



INSURANCE SUPERVISION AGENCY

2016
ANNUAL REPORT
THE INSURANCE MARKET IN THE REPUBLIC OF MACEDONIA

Skopje, 2017

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

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1. INTRODUCTION

The Insurance Supervision Agency 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 2016, 15 insurance undertakings operated in the Republic of Macedonia's insurance market place, of which 11 offered non-life insurance, and 4 life insurance. During this period, ISA issued an operating license to 3 insurance brokerage companies by which the total number of insurance brokerage companies increased to 33. The number of insurance agencies increased by 1 new company, with total of 14 undertakings, while the number of banks, performing insurance agency activities remained unchanged from 2015, with total of 3 banks.

In 2016 total gross written premium (hereinafter: „GWP”) reached MKD 8,72 billion, a 5.34% increase over the GWP in 2015 (2015: MKD 8,28 billion). GWP for the non-life insurance segment was MKD 7,43 billion (2015: MKD 7,18 billion), showing a 3.5% increase compared to 2015. The life-insurance segment's GWP was MKD 1,29 billion (2015: MKD 1,10 billion), showing an increase of 17.32% compared to 2015.

On 31 December 2016, the insurance undertakings' assets totaled MKD 18,48 billion, an increase of 5.23% over the previous year (2015: MKD 17,56 billion). Total calculated capital of insurance undertakings showed an increase of 1.17% compared to 2015, that is at the end of 2016 totaled to MKD 5,55 billion. The solvency margin, a main indicator for assessing the stability of the insurance sector, was MKD 1,34 billion, this indicates the insurance sector capital to be 4.1 times above the minimum required solvency margin level.

During 2016, the insurance sector reported a profit after taxation in the amount of MKD 474,62 billion. The non-life insurance sector reported a profit of MKD 430,41 million, while the life-insurance MKD 54,21 million.

Regarding legislation, in the course of year 2016, one amendment and supplement to the Law on Insurance Supervision was adopted, and regarding by-laws, amendments and supplements to 10 existing by-laws were adopted.

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, 92/15 and 23/16), 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 192/15).

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 authorized 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 2016 a Law on Amendment and Supplementation of the Law on Insurance Supervision was adopted (“Official Gazette of Republic of Macedonia“ No. 23/16), harmonized with the Law on Misdemeanors (“Official Gazette of Republic of Macedonia“ No. 124/15), setting a legal basis for ISA to prescribe the request for obtaining consent for acquiring qualified participation, as well as the procedure for obtaining documents ex officio by ISA when issuing a license for performing insurance activities, insurance representation and insurance brokerage activities. Penal provisions for non-compliance with the deadlines and the procedures for obtaining documents are also introduced.

Compulsory insurance in traffic is regulated with the **Law on compulsory insurance in traffic**, which regulates 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 and penal provisions for insurance undertakings and the National Insurance Bureau. Also, the Law envisages facilitation of cross-border provision of insurance services by setting-up a so called authorized 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 **Law on Voluntary Health Insurance** gives legal opportunities and opens a wide area of operation of the insurance undertakings to offer packages of health services that are already covered by 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 coverage for

higher standard healthcare service than that offered through compulsory health insurance, including costs related to supplementary healthcare services, out-of-network healthcare services in medical institutions, and other private institutions that craft and service orthopedic or other specialized devices.

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 2016, 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).

In 2016 the insurance undertaking INSIG JSC Skopje had an indirect change of ownership, i.e. the ownership of the existing sole shareholder of the undertaking was changed. Also, the undertaking was renamed: Insurance undertaking EUROSIG JSC Skopje.

Table 1: Register of insurance undertakings

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

Source: ISA

At the end of 2016 the insurance undertakings employed 1.933 employees indicating a workforce increase of 5.57% compared to 2015 (2015: 1.831), thus demonstrating increase regarding the business activity of the insurance undertakings.

3.1.1. Ownership structure

Foreign financial institutions own a significant share of insurance undertakings (92.21%), wholly or partially present in 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)

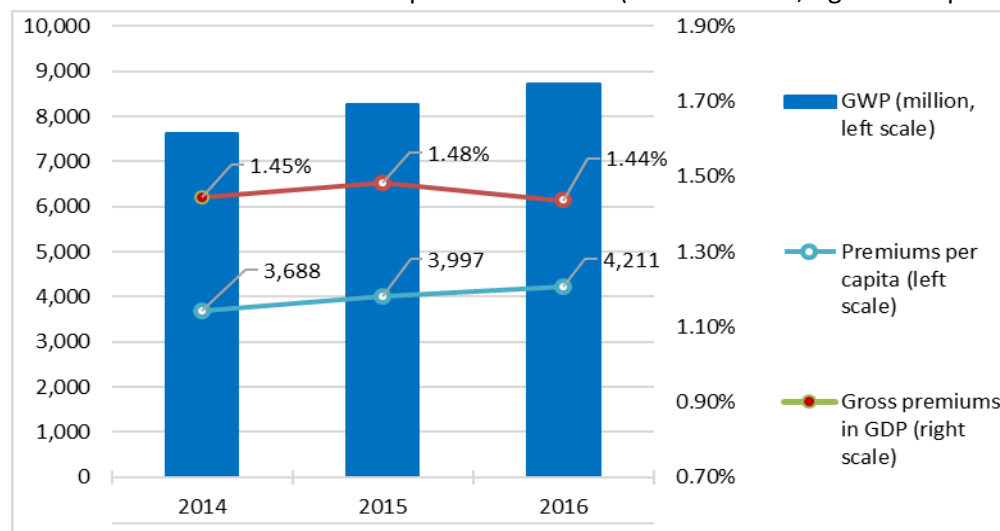
	2016	2015	2014
1. Foreign shareholders	92.21%	92.17%	92.25%
1.1. Natural persons	0.07%	0.08%	0.08%
1.2. Non-financial legal entities	0.00%	0.00%	0.01%
1.3. Financial institutions	92.13%	92.09%	92.16%
2. Domestic shareholders	7.75%	7.79%	7.70%
2.1. Natural persons	6.60%	6.61%	6.60%
2.2. Non-financial legal entities	0.76%	0.79%	0.79%
2.3. Financial institutions	0.39%	0.39%	0.32%
3. State-ownership	0.04%	0.04%	0.04%
Total	100.00%	100.00%	100.00%

Source: ISA

3.1.2. Insurance market development

Two basic indicators, the insurance penetration rate and the insurance density rate¹ measure the insurance market's development. The data on insurance penetration for 2016 show total GWP to account for 1.44% of the country's GDP (2015: 1.48%), and the insurance density rate of MKD 4,211 per capita shows an increase of 5.34% compared to the previous year (**Error! Reference source not found.**).

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



Source: ISA, State Statistical Office and Ministry of Finance

¹ 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.

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 2016 was 867.56 (2015: 887.61). A similar result is obtained when computing the index against assets of insurance undertakings, 848.13 in 2016 (2015: 859.48)².

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 3,417.37 (2015: 3,650.92). Measured against the undertakings' assets, it is 3,348.99 (2015: 3,376.42).

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 2016 was 1,092.15 (2015: 1,094.88), and as measured against the assets is 1,135.38 (2015: 1,145.62).

CR5 indicator³, measured against the GWP share, increased for non-life insurance undertakings in 2016 and reached 62.76% (2015: 62.49%).

