



**Prevention of Money Laundering and Financing of Terrorism  
Strategy of the Insurance Supervision Agency for the period  
2021-2023**

April, 2021

## Contents

1. The insurance market in the Republic of North Macedonia.....	3
a. Insurance products and insurance operations: .....	3
b. Life insurance market analysis.....	12
2. Regulation and competent authorities.....	<b>Error! Bookmark not defined.</b>
a. Financial Intelligence Office (FIO) .....	13
3. Insurance Supervision Agency .....	<b>Error! Bookmark not defined.</b>
a. Subjects of supervision and risk-based supervision.....	14
b. Supervisions 2015-2020.....	16
c. Planned activities of ISA in the period 2021-2023 .....	17

## 1. The insurance market in the Republic of North Macedonia

As of December 31<sup>st</sup>, 2020, 16 insurance companies are actively operating on the insurance market in the Republic of North Macedonia, out of which 11 companies perform non-life insurance activities, 5 companies perform life insurance activities (hereinafter: LIC). The number of insurance intermediaries, such as insurance brokerage companies (hereinafter: IBC) and insurance agency companies (hereinafter: IAC)) remained unchanged, and it is 40 IBC and 10 IRC. In the domain of the banking sector, the Insurance Supervision Agency (hereinafter: ISA) has issued insurance agency licenses to 7 banks.

In 2020, the gross written premium (hereinafter: GWP) was realized in total amount of MKD 10,065 billion, which is a slight decrease of 4.89% compared to 2019 (2019: MKD 10,583 billion).

The positive trend is present in both segments of insurance, with the non-life insurance realized GWP in amount of MKD 8,325 billion (2019: MKD 8,752 billion) or it amounts to 82.71% of the total GWP of the insurance sector, which is small decrease of 4.88% compared to 2019.

In the group of life insurance, GWP was realized in amount of MKD 1.740 billion (2019: MKD 1.830 million), which is a slight decrease of 4.93%. Life insurance participates with 17.29% in the total GWP of the insurance sector.

The structure of GWP is gradually changing, and although auto liability is still the most prevalent, its share is declining. On the other hand, the share of life insurance is constantly increasing. Good signal for further expansion of the offer of insurance products and additional private health insurance.

The degree of development of the insurance market is improving and the same is seen through the improvement of the degree of penetration and the degree of density of its services on the market.

Within the Macedonian financial system, the insurance sector is the third segment, according to the size of the assets in the financial system and it is characterized by a modest level of development. The risks from the insurance sector for financial stability are small. This on the one hand is due to the weak connection of this sector with other financial institutions, but primarily due to the high solvency and liquidity of the sector (high level of solvency margin and full coverage of technical reserves with allowable assets).

According to the National Strategy for Fight against Money Laundering and Financing of Terrorism adopted in November 2017, and having in mind the modest participation of the life insurance market in the total portfolio at the level of insurance industry, transaction volume, geographical area of origin of clients, type and the characteristics of insurance products, distribution channels, number of holders of public office, etc., the insurance market is characterized by a low risk of money laundering.

### **a. Insurance products and insurance operations:**

- Term life insurance - the agreed sum insured is paid to the insurance beneficiary only in case of death of the insured in the agreed duration of insurance. If the insured lives to the date on

which the policy expires, the insured/insurance beneficiary is not entitled to payment of the insured amount.

- Pure endowment life insurance in case of outliving - the insured amount is paid only in case the insured lives to the agreed date specified in the insurance policy. If the insured dies during the term of the contract, the beneficiary of the insurance policy is not entitled to payment of the agreed amount.
- Endowment life insurance - a combination of life insurance in case of death and life insurance in case of outliving. In case of death of the insured for the duration of the insurance, the insured amount is paid to their family members/insurance beneficiaries. In case of outliving, the insured amount together with the part of the profit is paid to the insured. This insurance is most often used by the insured due to the combination of savings and protection of the family of the insured in case of their death.
- Index-linked life insurance. Life insurance is related to investment funds where the insured bears the investment risk, i.e. is part of the life insurance contract in case of death or outliving where investments are made in investment funds, where the insured bears the investment risk. The insured amount of outliving is the value of the investment portfolio after the expiration of the insurance. The insured amount in case of death is the sum of the guaranteed amount in case of death and the value of the investment portfolio. Guaranteed amount in case of death is a monetary amount determined by a certain percentage of the total agreed premium for the entire duration of the life insurance contract.

Cash surrender value is a case when the insurance contract ceases to be valid, i.e. is terminated, and the insurer pays the contractor the cash surrender value of the policy, i.e. only part of the previously paid funds, in accordance with the cash surrender value tables. The insurance contractor has the right to cash surrender, usually if at least 3 annual premiums have been paid, but the insurer can also offer a shorter term, in accordance with the tables for cash surrender values and insurance conditions.

Capitalization is the case when the insurance contractor, if the conditions for capitalization are met and upon their request, is exempted from further payment of the premium, the insurance contract remains in force, and the insured amount is reduced according to the table of capitalized amounts. Therefore, the insurer is obliged to pay the reduced sum insured if the insured event occurs.

