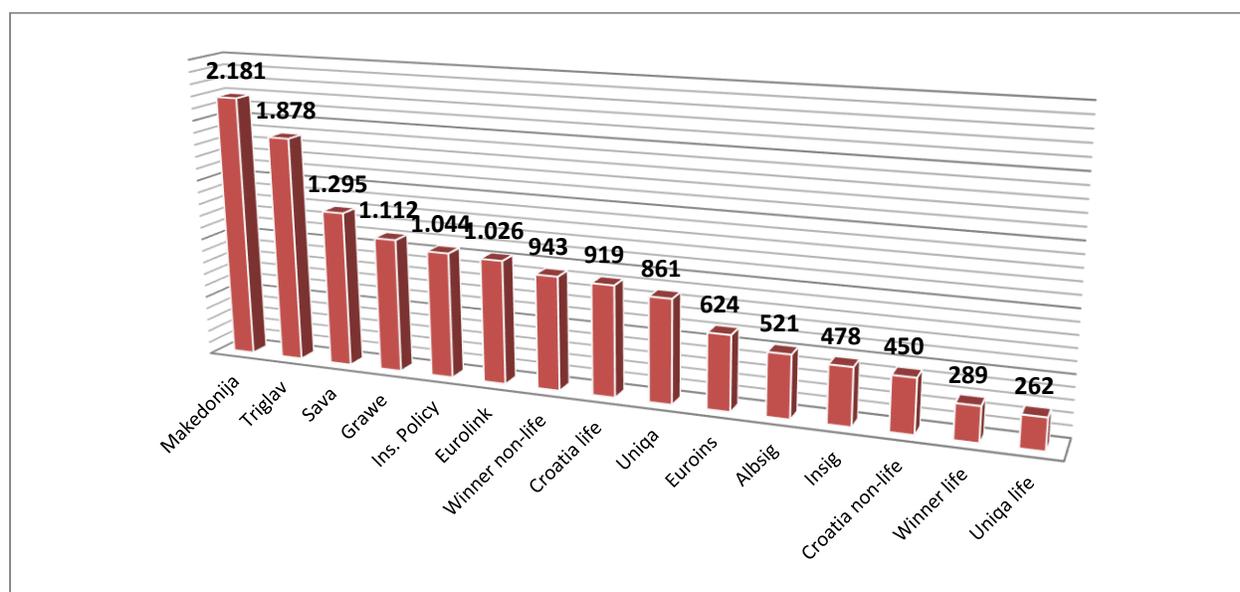
Within the structure of total receivables, the receivables from direct insurance operations account for MKD 1 623 million or a share of 79.25%, and show a decline of 9.64% compared to 2012. Accordingly, the positive trend of decreasing receivables from insurance operations remains, having in mind it refers to sold, but unpaid insurance policies. This trend occurred since the bylaw envisaging allowance for outstanding receivables entered into force<sup>4</sup>.

<sup>4</sup> Rulebook on the method of valuation of the Balance Sheet Item and preparation of the business reports ("Official Gazette of Republic of Macedonia no. 169/10 and 141/13) that entered into force on 01.01.2011.

The amount of receivables from co-insurance and reinsurance operations was MKD 26 million (1.27% of the total receivables), and shows a decline of 28.26% compared to 2012. The amount of other receivables was MKD 399 million (19.48% of the total receivables), and shows a decline of 2.35% compared to the amount of MKD 390 million in 2012.

The dominant part of the total assets of the insurance sector comprised the assets of the non-life insurance undertakings, however, there is an increasingly present trend of growing share of the assets of life insurance companies, which in 2013 was 19.12% (2012: 16.79%) of the total assets of the insurance undertakings. The structure of insurance undertakings' share in the total assets of the insurance sector is presented in Graph no. 9.

**Graph no. 9:** Structure of insurance undertakings' share in the total assets of the insurance sector in 2013 (million MKD)



Source: Balance Sheet of insurance undertakings, ISA

## 6.2 Liabilities structure

The total sources of assets of the insurance companies in 2013 shows a positive trend, expressed as an increase in gross technical provisions at 5.86%, however it is relatively unchanged amount with regard to the relative share in the total sources of assets (2013: 53.62%; 2012: 53.82%). At the same time, the liabilities increased by 5.71%, while the capital and provisions increased by 6.98% (Table no. 12).