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

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

БПП	2016		2015		2014	
	Herfindahl	CR5	Herfindahl	CR5	Herfindahl	CR5
The whole sector	867.56	53.47%	887.61	54.18%	877.88	53.47%
Non-life Insurance	1,092.15	62.76%	1,094.88	62.49%	1,059.51	60.51%
Life Insurance	3,417.37	100.00%	3,650.92	100.00%	3,740.38	100.00%

Source: ISA

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

Assets	2016		2015		2014	
	Herfindahl	CR5	Herfindahl	CR5	Herfindahl	CR5
The whole sector	848.13	53.56%	859.48	54.18%	866.35	54.38%
Non-life Insurance	1,135.38	64.25%	1,145.62	66.03%	1,150.31	66.68%
Life Insurance	3,348.99	100.00%	3,376.42	100.00%	3,237.96	100.00%

Source: ISA

² Herfindahl index is calculated as per the following formula:

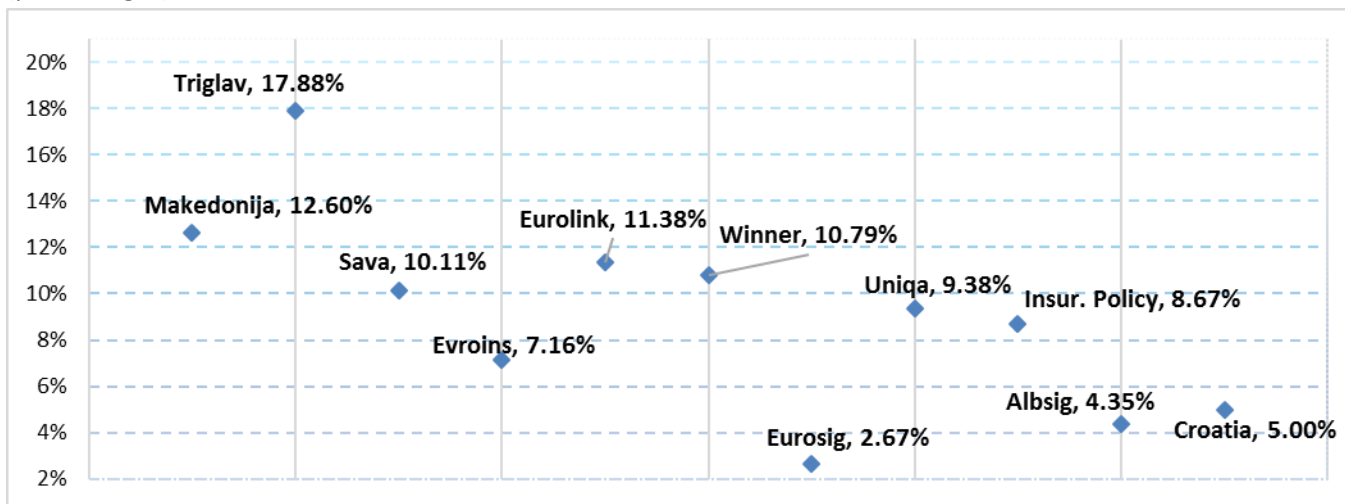
$$HI = \sum_{i=1}^n (S)_i^2$$

where S is the share of each insurance undertaking in the total assets (gross written premium) of the insurance sector, and n is to 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.

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

Regarding market concentration at the end of 2016, 5 non-life insurance undertakings exceeded the participation threshold with over 10% share of total GWP. Nonetheless, no insurance undertakings exceeded the 20% market share threshold (Chart 2).

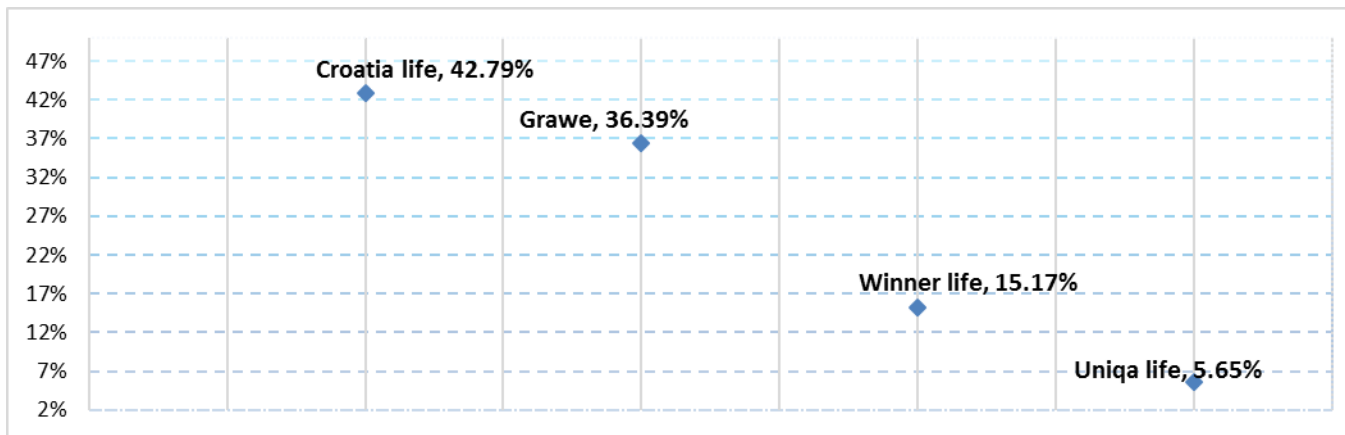
Chart 2: Market concentration relative to gross written premium in 2016, for the non-life insurance segment (percentages)



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 2016, 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 2016 was MKD 8.72 billion (Table 5), an 5.34% increase over GWP in 2015 (2015: MKD 8.28 billion).

Table 5: Gross written premium by lines of business insurance (thousand MKD)

Line of Business Insurance	Gross Written Premium (GWP)		Change	Share in total GWP	
	2016	2015		16/15	2016
01. Accident Insurance	665,181	598,846	11.08%	7.63%	7.23%
02. Health Insurance	45,217	6,369	609.95%	0.52%	0.08%
03. Motor vehicle insurance- Casco	758,473	692,927	9.46%	8.70%	8.37%
05. Aircraft Insurance - Casco	43,879	48,123	-8.82%	0.50%	0.58%
06. Vessel Insurance - Casco	881	872	1.03%	0.01%	0.01%
07. Insurance of goods in transit - Casco	74,118	70,094	5.74%	0.85%	0.85%
08. Property insurance against fire	486,475	510,188	-4.65%	5.58%	6.16%
09. Other property insurance	1,068,600	1,131,146	-5.53%	12.25%	13.66%
10. Motor third party liability/MTPL	3,857,004	3,691,683	4.48%	44.22%	44.59%
11. Aircraft third-party liability insurance	6,778	6,730	0.71%	0.08%	0.08%
12. Water vessel third-party liability insurance	2,214	2,525	-12.32%	0.03%	0.03%
13. Other liability insurance	200,607	192,431	4.25%	2.30%	2.32%
15. Insurance of guarantees	762	1,066	-28.52%	0.01%	0.01%
16. Insurance against financial loss	37,092	45,072	-17.71%	0.43%	0.54%
18. Travel assistance insurance	182,669	180,648	1.12%	2.09%	2.18%
19. Life Insurance	1,234,211	1,093,280	12.89%	14.15%	13.20%
21. Investment-linked life insurance	57,459	7,711	645.16%	0.66%	0.09%
Total	8,721,620	8,279,711	5.34%	100.00%	100.00%
Total Non-Life Insurance	7,429,950	7,178,720	3.50%	85.19%	86.70%
Total Life Insurance	1,291,670	1,100,991	17.32%	14.81%	13.30%

Source: ISA

Positive trend is seen in both insurance segments, with the non-life segment producing GWP of MKD 7.43 billion (2015: MKD 7.18 billion), or 85.19% of the total GWP of the insurance sector, an increase of 3.50% compared to 2015.

The life insurance segment which comprises of 14.81% of the total GWP of the insurance sector, reached GWP in the amount of MKD 1.29 billion (2015: MKD 1.10 billion), a 17.32% increase compared to 2015.

Individually, if compared to 2015, an increase in GWP was noted at 8 of 11 non-life insurance undertakings operational in 2016 (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	
		2016	2015		2016	2015
1	Triglav	1,328,135	1,294,418	2.60%	17.88%	18.03%
2	Macedonia	936,352	923,428	1.40%	12.60%	12.86%
3	Eurolink	845,595	881,744	-4.10%	11.38%	12.28%
4	Winner	801,485	683,537	17.26%	10.79%	9.52%
5	Sava	751,536	702,947	6.91%	10.11%	9.79%
6	Uniqa	696,985	680,379	2.44%	9.38%	9.48%
7	Osiguritelna Polisa	644,312	586,191	9.92%	8.67%	8.17%
8	Euroins	532,279	541,416	-1.69%	7.16%	7.54%
9	Albsig	323,538	357,716	-9.55%	4.35%	4.98%
10	Croatia non-life	371,423	329,874	12.60%	5.00%	4.60%
11	Eurosig	198,310	197,070	0.63%	2.67%	2.75%
	Total non-life insurance	7,429,950	7,178,720	3.50%	100.00%	100.00%

Source: ISA

All life insurance undertakings showed an increase in GWP. (Table 7).