If the insurance contractor for any reason can no longer pay or does not want to pay the agreed premium, they can purchase or capitalize the policy. If the insurance policy is cancelled, i.e. the policy is purchased the insurer is paid the purchase value of the policy, i.e. part of the previously paid funds, in accordance with the tables for cash surrender values. If the conditions for capitalization are met, the insurance contractor is exempted from further payment of the premium. The insurance policy remains in force, and the sum insured is reduced according to the table of capitalized amounts. The insurer is obliged to hand over the table of cash surrender values and the table of capitalized amounts to the insurance contractor when concluding the life insurance contract.

*Table no 1. Examples of life insurance products and indicative risk assessments*

Products	Features	Risks
Complex products with potential multiple investment accounts; and / or products with returns related to the operation of the underlying financial asset	offers the opportunity to store assets and / or assets, may offer the option of transferring funds to the policy	Higher risk
UniversalLife	Full or partial control of the client over the investments	
VariableUniversalLife		
WrapperInsurance		
InvestmentLinkedPolicies		
UnitLinkedPolicies		

InvestmentLinkedAssuranceSchemes		
Products intended for individuals with a high net worth (HNW) or products for individuals generally with a guaranteed return	offers the ability to store assets, only with a high limit on retained assets	higher / moderately high risk
Individual life insurance / Traditional product for life	insurer-managed investments	
A product that pays a periodic income benefit for a person's life	offers the ability to store assets, may have a high limit on retained assets	Moderate risk
Fixed and variable annuities	investments are managed by the insurer	
	accumulation period followed by a liquidation period	
A product designed to provide a gift to an individual or institution	may offer storage capacity	Moderate risk
	investments managed by the insurer	
A company subscribed product to pay a periodic income benefit to employees's lives	It is typically used for pension savings and pension schemes	Lower risk
	generally subscribed by a company in order to provide future benefits to its employees	
Annuities in group	investments are managed by the insurer	
Product that pays a lump sum, or regular payment (annuity) to the beneficiary, in case of death of the insured, in case of long-term care or critical illness	has no possibility to save funds	Lower risk
	generally payments only in the event of a specific external event	
Term life		
Group long-term care		
Critical illness		

Source: FATF recommendations for risk-based supervision in the field of life insurance

According to the risk analysis of certain insurance products by the FATF, and considering the insurance products on the market, it is concluded that products that have a savings or investment component are more risky than those that do not have such characteristics.

In the insurance market in Macedonia, the share of insurance products without a savings component is small.

*Table no. 2. Sales through distribution channels*

Distribution channels	4K2020		4K2019	
	GWP	share	GWP	share
Direct sales	356.156	20,46%	292.891	16,00%
Insurance Brokerage Companies	806.446	46,33%	791.924	43,26%
Insurance Agency Companies	205.328	11,80%	214.096	11,69%
Banks (primary)	223.538	12,84%	393.631	21,50%
Insurance agents	149.022	8,56%	138.235	7,55%
Total	1.740.490	100,00%	1.830.777	100,00%

Source: ISA - quarterly reporting

In life insurance companies, distribution channels in 2020 are as follows: direct sales with 20.46%, IBC with 46.33%, banks with 12.84%, IRC with 11.80% and insurance agents with 8.56% .

*Table no. 3. Ranking list of life insurance companies (000 MKD)*

No.	Insurance Company	Gross Written Premium			Number of contracts		
		4K2020	4K2019	Δ %	4K2020	4K2019	Δ %
1	Croatia Life	654.533	805.885	-18,78%	7.967	18.252	-56,35%
2	Grawe	534.483	548.376	-2,53%	1.288	2.219	-41,96%
3	Winner Life	305.663	291.559	4,84%	4.346	2.774	56,67%
4	Uniqa Life	182.689	147.842	23,57%	8.261	6.153	34,26%
5	Triglav Life	63.136	37.127	70,05%	811	519	56,26%
Total		1.740,50	1.830,79	-4,93%	22.673	29.917	-24,21%

Source: ISA – quarterly reporting

Table no. 4. Share in GWP for a company (000 MKD)

No.	Insurance company	4K2020		4K2019	
		GWP	share	GWP	share
1	Croatia Life	654.533	37,61%	805.885	44,02%
2	Grawe	534.483	30,71%	548.376	29,95%
3	Winner Life	305.663	17,56%	291.559	15,93%
4	Uniqa Life	182.689	10,50%	147.842	8,08%
5	Triglav Life	63.136	3,63%	37.127	2,03%
Total		1.740,50	100,00%	1.830,79	100,00%

Source: ISA – quarterly reporting

In the total portfolio of GWP in the life insurance companies, Croatia Life has the largest share with 37.61%, followed by Grawe Life with 30.71%, Winner Life with 17.56%, Uniqa Life with 10.50% and Triglav Life with the lowest participation of 3.63%. As a result of the Covid-19 pandemic, the share in the total number of concluded life insurance contracts in 2020 decreased by 24.21% compared to 4K2019, i.e. GWP in 2020 has a small decrease of 4.93% compared to 4K2019.

