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INSURANCE SUPERVISION AGENCY

2015  
ANNUAL REPORT  
THE INSURANCE MARKET IN THE REPUBLIC OF MACEDONIA

Skopje, 2016

*This Report was prepared in accordance with Article 158-t 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 of the Republic of Macedonia (hereinafter, ISA) is an autonomous, independent regulatory authority which undertakes public authorizations as stipulated by the Law on Insurance Supervision and the Law on Compulsory Insurance in Traffic. ISA strives to ensure an effective, lawful domestic insurance market that develops continuously, to protect adequately the rights and interests of policyholders, and to contribute towards a strong, financially stable economy.

At the end of 2015, 15 insurance companies operated in the Republic of Macedonia's insurance market place, of which 11 offered non-life insurance, and 4 life insurance. During the year, ISA issued an operating license to 1 insurance brokerage company, while revoking 1 license from another, keeping the number of insurance brokerage companies constant at 30. The number of insurance agencies increased to 13, with 3 new companies entering the market, while the number of banks performing insurance agency activities increased to 3, with the entrance of 2 more banks that provide such services.

In 2015, total gross written premiums (hereinafter, GWP) reached MKD 8.28 billion, an 8.50% increase over the previous year (2014: MKD 7.63 billion). GWP for the non-life insurance segment was MKD 7.18 billion (2014: MKD 6.74 billion), showing a 6.47% growth over 2014. The life-insurance segment's GWP was MKD 1.10 billion (2014: MKD 888.32 million), a growth of 23.94% over the previous year.

On 31 December 2015, the insurance undertakings assets totalled MKD 17.56 billion, an increase of 7.32% over the previous year (2014: MKD 16.42 billion). Total calculated capital of insurance undertakings was MKD 5.49 billion, a 5.93% growth over 2014. The solvency margin, a main indicator for assessing the stability of the insurance sector, was MKD 1.24 billion; this indicates the insurance sector capital to be 4.4 times above the minimum required solvency margin level.

During 2015, the insurance sector reported profits of MKD 513 million, with the non-life insurance sector reporting MKD 469 million and the life insurance segment MKD 44 million.

Regarding legislation, 2 amendments and supplements to the Law on Insurance Supervision were adopted, and concerning bylaws, 2 new bylaws were adopted, as well as 2 amendments and supplements to 2 existing bylaws. The Law on Compulsory Insurance in Traffic and the Law on Voluntary Health Insurance were also amended and supplemented.

## 2. LEGAL FRAMEWORK

The Law on Insurance Supervision (“Official Gazette of the Republic of Macedonia” No. 27/02, 98/02, 79/07, 88/08, 67/10, 44/11, 112/11, 188/13, 30/14, 43/14, 112/14, 153/15 and 92/15), the Law on Compulsory Insurance in Traffic (“Official Gazette of the Republic of Macedonia No. 88/05, 70/06, 81/08, 47/11, 135/11, 112/14 and 145/15), and the Law on Voluntary Health Insurance (“Official Gazette of the Republic of Macedonia” No. 145/12, and 192/15) provide the basic legal framework for regulating the performance of insurance, reinsurance and insurance intermediation activities, and for conducting supervision of the operations of insurance undertakings, insurance brokerage companies, and insurance agencies.

The broader legal framework is set under Contractual Law (“Official Gazette of Republic of Macedonia, No. 18/01, 4/02, 5/03, 84/08, 81/09, 161/09 and 123/13), particularly the part referring to insurance contracts, and the Company Law (“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 and 192/2015).

**The Law on Insurance Supervision** incorporates insurance principles and standards of the International Association of Insurance Supervisors (IAIS) and EU Insurance Directives. The Law regulates the establishment and operations of insurance undertakings, risk management, the role of authorised actuaries, financial reporting, internal and external auditing, activities of insurance brokerage companies and insurance agencies, 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.

In 2015, 2 amendments and supplements to the Law on Insurance Supervision were adopted. The Law amending and supplementing the Law on Insurance Supervision (“Official Gazette of Republic of Macedonia No. 153/15) harmonised with the Law on Misdemeanours (“Official Gazette of Republic of Macedonia” No. 124/15), setting a fixed level of fines. Adoption of these amendments sets fines on persons in charge of legal entities up to 30% of that imposed upon an insurance undertaking, brokerage company or agency. These amendments also increase from 30 days to a maximum of 120 the amount of time the ISA can provide for entities to remedy irregularities that it has identified.

The Law amending and supplementing the Law on Insurance Supervision (Official Gazette of Republic of Macedonia, No. 192/15) establishes requirements that measure subject knowledge of candidates sitting for an exam. The amendments and supplements recommend reviewing exam questions twice a year, blocking radio frequency ranges in rooms where exams given in order to prevent electronic communication among candidates, and sanctioning authorised representatives to provide exams, to identify candidates who may be in violation of law, and to compensate authorised representatives who monitor exams and committee members who mark these exams.

Compulsory insurance in traffic is regulated by the **Law on Compulsory Insurance in Traffic and** prescribes agreements for compulsory insurance, minimum insured amounts, deadlines for reporting claims to and receiving claim payments from insurance undertakings, establishing the right to mediation, competences of the Guarantee Fund, and changing the method for determining premium tariffs via the operations of the

Commission for motor third party liability insurance. Also, the Law envisages facilitation of cross-border provision of insurance services by setting-up a so called authorised claims representative, and a damage compensation service, thereby putting into force these activities as soon as the Republic of Macedonia has become a part of the European Union.

The adoption of the Law Amending the Law on Compulsory Traffic Insurance (Official Gazette of Republic of Macedonia, No. 145/15) harmonises the Law on Misdemeanours from a point of view of setting fixed amount of fines imposed on insurance undertakings, and National Insurance Bureau stipulating the amount of fine for the responsible person within the legal entity be set at 30% of the fine for the insurance undertaking and National Insurance Bureau.

The **Law on Voluntary Health Insurance** allows an insurance undertaking to offer a package of health services not covered within the system for compulsory health insurance. As such, voluntary health insurance is regulated as supplementary and private. Supplementary health insurance covers the partial costs that are paid from own funds (co-payment) for medical services provided through compulsory health insurance in accordance with the regulations of compulsory health insurance and health care protection. Private health insurance provides for coverage for higher standard healthcare service than offered through compulsory health insurance, including for costs related to supplementary healthcare services, out-of-network healthcare services in medical institutions, and other private institutions that craft and service orthopaedic or other specialised devices.

The Law amending and supplementing the Law on Voluntary Health Insurance (“Official Gazette of the Republic of Macedonia” No. 192/15) harmonises with the Law on Misdemeanours and sets fine levels. It also sets at 30% the fine amounts to the persons legally responsible for insurance undertaking. These amendments also define more precisely voluntary health insurance as a line of business that can considered voluntary health insurance and the healthcare institutions that can provide them.

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

#### 3.1. INSURANCE UNDERTAKINGS

There were 15 insurance undertakings operating on the insurance market of the Republic of Macedonia in 2015, of which 4 operated in the life insurance segment, and the remaining 11 in the non-life insurance segment. In addition to licenses to offer non-life insurance products, only one insurance undertaking was licensed for reinsurance (Table 1).

**Table 1:** Registry of insurance undertakings

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

Source: ISA

At year end, insurance undertakings employed 1,831 workers, indicating a workforce increase of 4.75% (2014: 1,744), and a corresponding increase in insurance undertakings' business activity.

##### 3.1.1. Ownership Structure

Foreign financial institutions own a significant share of insurance undertakings, and at 92.17%, wholly or partially own 14 of the 15 insurance undertakings (Table 2). While only 1 undertaking is fully owned by domestic investors, 11 insurance undertakings are part of insurance groups which have head offices in EU Member States.

**Table 2:** Ownership structure of insurance undertakings (percentages)

|                                  | 2015   | 2014   | 2013   |
|----------------------------------|--------|--------|--------|
| 1. Foreign shareholders          | 92.17% | 92.25% | 91.83% |
| 1.1. Natural persons             | 0.08%  | 0.08%  | 0.12%  |
| 1.2. Non-financial legal persons | 0.00%  | 0.01%  | 0.00%  |
| 1.3. Financial Institutions      | 92.09% | 92.16% | 91.71% |

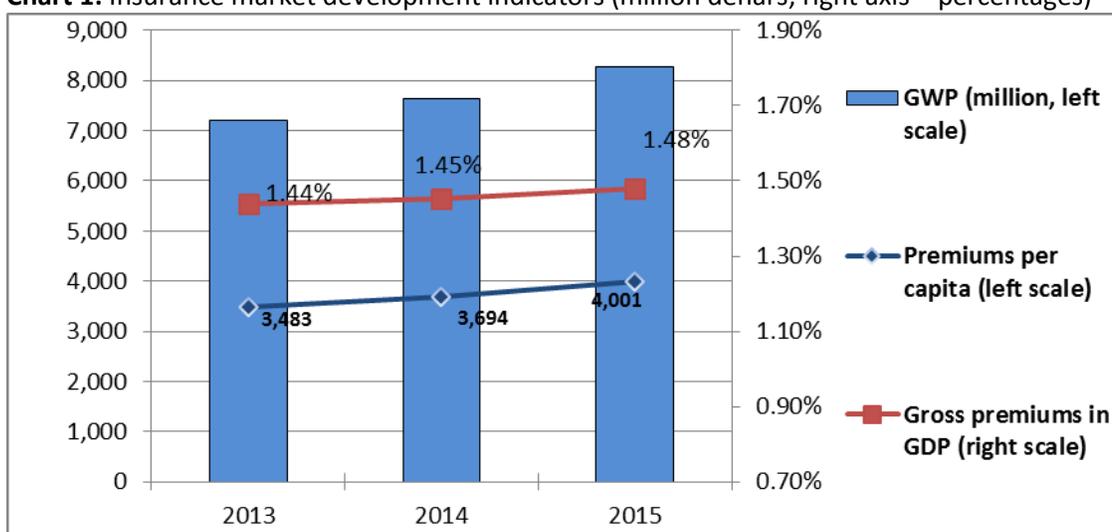
|                                  |                |                |                |
|----------------------------------|----------------|----------------|----------------|
| 2. Domestic shareholders         | 7.79%          | 7.70%          | 8.13%          |
| 2.1. Natural persons             | 6.61%          | 6.60%          | 6.99%          |
| 2.2. Non-financial legal persons | 0.79%          | 0.79%          | 0.79%          |
| 2.3. Financial Institutions      | 0.39%          | 0.32%          | 0.35%          |
| 3. State-ownership               | 0.04%          | 0.04%          | 0.04%          |
| <b>Total</b>                     | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> |

Source: ISA

### 3.1.2. Insurance market development

Two basic indicators, the insurance penetration rate and the insurance density rate<sup>1</sup>, measure the insurance markets' development. The data on insurance penetration for 2015 show total GWP to account for 1.48% of the country's GDP (2014: 1.45%); the insurance density rate, which is MKD 4,001 per capita, shows an 8.3% growth over the previous year (Chart 1).