**Table No. 12:** Liabilities structure in the insurance sector (MKD)

	31.12.2012	Share	31.12.2013	Share	Index
<b>Capital and provisions</b>	4.663.516.691	35,69%	4.988.937.158	35,94%	106,98%
<b>Gross technical provisions</b>	7.032.540.700	53,82%	7.444.764.272	53,62%	105,86%
<b>Other provisions</b>	16.359.111	0,13%	17.455.569	0,13%	106,70%
<b>Deferred and current tax liabilities</b>	23.482.510	0,18%	17.954.296	0,13%	76,46%
<b>Liabilities arising from deposits of insurance undertakings at</b>	634.466	0,00%	634.582	0,00%	100,02%

reinsurers/cedents					
<b>Liabilities</b>	1.202.305.604	9,20%	1.270.914.695	9,15%	105,71%
<b>Passive valuation reserves</b>	128.069.163	0,98%	142.462.542	1,03%	111,24%
<b>TOTAL SOURCES OF ASSETS</b>	<b>13.066.908.245</b>	<b>100,00%</b>	<b>13.883.123.114</b>	<b>100,00%</b>	<b>106,25%</b>

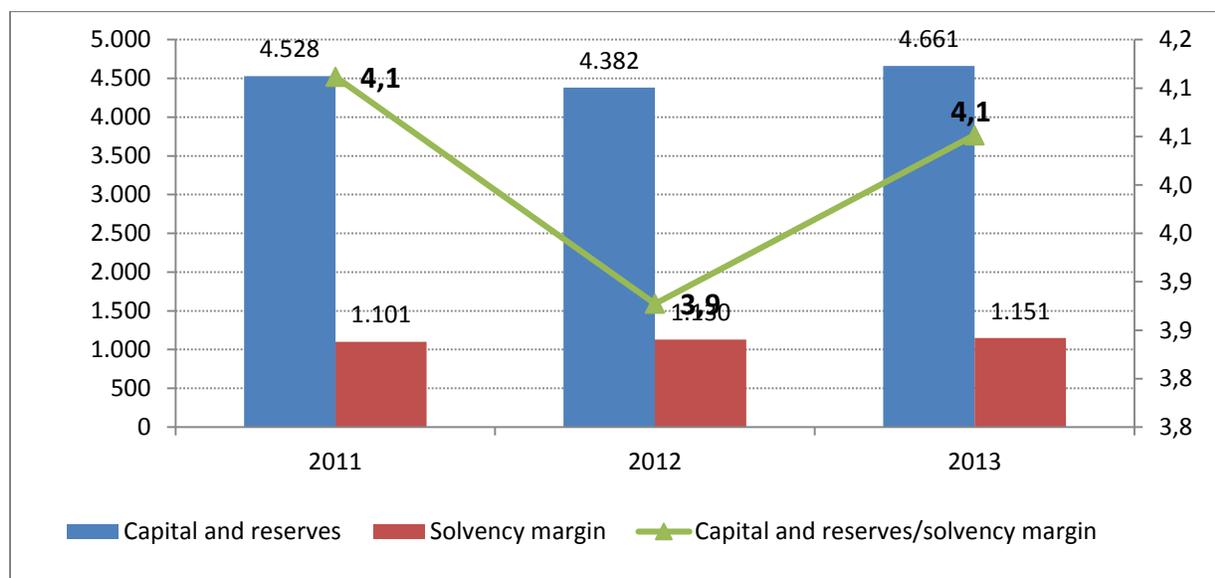
Source: Balance Sheet of insurance undertakings, ISA

## 7. Capital and required level of solvency margin

Pursuant to Articles 75 and 76 of the Law on Insurance Supervision, insurance undertakings should maintain the capital value at least at the required level of the solvency margin. Based on the data submitted to Agency, the total capital of insurance undertakings<sup>5</sup> at the end of 2013 was MKD 4.67 billion, which is an increase of 6.37% compared to 2012. The analysis by insurance segments shows that the total capital of non-life insurance undertakings is MKD 3.76 billion and its share in the total liabilities accounts for 35.82%. Life insurance undertakings dispose with total capital of MKD 902 million, which accounts for 36.41% of the total liabilities of these insurance undertakings.