Table no. 5. Number of cash surrender value and paid (liquidated claims)

		4K2020			4K2019		
		No. of cash surrender value	Gross paid (liquidated) claims as a single amount	Gross paid (liquidated) claims as a result of cash surrender	No. of cash surrender value	Gross paid (liquidated) claims as a single amount	Gross paid (liquidated) claims as a result of cash surrender
total life insurance	19	1.352	424.231	145.744	1.592	336.627	138.706
life insurance when the investment risk is borne by the insured	21	118	12.419,00	9.568,00	41	10.315,00	8.451,00
TOTAL		1.470	436.650	155.312	1.633	346.942	147.157

Source: ISA – quarterly reporting

Evidently from the data, it can be concluded that the number of purchases in the period from 2019-2020 is decreasing.

Table no. 6. Gross written premium with one-time payments

	Total GWP-Life	GWP with one-time payment	Percentage share in total GWP
4K2020	1.740.000	258.651	14,86%

4K2019	1.830.789	385.157	21,04%
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Source: ISA – quarterly reporting

In the total portfolio of GWP in life insurance companies in one-time payment contracts, they could be a product subject to money laundering and according to the same analysis, the entities point out that because of that they conduct an intensified analysis of customers. Regarding the manner of payment of insurance products, products with one-time payment in 2020 show a decrease expressed in GWP.

### ***Procedure for admission to insurance in life insurance companies***

Regardless of whether the life insurance contract is sold directly by the Company itself or through intermediaries, only the Company is responsible for making a decision for admission to insurance of each insured person/insurance contract. Namely, in accordance with the risk assessment of money laundering and terrorism financing, all life insurance contracts are evaluated and approved centrally in the management of the Company at the moment when the process of analysis and verification by the authorized person for prevention of money laundering and financing of terrorism and the approval of the whole process by the insurance admission manager finishes. Through this way of setting up these processes, the Companies have established mechanisms in order to reduce the risk of money laundering and terrorism financing.

Life insurance companies, through their product distribution channels, implement measures and activities to prevent money laundering and terrorism financing upon admission to insurance, thus increasing the possibility of timely detection of potential money laundering attempts and financing terrorism.

The insurance company after concluding the insurance contract is fully responsible for monitoring the contract, as well as for the implementation of measures and activities to prevent money laundering and financing terrorism.

*Table no. 7. IBC –share of GWP and no. of contracts*

IBC	4Q 2020		Share in %	
	No. of contracts	GWP	No. of contracts	GWP
AMG premium	0	0	0,00%	0,00%
A-Team	0	0	0,00%	0,00%
WFP	2.365	748.767	84,59%	93,35%
Delta-ins	0	528	0,00%	0,07%
Euro-experts	1	308	0,04%	0,04%
Euromak	0	0	0,00%	0,00%
In-Broker	0	414	0,00%	0,05%
JDB-Broker	0	0	0,00%	0,00%
Legra	0	0	0,00%	0,00%
Mobility	0	816	0,00%	0,10%
Nase osiguruvanje	2	803	0,07%	0,10%
Polisa Plus	6	516	0,21%	0,06%
Seda Broker	0	74	0,00%	0,01%
Super Broker	0	0	0,00%	0,00%
Korab Ins	0	0	0,00%	0,00%
Certus	0	127	0,00%	0,02%

Nov osiguritelten broker	0	129	0,00%	0,02%
CVO Broker	0	0	0,00%	0,00%
ASUC Broker	0	0	0,00%	0,00%
Mega Broker	35	2.862	1,25%	0,36%
S.T.M Broker Plus	0	0	0,00%	0,00%
AM Broker	12	2.109	0,43%	0,26%
Via Broker	0	0	0,00%	0,00%
Veber Gma	0	0	0,00%	0,00%
SN Osiguritelten Broker	33	6.700	1,18%	0,84%
Mak Trend Broker	0	0	0,00%	0,00%
Porsche Broker	0	0	0,00%	0,00%
Joker Ins Broker	7	355	0,25%	0,04%
Eos Broker	0	402	0,00%	0,05%
Petrol-Oil Broker AD Skopje	0	0	0,00%	0,00%
Riziko Osiguruvanje AD Skopje	5	1.180	0,18%	0,15%
Auron Broker AD Struga	0	0	0,00%	0,00%
Win Broker, AD Skopje	2	14.378	0,07%	1,79%
Brolins	18	9.296	0,64%	1,16%
Makoas Broker AD Strumica	0	0	0,00%	0,00%
Ensa Broker	0	0	0,00%	0,00%
Smart Money Solutions AD Skopje	285	11.551	10,19%	1,44%
Ibis Osiguruvanje	19	687	0,68%	0,09%
Alfa Broker	0	0	0,00%	0,00%
Omada Osiguruvanje AD Skopje	6	134	0,21%	0,02%
<b>Total</b>	<b>2.796</b>	<b>802.136</b>	<b>100,00%</b>	<b>100,00%</b>

Source: ISA – quarterly reporting

In the total portfolio of IBC that sells products related to life insurance, as of 31.12.2020, the largest share in GWP has WFP with 93.35% (85% of the number of contracts), followed by Win Broker with 1.79% (0.07% of the number of contracts), Smart Money Solutions with 1.44% (10% of the number of contracts) and Brolins with 1.16% (0.64% of the number of contracts).