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

Ser.	Insurance Undertaking	Gross Written Premium (GWP)		Change	Share in total GWP	
		2016	2015		2016	2015
1	Croatia Life	552,767	484,428	14.11%	42.79%	44.00%
2	Grawe	469,995	435,289	7.97%	36.39%	39.54%
3	Winner Life	195,917	122,107	60.45%	15.17%	11.09%
4	Uniqa Life	72,991	59,167	23.36%	5.65%	5.37%
	Total Life Insurance	1,291,670	1,100,991	17.32%	100.00%	100.00%

Source: ISA

In 2016 GWP from reinsurance was not reached (2015: 2,01 million).

An indicator that most satisfactorily shows development of the insurance sector is analysis of the scope of operations in different lines 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 2016 is also presented (Table 8).

Table 8: Gross written premium for the period 01.01.2016-31.12.2016 (thousand MKD)

Line of business	Non-life											Non-life
	Macedonia	Triglav	Sava	Euroins	Eurolink	Winner	Eurosig	Uniqa	Osig. polisa	Albsig	Croatia	Total
01. Accident	102,992	111,985	66,916	40,460	121,446	68,413	10,868	33,586	53,505	13,631	41,379	665,181
02. Health	0	25,753	1,260	0	11,558	4,043	0	2,390	213	0	0	45,217
03. Motor vehicles- Casco	81,713	216,831	107,882	46,630	81,599	61,171	4,380	39,091	70,836	11,465	36,875	758,473
04. Railway vehicles - Casco	0	0	0	0	0	0	0	0	0	0	0	0
05. Aircrafts - Casco	0	0	0	0	5,699	38,180	0	0	0	0	0	43,879
06. Vessels - Casco	0	366	182	61	202	34	0	32	4	0	0	881
07. Cargo	24,445	18,584	3,250	9,361	2,532	5,982	0	8,356	364	0	1,244	74,118
08. Property, fire and nat. forces	123,689	85,009	63,962	21,411	87,840	16,007	4,130	24,033	37,514	6,588	16,292	486,475
09. Property, other	293,805	220,642	80,883	32,527	73,264	184,863	1,817	111,854	39,292	11,399	18,254	1,068,600
10. MTPL (total)	251,899	551,046	383,381	355,000	378,596	393,077	172,187	442,033	413,224	271,778	244,783	3,857,004
11. Aircraft's liability	0	0	0	0	2,014	4,555	0	0	209	0	0	6,778
12. Vessel's liability	132	305	766	53	263	154	0	67	393	0	81	2,214
13. General liability	35,747	42,900	9,782	12,683	52,010	12,040	485	17,315	12,253	2,664	2,728	200,607
14. Credit	0	0	0	0	0	0	0	0	0	0	0	0
15. Suretyship	56	103	48	175	0	10	0	0	370	0	0	762
16. Financial losses	6,496	24,799	2,617	977	332	0	0	1,871	0	0	0	37,092
17. Legal expenses	0	0	0	0	0	0	0	0	0	0	0	0
18. Tourists assistance	15,378	29,812	30,607	12,941	28,240	12,956	4,443	16,357	16,135	6,013	9,787	182,669
Total	936.352	1.328.135	751.536	532.279	845.595	801.485	198.310	696.985	644.312	323.538	371.423	7.429.950

Line of business	Life				Total
	Croatia	Grawe	Winner	Uniqa	
19. Life	550,652	469,995	140,573	72,991	1,234,211
21. Unit -linked	2,115	0	55,344	0	57,459
Total	552,767	469,995	195,917	72,991	1,291,670

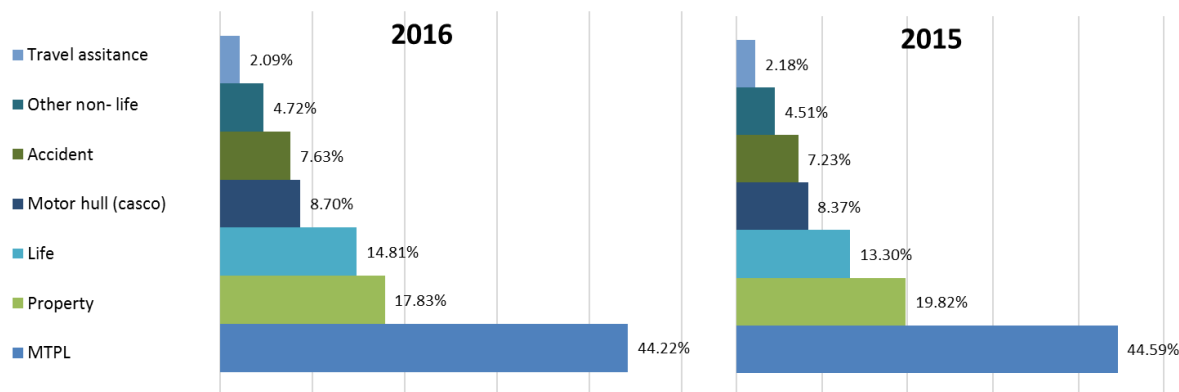
Total::	8,721,620
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Source: ISA

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 52.92% (2015: 52.96%), with motor third-party liability insurance (MTPL) claiming 44.22% (2015: 44.59%), and voluntary motor vehicle insurance policies (casco) claiming 8.70% (2015: 8.37%). Property insurance (against fire, natural disasters, theft and other risks) claimed 17.83% (2015: 19.82%), and insurance against accident consequences (accident) claimed a 7.63% share (2015: 7.23%). Life insurance also claimed a significant share, with 14.81% (2015: 13.30%). Chart 4 compares the relative share of aggregate GWP by lines of business and includes a comparison with 2015.

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



Source: ISA

GWP for motor third party liability insurance showed an increase of 4.48% over 2015 with MKD 3.86 billion (2015: MKD 3.69 billion), with a concurrent increase of 5.71% in the number of policies sold. Casco motor vehicle insurance, the same as last year, after a realized long-year negative trend, an increase of 9.46% is reached with GWP MKD 758.47 million (2015: MKD 692.93 million), with a concurrent small increase of the number of concluded agreements of 0.34%.

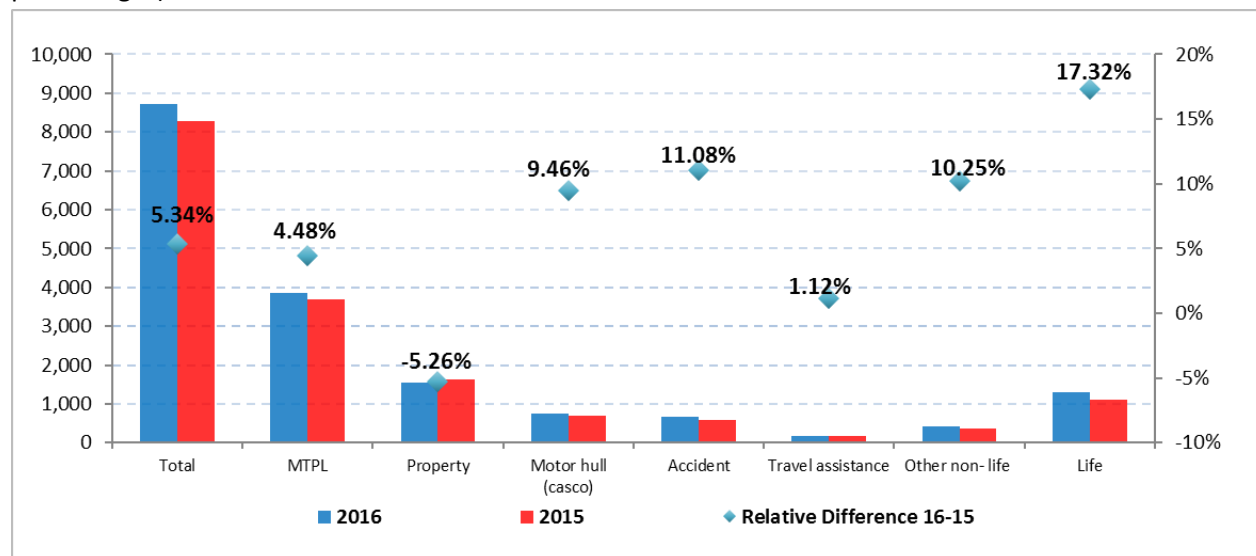
Property insurance showed an increase of 5.26% with GWP of MKD 1.55 billion (2015: MKD 1.64 billion), with a concurrent increase of the number of concluded agreements of 11.65% which is an indicator of the pronounced price competition between the insurance undertakings, which leads the increased number of sold policies to be realized with lower prices compared to the previous year. Analyzing by groups, for natural entities the increase of 13.77% of concluded agreements is followed by 12.02% increase of GWP, while for legal entities the increase of 6.42% of concluded agreements is followed by 8.71% decrease of GWP.