The solvency margin, being the key indicator to assess the stability of the insurance sector, is MKD 1.15 billion (MKD 1.04 billion for non-life insurance, and MKD 109 million for life insurance), whereas the insurance sector capital is 4 times above the level of the solvency margin. The capital and solvency margin of the insurance undertakings are shown on Graph no. 10.

**Graph no. 10:** Capital and solvency margin of insurance undertakings (million MKD)



Source: Quarterly Reports, ISA

<sup>5</sup> Rulebook on the types and description of items to be taken into account when calculating the capital of insurance and/or reinsurance undertakings ("Official Gazette of the Republic of Macedonia" no. 5/2011 and 64/2011).

## 8. Technical provisions

The gross technical provisions increased by 5.86% compared to 2012, and have the largest share in the structure of insurance undertakings' liabilities.

The total amount of the technical provisions of insurance undertakings performing non-life insurance activities at the end of 2013 amounted to MKD 5.86 billion, or a 0.65% increase over the previous year, while the total technical provisions of the insurance undertakings performing life insurance activities amounted to MKD 1.58 billion, an increase of 30.98% over the previous year (Table 13). One of the factors that contributed to the increase in technical provisions is the application of the Rulebook on the minimum standards for calculating the technical provisions ("Official Gazette of Republic of Macedonia" no. 158/10, 169/10 and 41/11), which provides for consistency in performing the actuarial calculations for technical provisions.

**Table no. 13:** Structure of technical provisions (thousand MKD)

Structure of technical provisions	Non-life insurance			Life insurance			Total		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
<b>Unearned paid premium provisions</b>	2,590,880	2,748,422	2,755,986	17,518	19,940	23,045	2,608,398	2,768,362	2,779,031
<b>Provisions for bonuses and rebates</b>	52,153	32,164	39,359	12,777	23,044	37,432	64,93	55,208	76,791
<b>Claims provisions</b>	3,035,757	3,043,486	3,066,598	17,412	22,883	29,275	3,053,169	3,066,369	3,095,873
<b>Mathematical provision</b>	0	0	0	851,735	1,142,611	1,493,054	851,735	1,142,611	1,493,054
<b>Other technical provisions</b>	3,82	0	0	0	0	0	3,820	0	0
<b>Total</b>	<b>5,682,610</b>	<b>5,824,072</b>	<b>5,861,943</b>	<b>899,442</b>	<b>1,208,478</b>	<b>1,582,806</b>	<b>6,582,052</b>	<b>7,032,550</b>	<b>7,444,749</b>

Source: Source: Quarterly Reports, ISA

## 9. Assets covering the technical provisions

The assets covering the technical provisions are the assets of the insurance undertakings used to cover future liabilities arising from insurance contracts, as well as possible losses related to risks from the insurance operations for which an undertaking is obligated to allocate funds to cover the net technical provisions. An insurance undertaking is obligated to invest funds at least equivalent to the amount of the technical provisions – net reinsurance, in accordance with the provisions of the Law on Insurance Supervision and the Rulebook on the types and characteristics of assets covering the technical provisions, and assets covering the mathematical provision, as well as details on the placements and restrictions of said investments and valuation thereof ("Official Gazette of the Republic of Macedonia" No. 64/11).

At the end of 2013, the investments in assets covering the technical provisions of the non-life insurance undertakings were MKD 5.38 billion and covered 103.08% of the total net technical provisions. In 2012 and 2013, this segment significantly improved as the non-life insurance undertakings were failing to meet the required minimum for covering the technical provisions in the previous years (2011: 96.26%, 2010: 75.72%, 2009: 71.41%). This improved outcome is primarily due to the implemented supervisory measures.

The non-life insurance undertakings invested the majority of their assets covering the mathematical provisions in securities issued by Republic of Macedonia (53.82%), banks (43.09%), shares (1.21%), and other financial instruments (1.88%). The investment amounts and structure are presented in Table no. 14.