Table no. 8. IRC – share of GWP and no. of contracts

IRC	4Q 2020		Share in %	
	No. of contracts	GWP	No. of contracts	GWP
Aktiva	5	3.828	0,03%	1,03%
Trend mr	11	5.489	0,07%	1,47%
Lion Ins	3	2.593	0,02%	0,70%
Safe Life	502	118.016	3,11%	31,67%
Fortis Pro	0	112	0,00%	0,03%
Rea Insurance Group	0	0	0,00%	0,00%
Life Vision	15	15.467	0,09%	4,15%
NLB Bank	4.485	86.177	27,78%	23,13%
Vas Prijatelj	4	531	0,02%	0,14%
Sparkasse Bank	2.381	10.319	14,75%	2,77%
Family Partner	123	58.252	0,76%	15,63%
Halk Bank	1.294	20.528	8,02%	5,51%
Stopanska Banka	7.089	44.250	43,91%	11,87%
Komercijalna Banka	0	0	0,00%	0,00%
Moe osiguruvanje	1	652	0,01%	0,17%



UNI Bank	178	3.989	1,10%	1,07%
TTK Bank	53	2.437	0,33%	0,65%
<b>Total</b>	<b>16.144</b>	<b>372.640</b>	<b>100,00%</b>	<b>100,00%</b>

Source: ISA – quarterly reporting

In the total portfolio of IRC that sells products related to life insurance, as of 31.12.2020, the largest share in GWP has Safe Life with 31.67% (3.11% of the number of contracts), followed by NLB Bank with 23, 30% (27.7% of the number of contracts), Family Partner with 15.63% (0.76% of the number of contracts), Stopanska Banka with 11.87% (43.91% of the number of contracts), Halk Bank with 5.51% (8.08% of the number of contracts), Life Vision with 4.15% (0.09% of the number of contracts) and Sparkasse Bank with 2.77% (14.75% of the number of contracts).

*Table no.9 IBC- share of GWP – life in the total GWP of the Company*

Share of GWP life in the total GWP of the Company					
IBC GWP for 4Q 2020	Total GWP	Total non-life	Total life	Share in non-life %	Share in life %
AMG premium	7.358	7.358	0	100,00%	0,00%
A-Team	2.093	2.093	0	100,00%	0,00%
WFP	994.701	245.934	748.767	24,72%	75,28%
Delta-ins	30.133	29.605	528	98,25%	1,75%
Euro-experts	0	0	0	0,00%	0,00%
Euromak	32.417	32.418	0	100,00%	0,00%
In-Broker	187.710	187.296	414	99,78%	0,22%
JDB-Broker	16.560	16.560	0	100,00%	0,00%
Legra	17.942	17.942	0	100,00%	0,00%
Mobility	130.981	130.165	816	99,38%	0,62%
Nase osiguruvanje	38.270	37.467	803	97,90%	2,10%
Polisa Plus	59.654	59.138	516	99,14%	0,86%
Seda Broker	273.052	272.978	74	99,97%	0,03%
Super Broker	71.913	71.913	0	100,00%	0,00%
Korab Ins	36.578	36.578	0	100,00%	0,00%
Certus	64.818	64.691	127	99,80%	0,20%
Nov osiguritelten broker	0	0	0	0,00%	0,00%
CVO Broker	17.249	17.249	0	100,00%	0,00%
ASUC Broker	14.109	14.109	0	100,00%	0,00%
Mega Broker	35.629	32.767	2.862	91,97%	8,03%
S.T.M Broker Plus	0	0	0	0,00%	0,00%
AM Broker	92.614	90.505	2.109	97,72%	2,28%
Via Broker	45.758	45.758	0	100,00%	0,00%
Veber Gma	1.059	1.059	0	100,00%	0,00%
SN Osiguritelten Broker	644.249	637.549	6.700	98,96%	1,04%
Mak Trend Broker	12.310	12.310	0	100,00%	0,00%
Porsche Broker	67.906	67.906	0	100,00%	0,00%
Joker Ins Broker	41.877	41.522	355	99,15%	0,85%
Eos Broker	8.770	8.368	402	95,42%	4,58%

Petrol-Oil Broker AD Skopje	20.719	20.719	0	100,00%	0,00%
Riziko Osiguruvanje AD Skopje	62.037	60.857	1.180	98,10%	1,90%
Auron Broker AD Struga	14.389	14.389	0	100,00%	0,00%
Win Broker, AD Skopje	31.685	17.307	14.378	54,62%	45,38%
Brolins	43.140	33.844	9.296	78,45%	21,55%
Makoas Broker AD Strumica	32.457	32.457	0	100,00%	0,00%
Ensa Broker	8.356	8.354	0	99,98%	0,00%
Smart Money Solutions AD Skopje	11.551	0	11.551	0,00%	100,00%
Ibis Osiguruvanje	10.670	9.983	687	93,56%	6,44%
Alfa Broker	0	0	0	0,00%	0,00%
Omada Osiguruvanje AD Skopje	5.783	5.649	134	97,68%	2,32%
<b>Total</b>	<b>3.186.498</b>	<b>2.384.799</b>	<b>801.699</b>	<b>74,84%</b>	<b>25,16%</b>

Source: ISA – quarterly reporting

The total portfolio of IBC shows the share of GWP of life in the total GWP of the Company; as of 31.12.2020, the largest share of life insurance in GWP has Smart Money Solutions with 100%, then WFP with 75.28%, Win Broker with 45,38%, and Brolins with 21,55%.