Within property insurance, agriculture insurance shows a decrease of 19.88% of the number of concluded agreements, but also a decrease of 3.38% of realized GWP for agriculture insurance which amounts to MKD 175.69 million (2015: GWP of MKD 181.83 million). In addition, individual farmers in the fruit and crop insurance segment note an increase in the GWP of 6.59%, while among agricultural undertakings there is an upward trend in the GWP of 20.86%. The total decrease was due to the large drop in the sold insurance contracts in the area of livestock insurance of 48.81% and realized 78.75% lower GWP compared to 2015.

In 2016, there is a great rise in the sale of health insurance. Health insurance is a relatively new insurance product, with its modest beginnings in 2013, with which the insurance undertakings are more and more engaged. In 2016, 1,256 contracts for health insurance were concluded with total GWP of MKD 45,22 million, compared to when only 368 contracts were concluded with total GWP of MKD 6,37 million.

The increase in GWP for life insurance, which was 17.32% over 2015, deserves special attention. The greatest share in life insurance is on the traditional life insurance (mixed insurance) with 73.82%, then follows pure endowment life insurance with 8.27%, term life insurance with 5.56%, Unit linked life insurance with 4.45% and additional life insurance with 7.89%. In 2016 a greater increase is noted in the Unit linked life insurance. This insurance first appeared on the domestic market in 2015 when 325 contracts were concluded with total GWP of MKD 7.71 million, and in 2016 there was a huge increase with 1.466 concluded agreements with total GWP of MKD 57.46 million. Chart 5 shows the trend of GWP by more significant insurance lines of business.

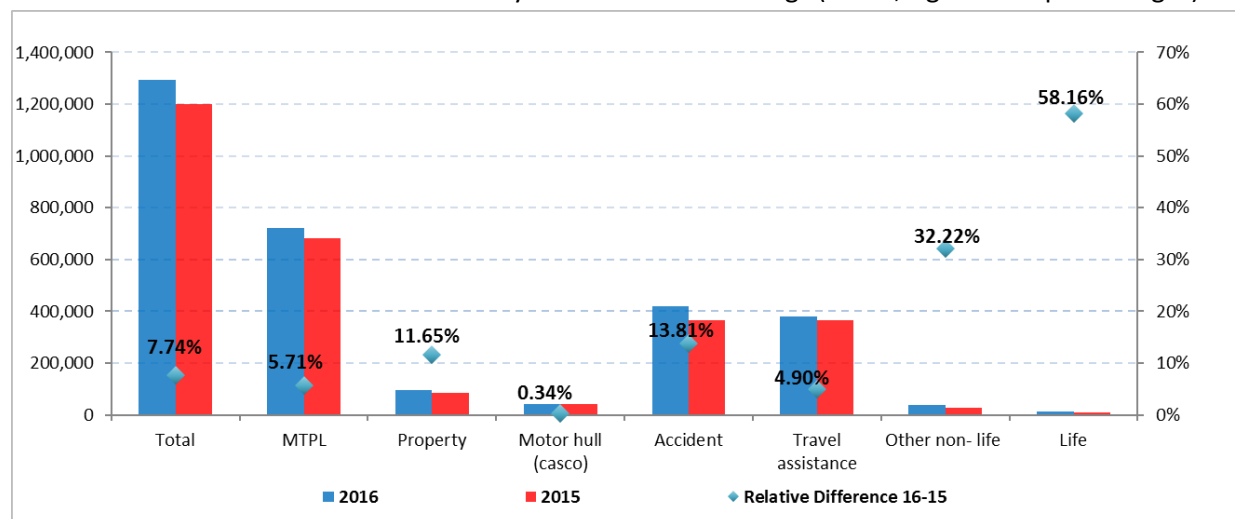
Chart 5: Trend of gross written premium by lines of business insurance (million MKD; right axis - percentages)



Source: ISA

Insurance undertakings issued 1,292,748 agreements in 2016, a 7.74% over the previous year compared to 2015 when 1,199,860 agreements were concluded. From the total number of concluded agreements, 1,279,015 were for non-life policies, showing a 7.37% increase compared to the policies in 2015, while 13,733 are life insurance policies, i.e. an increase of 58.16% compared to 2015 (2015: 8,683 policies). The change in the number of signed agreements across insurance lines of business is presented in Chart 6.

Chart 6: Number of concluded contracts by insurance undertakings (count; right axis – percentages)



Source: ISA

3.1.5. Gross claims paid

Insurance undertakings paid out MKD 3.61 billion in gross claims. The share of reinsurance in the gross paid claims is 23.72%. Compared to 2015, gross paid claims note an increase of 13.26% (2015: MKD 3.18 billion). Last year the greatest single claim was paid in the Republic of Macedonia in the amount of MKD 411 million in the line of business: Aircraft insurance (casco) (Table 9).

Table 9: Gross claims paid by line of business (thousand MKD)

Lines of business insurance	2016	2015	2014
Motor third-party liability/MTPL	1,625,090	1,542,769	1,438,603
Property insurance	460,769	636,480	715,860
Motor vehicle insurance (casco)	409,738	374,066	385,016
Accident insurance	389,498	361,431	342,357
Life insurance	207,465	127,626	102,862
Travel assistance insurance	49,401	44,905	39,427
Other insurance – non-life	463,952	96,601	29,829
Total	3,605,913	3,183,878	3,053,954

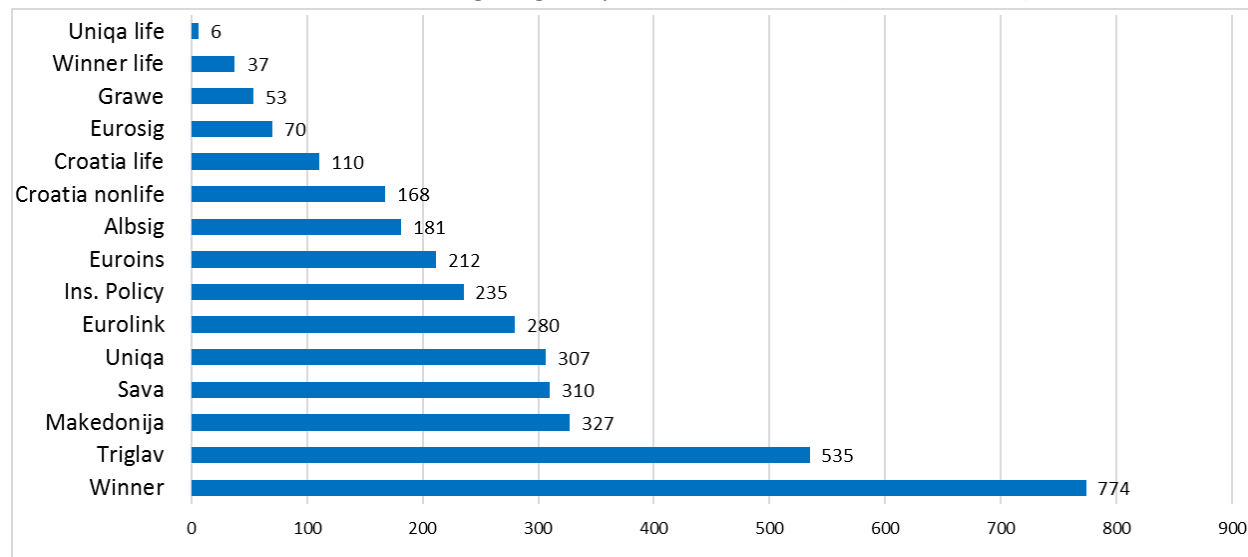
Source: ISA

In the structure of gross paid claims, the greatest share was on third-party liability insurance with 45.07%, followed by paid claims of property insurance with 12.78%, claims of motor vehicle insurance (casco) with 11.36%, claims of accident insurance with 10.80% and 19.99% paid claims in other lines of business. An increase in the paid claims compared to 2015 is noted in almost all lines of business, with the exception in property insurance.