**Table no. 14:** Assets covering the technical provisions of non-life insurance undertakings (million MKD)

	2009	2010	2011	2012	2013	Trend
Bank accounts and deposits	2.157.430	2.330.853	2.714.390	2.324.052	2.318.863	
Government securities	548.857	855.783	1.564.186	2.514.183	2.896.334	
Shares	287.701	218.549	138.854	118.346	64.871	
Corporate bond	49.165	23.744	80.221	57.512	0	
Investment funds	8.202	15.630	53.889	11.411	101.272	
Other	116.728	140.732	411.910	208.255	0	
<b>Total</b>	<b>3.168.083</b>	<b>3.585.291</b>	<b>4.963.450</b>	<b>5.233.759</b>	<b>5.381.339</b>	

Source: Source: Quarterly Reports, ISA

With regard to life insurance undertakings, the total asset investments covering the technical and mathematical provisions were MKD 1.60 billion, that is to say, the net technical provisions were covered at 101.6% (2012: 104.98%). The life insurance companies invested the majority of their assets covering the mathematical provisions in securities issued by Republic of Macedonia (74.89%), banks (23.45%), shares (1.47%), and other financial instruments (0.19%). The investment amounts and structure are presented in Table no. 15.

**Table no. 15:** Assets covering the technical provisions and the mathematical provision in life insurance undertakings (million MKD)

	2009	2010	2011	2012	2013	Trend
Bank accounts and deposits	262.027	286.902	237.597	333.934	374.353	
Government securities	242.821	380.879	678.435	914.133	1.195.520	
Shares	0	0	0	0	23.413	
Corporate bond	1.882	0	0	0	0	
Investment funds	0	0	0	0	0	
Other	0	356	8.015	6.448	3.029	
<b>Total</b>	<b>506.730</b>	<b>668.138</b>	<b>924.047</b>	<b>1.254.514</b>	<b>1.596.315</b>	

Source: Quarterly Reports, ISA

## 10. Operational financial results

In the course of 2013, the insurance sector reported profit in the amount of MKD 211 million. Two non-life insurance undertakings reported loss at the amount of MKD 153 million, whereas the other nine undertakings generated profit at the amount of MKD 318 million.

The life insurance undertakings generated earnings after taxation at the amount of MKD 46 million, i.e. two undertakings generated profit of MKD 70 million, and the remaining two undertakings reported loss at the amount of MKD 24 million.

The technical result<sup>6</sup> is negative at MKD 96.38 million (2012: MKD -410.6 million). Four non-life insurance undertakings showed positive technical results, and the remaining undertakings had negative technical results.

The analysis by insurance segments reveals that the technical result for the non-life insurance was MKD 24.2 million (2012: MKD -314.7 million). The technical result for life insurance was MKD -72 million (2012: MKD 95.9 million) (Table no. 16).