**Chart 1:** Insurance market development indicators (million denars; right axis – percentages)



Source: ISA, State Statistical Office, and Ministry of Finance

The insurance sector in Macedonia is characterized by its low market concentration, a prerequisite for a competitively functioning market competition. The Herfindahl index, when calculated against GWP in 2015 was 887.61 (2014: 877.88). A similar result is obtained when computing the index against assets of insurance undertakings, 859.48 in 2015 (2014: 866.35)<sup>2</sup>.

<sup>1</sup> The insurance penetration is calculated as the ratio of gross written premiums to the gross domestic product. The insurance density is calculated as the ratio of gross written premiums to the country's population.

<sup>2</sup> Herfindahl index is calculated as per the following formula:

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

where S is the share of each insurance undertaking 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 ranges between 1000 and 1800 units, the concentration level of the insurance sector is deemed acceptable.

Analysis across different insurance segments shows higher concentration in the life insurance segment, mainly due to the small number of undertakings in this area. For life insurance, the Herfindahl-index measured against GWP is 3,650.92 (2014: 3,740.38). Measured against the undertakings assets, it is 3,376.42 (2014: 3,237.96).

For the non-life insurance segment, indicators show low concentration with a small upward trend, as indicated by the Herfindahl index as measured against GWP, which in 2015 was 1,094.88 (2014: 1,059.51), and as measured against the assets is 1,145.62 (2014: 1,150.31).

CR5 indicator<sup>3</sup>, measured against the GWP share, increased for non-life insurance undertakings in 2015 and reached 62.49% (2014: 60.51%).

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

**Table 3:** Herfindahl-index and CR5 index measured relative to GWP

| Gross written premium | 2015       |         | 2014       |         | 2013       |         |
|-----------------------|------------|---------|------------|---------|------------|---------|
|                       | Herfindahl | CR5     | Herfindahl | CR5     | Herfindahl | CR5     |
| The whole sector      | 887.61     | 54.18%  | 877.88     | 53.47%  | 891.77     | 54.39%  |
| Non-life insurance    | 1,094.88   | 62.49%  | 1,059.51   | 60.51%  | 1,055.77   | 60.53%  |
| Life insurance        | 3,650.92   | 100.00% | 3,740.38   | 100.00% | 3,818.40   | 100.00% |

Source: ISA

**Table 4:** Herfindahl-index and CR5 index measured against assets

| Assets             | 2015       |         | 2014       |         | 2013       |         |
|--------------------|------------|---------|------------|---------|------------|---------|
|                    | Herfindahl | CR5     | Herfindahl | CR5     | Herfindahl | CR5     |
| The whole sector   | 859.48     | 54.18%  | 866.35     | 54.38%  | 869.25     | 52.95%  |
| Non-life insurance | 1,145.62   | 66.03%  | 1,150.31   | 66.68%  | 1,151.24   | 65.47%  |
| Life insurance     | 3,376.42   | 100.00% | 3,237.96   | 100.00% | 3,177.59   | 100.00% |

Source: ISA

Regarding market concentration at the end of 2015, 3 non-life insurance undertakings exceeded the 10% threshold of as a share of total GWP. Nonetheless, no insurance undertakings exceeded the 20% market share threshold (Chart 2).

<sup>3</sup> CR5 is the shares of the first 5 insurance undertakings with largest shares in the total structure.

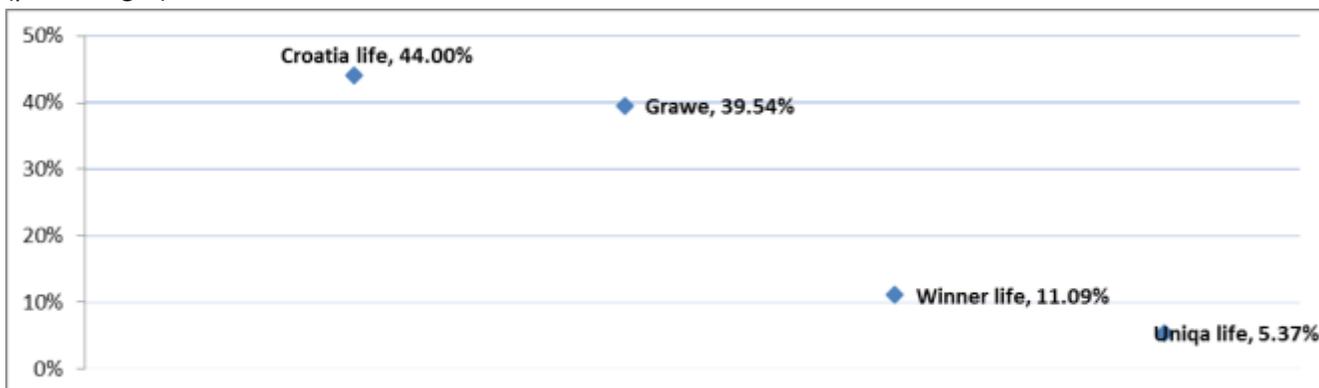
**Chart 2:** Market concentration relative to gross written premium in 2015, for the non-life insurance segment (percentages)



Source: ISA

In the life insurance segment, two insurance undertakings dominated significantly the other two undertakings which had only been participating in the market since 2011. (Chart 3).

**Chart 3:** Market concentration relative to gross written premiums in 2015, life insurance segment (percentages)



Source: ISA

### 3.1.3. Gross written premium

GWP for non-life insurance and reinsurance undertakings includes all insurance premiums contracted (written) within the current accounting period, whether they partially or completely refer to any part of following period. However, total written premiums for life insurance include all premiums paid through the end of the accounting period.

The GWP in 2015 was MKD 8.28 billion (Table 5), an 8.50% increase over GWP in 2014 (2014: MKD 7.63 billion).

**Table 5:** Gross written premium by line of business insurance (insurance class) (thousand MKD)

| Line of Business Insurance                       | Gross Written Premium (GWP) |                  | Change        | Share in total GWP |                |
|--|-----------------------------|------------------|---------------|--------------------|----------------|
|  | 2015                        | 2014             |               | 15/14              | 2015           |
| 01. Accident insurance                           | 598,846                     | 580,880          | 3.09%         | 7.23%              | 7.61%          |
| 02. Health insurance                             | 6,369                       | 4,666            | 36.50%        | 0.08%              | 0.06%          |
| 03. Motor vehicle insurance – Casco              | 692,927                     | 690,130          | 0.41%         | 8.37%              | 9.04%          |
| 05. Aircraft insurance – Casco                   | 48,123                      | 85,393           | -43.65%       | 0.58%              | 1.12%          |
| 06. Vessel insurance – Casco                     | 872                         | 843              | 3.44%         | 0.01%              | 0.01%          |
| 07. Insurance of goods in transit – Casco        | 70,094                      | 60,423           | 16.01%        | 0.85%              | 0.79%          |
| 08. Property insurance against fire              | 510,188                     | 461,903          | 10.45%        | 6.16%              | 6.05%          |
| 09. Other property insurance                     | 1,131,146                   | 917,296          | 23.31%        | 13.66%             | 12.02%         |
| 10. Motor third-party liability/MTPL             | 3,691,683                   | 3,542,769        | 4.20%         | 44.59%             | 46.43%         |
| 11. Aircraft third-party liability insurance     | 6,730                       | 10,984           | -38.73%       | 0.08%              | 0.14%          |
| 12. Water vessel third-party liability insurance | 2,525                       | 1,950            | 29.49%        | 0.03%              | 0.03%          |
| 13. Other liability insurance                    | 192,431                     | 178,608          | 7.74%         | 2.32%              | 2.34%          |
| 15. Insurance of guarantees                      | 1,066                       | 1,930            | -44.77%       | 0.01%              | 0.03%          |
| 16. Insurance against financial loss             | 45,072                      | 38,189           | 18.02%        | 0.54%              | 0.50%          |
| 18. Travel assistance insurance                  | 180,648                     | 166,440          | 8.54%         | 2.18%              | 2.18%          |
| 19. Life insurance                               | 1,093,280                   | 888,329          | 23.07%        | 13.20%             | 11.64%         |
| 21. Investment-linked life insurance             | 7,711                       | 0                | 100.00%       | 0.09%              | 0.00%          |
| <b>Total</b>                                     | <b>8,279,711</b>            | <b>7,630,733</b> | <b>8.50%</b>  | <b>100.00%</b>     | <b>100.00%</b> |
| <b>TOTAL NON-LIFE INSURANCE</b>                  | <b>7,178,720</b>            | <b>6,742,404</b> | <b>6.47%</b>  | <b>86.70%</b>      | <b>88.36%</b>  |
| <b>TOTAL LIFE INSURANCE</b>                      | <b>1,100,991</b>            | <b>888,329</b>   | <b>23.94%</b> | <b>13.30%</b>      | <b>11.64%</b>  |

Source: ISA

Both insurance segments show increasing aggregate GWP, with the non-life segment producing 86.7% GWP of 7.18 billion denars (2014: 6.74 billion denars) for the non-life segment, or a 6.47% growth compared to 2014.

The life insurance segment's GWP was MKD 1.10 billion denars (2014: MKD 888.32 million), indicating 13.30% of total GWP was generated by the insurance sector, which 23.94% increase compared to 2014.

Individually, if compared to 2014, the increase in GWP was noted at 7 of the 11 non-life insurance undertakings operational in 2015 (Table 6).