In the property line, a significant share has the agricultural insurance with 30.95% and total of paid claims MKD 142,60 million.

Chart 7 shows each individual insurance undertaking's share of total claims paid in 2016.

Chart 7: Share of insurance undertakings in gross paid claims in 2016 (thousand MKD)



Source: ISA

3.1.6. Assets and liabilities structure

3.1.6.1. Assets structure

On 31 December 2016, the total assets value of the insurance industry was MKD 18,48 billion, an increase of 5.23% over the total value of assets of insurance undertakings in 2015. (Table 10 **Error! Reference source not found.**).

Table 10: Assets structure of insurance undertakings (MKD)

	31.12.2016	Share	31.12.2015	Share	16/15
Intangible assets	46,641,484	0.25%	49,411,173	0.28%	-5.61%
Investments	13,612,298,584	73.66%	12,604,781,178	71.77%	7.99%
Co-insurers' and reinsurers' share in gross technical provisions	1,120,811,739	6.06%	1,480,820,985	8.43%	-24.31%
Unit linked insurance financial investments	13,975,095	0.08%	0	0.00%	0.00%
Deferred and current tax assets	15,684,063	0.08%	12,645,996	0.07%	24.02%
Receivables	2,446,432,361	13.24%	2,291,831,727	13.05%	6.75%
Other assets	632,741,936	3.42%	584,084,207	3.33%	8.33%
Active valuation reserves	591,189,562	3.20%	538,009,927	3.06%	9.88%
Non-current assets held for sale and non-current operations	290,060	0.00%	0	0.00%	000%
Total assets	18,480,064,884	100.00%	17,561,585,192	100.00%	0

Source: ISA

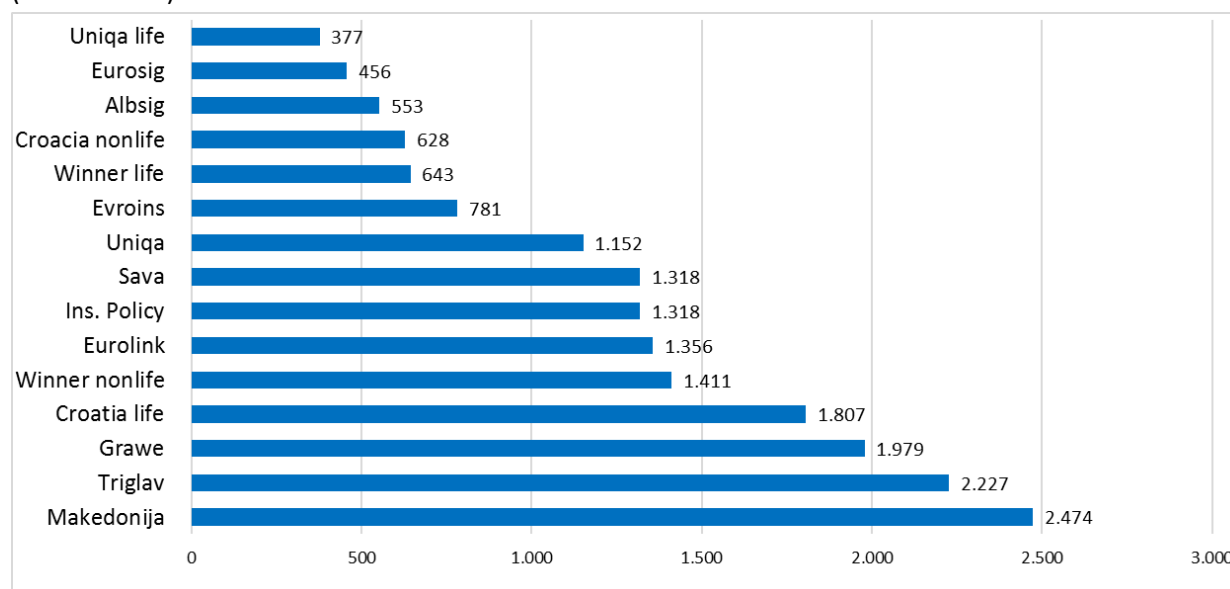
For insurance undertakings assets, investments made up the largest portion at 73.66% (2015: 71.77%), with their value increasing 7.99% over 2015. Within investments, the category other financial

investments made up the largest component at 89.05% and its value increased 9.85% over the previous year. This category includes: bank deposits, loans and other placements (36.25%), financial investments held for sale (34.35%), financial investments held to maturity (16.97%) and financial investments held for trading (1.47%). Other significant investment categories included, Investment in land, buildings and other tangible assets (9.48%) with a decrease of 5.97%, over 2015. Other significant part of the investment are financial investments in undertakings of the group - subsidiaries, affiliates and jointly controlled entities, which made up 1.47% of the total investments with an increase of 1.09%.

What follows are the receivables with 13.24% in the liabilities structure (2015: 13.05%) with an increase of 6.75% over 2015. Within the receivables are the receivables from direct insurance activities (including receivables from insureds, receivables from intermediaries and other receivables from direct insurance activities), receivables from co-insurance and reinsurance operations etc. The greatest share of 75.69% in the receivables is from the direct insurance activities amounting to MKD 1,852 million with an increase of 2.57% over 2015. Receivables from co-insurance and reinsurance amount to MKD 86.87 million (3.55% of the total receivables) noting an increase of 14.55% compared to 2015, as a result of the increase of receivables on the basis of participation in compensation of damages from co-insurance and reinsurance. Other receivables amount to MKD 507.93 million (20.76% of the total receivables) increased by 23.66% compared to 2015.

While non-life insurance undertakings asset holdings dominate total assets for both insurance sectors, the assets of life insurance undertakings present an increasing positive trend as a share of total assets, which in 2016 grew to 26.01% (2015: 22.33%). 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 2016 (million MKD)



Source: ISA

3.1.6.2. Liabilities structure

Sources of funding for the insurance undertakings in 2016 increased by 5.23% compared to the previous year (Table 11).

Table 11: Liabilities structure of insurance undertakings (MKD)

	31.12.2016	Share	31.12.2015	Share	16/15
Capital (equity) and provisions	6,030,816,167	32.63%	5,803,887,820	33.05%	3.91%
Subordinated liabilities	95,295,860	0.52%	76,993,375	0.44%	23.77%
Gross technical reserves	10,665,461,946	57.71%	10,046,741,801	57.21%	6.16%
Other provisions	61,415,648	0.33%	57,680,322	0.33%	6.48%
Deferred and current tax liabilities	33,871,769	0.18%	47,443,039	0.27%	-28.61%
Liabilities arising from deposits of insurance undertakings at reinsurance/cedents	851,531	0.00%	681,181	0.00%	25.01%
Liabilities	1,293,835,231	7.00%	1,233,852,691	7.03%	4.86%
Passive valuation reserves	298,516,732	1.62%	294,304,963	1.68%	1.43%
Total sources of funding	18,480,064,884	100.00%	17,561,585,192	100.00%	5.23%

Source: ISA

Gross technical provisions made for the largest source of funding, 57.71%, relative to total sources of funding (2015: 57.21%) with a 6.16% growth over the previous year.

After gross technical provisions, capital and provisions made for the highest portion the sources of funding with an increase of 3.91%.

The liabilities of insurance undertakings constituted 7.00% of the total sources of funding (2015: 7.03%) an increase of 4.86% over the previous year. In the structure of liabilities, direct insurance activities account for the largest share, followed by liabilities from reinsurance and co-insurance operations and other liabilities.

3.1.7. Technical provisions

At the end of the 2016, total technical provisions for non-life insurance undertakings were calculated to be MKD 7.15 billion, i.e. 1.61% decrease compared to the previous year, and total technical provisions for life insurance undertakings were calculated at MKD 3,51 billion, an increase of 26.48% over the previous year. The decrease in the technical provisions is due to the decrease in the claims provisions in the class of aircraft insurance (casco), and as a result of the payment of the reported damage in that class.