**Table no. 16:** Structure of the financial result – technical and non-technical (MKD)

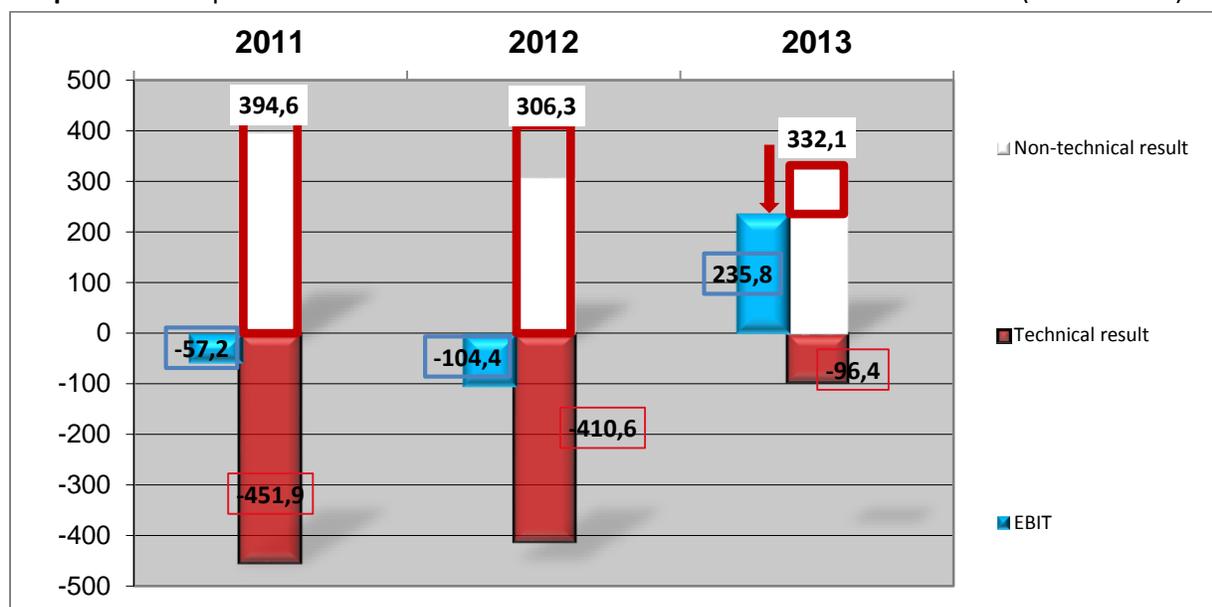
	2011	2012	2013
<b>Technical result – life insurance</b>	-59.086.288	-95.924.165	-72.146.964
<b>Technical result – non-life insurance</b>	-392.773.035	-314.689.559	-24.233.802
<b>Technical result – total</b>	-451.859.323	-410.613.724	-96.380.766
<b>Non-technical result</b>	394.620.316	306.262.051	332.145.123
<b>Profit/loss - earnings before taxation from regular operations</b>	<b>-57.238.407</b>	<b>-104.351.674</b>	<b>235.764.357</b>

Source: Annual accounts of insurance undertakings, ISA

Graph no. 11 shows the impact of both the technical and non-technical result on the financial results of the insurance sector. In this case, for the purposes of the analysis, one category was selected – profit from regular operations before taxation (EBIT-earnings before interest and tax) in order to isolate the various effects of the taxation and to precisely establish the impact of both the technical and non-technical result in the creation of the final financial result.

<sup>6</sup> Technical result from the operations of insurance companies is the result from performing their main business activity – insurance. Other revenues and expenditures from their operations represent the non-technical result.

**Graph no. 11:** Impact of the technical and non-technical result on the financial result (million MKD)



Source: Annual accounts of insurance undertakings, ISA

## 11. Insurance industry indicators

The insurance indicators are used to assess business operations of insurance undertakings.

**The claims ratio**, calculated as ratio of the net incurred claims in the respective period and the net earned premium accounted for 51.8% of the overall insurance sector in 2013, and has declined compared to 2012 when it accounted for 52.3%.

If considered separately by insurance segments, in 2013 this ratio for non-life insurance was 49.7%, compared to the 50.5% in 2012, whereas for life-insurance it was 67.8% in 2012, compared to the 68.2% in 2012.

The **expense ratio** represents a ratio of the net expenses for performing insurance and the net earned premium. This ratio in 2013 was 51.9%, which is a decrease compared to the 52.8% in 2012.

The **combined ratio** represents the sum of the claims ratio and the expense ratio. At an industry level, this ratio is 103.8%, compared to the 105.1% in 2012. If considered separately by insurance segments, the combined ratio for non-life insurance in 2013 was 102,8%, compared to the 103.7% in 2012, whereas for life insurance in 2013 it was 111.1%, compared to the 116.9% in 2012.

The **return on investment (ROI)** is calculated as the ratio of the income from investments reduced by investment expenses to the amount of investments. The return on investments in 2013 was 3.7%, whereas in 2012 it was 4.8%.

The **debt ratio** is calculated as the ratio of total liabilities to total assets. This ratio shows the amount of assets financed by liabilities (technical provisions and other liabilities), without including the capital and the statutory reserves. In 2013, this ratio was 62.9%, whereas in 2012 it was 64.3%.

**Return on Assets (ROA)** and **Return on Equity (ROE)**<sup>7</sup> are positive considering the generated profit by the insurance sector in 2013. Table no. 17 shows the ratios for the respective years in the period between 2011 and 2013.

