



INSURANCE SUPERVISION AGENCY

ANNUAL REPORT
ON THE STATUS AND MOVEMENT OF THE INSURANCE MARKET IN 2020

Skopje, 2021

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.

TABLE OF CONTENTS

1. INTRODUCTION.....	5
2. LEGAL FRAMEWORK.....	6
3. INSURANCE MARKET IN THE REPUBLIC OF NORTH MACEDONIA.....	8
3.1 INSURANCE COMPANIES	8
3.1.1. OWNERSHIP STRUCTURE	8
3.1.2. INSURANCE MARKET DEVELOPMENT.....	9
3.1.3. GROSS WRITTEN PREMIUM.....	11
3.1.4. GWP SHARE STRUCTURE	14
3.1.5. GROSS CLAIMS PAID	16
3.1.6. ASSETS AND LIABILITIES.....	17
3.1.7. TECHNICAL PROVISIONS	21
3.1.8. ASSETS COVERING THE TECHNICAL PROVISIONS	21
3.1.9. CAPITAL AND REQUIRED LEVEL OF SOLVENCY MARGIN	23
3.1.10. FINANCIAL RESULT OF THE OPERATIONS	25
3.1.11. INDICATORS FOR THE INSURANCE SECTOR	26
3.2. INSURANCE INTERMEDIATION.....	28
3.2.1. INSURANCE AGENCY ACTIVITIES.....	28
3.2.2. INSURANCE BROKERAGE ACTIVITIES.....	30
3.3. NATIONAL INSURANCE BUREAU	32
3.3.1. GUARANTEE FUND OF NIB.....	33
3.3.2. REIMBURSEMENT OF CLAIMS FROM THE GUARANTEE FUND.....	34

LIST OF TABLES

Table 1: Register of insurance companies	8
Table 2: Ownership structure of the insurance companies.....	8
Table 3: Herfindahl index and CR5 index measured according to GWP	10
Table 4: Herfindahl index and CR5 index measured according to assets	10
Table 5: Gross written premium by insurance classes	11
Table 6: Gross written premium in non-life insurance companies	12
Table 7: Gross written premium in life insurance companies	12
Table 8: Gross written premium for the period 01.01.2020- 31.12.2020	13
Table 9: Claims paid by insurance classes.....	16
Table 10: Assets structure of the insurance companies	18
Table 11: Assets structure of non-life insurance companies	19
Table 12: Assets structure of life insurance companies	20
Table 13: Structure of sources of assets of the insurance companies	20
Table 14: Structure and change of technical provisions	21
Table 15: Assets that cover the technical reserves - nonlife insurance.....	22
Table 16: Assets covering technical reserves and mathematical reserve - life insurance.....	23
Table 17: Technical coefficients.....	26
Table 18: Financial indicators.....	27
Table 19: Structure of sales channels for insurance policies according to realized GWP	28
Table 20: Register of insurance agencies and banks	29
Table 21: Register of insurance brokerage companies.....	30
Table 22: Share in the Guarantee Fund by insurance companies	33
Table 23: Reported and accepted claims for damages to be reimbursed by the Guarantee Fund....	34

LIST OF CHARTS

Chart 1: Insurance market development indicators.....	9
Chart 2: Market concentration according to the GWP-nonlife	10
Chart 3: Market concentration according to the GWP- life.....	11
Chart 4: GWP structure by classes of insurance	14
Chart 5: Trend of GWP in major insurance classes	15
Chart 6: Concluded contracts in insurance companies	16
Chart 7: Share of the insurance companies in gross paid claims in 2020.....	16
Chart 8: Structure of the share of insurance companies in the total assets	19
Chart 9: Coverage of net technical reserves in non-life insurance companies	22
Chart 10: Coverage of net technical reserves in life insurance companies	23
Chart 11: Movement of the capital and solvency margin in insurance companies	24
Chart 12: Capital structure in the insurance companies	24
Chart 13: Financial result of the insurance companies operations	26
Chart 14: GWP structure, by insurance classes	29
Chart 15: GWP structure, by insurance classes	31

1. INTRODUCTION

The Insurance Supervision Agency (hereinafter "ISA") is an independent regulatory body on the insurance market that exercises public authority, established 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 development, for the protection of the rights and interests of the insured, as well as for the promotion of the financial stability of the country.

