



INSURANCE SUPERVISION AGENCY

ANNUAL REPORT
ON THE INSURANCE SUPERVISION AGENCY OPERATIONS
FOR 2020

Skopje, 2021

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1. Introduction

The Insurance Supervision Agency (**hereinafter "ISA"**) is an independent regulatory body exercising public authority, established by the Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" No. 27/2002, 98/2002, 79 / 2007, 88/2008, 67/2010, 44/2011, 112/2011, 188/2013, 30/2014, 43/2014, 112/2014, 153/2015, 192/2015, 23/2016, 83/2018 and 198/2018) and ("Official Gazette of the Republic of North Macedonia" No. 101/2019 and 31/2020), and the Law on Compulsory Traffic Insurance ("Official Gazette of the Republic of Macedonia" No. 88/2005, 70/2006 , 81/2008, 47/2011, 135/2011, 112/2014 and 145/2015 and "Official Gazette of the Republic of North Macedonia" no. 220/2019).

Within its competencies and authorities, ISA takes care of the legal and efficient functioning of the insurance market in order to protect the rights of insurance owners and users.

ISA has the following competencies:

- Conducts supervision of the insurance companies, insurance brokerage companies, insurance representation companies, insurance representation banks, insurance brokers and insurance agents, legal entities related to insurance companies and the National Insurance Bureau;
- Adopts bylaws for implementation of the Law on Insurance Supervision and makes proposals for enactment of laws in the field of insurance;
- Decides on granting or revoking licenses, granting or withdrawing consents, granting or revoking licenses;
- Imposes supervision measures;
- Cooperates with relevant domestic and foreign institutions and bodies and is a member of the International Association of Insurance Supervisors;
- Encourages the development of insurance and develops public awareness of the role of insurance and supervision through activities of financial education and inclusion.

The Insurance Supervision Agency has been a member of the International Association of Insurance Supervisors (IAIS) since 2009. The IAIS is an international body responsible for promoting effective and globally consistent insurance market supervision, with the aim of developing and maintaining a fair, stable and transparent insurance market for the benefit and protection of policyholders and contributing to global financial stability.

2. Institutional Management

2.1. Work of the Council of Experts

The governing and managing body of the ISA is the Council of Experts, composed of a President of the Council and four members. The President and the four members of the Council of Experts of the ISA are appointed by the Assembly of the Republic of North Macedonia upon the proposal of the Government of the Republic of North Macedonia.

Composition of the Council of Experts:

- PhD Krste Shajnoski, professionally engaged full time, President of the Council of Experts;
- PhD Sulejman Ahmedi, professionally engaged full time, Member of the Council of Experts;
- Zlate Simonovski, professionally engaged full time, Member of the Council of Experts;
- PhD Igor Ivanovski, Member of the Council of Experts, not professionally engaged;
- Aleksandra Kokaroska, Member of the Council of Experts, not professionally engaged.

The Council of Experts is a collective body that works in sessions and makes decisions by a majority vote of the total number of members. During 2020, the Council of Experts regularly held sessions where it decided on issues within its competence and range. The Council of Experts in 2020 held 33 sessions.

ISA is accountable for its work and responds to the Assembly of the Republic of North Macedonia. The Assembly adopts: the Financial Plan of ISA, the Financial Statements audited by an independent certified auditor, the Annual Report on the operation of ISA and the Annual Report on the situation and movements on the insurance market.

2.2. Mission and Vision

The mission and vision of ISA is aimed at creating and maintaining fair, secure, stable and transparent insurance market for the benefit and protection of the rights of policy holders, contributing to economic growth and ensuring stability of the financial system.

2.3. Values

The principles and values ISA is driven by are as follows: responsibility, expertise, conscientiousness and transparency.

2.4. Risk-Management Strategy

The risk management strategy as a tool that helps to anticipate and respond to adverse events, to direct internal control procedures and resources to key functions and risks, contributes to ISA successfully managing risks.

2.5. ISA Operation Planning

The Council of Experts of ISA adopts the strategic acts and documents for the work of ISA on the basis of planning, taking into account the internal and external factors and their influence on the achievement of the goals of ISA.

ISA determines the planned activities by adopting:

- Annual work plan
- Annual plan for on-site supervision

- Financial plan
- Plan for archival work
- Strategic plan and other internal documents and acts.