**Table no. 17:** Return on Assets (ROA) and Return on Equity (ROE)

	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>ROA</b>			
- Non-life insurance	-0.70%	-0.59%	1.47%
- Life insurance	0.31%	-3.16%	1.74%
- Total	-0.57%	-1.02%	1.52%
<b>ROE</b>			
- Non-life insurance	-2.05%	-1.70%	4.11%
- Life insurance	0.65%	-7.93%	4.77%
- Total	-1.75%	-2.87%	4.24%

Source: Annual accounts of insurance undertakings, ISA

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<sup>7</sup> ROA = Net incomes / Assets; ROE = Net income / (capital + reserves). Data from the annual accounts and the financial statements on the operations, submitted by insurance companies to ISA, were used for calculating the indicators, in accordance with the Law on Insurance Supervision.

## **B) NATIONAL INSURANCE BUREAU**

In accordance with the Law on Compulsory Insurance in Traffic of Republic of Macedonia, the National Insurance Bureau (hereinafter: "NIB") shall conduct the activities envisaged in the international agreements for insuring the owners and users of motor vehicles against traffic liabilities (green card), and shall represent the insurance companies from Republic of Macedonia in the international insurance organisations and institutions. Also, the NIB shall issue and print international motor insurance cards (green cards) on behalf of its members, keep statistics records, and processing of statistics data from the insurance companies, establish and maintain a central records system of insurance policies and claims related to use of motor vehicles.

NIB is a member of the Council of Bureaux London since 1994, and its purpose is to facilitate the international road traffic for motor vehicles and trailers through motor third-party liability insurance as per the conditions prescribed in the concerned country, and to guarantee that the persons who have suffered claims related to traffic accidents including motor vehicles are compensated 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 Europe Group which includes the countries from the region.

Eleven insurance companies, that is to say, all the non-life insurance companies in the Republic of Macedonia are NIB members.

The Annual Report that the NIB submitted to the ISA, in accordance with Article 54, paragraph (3) of the Law on Mandatory Traffic Insurance, shows the financial operations of the NIB, and the financial operations of the Guarantee Fund in 2013.

As of 31.12.2013, the total assets of the NIB were MKD 225 million, of which MKD 206 million were current assets, and the remaining MKD 19 million were non-current assets. Compared to 2012, the total assets declined by 2.25%. With regard to the total assets of NIB, the bank deposits have the largest share with 76.23%, followed by receivables from insurance undertakings with 9.92%, investments in state securities with 7.72%, and other assets with 6.13%. In the total liabilities and capital of the NIB, in 2013, the capital accounted for 83.26%, and the current liabilities accounted for 16.74%. In 2013, NIB incurred loss in the amount of MKD 1 941 thousand (2012: MKD 214 thousand).

### **1. NIB's Guarantee Fund**

In accordance with Article 58 of the Law on Compulsory Insurance in Traffic, NIB shall establish a Guarantee Fund that will be used for payment of:

- 1) Claims incurred on the territory of Republic of Macedonia by unknown and uninsured motor vehicles and trailers, uninsured boats and motor-powered boats, as well as uninsured aircrafts;
- 2) Claims incurred on the territory of Republic of Macedonia by transportation vehicles registered to transport passengers as part of the public transport for which the owners have not signed insurance agreements for the passengers against accidents;

- 3) Claims from compulsory insurance that the persons who suffered damages cannot collect due termination of the insurance company with which the insurance agreement was signed, where only the part of the claim, that was not compensated from the bankruptcy estate, is paid; and
- 4) Claims for insured motor vehicles originating from the territory of Republic of Macedonia guaranteed by the National Insurance Bureau in accordance with the Crete Agreement and the other international agreements.

The operations of the Guarantee Fund shall be based on the Law on Compulsory Insurance in Traffic, as well as on the Rulebook on establishing and using the Guarantee Fund, and the Manual for record-keeping and disbursing the funds of the Guarantee Fund adopted by the NIB.

The insurance undertakings which provided compulsory motor third-party liability insurance shall be obliged to pay in the Guarantee Fund an amount commensurate to the premium realised in the previous quarter on certain lines of business of compulsory insurance for the current quarter of the current year.