**Table 6:** Gross written premium by non-life insurance undertakings (thousand MKD)

| Ser. | INSURANCE UNDERTAKING | Gross Written Premium (GWP) |           | Change | Share in total GWP |        |
|------|-----------------------|-----------------------------|-----------|--------|--------------------|--------|
|      |                       | 2015                        | 2014      |        | 15/14              | 2015   |
| 1    | TRIGLAV               | 1,294,418                   | 1,144,930 | 13.06% | 18.03%             | 16.98% |
| 2    | MACEDONIA             | 923,428                     | 867,763   | 6.41%  | 12.86%             | 12.87% |
| 3    | EUROLINK              | 881,744                     | 697,244   | 26.46% | 12.28%             | 10.34% |
| 4    | SAVA                  | 702,947                     | 666,646   | 5.45%  | 9.79%              | 9.89%  |
| 5    | WINNER                | 683,537                     | 703,263   | -2.80% | 9.52%              | 10.43% |
| 6    | UNIQA                 | 680,379                     | 629,069   | 8.16%  | 9.48%              | 9.33%  |
| 7    | OSIGURITELNA POLISA   | 586,191                     | 611,660   | -4.16% | 8.17%              | 9.07%  |

|    |                                 |                  |                  |              |                |                |
|----|---------------------------------|------------------|------------------|--------------|----------------|----------------|
| 8  | EUROINS                         | 541,416          | 511,404          | 5.87%        | 7.54%          | 7.58%          |
| 9  | ALBSIG                          | 357,716          | 382,236          | -6.41%       | 4.98%          | 5.67%          |
| 10 | CROATIA NON-LIFE                | 329,874          | 336,707          | -2.03%       | 4.60%          | 4.99%          |
| 11 | INSIG                           | 197,070          | 191,482          | 2.92%        | 2.75%          | 2.84%          |
|    | <b>TOTAL NON-LIFE INSURANCE</b> | <b>7,178,720</b> | <b>6,742,404</b> | <b>6.47%</b> | <b>100.00%</b> | <b>100.00%</b> |

Source: ISA

All life insurance undertakings showed an increase in GWP. In 2015, the life insurance and reinsurance undertaking Macedonia did not perform any life insurance operations since its existing portfolio had already been transferred to Winner Life (Table 7).

**Table 7:** Gross written premium by life insurance undertakings (thousand MKD)

| Ser. | INSURANCE UNDERTAKING       | Gross Written Premium (GWP) |                | Change<br>15/14 | Share in total GWP |                |
|------|-----------------------------|-----------------------------|----------------|-----------------|--------------------|----------------|
|      |                             | 2015                        | 2014           |                 | 2015               | 2014           |
| 1    | CROATIA LIFE                | 484,428                     | 384,706        | 25.92%          | 44.00%             | 43.31%         |
| 2    | GRAWE                       | 435,289                     | 371,554        | 17.15%          | 39.54%             | 41.83%         |
| 3    | WINNER LIFE                 | 122,107                     | 83,209         | 46.75%          | 11.09%             | 9.37%          |
| 4    | UNIQA LIFE                  | 59,167                      | 46,741         | 26.58%          | 5.37%              | 5.26%          |
| 5    | MACEDONIA                   | 0                           | 2,119          | -100.00%        | 0.00%              | 0.24%          |
|      | <b>TOTAL LIFE INSURANCE</b> | <b>1,100,991</b>            | <b>888,329</b> | <b>23.94%</b>   | <b>100.00%</b>     | <b>100.00%</b> |

Source: ISA

In 2015, GWP from reinsurance were MKD 2.01 million, while there were no premiums written in 2014.

An indicator that most satisfactorily shows development of the insurance sector is analysis of the scope of operations in different line of business insurance by insurance undertaking. Hence, by using the data on the GWP by lines of business insurance (classes), the market structure of all insurance undertakings in 2015 is also presented (Table 8).

**Table 8:** Gross written premium for the period 01.01.31.12.2015 (thousand MKD)

| Line of business                  | nonlife        |                  |                |                |                |                |                |                |                |                |                | Total            |
|-----------------------------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
|                                   | Makedonija     | Triglav          | Sava           | Evroins        | Eurolink       | Winner         | Insig          | Uniqa          | Ins. Policy    | Albsig         | Croacija       |                  |
| 01. Accident                      | 98,970         | 114,110          | 52,453         | 49,879         | 99,367         | 39,907         | 10,777         | 38,120         | 43,846         | 15,568         | 35,849         | <b>598,846</b>   |
| 02. Health                        | 0              | 317              | 1366           | 0              | 2948           | 759            | 0              | 798            | 181            | 0              | 0              | <b>6,369</b>     |
| 03. Motor vehicles (casco)        | 81,078         | 189,875          | 94,010         | 47,449         | 70,801         | 61,716         | 4,907          | 37,080         | 61,796         | 12,594         | 31,621         | <b>692,927</b>   |
| 04. Railway vehicles (casco)      | 0              | 0                | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | <b>0</b>         |
| 05. Aircrafts (casco)             | 0              | 0                | 0              | 0              | 6476           | 41,647         | 0              | 0              | 0              | 0              | 0              | <b>48,123</b>    |
| 06. Vessels (casco)               | 47             | 322              | 155            | 79             | 133            | 88             | 0              | 23             | 25             | 0              | 0              | <b>872</b>       |
| 07. Cargo                         | 22,887         | 16,662           | 2482           | 9,931          | 3111           | 6,868          | 65             | 5561           | 583            | -20            | 1964           | <b>70,094</b>    |
| 08. Property, fire and nat.forces | 147,017        | 89,763           | 78,674         | 21,591         | 78,899         | 18,091         | 3056           | 22,727         | 31,514         | 7,821          | 11,035         | <b>510,188</b>   |
| 09. Property, other               | 276,759        | 230,682          | 78,422         | 27,446         | 192,872        | 165,696        | 781            | 106,126        | 26,626         | 15009          | 10,727         | <b>1,131,146</b> |
| 10. MTPL (total)                  | 241,106        | 540,104          | 353,808        | 359,497        | 347,532        | 322,001        | 171,882        | 439,438        | 393,211        | 297,804        | 225,300        | <b>3,691,683</b> |
| 11. Aircraft's liability          | 0              | 0                | 0              | 0              | 1989           | 4,568          | 0              | 0              | 173            | 0              | 0              | <b>6,730</b>     |
| 12. Vessel's liability            | 155            | 294              | 914            | 39             | 272            | 177            | 0              | 79             | 470            | 0              | 125            | <b>2,525</b>     |
| 13. General liability             | 37,082         | 38,062           | 12,996         | 11,016         | 50,499         | 9,537          | 314            | 14,607         | 12,290         | 2474           | 3,554          | <b>192,431</b>   |
| 14. Credit                        | 0              | 0                | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | <b>0</b>         |
| 15. Suretyship                    | 89             | 121              | 88             | 110            | 0              | 282            | 0              | 0              | 376            | 0              | 0              | <b>1,066</b>     |
| 16. Financial losses              | 2453           | 36,131           | 3802           | 674            | 27             | 0              | 0              | 312            | 0              | 0              | 1673           | <b>45,072</b>    |
| 17. Legal expenses                | 0              | 0                | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              | <b>0</b>         |
| 18. Tourists assistance           | 15,785         | 37,975           | 23,777         | 13,705         | 26,818         | 12,200         | 5288           | 15,508         | 15,100         | 6,466          | 8,026          | <b>180,648</b>   |
| <b>Total</b>                      | <b>923,428</b> | <b>1,294,418</b> | <b>702,947</b> | <b>541,416</b> | <b>881,744</b> | <b>683,537</b> | <b>197,070</b> | <b>680,379</b> | <b>586,191</b> | <b>357,716</b> | <b>329,874</b> | <b>7,178,720</b> |

| Line of business   | life           |                |                |               | Total            |
|--------------------|----------------|----------------|----------------|---------------|------------------|
|                    | Croatia        | Grawe          | Winner         | Uniqa         |                  |
| 19. Life assurance | 484,428        | 435,289        | 114,396        | 59,167        | <b>1,093,280</b> |
| 21. Unit-linked    | 0              | 0              | 7,711          | 0             | <b>7,711</b>     |
| <b>Total</b>       | <b>484,428</b> | <b>435,289</b> | <b>122,107</b> | <b>59,167</b> | <b>1,100,991</b> |

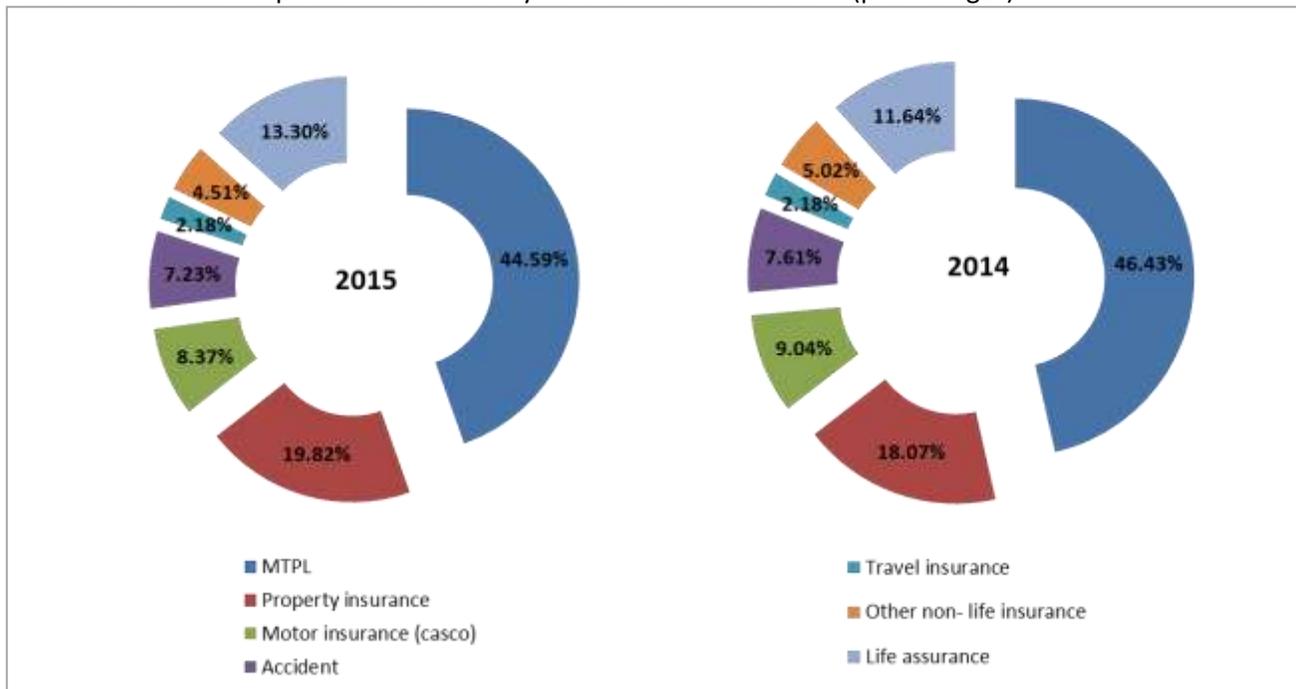
|               |                  |
|---------------|------------------|
| <b>Total:</b> | <b>8,279,711</b> |
|---------------|------------------|

Source: ISA

### 3.1.4. GWP Share structure

As a share of aggregate GWP, motor vehicle insurance claimed the largest portion of all insurance premiums collected at 52.96% (2014: 55.47%), with motor third-party liability insurance (MTPL) claiming 44.59% (2014: 46.43%), and voluntary motor vehicle insurance policies (casco) claiming 8.37% (2014: 9.04%). Property insurance (against fire, natural disasters, theft and other risks) claimed 19.82% (2014: 18.07%), and insurance against accident consequences (accident) claimed a 7.23% share (2014: 7.61%). Life insurance also claimed a significant share, with 11.64% of premium volume (2013: 10.14%). Chart 4 compares the relative share of aggregate GWP by lines of business and includes a comparison with 2014.