Table no. 10. IBC which charge GWP on their own account

IBC	IBC which charge GWP on their own account	
	yes	no
AMG premium	yes	
A-Team	yes	
WFP		no
Delta-ins		no
Euro-experts	yes	
Euromak	yes	
In-Broker	yes	
JDB-Broker	yes	
Legra		no
Mobility	yes	
Nase osiguruvanje	yes	
Polisa Plus	yes	
Seda Broker	yes	
Super Broker	yes	
Korab Ins	yes	
Certus	yes	
Nov osiguritelen broker	yes	
CVO Broker	yes	
ASUC Broker	yes	
Mega Broker	yes	
S.T.M Broker Plus	yes	
AM Broker	yes	
Via Broker	yes	
Veber Gma	yes	
SN Osiguritelen Broker	yes	
Mak Trend Broker	yes	
Porsche Broker		no

Joker Ins Broker	yes	
Eos Broker	yes	
Petrol-Oil Broker AD Skopje	yes	
Riziko Osiguruvanje AD Skopje	yes	
Auron Broker AD Struga	yes	
Win Broker, AD Skopje	yes	
Brolins	yes	
Makoas Broker AD Strumica	yes	
Ensa Broker	yes	
Smart Money Solutions AD Skopje	yes	
Ibis Osiguruvanje	yes	
Alfa Broker	yes	
Omada Osiguruvanje AD Skopje	yes	

Source: ISA – quarterly reporting

In the total portfolio of IBC, as of 31.12.2020 out of a total of 40 IBC - only 36 charge GWP on their own account, while the other 4 do not charge GWP on their own account.

*Table no. 11. IRC – share of GWP life in the total GWP of the Company*

IBC - 4Q 2020	Share of GWP life in the total GWP of the Company				
	Total GWP	Total non-life	Total life	Share in non-life %	Share in life %
Aktiva	219.041	215.213	3.828	98,25%	1,75%
Trend mr	276.693	271.204	5.489	98,02%	1,98%
Lion Ins	63.526	60.933	2.593	95,92%	4,08%
Safe Life	118.016	0	118.016	0,00%	100,00%
Fortis Pro	4.179	4.067	112	97,32%	2,68%
Rea Insurance Group	61.490	61.490	0	100,00%	0,00%
Life Vision	17.560	2.093	15.467	11,92%	88,08%
NLB Bank	128.312	42.135	86.177	32,84%	67,16%
Vas Prijatelj	11.352	10.821	531	95,32%	4,68%
Sparkasse Bank	12.861	2.542	10.319	19,77%	80,23%
Family Partner	58.252	0	58.252	0,00%	100,00%
Halk Bank	46.330	25.802	20.528	55,69%	44,31%
Stopanska Banka	89.394	45.144	44.250	50,50%	49,50%
Komercijalna Banka	47.290	47.290	0	100,00%	0,00%
Moe osiguruvanje	9.617	8.965	652	93,22%	6,78%
UNI Bank AD Skopje	3.989	0	3.989	0,00%	100,00%
TTK Bank	2.437	0	2.437	0,00%	100,00%
<b>Total</b>	<b>1.170.339</b>	<b>797.699</b>	<b>372.640</b>	<b>68,16%</b>	<b>31,84%</b>

Source: ISA – quarterly reporting

The total portfolio of the IRC shows the share of GWP of life insurance in the total GWP of the Company; as of 31.12.2020, the largest share of life insurance in GWP has Safe Life with 100%, Family Partner with 100%, Uni Bank with 100 %, TTK Bank with 100%, followed by Life Vision with 88.08%, Sparkasse Bank with 80.23% and NLB Bank with 67.16%

## 6. Life insurance market analysis

Pursuant to the Law on Prevention of Money Laundering and Financing of Terrorism, subject of supervision/control is:

- LIC and
- insurance intermediaries who perform life insurance activities

For that purpose, a detailed analysis of the insurance sector in the segment of performing life insurance works is presented below.

### Parameters used in conducting the analysis:

- o GWP and volume of transactions;
- o Number of LIC;
- o Types of products;
- o Distribution channels;
- o Legislation
- o Supervision/surveillance capacity.

*Table no. 12. Insurance products (life insurance)*

Insurance products		4K2020		4K2019		4K2018	
Insurance classes		GWP in 000 MKD	Share in %	GWP in 000 MKD	Share in %	GWP in 000 MKD	Share in %
19+20+21	Total life insurance	1.740.504	100,00%	1.830.789	100,06%	1.669.878	100,00%
19	Total basic life insurance	1.323.491	76,04%	1.486.664	81,20%	1.392.248	83,37%
19	Mixed insurance	987.138	56,72%	1.000.851	54,67%	987.144	59,11%
19	Riziko insurance	181.009	10,40%	330.576	18,06%	259.934	15,57%
19	Outliving	151.433	8,70%	151.806	8,29%	142.210	8,52%
19	Death (for life)	3.911	0,22%	3.431	0,19%	2.960	0,18%
19	Total additional insurance	115.271	6,62%	116.567	6,37%	110.152	6,60%
20	Marriage or childbirth	0	0,00%	1.020	0,06%	889	0,05%
21	Life insurance when the investment risk is borne by the insured	301.742	17,34%	226.538	12,37%	166.589	9,98%