In accordance with a Decision of the NIB's Management Board, each calendar year, new allocation of the funds in the amount of 3,000,000 EUR from the Guarantee Fund will be conducted as per the share percentage of the insurance company in the total written premium for all compulsory insurances. In 2013, the share in the Guarantee Fund by insurance companies is shown in Table no. 18.

**Table no. 18:** Share in the Guarantee Fund by insurance undertakings for the period 01.01.2013-31.12.2013

Name of the insurance undertaking	Total GWP for 2013 for all compulsory insurances	% of GWP share for all compulsory insurances	Share in the Guarantee Fund of 3,000,000 EUR or 184,500,000 MKD
Macedonia	222,521,170	6.58%	12,146,800
Triglav	457,746,869	13.54%	24,987,105
Euroins	332,434,372	9.84%	18,146,651
Sava	310,639,425	9.19%	16,956,926
Winner	308,786,026	9.14%	16,855,754
Eurolink	273,719,207	8.10%	14,941,556
Insig	163,209,998	4.83%	8,909,171
Uniq	406,046,880	12.01%	22,164,949
Insurance Policy	391,411,350	11.58%	21,366,037
Albsig	298,084,019	8.82%	16,271,562
Croatia Non-life	215,315,964	6.37%	11,753,488
<b>Total</b>	<b>3,379,915,280</b>	<b>100.00%</b>	<b>184,500,000</b>

Source: Reports on the 2013 NIB's Operations

## 2. Refunding claims from the Guarantee Fund

Pursuant to Article 60, paragraph (4), of the Law on Compulsory Insurance in Traffic, an insurance undertaking which processed and paid a claim compensation has the right to get refunded from the Guarantee Fund for the paid amount.

In 2013, the insurance undertakings reported 786 claims for refunding to the NIB; of those 754 claims in the amount of MKD 123.08 million were accepted and refunded.

The average paid claim in 2013 was MKD 162,993, which represent an increase of 18% compared to the average paid claim in 2012.

The count of reported and accepted claims for refunding from the Guarantee Fund in 2013, as well as the amount of accepted damage claims are presented in the following Table no. 19.

**Table no. 19:** Reported and accepted damage claims for refunding from the Guarantee Fund for the period 01.01.2013-31.12.2013

Name of the insurance undertaking	Number of reported claims for refunding in 2013	Number of accepted claims in the Guarantee Fund in 2013	Accepted claims Guarantee Fund (amount in MKD)
Macedonia	113	110	26,449,970
Triglav	117	113	25,773,338
Euroins	59	59	9,589,344
Sava	66	64	7,590,046
Winner	68	66	10,568,505
Eurolink	51	49	7,319,619
Insig	58	56	10,702,234
Uniq	88	72	7,232,716
Insurance Policy	94	94	10,394,934
Albsig	43	42	4,096,801
Croatia Non-life	29	29	3,359,261
<b>Total</b>	<b>786</b>	<b>754</b>	<b>123,076,768</b>

Source: Reports on the 2013 NIB's Operations

### C) INSURANCE INTERMEDIATION

The role of intermediaries in regards to insurance sales is becoming increasingly more important for the insurance sector. During the course of 2013, 50.76% (2012: 48.47%) of the GWP was realized through different intermediation channels (Table no. 20).

**Table no. 20:** Structure of sales channels for insurance policies relative to the total GWP

	2012	2013
Direct sales	51.53%	49.24%
Insurance brokerage companies	21.03%	23.31%
Travel Agencies	0.49%	0.48%
Banks	0.43%	0.57%
Insurance agencies	5.36%	5.87%
Car Showrooms	0.09%	0.10%
Insurance agents	18.69%	17.99%
Other distribution channels	2.38%	2.45%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Quarterly Reports, ISA

## 1. Insurance Agencies

Insurance representation implies preparation and signing of insurance contracts, on behalf and at the account of one or several insurance undertakings, for non-competitive insurance products. These activities on the insurance market in Republic of Macedonia is conducted through insurance agents – natural persons, and insurance agencies, who realised 24.05% of the GWP in 2013 (2012: 24.06%).