**Chart 4:** Gross written premium structure by line of business insurance (percentages)



Source: ISA

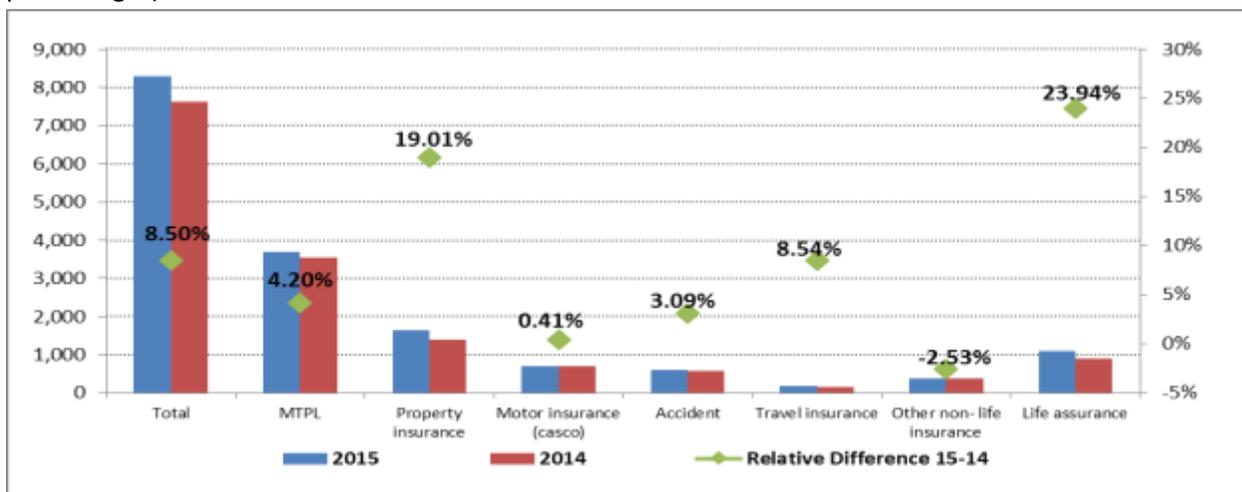
GWP for motor third party liability insurance showed an increase of 4.20% over 2014 with MKD 3.69 billion (2014: MKD 3.54 billion), with a concurrent increase of 4.12% in the number of policies sold. GWP increased by 0.41% for Casco motor vehicle insurance, reversing a 5-year decline with GWP reaching MKD 692.93 million (2014: MKD 690.12 million). The small increase came with a concurrent 0.7% decline in the number of policies sold.

Lines of business in property insurance showed a 19.01% GWP growth over 2014, while the number of signed agreements increased by 9.60%.

Agriculture insurance, another property insurance product, shows the highest growth rates in recent years. In 2015, 5,021 agriculture insurance agreements were signed, resulting in GWP of MKD 181.83 million (2014: 3,704 agreements, resulting MKD 114.52 million GWP). The relative share of the agriculture insurance line of business in the insurance market's GWP, 35.56%, is reflected by a 58.78% increase of GWP in that line with a concurrent 35.56% increase of signed agreements.

The increase in GWP for life insurance, which was 23.94% over 2014, deserves special attention (Chart 5).

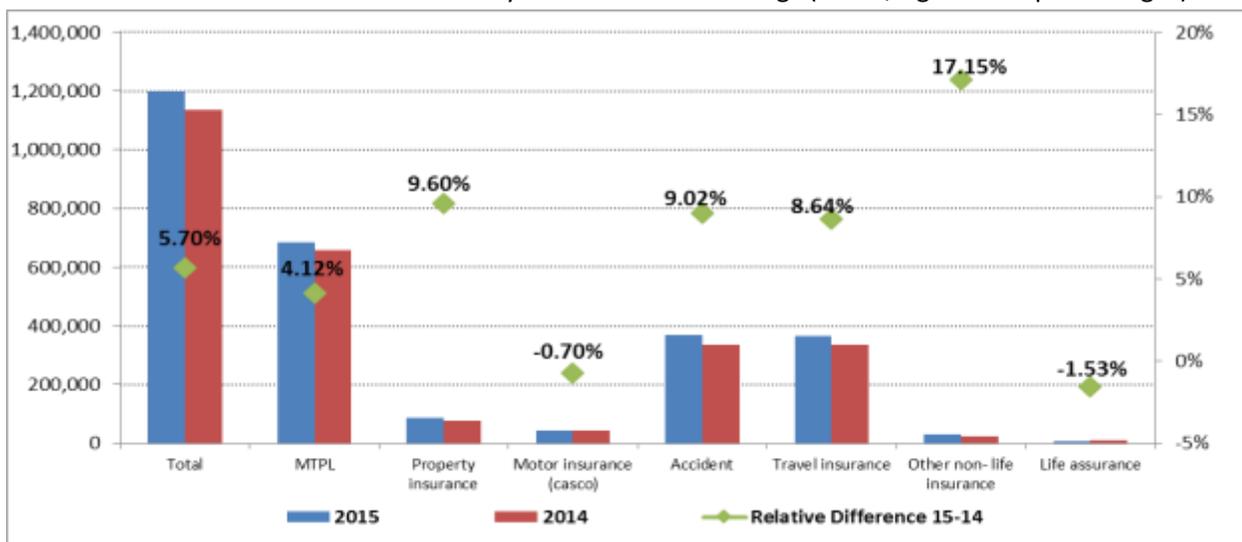
**Chart 1:** Trend of gross written premium by line of business insurance (million MKD; right axis - percentages)



Source: ISA

Insurance undertaking issued 1,199,860 agreements in 2015, a 5.70% over the previous year (2014: 1,135,156 agreements). An overwhelming number these agreements, 1,191,177 or 99.28%, were for non-life policies, showing a 5.76% growth for the segment. The life sector, on the other hand, issued 8,683 life insurance policies, an increase of 1.53% over the previous year (2014: 8,818 policies). The change in the number of signed agreements across insurance lines of business is presented in Chart 6.

**Chart 2:** Number of concluded contracts by insurance undertakings (count; right axis – percentages)



Source: ISA

### 3.1.5. Gross claims paid

Insurance undertakings paid out MKD 3.18 billion in gross claims, a 4.25% increase over 2014. (Table 9).

**Table 1:** Gross claims paid by line of business (thousand MKD)

| Lines of business insurance      | 2015             | 2014             | 2013             |
|----------------------------------|------------------|------------------|------------------|
| Motor third-party liability/MTPL | 1,542,769        | 1,438,603        | 1,550,495        |
| Property insurance               | 636,480          | 715,860          | 439,745          |
| Motor vehicle insurance (casco)  | 374,066          | 385,016          | 434,905          |
| Accident insurance               | 361,431          | 342,357          | 357,631          |
| Life insurance                   | 127,626          | 102,862          | 114,358          |
| Travel assistance insurance      | 44,905           | 39,427           | 32,463           |
| Other insurance – non-life       | 96,601           | 29,829           | 29,597           |
| <b>Total</b>                     | <b>3,183,878</b> | <b>3,053,954</b> | <b>2,959,194</b> |

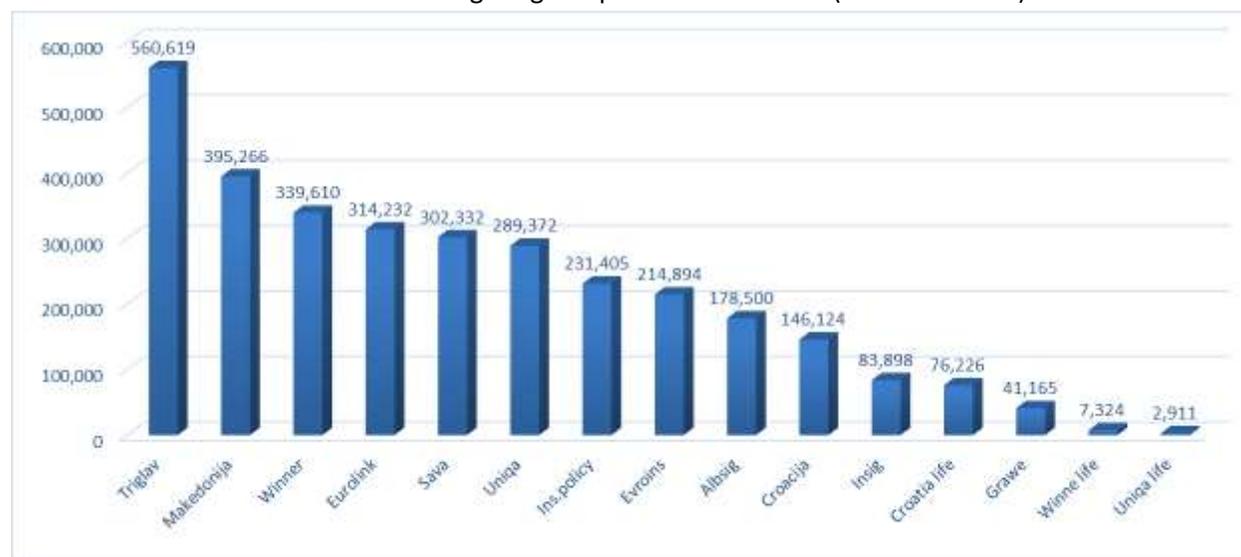
Source: ISA

Of gross claims paid, 48.46% were paid to motor third-party liability insurance, 19.99% to property insurance, 11.75% for casco insurance, 11.35% to accident insurance, and 8.45% for other insurance lines of business. With the exception of property and casco insurance lines, there were less claims paid out in 2015 than in 2014.