Source: ISA – quarterly reporting

In 2020, GWP was realized in amount of MKD 1,740 billion (2019: MKD 1,830 billion), which is a slight decrease of 4.93%. In the total portfolio of GWP (life and non-life), life insurance participates with 17.29%. The largest share in the group has the classic product - mixed insurance with 56.72% of the total life insurance, followed by life insurance when the investment risk is borne by the insured with 17.34% of the total life insurance, then risk insurance with 10.40% of the total life insurance, life insurance in case of outliving with 8.70% of the total life insurance and life insurance - death (lifetime)

with 0.22% of the total life insurance. Additional insurance in life insurance participates with GWP of MKD 115,271 million, which is 6.62% of the total life insurance.

The product - Life Insurance, when the investment risk is borne by the insured known as unit-linked life insurance first appeared on our insurance market in 2015, but has grown rapidly in terms of GWP and share in total life insurance. In 2020, the product participates in the total GWP with 301.742 million MKD, i.e. 17.34% of the total life insurance portfolio. In the period in 2019, GWP participates with MKD 226.538 million, i.e. 12.38% of the total life insurance portfolio.

## 2. Regulation and competent authorities

### a. Financial Intelligence Office (FIO)

The Law on Prevention of Money Laundering and Financing of Terrorism ("Official Gazette of the Republic of Macedonia" no. 120/18) and ("Official Gazette of the Republic of North Macedonia" no. 275/19 and 317/20) regulate the measures and actions taken by entities and competent authorities and bodies to detect and prevent money laundering, related criminal offenses and financing of terrorism.

Article 2, item 9 of the LPMLFT, defines "financial institutions" as entities that are obliged to take measures and actions to prevent money laundering and terrorism financing. Line c lists insurance companies, IBC, IRC, insurance brokers and insurance agents when performing life insurance activities, i.e. performing insurance representation or mediation in concluding life insurance contracts.

Pursuant to the Law on PMLFT, supervision over the application of the measures and actions is performed by the supervisory bodies referred to in Article 146, paragraph 1, including the Agency.

- Submission of data to the Financial Intelligence Office

Insurance companies that perform life insurance activities submit the collected data for concluded life insurance policies to the Office at the end of the day in electronic form in the following cases:

for concluded life insurance policies with payment of premium on life insurance policies in amount equal to or greater than EUR 15,000 and payment on the basis of cash surrender, loan or outliving, equal to or greater than EUR 15,000 in MKD equivalent, according to the middle exchange rate of the National Bank of Republic of North Macedonia on the day when the insurance policy has been concluded, i.e. on the day when the payment is made, except for the life insurance contracts in case of death -"riziko" insurance and for concluded life insurance policies by a holder of public office, regardless of the value of the sum insured.

According to the records and analysis of the life insurance entities, the following was concluded:

*Table no. 13. Life insurance policies with insurance value of EUR 15,000 euros or more*

Insurance companies	Life insurance policies with an insurance value of EUR 15,000 or more
2020	1.671

2019	3.243
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Source: FIO

The insurance companies that perform life insurance submit the collected data for concluded life insurance policies with insurance value in the amount of EUR 15,000 or more in MKD equivalent to the Office at the end of the day in electronic form. During 2020, a total of 1,671 (in 2019 a total of 3,243 reports) reports on concluded life insurance policies above the planned limit were submitted to the Office.

*Table no. 14. Suspicious transactions*

Insurance companies	STR – Suspicious transactions submitted to the FIO by the Life insurance companies
2020	1
2019	2

Source: FIO

In 2020, the insurance companies that perform life insurance submitted a notification to the Financial Intelligence Office for 1 suspicious transaction, while for the period in 2019 a notification was submitted to the Financial Intelligence Office for 2 suspicious transactions.

### 3. Insurance Supervision Agency

#### a. Subjects of supervision and risk-based supervision

The Agency is an independent regulatory body on the insurance market that performs public authorizations determined by the Law on Insurance Supervision and the Law on Compulsory Traffic Insurance.

ISA aims to contribute to the legal and efficient functioning of the insurance market in the country, for its continuous growth and development, to protect the rights and interests of policyholders, as well as to promote the financial stability of the country.

The Law on Insurance Supervision is a basic legal framework that regulates the conditions and manner of performing insurance and reinsurance activities, the manner and conditions of performing insurance intermediation activities and conducting supervision over the operations of insurance companies, IBC and IRC.

Pursuant to the Law on Insurance Supervision, Article 158-b ISA has the authority to oversee the implementation of measures and actions to prevent money laundering and terrorism financing in accordance with the Law on Prevention of Money Laundering and Other Proceeds from Crime and Financing of Terrorism.

An additional legal framework is the Law on Obligations in the part that refers to insurance contracts, the Law on Trade Companies, the Law on Prevention of Money Laundering and Financing of Terrorism, etc.