The insurance representation through natural persons is conducted on the basis of an ISA license issued after passing an exam for conducting the activities of an insurance agent. The share in total GWP obtained through insurance agents was 17.99% (2012: 18,69%), having in mind that the count of agents who have licenses issued by ISA is 669. The registry of all active insurance agents is available on the ISA web-site<sup>8</sup>.

During 2013, there were ten insurance agencies active on the insurance market, that is to say, the count of insurance agencies increased by one company compared to 2012 (Insurance Agency Mako AS JSC Strumica). Also, one of the insurance agencies (Insurance Agency Safe Invest JSC Skopje) in 2013 transformed into an insurance brokerage company (Table no. 21).

**Table no. 21: Registry of insurance agencies**

	Name of the company
1	AKTIVA INSURANCE
2	TREND-MR
3	VDS MAGMA
4	MK INSURANCE
5	= LYON INS =
6	= REA INSURANCE GROUP =
7	= SAFE LIFE
8	FORTIS PRO
9	OHRIDSKA BANKA ( Societe Generale Group)
10	Mako AS

On 31.12.2013, the insurance agencies had at their disposal total assets in the amount of MKD 41.35 million, and capital in the amount of MKD 29.14 million. The insurance agencies ended their business 2013 year with profit after taxation in the amount of MKD 15.71 million.

In 2013, the insurance agencies accounted for 5.87% (2012: 5.36%) in the total GWP. Despite the fact that insurance agencies had relatively smaller presence on the insurance market in comparison with the insurance brokerage companies and brokers, yet it is expected that their presence on the market shall further develop the insurance sector in order to bring the insurance products and services closer to the final consumers.

<sup>8</sup> <http://www.aso.mk/dokumenti/regulativa/Registar%20Zastapnici.pdf>

In 2013, the insurance agencies signed a total of 48,112 insurance contracts (insurance policies) (2012: 57,606).

The insurance agencies collected commissions at the amount of MKD 86.45 million from the insurance undertakings, and the calculated premiums were MKD 397.66 million.

## 2. Insurance brokerage activities

Insurance brokerage activities imply intermediation in the negotiations for the insurance and reinsurance coverage, as well as during the settlement of claims arising from incurred insured event, on behalf of and at the account of the clients with regard to insurance and reinsurance undertakings. In 2013, the insurance brokerage companies realised 23.31% of the GWP (2012: 21.03%) through this distribution channel.

At the end of 2013, 26 insurance brokerage companies were active on the insurance market, with six new insurance brokerage companies compared to the previous year (Insurance brokerage company STM Broker Plus JSC Skopje, Insurance brokerage company AM Broker JSC Skopje, Insurance brokerage company MEGA BROKER JSC Skopje, Insurance brokerage company CVO Broker JSC Ohrid, Insurance brokerage company ASUC Broker JSC Skopje, Insurance brokerage company SAFE INVEST JSC Skopje). On 31.12.2013, the insurance brokerage companies have at their disposal total assets in the amount of MKD 513.83 million, and capital in the amount of MKD 332.76 million. The insurance brokerage companies ended the business year of 2013 with profit after taxation in the amount of MKD 91.83 million (Table no. 22).

**Table No. 22:** Registry of insurance brokerage companies

	Name of the company
1	EUROEKSPERTS
2	EUROMAK BROKER
3	WIASS
4	IN BROKER
5	WFP
6	MOBILITY BROKER
7	SEDA BROKER
8	NASHE OSIGURUVANJE
9	JDB BROKER
10	DELTA INS BROKER
11	A-TIM
12	LEGRA
13	MAKOIL BROKER
14	K MK BROKER
15	POLICY PLUS
16	AMG PREMIUM
17	SUPER BROKER

18	KORAB INS
19	NEW INSURANCE BROKER
20	CERTUS
21	STM Broker Plus
22	AM BROKER
23	MEGA BROKER
24	CVO BROKER
25	ASUC Broker
26	SAFE INVEST

In this period, the insurance brokerage companies realised sales of 209,927 insurance policies (2012: 175,278).

In the course of 2013, the insurance brokerage companies collected commissions in the amount of MKD 381.88 million from the insurance undertakings, and the calculated premiums were MKD 1,802.24 million.

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