Within the property line, for agriculture insurance were paid out MKD 211.38 million, or 33.21% of the gross claims paid for property coverage.

Chart 7 shows each individual insurance undertaking's share of total claims paid in 2015.

**Chart 7:** Share of insurance undertakings in gross paid claims in 2015 (thousand MKD)



Source: ISA

### 3.1.6. Assets and liabilities structure

#### 3.1.6.1. Assets structure

On 31 December 2015, the total assets value of the insurance industry was MKD 17.56 billion, an increase of 7.32% over the total value of assets of insurance undertakings in 2014, continuing a positive upward trend (Table 10).

**Table 10:** Assets structure of insurance undertakings (MKD)

|  | 31.12.2015            | Share          | 31.12.2014            | Share          | 15/14        |
|--|-----------------------|----------------|-----------------------|----------------|--------------|
| Intangible assets  | 49,411,173            | 0.28%          | 50,440,663            | 0.31%          | -2.04%       |
| Investments  | 12,604,781,178        | 71.77%         | 11,453,017,626        | 69.99%         | 10.06%       |
| Co-insurers' and reinsurers' share in gross technical provisions | 1,480,820,985         | 8.43%          | 1,384,318,456         | 8.46%          | 6.97%        |
| Deferred and current tax assets                                  | 12,645,996            | 0.07%          | 7,711,322             | 0.05%          | 63.99%       |
| Receivables  | 2,291,831,727         | 13.05%         | 2,507,276,289         | 15.32%         | -8.59%       |
| Other assets   | 584,084,207           | 3.33%          | 461,122,850           | 2.82%          | 26.67%       |
| Active valuation reserves  | 538,009,927           | 3.06%          | 500,310,849           | 3.06%          | 7.54%        |
| <b>TOTAL ASSETS</b>  | <b>17,561,585,192</b> | <b>100.00%</b> | <b>16,364,198,054</b> | <b>100.00%</b> | <b>7.32%</b> |

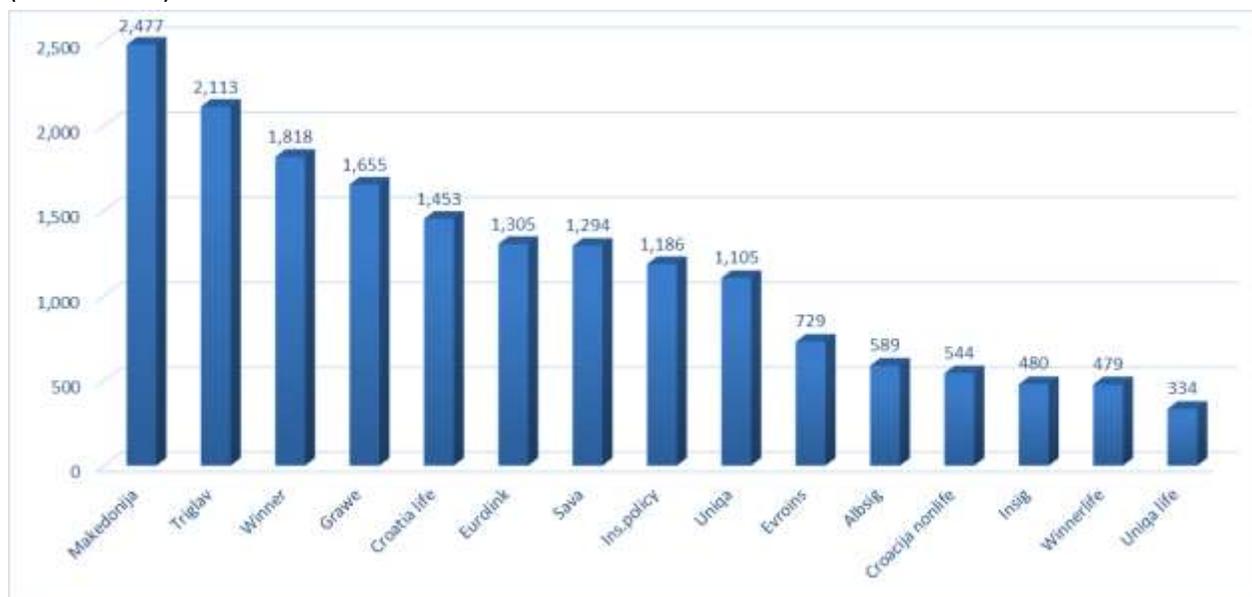
Source: ISA

For insurance undertakings assets, investments made up the largest portion at 71.77% (2014: 69.99%), with their value increasing 10.06% over 2014. Within investments, the category other financial investments made up the largest component at 87.55%, and whose value increased 12.15% over the previous year. This category includes bank deposits, loans and other placements (42.73%), financial investments held for sale (35.64%), financial investments held to maturity (20.01%), and financial investments held for trading (1.62%). Other significant investment categories included, Investment in land, buildings and other tangible assets (10.89%), a decrease of 4% over to 2014, and investments with company group – subsidiaries, affiliated undertakings, and jointly controlled entities made up 1.57% of the total investments, which is a 7.20% increase over the previous year.

After investments, receivables are the next largest component of undertakings asset structure and constitute 13.05% of total assets, and decreased 8.59% over 2014 (2014: 15.32%). Receivables include receivables from direct insurance operations (e.g., receivables from insureds, receivables from intermediaries, and other receivables from direct insurance), co-insurance and reinsurance receivables, and other receivables. Within total receivables, receivables from direct insurance operations accounted for MKD 1,805 million or a 78.77% share, an increase of 9.39% over 2014. Co-insurance and reinsurance receivables accounted for MKD 75.84 million (3.31% of total receivables), a significant decrease of 78.28% over 2014 due to reduction of receivables from co-insurance and reinsurance claims. Other receivables constituted MKD 410 million (17.92% of the total receivables), a 19.12% growth compared to 2014.

While non-life insurance undertakings asset holdings dominate total assets for both insurance sectors, the assets of life insurance companies present an increasing positive trend as a share of total assets, which in 2015 grew to 22.33% (2014: 19.88%). The structure of insurance undertakings' share of the total assets of the insurance sector is presented in Chart 8.

**Chart 8:** Share structure of insurance undertakings in the total assets of the insurance sector in 2015 (million MKD)



Source: ISA

### 3.1.6.2. Sources of funding structure

Sources of funding for the insurance undertakings in 2015 increased by 7.32% compared to the previous year (Table 11).

**Table 11:** Source of funding structure in the insurance undertakings (MKD)

|   | 31.12.2015            | Share          | 31.12.2014            | Share          | 15/14        |
|---|-----------------------|----------------|-----------------------|----------------|--------------|
| Capital (equity) and provisions   | 5,803,887,820         | 33.05%         | 5,447,763,874         | 33.29%         | 6.54%        |
| Subordinated liabilities  | 76,993,375            | 0.44%          | 36,888,840            | 0.23%          | 108.72%      |
| Gross technical reserves  | 10,046,741,801        | 57.21%         | 9,008,962,833         | 55.05%         | 11.52%       |
| Other provisions  | 57,680,322            | 0.33%          | 52,681,208            | 0.32%          | 9.49%        |
| Deferred and current tax liabilities  | 47,443,039            | 0.27%          | 40,198,240            | 0.25%          | 18.02%       |
| Liabilities arising from deposits of insurance undertakings at reinsurers/cedents | 681,181               | 0.00%          | 955,869               | 0.01%          | -28.74%      |
| Liabilities   | 1,233,852,691         | 7.03%          | 1,575,453,648         | 9.63%          | -21.68%      |
| Passive valuation reserves  | 294,304,963           | 1.68%          | 201,293,543           | 1.23%          | 46.21%       |
| <b>TOTAL SOURCES OF FUNDING</b>   | <b>17,561,585,192</b> | <b>100.00%</b> | <b>16,364,198,054</b> | <b>100.00%</b> | <b>7.32%</b> |

Source: ISA

Gross technical provisions made for the largest source of funding, 57.21%, relative to total sources of funding (2014: 55.05%), a 11.52% growth over the previous year.

After gross technical provisions, capital and provisions made for the highest portion the sources of funding, and at 33.05% showed an increase of 6.54% over 2014.

The liabilities of insurance undertakings constituted 7.03% of the total sources of funding (2014: 9.63%), a decrease of 21.68% over the previous year.

### 3.1.7. Technical Provisions

At year-end 2015, total technical provisions for non-life insurance undertakings were calculated to be MKD 7.28 billion, an increase of 4.97% over the previous year, and total technical provisions for life insurance undertakings were calculated at MKD 2.78 billion, showing an increase of 31.21% over the previous year.

Claims provisions and unearned paid premium provisions made for the largest share of technical provisions, while for life insurance undertakings the mathematical provisions ranked as the most significant (Table 12).