2.6. Internal Audit

ISA's internal audit activity, using a systematic, disciplined and risk-based approach, has contributed to improving the management, risk management and maintenance of effective risk management processes in ISA's management, operations and information systems, regarding:

- Achieving the strategic goals of ISA;
- Compliance with laws, regulations, policies, procedures and agreements;
- Effectiveness and efficiency of the programs;
- Reliability and integrity of financial and operational information;
- Asset protection

2.7. ISA Organization and Financing

Pursuant to the Rulebook on Internal Organization of Workplaces, the employees are assigned to 2 independent sections directly accountable to the President and the Council of Experts, 3 professional services and 9 sections within the professional services.

The operation of ISA is financed by fees charged by insurance companies, insurance brokerage companies, insurance representation companies, banks performing insurance representation activities and other entities supervised by ISA, established in the Tariff Book for the content and amount of fees charged by the Insurance Supervision Agency and payment deadlines, in accordance with the Law on Insurance Supervision.

2.8. Corporate social responsibility

In its work, ISA follows the principles of corporate social responsibility as a set of all economic, legal, ethical expectations that society has towards legal entities. In that regard, ISA undertakes the following activities:

- Provides opportunities for practical work for high school and university students,
- Participates in humanitarian actions.

3. COMPLETED ACTIVITIES IN THE REPORTING PERIOD IN FIELDS

3.1. Regulation and Licensing

Within the authorities in the field of regulation and licensing, ISA in 2020 implemented the following activities:

3.2. Adopted rulebooks

- Rulebook for amending and supplementing the Rulebook on the manner, procedure and conditions for conducting training and taking the professional exam for insurance representatives;
- Rulebook for amending and supplementing the Rulebook on the manner, procedure and conditions for conducting training and taking the professional exam for insurance brokers;
- Rulebook on the format and content of the Misdemeanor Payment Order;
- Rulebook for amendment and supplementation of the Rulebook for the types and the description of items that will be taken into account when calculating the capital of the insurance and/or reinsurance companies;
- Rulebook on amending the Rulebook on the types and description of items that will be taken into account when calculating the capital of insurance and / or reinsurance companies;
- Rulebook on amending and supplementing the Rulebook on types and characteristics of the assets that cover the technical reserves and the assets that cover the mathematical reserve, as well as detailed placement and limitation of those investments and their valuation;
- Rulebook on amending the Rulebook on the method for valuation of items from the balance sheet and preparation of business balance sheets;
- Rulebook on amending the Rulebook on minimum content of the records and the manner of reporting, booking and liquidation of claims by insurance companies;
- Rulebook on minimum requirements for receipt, processing, reservation and payment of a claim for compensation and/or sum insured in order to better protect the rights of policyholders;
- Rulebook on the minimum standards of the information systems of the insurance companies, insurance brokerage companies and insurance representation companies;
- Rulebook on the manner and procedure of conducting the professional exam required to obtain a work permit as an authorized actuary;
- Rulebook on amending the Rulebook on the necessary documentation for obtaining an insurance broker license;
- Rulebook on amending the Rulebook on the necessary documentation for obtaining a license for insurance agent;
- Rulebook on amending the Rulebook on the manner, procedure and conditions for conducting training and taking a professional exam for performing insurance brokerage activities;
- Rulebook on amending the Rulebook on the manner, procedure and conditions for conducting training and taking a professional exam for performing insurance representation activities;
- Rulebook on amending the Rulebook on the manner, procedure and documentation required for obtaining consents;
- Rulebook on the minimum standards for calculation of technical reserves.

3.3. Issued permits and consents

- 3 permits for introducing a new class of insurance;

- 2 licenses for insurance brokerage activities;
- 15 consents for performing the function of a member of a management body;
- 8 consents for amending the Statute of an insurance company;
- 17 approvals for companies for auditing the financial statements and consolidated financial statements of insurance companies for 2020;
- 3 consents for acquiring qualified participation in an insurance company;
- 4 consents for acquiring qualified participation in an insurance brokerage company;
- 1 consent for acquiring qualified participation in an insurance agency;
- 6 consents for change of headquarters of an insurance company

3.4. Issued licenses

- Issued 33 licenses for insurance brokers,
- 204 licenses for insurance agent.

3.5. Revoked licenses and permits

- Termination of 1 license for performing insurance representation activities; and
- Revoked 31 licenses for a representative in insurance of natural persons.

3.6. Organized training

In order to strengthen the insurance intermediation capacities in the insurance market, in 2020 ISA conducted a cycle of training for insurance brokers and insurance agents.

4. CONDUCTING SUPERVISION

ISA supervises insurance companies, insurance brokerage companies, insurance representation companies and the National Insurance Bureau, in accordance with the Law on Insurance Supervision, the Law on Compulsory Traffic Insurance and other relevant regulations. The ISA has the authority to supervise the natural persons who perform insurance brokerage activities and insurance representation activities. It also has the authority to oversee the implementation of measures and actions to prevent money laundering and terrorist financing in accordance with the Law on Prevention of Money Laundering and Other Proceeds from Crime and Financing of Terrorism.