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		
	2016	2015	16/15	2016	2015	16/15	2016	2015	16/15
Claims provisions	3,788,817	4,040,814	-6.24%	54,673	38,996	40.20%	3,843,490	4,079,810	-5.79%
Unearned paid premium provisions	3,259,772	3,132,536	4.06%	33,661	30,422	10.65%	3,293,433	3,162,958	4.13%
Mathematical provisions	0	0	0.00%	3,318,363	2,614,419	26.93%	3,318,363	2,614,419	26.93%
Provisions for bonuses and rebates	71,924	76,853	-6.41%	107,691	94,695	13.72%	179,615	171,548	4.70%
Other technical provisions	30,509	17,998	69.51%	0	0	0.00%	30,509	17,998	69.51%
Total	7,151,022	7,268,201	-1.61%	3,514,388	2,778,532	26.48%	10,665,410	10,046,733	6.16%

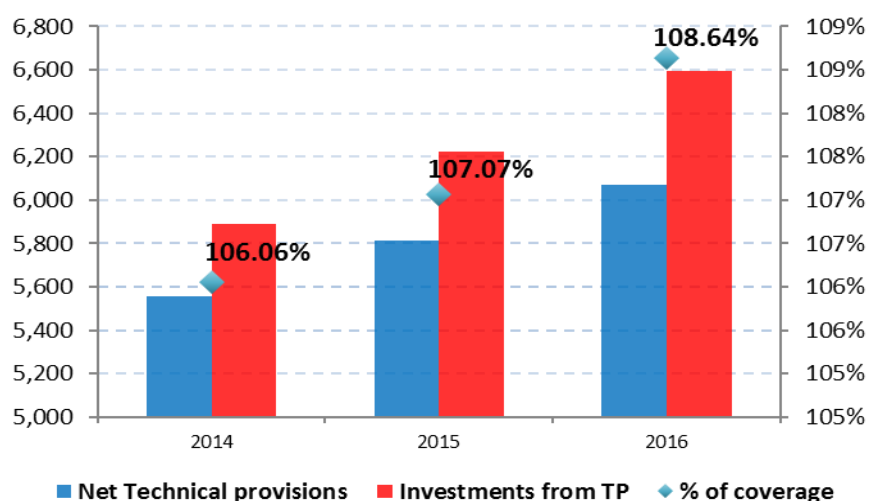
Source: ISA

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 2016, investments in assets covering the technical provisions of the non-life insurance undertakings were MKD 6,59 billion and covered 108.64% (2015: 107.07%) of the total net technical provisions (Chart 9Chart).

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 (49.90%), bank deposits (41.37%), shares in investment funds (5.12%), equities (1.43%) and other financial instruments (2.17%). The investment amounts and structure are presented in Table 13.

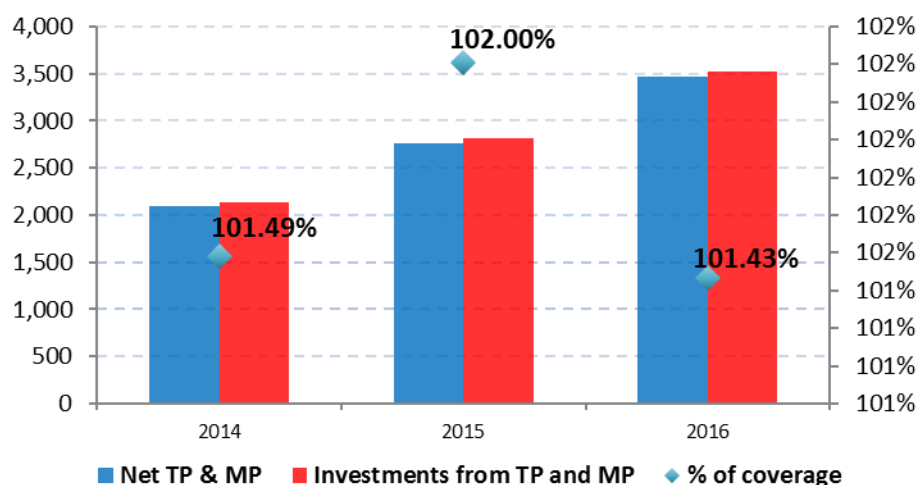
Table 13: Assets covering the technical provisions of non-life insurance undertakings (thousand MKD)

	2016	2015	2014
Bank accounts and bank deposits	2,728,235	2,655,520	2,635,928
Government securities	3,290,802	3,077,459	2,864,870
Equity	94,264	59,940	56,947
Long-term securities issued by EU or OECD	143,229	144,255	64,923
Shares in investment funds	337,949	285,679	199,987
Other	0	0	68,171
Total	6,594,479	6,222,852	5,890,826

Source: ISA

For life insurance undertakings, the invested assets covering the technical and mathematical provisions totaled MKD 3,52 billion with net technical provisions covered at 101.43% (2015: 102.00%) (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 (76.78%), bank deposits (21.50%), investment funds (0.83%) and other financial instruments (0.90%) (Table 14).

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

	2016	2015	2014
Bank accounts and bank deposits	757,251	616,521	486,472
Government securities	2,704,579	2,124,977	1,637,708
Equity	0	0	0
Long-term securities issued by EU or OECD	0	0	0
Investment funds	29,067	50,308	0
Other	31,624	17,349	4,482
Total	3,522,522	2,809,155	2,128,663

Source: ISA

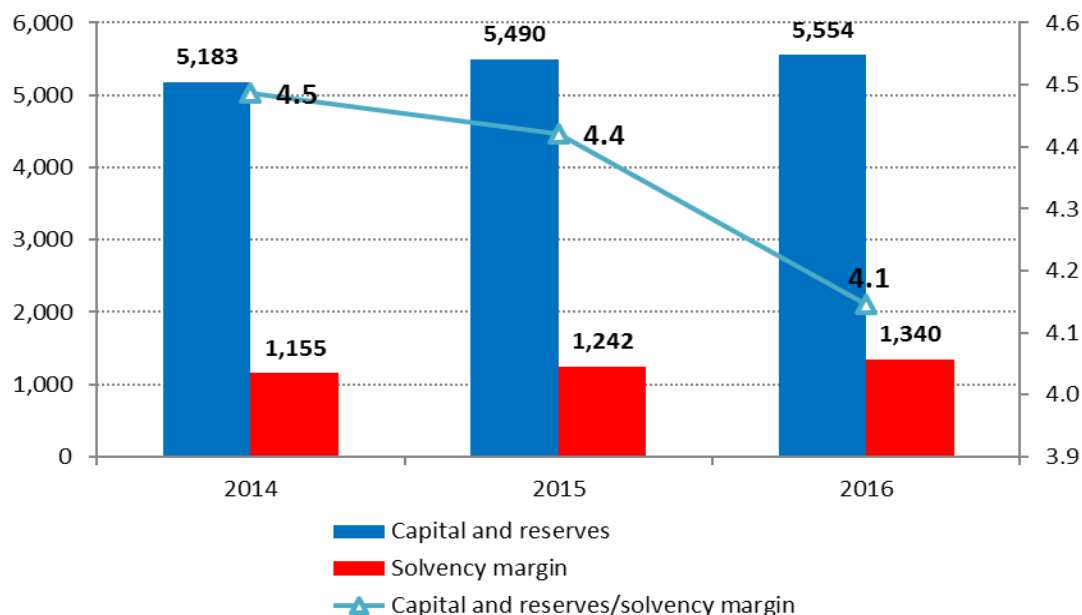
3.1.9. Capital and required level of solvency margin

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 2016, the total calculated capital of insurance undertakings⁴ was MKD 5.55 billion, which is an increase of 1.17% over 2015. Analyzed by insurance segments, the capital of non-life insurance undertakings was MKD 4.56 billion, and MKD 989 million for life insurance undertakings.

⁴ 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“)

The solvency margin, which is the key indicator used to assess stability of the insurance sector, was MKD 1.34 billion (MKD 1.12 billion for non-life insurance, and MKD 223 million for life insurance), yielding insurance sector capital that is 4.1 times above the solvency margin level. The capital and solvency margin trends of the insurance undertakings are shown on Chart 11.

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



Source: ISA

3.1.10. Operational financial results

For 2016 the insurance sector reported profits of MKD 474,62 million. Among the non-life insurance undertakings, 8 undertakings realized profits of MKD 459,46 million, while 3 undertakings reported loss in the amount of MKD 39,05 million. Life insurance undertaking earned aggregate profits of MKD 54,21 million, with 3 undertakings generating MKD 65,90 million in profits, and 1 undertaking incurring loss of MKD 11,69 million.