**Table 12:** Structure of and changes in technical provisions (thousand MKD)

| Technical provisions structure     | Non-life insurance |                  |              | Life insurance   |                  |               | Total             |                  |               |
|------------------------------------|--------------------|------------------|--------------|------------------|------------------|---------------|-------------------|------------------|---------------|
|                                    | 2015               | 2014             | 15/14        | 2015             | 2014             | 15/14         | 2015              | 2014             | 15/14         |
| Claims provisions                  | 4,040,814          | 3,980,222        | 1.52%        | 38,996           | 36,948           | 5.54%         | 4,079,810         | 4,017,170        | 1.56%         |
| Unearned paid premium provisions   | 3,132,536          | 2,876,869        | 8.89%        | 30,422           | 27,424           | 10.93%        | 3,162,958         | 2,904,293        | 8.91%         |
| Mathematical provisions            | 0                  | 0                | 0            | 2,614,419        | 1,975,723        | 32.33%        | 2,614,419         | 1,975,723        | 32.33%        |
| Provisions for bonuses and rebates | 76,853             | 61,267           | 25.44%       | 94,695           | 77,519           | 22.16%        | 171,548           | 138,786          | 23.61%        |
| Other technical provisions         | 17,998             | 5,878            | 206.19%      | 0                | 0                | 0             | 17,998            | 5,878            | 206.19%       |
| <b>Total</b>                       | <b>7,268,201</b>   | <b>6,924,236</b> | <b>4.97%</b> | <b>2,778,532</b> | <b>2,117,614</b> | <b>31.21%</b> | <b>10,046,733</b> | <b>9,041,850</b> | <b>11.11%</b> |

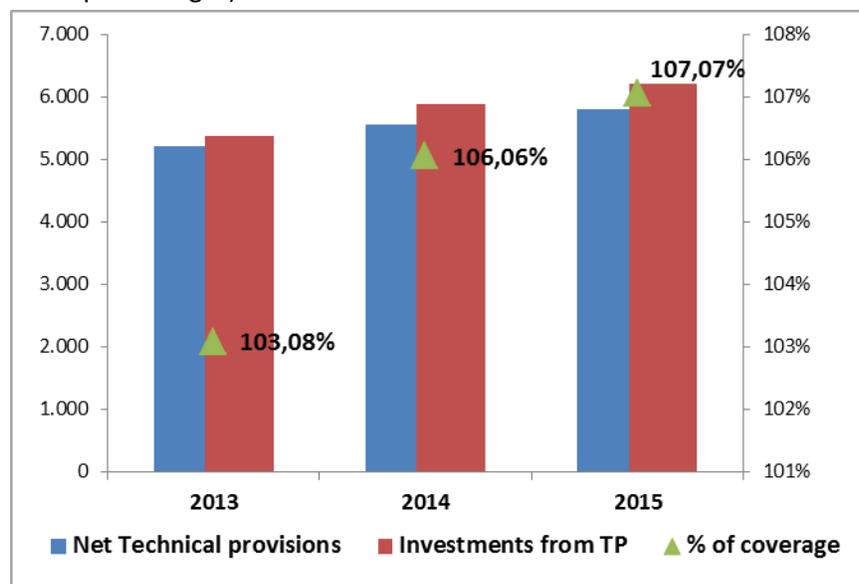
Source: ISA

### 3.1.8. Assets covering the technical provisions

The assets covering the technical provisions are the assets of 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 the insurance undertakings are obligated to allocate funds to cover net technical provisions. An insurance undertaking is obligated to invest funds at least equivalent to the technical provisions amount – net reinsurance and must be pursuant to provisions in 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 Republic of Macedonia” No. 64/11 and 127/14).

At the end of 2015, investments in assets covering the technical provisions of the non-life insurance undertakings were MKD 6.22 billion and covered 107.07% of the total net technical provisions (2014: 106.06%) (Chart 9).

**Chart 9:** Coverage of net technical provisions at non-life insurance undertakings (million denars; right axis – percentages)



Source: ISA

Non-life insurance undertakings invested their assets covering technical provisions across securities issued by the Republic of Macedonia (49.45%), bank deposits (42.67%), shares in investment funds (4.59%), equities (0.96%), and other financial instruments (2.32%). The investment amounts and structure are presented in Table 13.

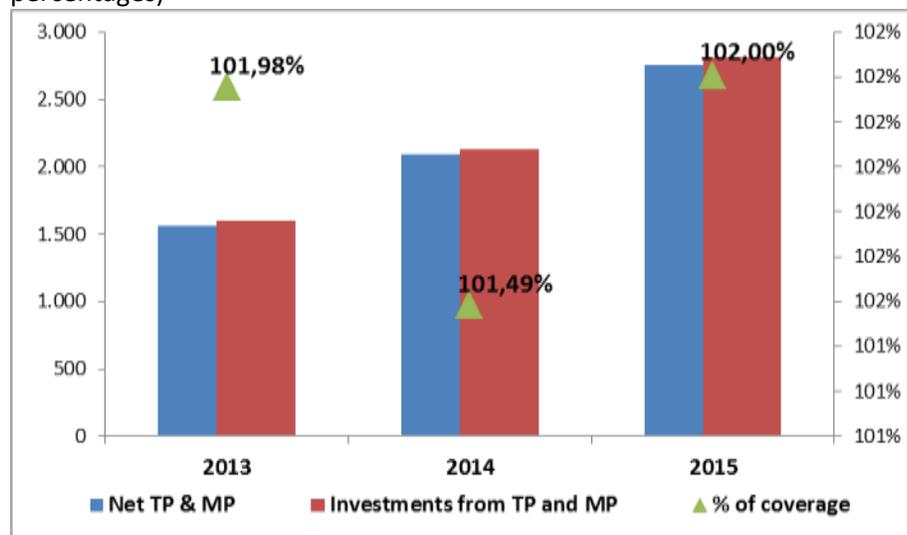
**Table 13:** Assets covering the technical provisions of non-life insurance undertakings (thousand MKD)

|   | 2015             | 2014             | 2013             |
|---|------------------|------------------|------------------|
| Bank accounts and bank deposits           | 2,655,520        | 2,635,928        | 2,318,863        |
| Government securities                     | 3,077,459        | 2,864,870        | 2,896,334        |
| Equity                                    | 59,940           | 56,947           | 64,871           |
| Long-term securities issued by EU or OECD | 144,255          | 64,923           | 0                |
| Shares in investment funds                | 285,679          | 199,987          | 101,272          |
| Other                                     | 0                | 68,171           | 0                |
| <b>Total</b>                              | <b>6,222,852</b> | <b>5,890,826</b> | <b>5,381,339</b> |

Source: ISA

For life insurance undertakings, the invested assets covering the technical and mathematical provisions totalled MKD 2.81 billion, with net technical provisions covered at 102.00% (2014: 101.49%) (Chart 10).

**Chart 10:** Coverage of net technical provisions at life insurance undertakings (million denars; right axis – percentages)



Source: ISA

Life insurance undertakings invested a majority of their assets, covering the mathematical provision, in government securities issued by the Republic of Macedonia (75.64%), bank deposits (21.95%), shares in investment funds (1.79%), and other financial instruments (0.62%) (Table 14).

**Table 14:** Assets covering the technical provisions and the mathematical provisions at life insurance undertakings (thousand MKD)

|   | 2015             | 2014             | 2013             |
|---|------------------|------------------|------------------|
| Bank accounts and bank deposits           | 616,521          | 486,472          | 374,353          |
| Government securities                     | 2,124,977        | 1,637,708        | 1,195,520        |
| Equity                                    | 0                | 0                | 23,413           |
| Long-term securities issued by EU or OECD | 0                | 0                | 0                |
| Shares in investment funds                | 50,308           | 0                | 0                |
| Other                                     | 17,349           | 4,482            | 3,029            |
| <b>Total</b>                              | <b>2,809,155</b> | <b>2,128,663</b> | <b>1,596,315</b> |

Source: ASO

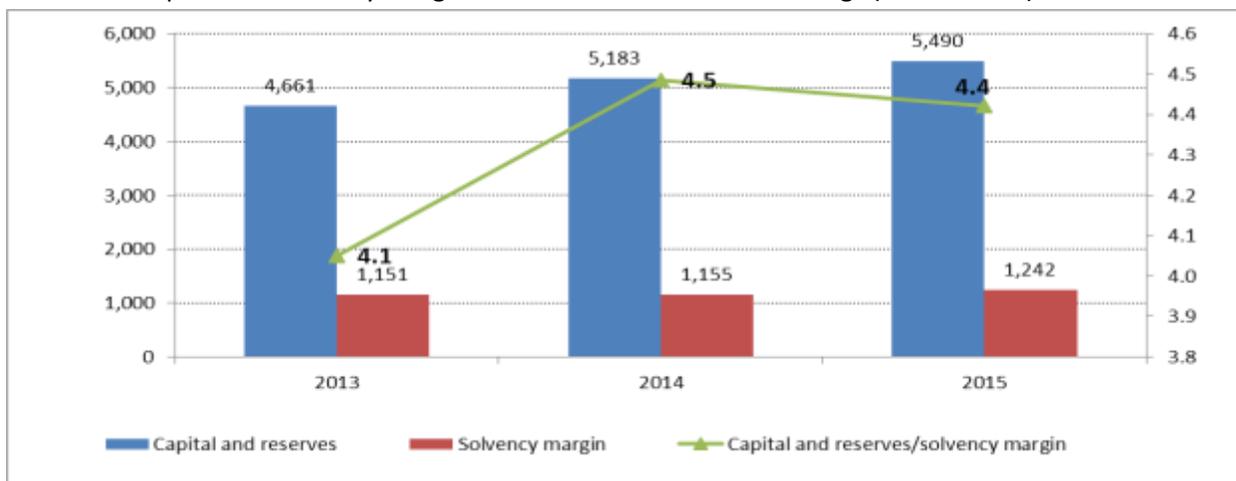
### 3.1.9. Capital and required level of solvency margin

Pursuant to Articles 75 and 76 of the Law on Insurance Supervision, insurance undertakings should at minimum maintain their capital at the required solvency margin level. Based on the data submitted to ISA, at the end of 2015, the total calculated capital of insurance undertakings<sup>4</sup> was MKD 5.49 billion, which is an increase of 5.93% over 2014. Analysed by insurance segments, the capital of non-life insurance undertakings was MKD 4.53 billion, and MKD 959 million for life insurance undertakings.

The solvency margin, which is the key indicator used to assess stability of the insurance sector, was MKD 1.24 billion (MKD 1.06 billion for non-life insurance, and MKD 183 million for life insurance), yielding insurance sector capital that is 4.4 times above the solvency margin level. The capital and solvency margin trends of the insurance undertakings are shown on Chart 11.

<sup>4</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 undertaking („Official Gazette of Republic of Macedonia“ no. 5/2011 and 64/2011”).

**Chart 11: Capital and solvency margin trends of insurance undertakings (million MKD)**



Source: ISA

### 3.1.10. Operational financial results

For 2015, the insurance sector reported profits of MKD 512.95 million. Two non-life insurance undertakings reported losses totalling MKD 54.93 million, while the remaining nine undertakings reported profits of MKD 524.23 million.

Life insurance undertaking earned aggregate profits of MKD 43.65 million, with two undertakings generating MKD 67.13 million in profit, and two undertakings incurring losses of MKD 23.49 million.