Supervision is carried out through permanent off-site supervision of the operations of insurance companies and other insurance entities by collecting, analyzing and verifying the submitted reports and information, as well as through on-site (full or partial) supervision of the operations of insurance entities in order to assess stability, risk-taking and compliance of the operations of the entities.

In conditions of a declared global pandemic in 2020, the Insurance Supervision Agency adjusted its activities to the new circumstances and subsequently took several measures in order to ensure a stable insurance market and protect the rights and interests of policyholders. Part of the measures were aimed at facilitating the work in emergency conditions and strengthening the support of companies in the segment of managing the negative consequences of the outbreak of the Corona virus (COVID 19) by releasing some of their reserves. At the same time, it allowed companies additional time for correction of the impairment of receivables. In order to protect the rights and

interests of the insured and quality processing of damages in conditions of emergency, ISA set an additional deadline for reporting and recording claims and recommended companies that have made a profit to refrain from redistributing profits.

In addition to this, the ISA through timely information and notification educated the insured about their rights arising from the insurance contract, especially in resolving the claims and the payment of compensation and the possibility to use the grievance mechanism if they are not satisfied with the way of resolving the claims.

4.1. On-site supervision

According to the Supervision Plan for 2020, ISA realizes 2 on-site supervisions with insurance companies. Due to the global situation and declared pandemic with Covid-19, ISA through additional reorganization of its human resources, continued to conduct supervision off-site, and for some of the planned on-site supervision, including in the field of prevention of money laundering, decided to be transferred in the next, 2021.

4.2. Off-site supervision

Based on the findings from the conducted on-site supervision, ISA issued 26 supervisory measures, of which 21 orders for elimination of illegalities and 5 additional supervision measures for the insurance companies. Due to established irregularities in the operations that are misdemeanor, ISA conducted 12 proceeds for reconciliation through delivering misdemeanor payment orders.

4.3. Views and Circulars

In the field of supervision, in order to strengthen the supervisory process, 9 circular letters were prepared which contained views and guidelines of the ISA on certain issues in the field of insurance.

5. COLLABORATION

Performing the activities within the competence of the ISA as well as the need to follow the new trends in the field, encouraging growth and development of the market requires continuous cooperation with domestic authorities and institutions, regional regulatory and international institutions.

Strengthening cooperation between domestic regulators is important and is related to the exchange and use of information and data, the provision of mutual training and the exchange of experiences. Cooperation with the Ministry of Finance takes place on issues related to insurance regulations. The cooperation with the National Bank takes place within the framework of data exchange for preparation of a report on financial stability, financial education and financial inclusion, as well as continuous exchange of experience and practices from the supervisory process. In order to harmonize the domestic legislation with the European one, ISA in cooperation with the Secretariat for Economic Affairs provides data on the progress of the insurance market, prepares reports on the progress of the country in the field of internal market and competition and economic-financial issues and statistics.

In order to monitor the situation in the financial system and greater readiness to manage the challenges, and especially in the circumstances imposed by the Corona crisis, the financial regulators in 2020 signed a Memorandum of Inter-Institutional Cooperation. With this Memorandum, to which the ISA is a signatory, the financial regulators defined the commitment with enhanced coordination and to individually, timely and effectively identify systemic risks and act harmoniously to prevent and reduce their impact on the financial system.

6. ORGANIZATION OF EVENTS

The Insurance Supervision Agency, on November 1, 2020 marked its 11th year of existence and successful operation. On this occasion, a meeting was held with the representatives of the insurance industry on the topic of the challenges of ISA and the situation on the insurance market in RSM. At the online meeting to discuss the situation with the pandemic, the ISA highlighted the challenges it faces as well as future plans and expectations in the field of insurance and insurance supervision, clearly emphasizing its commitment to strengthening corporate governance in companies, greater transparency and strengthening public confidence in the insurance sector. At the meeting before the attendees from the insurance industry was presented the award-winning research paper in the field of risk management for 2020.

For further development of the financial market, ISA in cooperation with the Macedonian Stock Exchange realized a virtual workshop for insurance companies as institutional investors and participants in the financial market, especially in the capital market.