Table no. 15. Total number of entities in the insurance market

2020 (updated as of 30.3.2021)	Number of entities
Life insurance companies	5
Insurance brokerage companies (legal entities)	40
Licensed insurance brokers (individuals)	542
Insurance agency companies (legal entities)	17(7 are banks)
Licensed insurance agents (individuals)	1.338
Total	1.942

Source: ISA – quarterly reporting

Pursuant to the Law on Prevention of Money Laundering and Financing of Terrorism, the Agency is in charge of supervising/observing the operations of insurance entities selling life insurance. According to the data, these are 1,942 entities, of which as many as 1,880 are natural persons (agents or brokers).

For the purposes of this Strategy, the Agency defines the following criteria for conducting field supervision. The entities that will be subject to field supervision are classified into three groups (Group A, Group B, Group C) according to the level of risk.

Table no. 16. Groups by level of risk and criteria for the period of on-site supervision

Risk level group	Risk level	Criteria	Period of on-site supervision
Group A	Low	<ul style="list-style-type: none"> <li>IBC which have more than 3% and less than 5% share in the total GWP for life at IBC level</li> <li>IRC that have more than 10% and less than 20% share in the total GWP for life at IRC level</li> </ul>	Once in 9 years
Group B	Moderate	<ul style="list-style-type: none"> <li>IBC which have more than 5% and less than 10% share in the total GWP for life at IBC level</li> <li>IRC that have more than 20% share in the total GWP for life at IRC level</li> </ul>	Once in 7 years
Group C	High	<ul style="list-style-type: none"> <li>All LIC</li> <li>IBC which have more than 10% share in the total GWP for life at IBC level</li> </ul>	Once in 5 years

Source: ISA – quarterly reporting

**The licensed natural persons will not be subject to on-site supervision** by the Agency, i.e. they have obligations to comply with the measures for money laundering and financing of terrorism, defined in the cooperation agreements by the legal entities - entities of supervision (IC, IBC, IRC). That is, the Agency through the supervision of legal entities - entities of supervision, will indirectly check the fulfillment of the contractual obligations of licensed natural persons in the segment of taking measures to prevent money laundering and financing of terrorism.

In addition, **banks that are licensed to perform the function of insurance representation will not be subject to supervision** by the Agency, due to the fact that they are supervised to prevent money laundering and financing of terrorism by the NBRNM.

**Five Insurance Companies and IBC and IRC that sell life insurance remain for supervision by the Agency, taking into account the capacity of the Agency and the risk-based analysis prepared by the Agency in this segment.**

According to the data for the last three years that are subject to analysis for the purposes of drafting this Strategy, in addition to the 5 life insurance companies, looking at the criteria to what extent IBC and IRC participate in the sale of life insurance (in terms of GWP, from the aspect of number of

contracts, from the aspect of the participation of life insurance in the portfolio of the intermediary (tables no. 7, 8, 9 and 11)), the following subjects for on-site supervision are distinguished:

*Table no. 17. On-site supervision entities in the prevention of money laundering according to the risk level groups in the next period, provided that their share in the sale of life insurance is not reduced*

Risk level group	Name of entity	Supervision period
Group A	<ul style="list-style-type: none"> <li>• IRC- Family Partner</li> </ul>	Once in 9 years
Group B	<ul style="list-style-type: none"> <li>• IRC – Safe Life</li> </ul>	Once in 7 years
Group C	<ul style="list-style-type: none"> <li>• LIC-Croatia Life, Winner Life, Grawe, Uniqa Life, Triglav Life</li> <li>• IBC- WFP</li> </ul>	Once in 5 years

Source: ISA – quarterly reporting

**Supervision entities that do not meet the criteria for on-site supervision** defined in table no. 16 and are not an integral part of table no. 17, will eventually be covered by **off-site supervision, after the Agency defines a procedure and methodology for off-site monitoring of insurance entities and conduct risk-based supervision and will start to apply it.**

## b. Supervisions 2015-2020

*Table no. 18. Conducted supervisions for 2015-2018*

No.	Life Insurance Companies	Period 2015-2018
1	Croatia Life	conducted on-site supervision - segment program for PML and FT
2	Winner Life	conducted on-site supervision - segment program for PML and FT
3	Uniqa Life	conducted on-site supervision - segment program for PML and FT
4	Grawe Life	conducted on-site supervision - segment program for PML and FT

Source: ISA – quarterly reporting

According to the annual plans for on-site supervision in the period from 2015 to 2018, ISA has conducted a total of 4 full on-site inspections in life insurance companies, including the segment of preventing money laundering by checking compliance of companies with laws and regulations, internal controls, the program for PML and FT, the authorized persons and their competencies in the part of prevention of money laundering. The supervisors did not ascertain any findings and on that basis no supervision measures were imposed.

*Table no. 19. Conducted supervisions for 2019-2020*

No.	Life Insurance Companies	Period 2019-2020
1	Croatia Life	conducted joint on-site supervision with FIO
2	Winner Life	conducted joint on-site supervision with FIO
3	Uniqa Life	conducted joint on-site supervision with FIO

Source: ISA – quarterly reporting



Namely, in the period October 2019 - January 2020, the Insurance Supervision Agency and the Financial Intelligence Office conducted joint on-site supervisions in three Life Insurance Companies, as follows: Croatia Life, Winner Life and Uniqa Life. In all three Companies, the implemented joint on-site supervision resulted in minutes, where supervision measures were imposed due to the fact that irregularities in the operation were ascertained.