The technical result<sup>5</sup> yields a positive MKD 37.90 million, an improvement compared to previous years, when insurance undertakings yielded negative technical results. Analysis by insurance segments reveals that the technical result for the non-life insurance was MKD 124.95 million (2014: MKD 108.55 million), with five non-life insurance undertakings showing negative technical results, and the remaining undertakings yielding positives. Nonetheless, the technical result for the life insurance segment was negative, at MKD -87.05 million (2014: MKD -118.84 million). Of the life insurance undertakings, all four undertakings had a negative technical result.

Table 15 shows the impact of both the technical and non-technical results on the financial results of the insurance sector. In this case, for the purposes of the analysis, one category was selected – 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 results during generation of the final financial result.

<sup>5</sup> Technical result from the operations of the insurance undertakings is the result achieved by performing the main business activity-insurance. The other revenues and expenses from their operations represent the non-technical result.

**Table 15:** Structure of the financial result – technical and non-technical (MKD)

|   |   | 2015               | 2014               | 2013               |
|---|---|--------------------|--------------------|--------------------|
| 1 | Technical result – life insurance   | -87,055,075        | -118,836,799       | -72,146,964        |
| 2 | Technical result – non-life insurance   | 124,954,496        | 108,547,884        | -24,233,802        |
| 3 | Technical result - total (3 = 1 + 2)  | 37,899,421         | -10,288,915        | -96,380,766        |
| 4 | Non-technical result  | 562,498,616        | 415,517,635        | 332,145,123        |
| 5 | <b>Profit/loss - earnings before taxation from regular operations (5 = 3 - 4)</b> | <b>600,398,038</b> | <b>405,228,720</b> | <b>235,764,357</b> |

Source: ISA

### 3.1.11. Insurance industry indicators

Various insurance indicators are used to assess the business operations of insurance undertakings.

The **loss ratio**, which is the ratio of the net incurred claims for the respective period to net premiums earned, was 52.7% for the insurance sector, which was a decline over last year (2014: 53.2%). Separated by segments, the loss ratio was 48.5% for the non-life sector (2014: 49.9%) and 74.3% for the life insurance sector (2014: 73.6%).

The **expense ratio**, which is the ratio of the net expenses to net premiums earned, was 55.8%, a slight increase over the previous year (2014: 54.9%).

The **combined ratio**, which is calculated as the sum of the loss ratio and the expense ratio, was 108.5% (2014: 108.1%). Separately by insurance segments, the combined ratio for non-life insurance was 108.4%, (2014: 106.8%) and 109.0% for the life segment (2014: 116.1%).

The **return on investment (ROI)**, which is calculated as the ratio of net investment income to total invested amounts, was 3.1%, (2014: 4.1%).

The **debt ratio**, which is calculated as the ratio of total liabilities to total assets, indicates the asset amounts that are financed by liabilities (technical provisions and other liabilities), without including the capital and the statutory provisions. For 2015, this ratio was 66.9%, (2014: 66.7%).

The **return on assets (ROA)**, which is calculated as the ratio of net income to total assets, was 2.92% (2014: 2.08%). Considered separately by insurance segment, ROA for non-life insurance in 2015 was 3.44%, compared to 2.59% in 2014, whereas for life insurance in 2014 it was 1.11%, compared to 0.05% in 2014.

The **return on equity (ROE)**, which is calculated as the ratio of net income to capital and provisions. The aggregate industry ROE was 8.84% (2014: 6.25%). Separated by segment, ROE for non-life insurance was 9.84% (2014: 7.68%). ROE for life insurance was 4.23%, (2014: 0.17%).

## 3.2. INSURANCE INTERMEDIATION

The role of intermediaries in the sale of insurance has become increasingly important. In 2015, 47.2% of GWP was generated through direct sales by insurance undertakings, whereas 52.76% (2014: 54.77%) was generated through various intermediaries (Table 16).

**Table 2:** Structure of insurance policy sales channels by GWP generated (thousand MKD)

|                               | 2015             | %             | 2014             | %             | 2013             | %             |
|-------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|
| Direct sales                  | 3,910,590        | 47.2%         | 3,451,376        | 45.2%         | 3,540,011        | 49.2%         |
| Insurance brokerage companies | 2,030,358        | 24.5%         | 1,804,366        | 23.6%         | 1,675,796        | 23.3%         |
| insurance agencies            | 768,199          | 9.3%          | 679,296          | 8.9%          | 422,115          | 5.9%          |
| Travel Agencies               | 38,095           | 0.5%          | 37,761           | 0.5%          | 34,397           | 0.5%          |
| Car Showrooms                 | 7,848            | 0.1%          | 7,648            | 0.1%          | 7,178            | 0.1%          |
| Banks                         | 62,650           | 0.8%          | 49,326           | 0.6%          | 40,906           | 0.6%          |
| Insurance agents              | 1,284,643        | 15.5%         | 1,184,301        | 15.5%         | 1,293,283        | 18.0%         |
| Other distribution channels   | 175,102          | 2.1%          | 416,430          | 5.5%          | 176,128          | 2.4%          |
| <b>Total</b>                  | <b>8,277,485</b> | <b>100.0%</b> | <b>7,630,504</b> | <b>100.0%</b> | <b>7,189,814</b> | <b>100.0%</b> |

Source: ISA

### 3.2.1. Insurance agency activities

Insurance agency activities refer to preparation and execution of insurance contracts on behalf of one or several insurance undertakings, mainly for non-competitive insurance products. These activities on the insurance market are conducted through insurance agents – natural persons and insurance agencies who realised 24.80% of the GWP in 2015 (2014: 31.12%).

The insurance agency activities via natural persons require an ISA license, which is issued after passing an exam which entitles one to work as insurance agent. The relative share of total GWP sold through insurance agents was 15.52%, keeping in mind that 976 agents held ISA licenses in 2015. ISA keeps available a registry of active insurance agents on its website.<sup>6</sup>

During 2015, there were 13 insurance agencies active on the insurance market (Table 17), which is an increase of 3 companies over 2014 (Ibo Insurance JSC Kumanovo, Your Friend JSC Prilep, and Family Partner JSC Skopje).

Insurance agency activities are also performed by banks licensed to perform insurance agency activities by the National Bank of Republic of Macedonia, as obtained by a prior consent of the ISA. In 2015, the number of banks that performed insurance agency activities increased by two new banks (Sparkasse Bank JSC Skopje and NLB Tutunska Banka JSC Skopje) bringing the total count to three banks.

<sup>6</sup> <http://www.aso.mk/dokumenti/regulativa/Registar%20Zastapnici.pdf>

**Table 17:** Registry of insurance agencies and banks

|           | <b>Name of the agency</b> |
|-----------|---------------------------|
| <b>1</b>  | AKTIVA INSURANCE          |
| <b>2</b>  | TREND-MR                  |
| <b>3</b>  | VDS MAGMA                 |
| <b>4</b>  | LYON INS                  |
| <b>5</b>  | REA INSURANCE GROUP       |
| <b>6</b>  | SAFE LIFE                 |
| <b>7</b>  | FORTIS                    |
| <b>8</b>  | Mako AS                   |
| <b>9</b>  | LIFE VISION               |
| <b>10</b> | GLS INSURANCE             |
| <b>11</b> | YOUR FRIEND               |
| <b>12</b> | IBO INSURANCE             |
| <b>13</b> | FAMILY PARTNER            |
| <b>14</b> | SPARKASSE BANK            |
| <b>15</b> | NLB Tutunska Banka        |
| <b>16</b> | Ohridska Banka            |

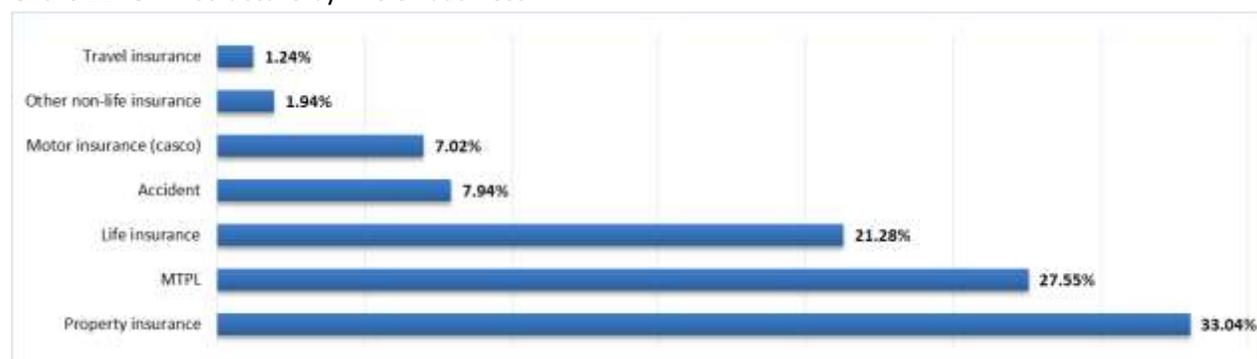
Source: ISA

On 31 December 2015, insurance agencies had total assets of MKD 88.69 million, and capital totalling MKD 40.84 million. The insurance agencies ended 2015 with after-tax earnings of MKD 5.97 million.

In 2015, insurance agencies generated in volume 9.28% of total GWP (2014: 8.90%). Although the share of insurance agency was relatively smaller compared to insurance brokerage companies and insurance agents, there has been an increasing trend of insurance agencies entering the market.

During 2015, insurance agencies signed 78,768 insurance agreements (policies) (2014: 54,446), a 30.88% increase over the previous year. They received commissions of MKD 178.52 million from the insurance undertakings, as based on GWP of MKD 768.19 million.

Chart 12 shows the relative distribution of GWP across lines of business, as generated by insurance agencies.

**Chart 12:** GWP structure by line of business

Source: ISA

### 3.2.2. Insurance brokerage activities

Insurance brokerage activities refer to intermediation over negotiations for insurance and reinsurance coverage by clients of brokerage companies, as well as intermediation during the process of settling claims for incurred losses from insurance and reinsurance undertakings on behalf of clients. In 2015, insurance brokerage companies generated 24.53% of the GWP (2014: 23.65%) through this distribution channel.

At year-end 2015, there were 30 insurance brokerage companies on the insurance market (**TableError! Reference source not found.**), and one operating license was issued to a new joint stock company offering insurance brokerage services (PORSCHE BROKER Skopje). Also, during 2015, ISA revoked the operating license of one insurance brokerage company (Insurance Brokerage Company Makoil Broker JSC Skopje).