7. EDUCATION AND CAPACITY BUILDING

The staff competence of the ISA is a prerequisite for quality, efficient and timely performance of the works and tasks within its competence and therefore the ISA continuously invests in its human potential. In 2020, due to the circumstances of the global pandemic and the restrictions imposed primarily to protect the health of the population, there were no conditions for comprehensive implementation of the planned program for the needs of employees and mainly training and upgrading of knowledge was conducted virtually by visiting educational programs, seminars of the International Association of Insurance Supervisors (IAIS), the European Supervisory Authority (EIOPA), the Bank for International Settlements (BIS), the International Financial Education and Training Network (OECD-INFE) and other relevant institutions and organizations.

As a member of the International Association of Insurance Supervisors (IAIS), with his contribution and expertise ISA participated in the work of the body through research studies, online seminars, reporting on measures taken to deal with the coronary crisis and work in emergency conditions. He also participated in the annual IAIS online conference where, among other things, the challenges of supervisors to work in a global pandemic were discussed.

In order to better supervise the insurance groups that are present in several member states of the European Union and countries that are at different stages in the accession processes in the European Union, ISA participated in the work of the supervisory colleges.

8. CONSUMER PROTECTION, FINANCIAL EDUCATION AND FINANCIAL INCLUSION

The Insurance Supervision Agency, within its legal competencies for development of the insurance market and raising public awareness of the role of insurance and insurance supervision, acts integrated in the field of financial education, financial inclusion and protection of the rights of the insured as complementary segments. For many years, ISA has been conducting activities in the field of financial education covering the entire public with a special focus on the young population.

Within the cooperation with the Macedonian Banking Association, ISA supported the project - European Money Quiz, intended for students from 13 to 15 years. For the needs of the quiz, questions in the field of insurance and insurance supervision were prepared, as well as professional literature and educational texts.

ISA signed a Memorandum of Cooperation with the Consumer Organization of Macedonia in order to strengthen mutual cooperation for the implementation of projects and activities for protection of policyholders, financial education and their rapprochement and providing access to insurance products and services.

In order to encourage scientific thought and contribute to increasing the number and quality of applied scientific papers in the field of risk management and insurance, ISA annually announces a competition for awarding an annual prize for research paper in the field of risk management and insurance in the Republic of North Macedonia. While in order to raise the awareness of young people about the importance and role of insurance, ISA announces a competition for students of primary and secondary education on the occasion of Insurance Day - November 1, with topics in the field of insurance.

ISA participated in the celebration of the national event "Days of Financial Literacy", in coordination and organization of the Coordination Body of Regulatory Institutions for Financial Education and Financial Inclusion. Due to the conditions imposed by the pandemic, "Financial Literacy Days" were organized virtually. Within this manifestation, ISA prepared several educational contents in the field of insurance and insurance supervision such as: quiz, public call for participation in educational lectures, conducting a customer satisfaction survey, preparation and promotion of new educational texts and brochures, etc.

In order to protect the rights of policyholders and users of insurance products and services, ISA acted upon received complaints against insurance entities. In 2020, 88 complaints were submitted to the ISA, of which::

- 71 complaints have been resolved;
- 12 complaints have no basis for action;

- 2 complaints are in the process of being resolved and 3 complaints have been withdrawn.

Also, in order to ensure the stability of the insurance sector and greater protection of the insured in conditions of a declared pandemic in 2020, the ISA adopted a package of several measures to ensure greater transparency in the operations of companies and build trust in the insurance sector.

9. PROJECT ACTIVITIES

Within the regional project under the auspices of the Ministry of Finance of the Netherlands and INFE-OECD, ISA as part of the Coordination Body of Regulatory Institutions for Financial Education and Financial Inclusion, with its expertise contributed to the preparation of the draft document of the first Strategy for Financial Education and Financial Inclusion. He also participated in conducting the research and analysis by INFE-OECD to measure the level of financial literacy of the adult population.

10. INFORMING THE PUBLIC AND TRANSPARENCY

Based on the Law on Free Access to Public Information ("Official Gazette of RNM" No. 101/2019), five requests for access to public information were submitted to the ISA in 2020 and they were acted upon within the legal deadline.

Based on the Law on Whistleblower Protection ("Official Gazette of RM" no. 1966/2015, 35/2018 and ("Official Gazette of RNM" no. 257/20120), one report was submitted and the legal deadline was acted upon.

In order to timely transfer information and strengthen communication practices with all stakeholders, ISA operates through its website, education portal and social networks as well as by holding consultative public meetings as needed, and meetings to report on progress regarding the activities and projects of ISA.

In order to raise the quality of its work, ISA measures customer satisfaction by interested parties - clients through electronic surveys and through the mechanism of written submission of complaints or praise by service users.

INSURANCE SUPERVISION AGENCY

President of the Council of Experts,

PhD Krste Shajnoski

Number

Skopje

16.6.2021