The technical result⁵ yields a positive MKD 38.69 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 130.90 million (2015: MKD 124.95 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 -92.21 million (2015: MKD -87.05 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

⁵ 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.

establish the impact of both the technical and non-technical results during generation of the final financial result.

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

		2016	2015	2014
1	Technical result – life insurance	-92,207,466	-87,055,075	-118,836,799
2	Technical result – non-life insurance	130,898,722	124,954,496	108,547,884
3	Technical result - total (3 = 1 + 2)	38,691,256	37,899,421	-10,288,915
4	Non-technical result	521,603,136	562,498,616	415,517,635
5	Profit/loss - earnings before taxation from regular operations (5 = 3 + 4)	560,294,392	600,398,038	405,228,720

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 51.5% for the insurance sector in 2016 with a decline compared to 2015 when it was 52.7%. Separated by segments, the loss ratio was 46.3% for non-life insurance compared to 48.5% in 2015, and 77.3% for the life insurance sector compared to 74.3% in 2015.

The **expense ratio**, which is the ratio of the net expenses to net premiums earned, was 54.5% a decrease compared to the previous year when it was 55.8%. For non-life insurance, the expense ratio in 2016 was 59.6% compared to 59.8% in 2015, and for life insurance in 2016 it was 29.3% compared to the 34.7% in 2015.

The **combined ratio**, which is calculated as the sum of the loss ratio and the expense ratio, was 106.0% (2015: 108.5%). Separately by insurance segments, the combined ratio for non-life insurance was 105.9%, (2015: 108.4%), and 106.6% for the life segment (2015: 109.0%).

The **return on investment (ROI)** which is calculated as the ratio of net investment income to total invested amounts, was 3.9%, an increase compared to 2015 when it was 3.1%.

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 2016 this ratio was 67.4%, a slight increase compared to 2015 when it was 66.9%.

The **return on assets (ROA)** which is calculated as the ratio of net income to total assets, was 2.57% a decrease compared to the previous year when it was 2.92%. Considered separately by insurance segment, ROA for non-life insurance in 2016 was 3.07% compared to the 3.44% in 2015, whereas for life insurance in 2016 it was 1.13%, an insignificant change compared to the previous year when it was 1.11%.

The **return on equity (ROE)**, which is calculated as the ratio of net income to capital and provisions. The aggregate industry ROE was 7.87% compared to the 8.84% in 2015. Separated by segment, ROE for non-life insurance in 2016 was 8.46%, a decrease compared to 2015 when it was 9.84%. ROE for life insurance in 2016 was 5.11%, a slight increase compared to 2015 when it was 4.23%.

3.2. INSURANCE INTERMEDIATION

The role of intermediaries in the sale of insurance has become increasingly important. In 2016 45.69% of GWP was generated through direct sales by insurance undertakings, whereas 54.31% (2015: 52.76%) was generated through various intermediaries (Table 16).

Table 16: Structure of insurance policy sales channels by GWP generated (thousand MKD)

	2016	%	2015	%	2014	%
Direct sales	3,985,000	45.69%	3,910,590	47.24%	3,451,376	45.23%
Insurance brokerage companies	2,228,717	25.55%	2,030,358	24.53%	1,804,366	23.65%
Insurance agencies	864,212	9.91%	768,199	9.28%	679,296	8.90%
Travel agencies	34,473	0.40%	38,095	0.46%	37,761	0.49%
Car showrooms	6,081	0.07%	7,848	0.09%	7,648	0.10%
Banks	131,253	1.50%	62,650	0.76%	49,326	0.65%
Insurance agents	1,471,514	16.87%	1,284,643	15.52%	1,184,301	15.52%
Other distribution channels	194	0.00%	175,102	2.12%	416,430	5.46%
Total	8,721,444	100.00%	8,277,485	100.00%	7,630,504	100.00%

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 and banks that have acquired a license for insurance activities. In 2016 they realized 28.29% of GWP (2015: 25.56%).

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 16.87%, keeping in mind that 1,065 agents held ISA licenses in 2016. ISA keeps available a registry of active insurance agents on its website⁶.

In 2016 there were 14 insurance agencies active on the insurance market (Table 17), which is an increase of 1 undertaking over 2015 (Insurance agency L.I.F.E Macedonia 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 2016 three banks performed insurance agency activities, with a share of 1.50% in the total GWP.

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

Table 17: Registry of insurance agencies and banks

Name of agency	
1	Insurance agency ACTIVA INSURANCE JSC Skopje
2	Insurance agency TREND-MR JSC Skopje
3	JSC for insurance activities VDS MAGMA
4	JSC for insurance activities LYON INS JSC Skopje
5	Insurance agency REA INSURANCE GROUP JSC Skopje
6	JSC for insurance activities SAFE LIFE Macedonia JSC Skopje
7	Insurance agency FORTIS JSC Skopje
8	JSC for insurance activities MAKO AS JSC Strumica
9	Insurance agency LIFE VISION JSC Skopje
10	Insurance agency GLS INSURANCE JSC Skopje
11	Insurance agency YOUR FRIEND JSC Prilep
12	Insurance agency IBO INSURANCE JSC Kumanovo
13	JSC for insurance activities FAMILY PARTNER JSC Skopje
14	JSC for insurance activities L.I.F.E MACEDONIA JSC Skopje
15	SPARKASSE BANK JSC Skopje
16	NLB Banka JSC Skopje
17	Ohridska Banka JSC Skopje

Source: ISA

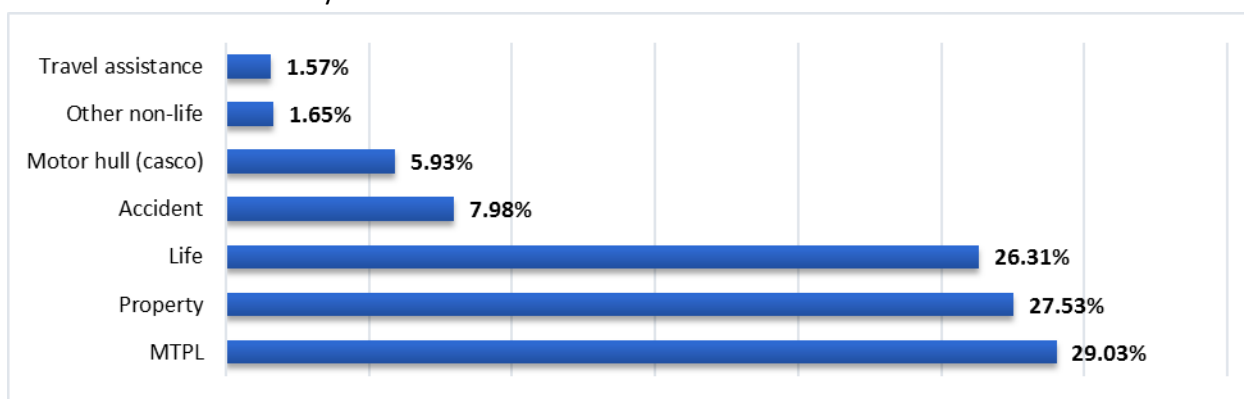
On December 31, 2016 insurance agencies had total assets of MKD 116.34 million, and capital totaling MKD 53.81 million. The insurance agencies ended 2016 with after-tax earnings of MKD 17.20 million.

In 2016, insurance agencies generated in volume 9.61% of total GWP (2015: 9.28%). 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 2016 insurance agencies signed 86.133 insurance agreements (policies) (2015: 7.390) a 17.36% increase over the previous year. They received commissions of MKD 185,25 million, from the insurance undertakings, as based on GWP of MKD 837.74 million.

In 2016 the banks signed 37.355 insurance agreements (2015: 5.378) which is a significant increase compared to the previous year. They received commissions of MKD 25,98 million, as based on GWP of MKD 122,15 million.

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

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 2016 insurance brokerage companies generated 25.55% of the GWP (2015: 24.53%) through this distribution channel.

At year-end 2016, there were 33 insurance brokerage companies on the insurance market (Table 18). In 2016 an operating license was issued to 3 brokerage companies (Insurance brokerage company JOKER INS BROKER JSC Gevgelija, Insurance brokerage company EOS BROKER JSC Skopje and Insurance brokerage company PETROL – OIL BROKER JSC Skopje).