The Agency through the conducted supervisions from 2019-2020 has covered about 70% of the operation of the entire life insurance market in the part of application and enforcement of the measures and actions arising from the Law on Prevention of Money Laundering and Financing of Terrorism; for that purpose, the plan for on-site Supervision for 2021 plans conducting another supervision at Grawe Life (which would cover 98% of the entire market analyzing through the GWP-criterion and insurance acceptance), while Triglav Life according to the priorities is planned to be subject to supervision in 2022.

With this coverage of supervision in the segment of prevention of money laundering in the insurance sector, the Agency will achieve improvement of internal policies, procedures and acts in assessing the risk of money laundering and terrorism financing, as well as continuous control and raising awareness regarding the assessment of the risk of money laundering and terrorist financing.

In accordance with the legal provisions and within the Memorandum of Cooperation, the Agency and the Financial Intelligence Office regularly exchange their annual plans for conducting supervision/surveillance.

### **c. Planned activities of ISA in the period 2021-2023**

The Agency has appointed two supervisors, who in addition to their regular activities, also carry out activities in the PMLFT supervision segment, under the coordination of the SSS coordinator.

Having in mind the following:

- o low risk of money laundering of the insurance sector, in accordance with the National Strategy for Prevention of Money Laundering and Financing of Terrorism and
- o Limited resources available to ISA (for a total of 1,942 entities in the insurance market, only two supervisors for the implementation of measures and actions for the segment PML and FT).
- o Risk analysis in terms of entities and products made above

**The Agency defines the following priority obligations in the next 3 years:**

- 1. In 2021 – supervision of Grawe Life.**
- 2. In 2021/2022, the ISA shall complete the regulatory framework in the area of LPMLFT, by adopting:**
  - a. Guidelines for Money Laundering and Financing of Terrorism Assessment and for Money Laundering and Terrorism Financing Risk Management for entities under the supervision of the Agency,**

- b. Strategy of the Agency in the field of supervision for prevention of money laundering and financing of terrorism for the period 2021-2023
  - c. Procedure and methodology for out-of-court monitoring of insurance entities and implementation of risk-based supervision,
  - d. Update of the existing procedure for on-site supervision of insurance companies, IBC, IRC, insurance brokers and insurance agents, when performing life insurance activities, i.e. performing representation or mediation in insurance when concluding life insurance contracts.
3. In 2022 – supervision of Triglav life, which would cover all 5 LIC that sell life insurance policies in the country in 3 years;
  4. In 2022 – supervision of the WFP IBC, as the most dominant channel for the sale of life insurance policies;
  5. In 2023 - to supervise the IRC Safe Life, as the most dominant representation channel for the sale of life insurance policies;
  6. Raising industry awareness of measures and actions to prevent money laundering and effective risk assessment by organizing joint workshops of ISA and FIO with the industry.
  7. Intensive trainings and professional trainings for the supervisors in order to efficiently and adequately implement supervision of the application of the measures and actions determined by the law for prevention of money laundering.

**President of the Council of Experts of  
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Krste Shajnoski**

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#### **List of tables:**

TABLE NO. 1. EXAMPLES OF LIFE INSURANCE PRODUCTS AND INDICATIVE RISK ASSESSMENTS	4
TABLE NO. 2. REVIEW OF SALES THROUGH DISTRIBUTION CHANNELS	5
TABLE NO. 3. LIFE INSURANCE COMPANIES RANKING LIST	5
TABLE NO. 4. SHARE IN GWP BY COMPANY	6
TABLE NO. 5. NUMBER OF CASH SURRENDER AND PAID (LIQUIDATED CLAIMS)	6
TABLE NO. 6. GROSS WRITTEN PREMIUM WITH ONE-TIME PAYMENT	6
TABLE NO. 7. IBC – SHARE OF GWP AND NO. OF CONTRACTS	7
TABLE NO. 8. IRC – SHARE OF GWP AND NO. OF CONTRACTS	8
TABLE NO. 9. IBC – SHARE OF GWP LIFE IN THE TOTAL GWP OF THE COMPANY	9
TABLE NO. 10. IBC WHICH CHARGE GWP ON THEIR OWN ACCOUNT	10
TABLE NO. 11. IRC - SHARE OF GWP LIFE IN THE TOTAL GWP OF THE COMPANY	11

TABLE NO. 12. INSURANCE PRODUCTS (LIFE INSURANCE)	12
TABLE NO. 13. LIFE INSURANCE POLICIES WITH INSURANCE VALUE OF EUR 15,000 OR MORE	13
TABLE NO. 14. SUSPICIOUS TRANSACTIONS	14
TABLE NO. 15. TOTAL NUMBER OF INSURANCE MARKET ENTITIES	15
TABLE NO. 16. RISK LEVEL GROUP	15
TABLE NO. 17. ENTITIES FOR ON-SITE SUPERVISION IN THE PREVENTION OF MONEY LAUNDERING IN THE FOLLOWING PERIOD PROVIDED THEIR SHARE IN LIFE INSURANCE SALE IS NOT REDUCED	16
TABLE NO. 18. CONDUCTED SUPERVISIONS 2015-2018	16
TABLE NO. 19. CONDUCTED SUPERVISIONS 2019-2020	16