**Table 18:** Registry of insurance brokerage companies

|           | <b>Name of the company</b> |
|-----------|----------------------------|
| <b>1</b>  | EUROEKSPERTS               |
| <b>2</b>  | EUROMAK BROKER             |
| <b>3</b>  | WASS                       |
| <b>4</b>  | IN BROKER                  |
| <b>5</b>  | WFP                        |
| <b>6</b>  | MOBILITY BROKER            |
| <b>7</b>  | SEDA BROKER                |
| <b>8</b>  | OUR INSURANCE              |
| <b>9</b>  | JDB BROKER                 |
| <b>10</b> | DELTA INS BROKER           |
| <b>11</b> | A-TIM JSC                  |
| <b>12</b> | LEGRA JSC                  |
| <b>13</b> | K MK BROKER                |
| <b>14</b> | POLICY PLUS                |
| <b>15</b> | AMG PREMIUM                |
| <b>16</b> | SUPER BROKER               |
| <b>17</b> | KORAB INS                  |
| <b>18</b> | NEW INSURANCE BROKER       |
| <b>19</b> | CERTUS                     |
| <b>20</b> | STM Broker Plus            |
| <b>21</b> | AM BROKER                  |
| <b>22</b> | MEGA BROKER                |
| <b>23</b> | CVO BROKER                 |
| <b>24</b> | ASUC Broker                |
| <b>25</b> | SAFE INVEST                |
| <b>26</b> | VIA BROKER                 |
| <b>27</b> | WEBER GMA                  |
| <b>28</b> | MAK TREND BROKER           |
| <b>29</b> | SN INSURANCE BROKER        |
| <b>30</b> | PORSCHE BROKER             |

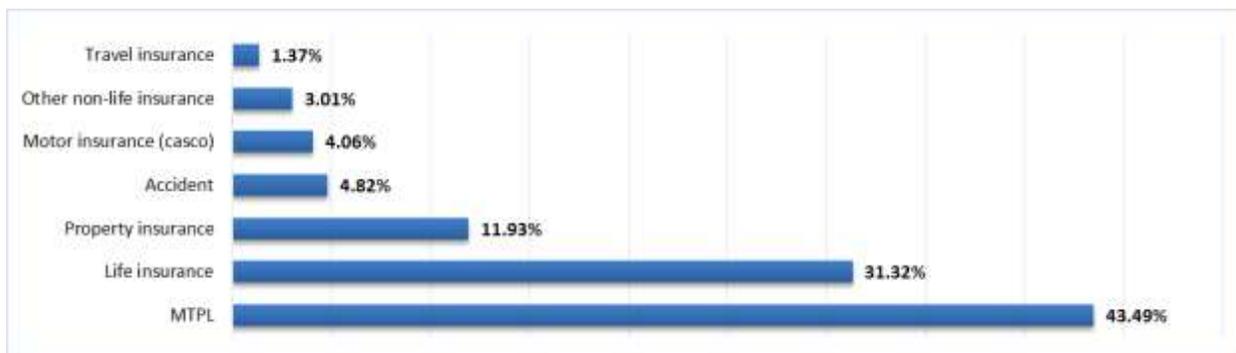
Source: ISA

On 31 December 2015, the insurance brokerage companies had total assets of MKD 688.91 million, and capital of MKD 464.54 million. The insurance brokerage companies ended 2015 with after-tax profits of MKD 129.48 million.

The insurance brokerage companies sold 238,697 insurance policies (2014: 218,631), a growth of 8.41% over the previous year. They earned commissions of MKD 479.71 million from insurance undertakings, a figure determined on the basis of GWP MKD 2,030 million.

Chart 13 shows distribution of total GWP across lines of business, as generated by insurance brokerage companies.

**Chart 13:** Relative share of GWP across lines of business



Source: ISA

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

In accordance with the Law on Compulsory Traffic Insurance of Republic of Macedonia, the National Insurance Bureau (hereafter, NIB) oversees activities envisaged in international agreements for insuring owners and users of motor vehicles against traffic liabilities (green card), and represents insurance companies from the Republic of Macedonia in international insurance organisations and institutions. NIB also issues and prints international motor insurance cards (green cards) on behalf of its members; maintains statistical records; processes statistical data submitted by insurance companies; establishes and maintains a central records system of insurance policies and damage claims related to use of motor vehicles.

Since 1994, NIB has been a member of the Council of Bureaux London, whose purpose is to facilitate international road traffic for motor vehicles and trailers through motor third-party liability (MTPL) insurance as per conditions prescribed in the concerned country, and to guarantee that the persons who have suffered damages 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.

All 11 non-life insurance companies in the Republic of Macedonia are NIB members.

The Operations Report that the NIB submitted to 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 in 2015.

On 31 December 2015, NIB's total assets were MKD 228 million, of which MKD 66 million were in current assets, and the remaining MKD 162 million in non-current assets. Compared to 2014, total assets increased by 1.55%. Bank deposits make up the largest share of NIB's assets at 76.83%, with receivables from insurance undertakings at 8.66%, investments in government securities at 6.52%, and other assets at 7.99%. Regarding NIB's total liabilities and capital, capital made up 83.95% of the share, with current liabilities making up the remaining 16.05%. Also, during 2015, the NIB generated profits of MKD 1,934 thousand (2014: MKD 1,422 thousand).

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

Article 58 of the Law on Compulsory Traffic Insurance establishes NIB's Guarantee Fund, which is used toward paying:

- 1) Claims for damages incurred within the territory of the Republic of Macedonia by unknown and uninsured motor vehicles and trailers, uninsured boats and motor-powered boats, and uninsured aircrafts;
- 2) Claims for damages incurred within the territory of the Republic of Macedonia by public transportation vehicles registered to transport passengers but for which owners have not carried accident coverage for their passengers;
- 3) Claims to individuals who have suffered damages but cannot be indemnified by insolvent insurance undertakings, beginning the amount were a undertaking's runoff cannot fulfil its obligation operation; and

4) Claims for damages caused by insured motor vehicles originating from the territory of Republic of Macedonia for which National Insurance Bureau has provided insurance coverage in accordance with the Crete Agreement and the other international agreements.

The Guarantee Fund's operation is based upon the Law on Compulsory Traffic Insurance, the Rulebook on establishing and using the Guarantee Fund, and the Manual for record-keeping and disbursing the funds of the Guarantee Fund as adopted by the NIB.

Insurance undertakings which provide compulsory third-party motor liability insurance are obligated to pay into the Guarantee Fund an amount based on premiums realised from the previous quarter to the current year-current quarter and are of those certain compulsory lines of business that they undertake.

Following a decision by 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 allocated, as per the share percentage of the insurance undertakings in the total written premium for all compulsory insurances. Table 19 below shows insurance undertakings' relative share of contributions into the Guarantee Fund in 2015.

**Table 19:** Share in the Guarantee Fund by insurance undertaking for the period 1.1.2015-31.12.2015

| Name of the insurance undertaking | Total GWP for 2015 for all compulsory insurances | % of GWP share for all mandatory insurances | Share in the Guarantee Fund of 3.000.000 EUR or 184,500.000 MKD |
|-----------------------------------|--|---|---|
| MACEDONIA                         | 235,000,785                                      | 6.39%                                       | 11,797,080  |
| TRIGLAV                           | 530,166,107                                      | 14.43%                                      | 26,614,430  |
| EUROINS                           | 349,544,068                                      | 9.51%                                       | 17,547,173  |
| SAVA                              | 357,187,264                                      | 9.72%                                       | 17,930,863  |
| WINNER                            | 325,731,543                                      | 8.86%                                       | 16,351,780  |
| EUROLINK                          | 345,682,852                                      | 9.41%                                       | 17,353,339  |
| INSIG                             | 177,568,862                                      | 4.83%                                       | 8,913,988   |
| UNIQA                             | 439,030,283                                      | 11.95%                                      | 22,039,396  |
| OSIGURITELNA POLISA               | 388,585,582                                      | 10.57%                                      | 19,507,064  |
| ALBSIG                            | 305,457,026                                      | 8.31%                                       | 15,333,996  |
| CROATIA NON-LIFE                  | 221,331,739                                      | 6.02%                                       | 11,110,892  |
| <b>Total</b>                      | <b>3,675,286,111</b>                             | <b>100.00%</b>                              | <b>184,500,000</b>  |

Source: NIB Operations Report, 2015

### 3.3.2. Claims Subrogated from the Guarantee Fund

According to Article 60, paragraph (4), of the Law on Compulsory Traffic Insurance, an insurance undertaking has a right of subrogation, that is, to be refunded a claim to be from the Guarantee Fund for which it has paid a claim for which another undertaking had an obligation..

In 2015, insurance undertakings reported 725 claims for subrogation. Of these claims, 697 totalling MKD 110.68 million were accepted and refunded.

The average subrogated claim paid in 2015 was MKD 158,801, which represents an increase of 12.3% over the previous year (2014: MKD 138,995).

The number and amounts of reported and accepted claims for subrogation from the Guarantee Fund are presented in the Table 20.

**Table 20:** Reported and accepted claims for refunding from the Guarantee Fund for the period 1.1.2015 to 31.12.2015

| Name of the insurance undertaking | Number of reported claims for subrogation | Number of claims accepted for subrogation from Guarantee Fund | Losses Recognized by Guarantee Fund (amounts in MKD) |
|-----------------------------------|---|---|--|
| MACEDONIA                         | 96  | 93  | 19,461,600   |
| TRIGLAV                           | 96  | 96  | 18,413,587   |
| EUROINS                           | 60  | 57  | 9,241,557  |
| SAVA                              | 60  | 58  | 6,837,533  |
| WINNER                            | 47  | 44  | 6,237,934  |
| EUROLINK                          | 41  | 40  | 5,387,131  |
| INSIG                             | 50  | 49  | 10,276,732   |
| UNIQA                             | 69  | 68  | 8,644,625  |
| OSIGURITELNA POLISA               | 54  | 50  | 5,594,281  |
| ALBSIG                            | 94  | 84  | 12,296,692   |
| CROATIA NON-LIFE                  | 58  | 58  | 8,292,894  |
| <b>Total</b>                      | <b>725</b>                                | <b>697</b>  | <b>110,684,566</b>                                   |

Source: NIB Operations Report, 2015

INSURANCE SUPERVISION AGENCY  
 President of the Council of Experts  
 Klime Poposki, PhD

Number 02-483/4  
 Skopje  
 27.6.2016