Table 18: Registry of insurance brokerage undertakings

Name of the undertaking	
1	Joint stock insurance brokerage company EUROEKSPERTS Skopje
2	Insurance brokerage company EUROMAK BROKER JSC Skopje
3	Insurance brokerage joint stock company WIASS Skopje
4	Insurance brokerage company IN BROKER JSC Skopje
5	Joint stock insurance brokerage company WFP JSC Skopje
6	Insurance brokerage company MOBILITY BROKER JSC Skopje
7	Insurance brokerage company SEDA BROKER JSC Skopje
8	Insurance brokerage company OUR INSURANCE JSC Kochani
9	Insurance brokerage company JDB BROKER JSC Skopje
10	Insurance brokerage company DELTA INS BROKER JSC Skopje
11	Joint stock insurance brokerage company A-TIM Skopje
12	Insurance brokerage company LEGRA JSC Skopje
13	Insurance brokerage company K MK BROKER JSC Skopje
14	Insurance brokerage company POLICY PLUS JSC Skopje
15	Insurance brokerage company AMG PREMIUM JSC Skopje
16	Insurance brokerage company SUPER BROKER JSC Skopje

17	Insurance brokerage company KORAB INS JSC Skopje
18	Insurance brokerage company NEW INSURANCE BROKER JSC Skopje
19	Insurance brokerage company CERTUS JSC Skopje
20	Insurance brokerage company STM Broker Plus JSC Skopje
21	Insurance brokerage company AM Broker JSC Skopje
22	Insurance brokerage company MEGA BROKER JSC Skopje
23	Insurance brokerage company CVO Broker JSC Ohrid
24	Insurance brokerage undertaking ASUC Broker JSC Skopje
25	Insurance brokerage company SAFE INVEST JSC Skopje
26	Insurance brokerage company VIA BROKER JSC Glumovo Skopje
27	Joint stock insurance brokerage company WEBER GMA AD Bitola
28	Insurance brokerage company MAK TREND BROKER JSC Skopje
29	Insurance brokerage company SN INSURANCE BROKER JSC Bitola
30	Joint stock undertaking for insurance brokerage activities PORSCHE BROKER JSC Skopje
31	Insurance brokerage company JOKER INS BROKER JSC Gevgelija
32	Insurance brokerage company EOS BROKER JSC Skopje
33	Insurance brokerage company PETROL - OIL BROKER JSC Skopje

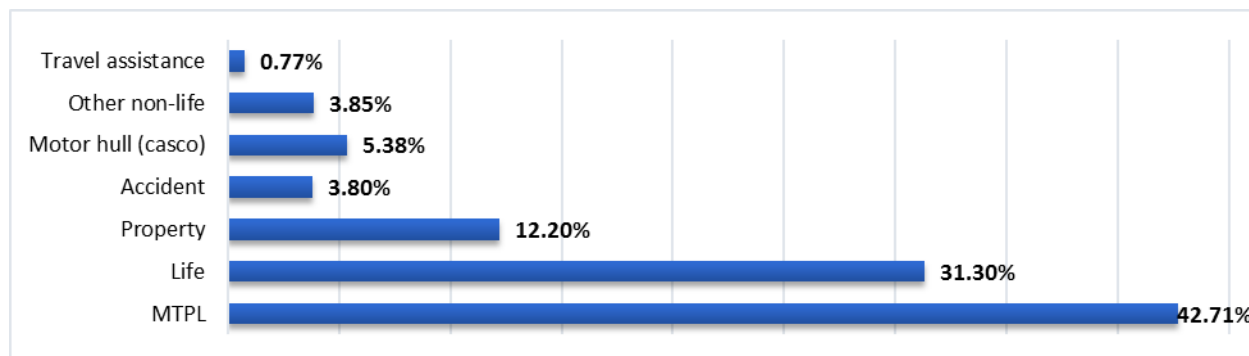
Source: ISA

On December 31, 2016, the insurance brokerage companies had total assets of MKD 841.73 million, and capital of MKD 556.66 million. The insurance brokerage companies ended 2016 with after-tax profits of MKD 131.33 million.

The insurance brokerage companies sold 260,213 insurance policies (2015: 238,697) which is an increase of 9.01% compared to the previous year. They earned commissions of MKD 532.57 million, from insurance undertakings, a figure determined on the basis of GWP MKD 2.21 billion.

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 undertakings from the Republic of Macedonia in international insurance organizations 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 undertakings; 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, 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 undertakings 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 2016.

On December 31, 2016 NIB's total assets were MKD 231 million, of which MKD 87 million were in current assets, and the remaining MKD 144 million in non-current assets. Compared to 2015, total assets increased by 1.12%. Bank deposits make up the largest share of NIB's assets at 76.01 %, followed by receivables from insurance undertakings at 10.81%, investments in government securities at 5.47% and other assets at 7.72%. Regarding NIB's total liabilities and capital in 2016, capital made up 82.16% of the share, and current liabilities the remaining 17.84%. At the same time, NIB generated profits of MKD 1,715 thousand (2015: MKD 2,015 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 fulfill 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 realized 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 2016.

Table 19: Share in the Guarantee Fund by insurance undertaking for the period 1.1.2016-31.12.2016

Name of the insurance undertaking	Total GWP for 2016 for all compulsory insurances	% of GWP share for all mandatory insurances	Share in the Guarantee Fund
Triglav	537,006,299	14.022%	25,869,816
Uniqa	440,722,054	11.508%	21,231,405
Osiguritelna Polisa	406,215,040	10.607%	19,569,059
Winner	396,272,656	10.347%	19,090,094
Sava	379,094,529	9.8982%	18,262,552
Eurolink	376,197,688	9.823%	18,122,999
Euroins	352,503,269	9.204%	16,981,541
Albsig	279,143,645	7.289%	13,447,505
Macedonia	243,813,637	6.366%	11,745,512
Croatia non-life	240,657,216	6.284%	11,593,454
Eurosig	178,229,719	4.654%	8,586,063
Total	3,829,855,752	100.00%	184,500,000

Source: NIB Operations Report, 2016

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 that processed and paid for a claim has a right of subrogation, that is, is entitled to be refunded from the Guarantee Fund in case of:

1. claims incurred on the territory of the Republic of Macedonia from unknown and uninsured motor vehicles and trailers, uninsured boats and motor-powered ships, as well as uninsured aircrafts;

2. claims incurred on the territory of the Republic of Macedonia from means of transport registered for the transport of passengers in public transport, for which the owners have not concluded a passenger insurance contract in case of an accident;
3. claims from compulsory insurance that the damaged persons cannot collect due to the termination of the insurance undertaking with which the insurance contract is concluded, whereby only the part of the damage that was not compensated from the bankruptcy estate of the insurance undertaking is paid and
4. claims from insured motor vehicles originating in the territory of the Republic of Macedonia for which, the National Insurance Bureau guarantees in accordance with the Crete Agreement and other international agreements.

The Guarantee Fund's assets do not compensate for claims arising from the use of uninsured foreign motor vehicles that move on the territory of the Republic of Macedonia, and for which special international agreements are in force, of which the Republic of Macedonia is a signatory.

In 2016, insurance undertakings reported 768 claims for subrogation. Of these claims 765 totaling MKD 113,759 million were accepted and refunded.

The number of claims reported to be subrogated from the Guarantee Fund in 2016 (768) is increased for 43 claims compared to 2015 (725), that is an increase of 6%.

Table 20: Reported and accepted claims for refunding from the Guarantee Fund for the period 1.1.2016 to 31.12.2016

Name of insurance undertaking	Number of reported claims for subrogation	Number of claims accepted for subrogation from the Guarantee Fund	Losses recognized by the Guarantee Fund (amounts in MKD)
Macedonia	78	77	19,444,055
Triglav	81	81	14,997,204
Euroins	84	84	11,609,146
Sava	69	69	7,216,113
Winner	62	62	6,021,677
Eurolink	47	47	9,607,200
Eurosig	36	35	3,356,691
Uniqqa	69	69	12,593,773
Osiguritelna Polisa	103	103	12,647,373
Albsig	84	83	10,855,043
Croatia non-life	55	55	5,410,287
Total	768	765	113,759,462

Source: NIB Operations Report, 2015

The average subrogated claim paid in 2016 was MKD 148,705 which is a decrease of 6.35% compared to 2015 (2015: MKD 158,801).

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

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

Number 02-369/3
Skopje
23.6.2017