At the end of 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 operations, whereas 5 - life insurance operations. In the field of intermediation, there are 40 active insurance brokerage companies, 10 insurance representation companies and 7 banks that perform insurance representation activities at the end of 2020.

In 2020, a gross written premium (hereinafter: "GWP") in amount of 10.06 billion MKD was realized, which is a decrease of 4.89% compared to GWP realized in 2019 (2019: 10.58 billion MKD). In the non-life insurance sector, the GWP was in amount of 8.32 billion MKD (2019: 8.7 billion MKD), i.e. a decrease of 4.88% compared to 2019. At the same time, in life insurance, the GWP was realized in amount of 1.74 billion MKD (2019: Denar 1.83 billion), which is a decrease of 4.93%.

As of 31.12.2020, insurance companies have assets in amount of 25.67 billion MKD, which is an increase of 7.34% compared to last year (2019: 23.92 billion MKD). The total calculated capital of insurance companies increased by 5.53% compared to 2019, i.e. at the end of 2019 amounted to 7.01 billion MKD. The solvency margin, as the main indicator for assessing the stability of the insurance sector is 1.64 billion MKD, which means that the capital of the insurance sector is 4.3 times above the level of the solvency margin.

During 2020, the insurance sector had a profit of 456.81 million MKD. The non-life insurance companies had a loss of 273.81 million MKD, while the life insurance companies realized a profit after tax of 177.86 million MKD.

In the field of legislation, in 2020, amendments to the Law on Insurance Supervision: 3 amendments of the already existing bylaws and 3 new bylaws were adopted.

2. LEGAL FRAMEWORK

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, 23/16, 83/18 and 198/18 and "Official Gazette of the Republic of North Macedonia" No. 101/19 and 31/20), the Law on Compulsory Traffic Insurance ("Official Gazette of the Republic of Macedonia" No. 88/05, 70/06, 81/08, 47/11, 135/11, 112/14 and 145/15 and "Official Gazette of the Republic of North Macedonia" No. 220/19), the Law on Voluntary Health Insurance ("Official Gazette of the Republic of Macedonia" no. 145/12 and 192/15), the Law on Payment of Pensions and Pension Benefits in the Field of Fully Funded Pension Insurance ("Official Gazette of the Republic of Macedonia" No. 11/12, 147/15 and 30/16) and the Law on Prevention of Money Laundering and Financing of Terrorism ("Official Gazette of the Republic of Macedonia" No. 120/18, 275/19 and 317/20) constitute the basic legal framework that regulates the conditions and the manner of performing insurance and reinsurance activities, the manner and conditions of performing insurance mediation activities and the implementation of supervision over the operations of insurance companies, insurance brokerage companies and insurance representation companies.

The wider legal framework is represented by the Law on Obligations ("Official Gazette of the Republic of Macedonia" no. 18/01, 4/02, 5/03, 84/08, 81/09, 161/09 and 123/13) in the part that refers to insurance contracts and the Law on Trade Companies ("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, 192/15, 6/16, 30/16 and 61/16, 64/18 and 120/18).

The Law on Insurance Supervision incorporates the insurance principles and standards of the International Insurance Supervisors Association (IAIS) as well as the European Union (EU) Insurance Directives. This law regulates the establishment and operation of insurance companies, risk management, the role of authorized actuaries, keeping business books and reports, internal and external audit, insurance representation and mediation, supervision of insurance companies, ISA operation, the implementation of the supervision and the decision-making procedure by ISA, the work of the insurance and reinsurance pools, the cooperation with the supervisory bodies and bodies of the EU, as well as the penal provisions.

In 2020, the Law on Amending the Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" No. 31/2020) was adopted, which prescribes that before conducting the misdemeanor proceedings established by this Law, the Agency should propose the perpetrator a reconciliation by issuing a misdemeanor payment order, pursuant to the Law on Misdemeanors. Moreover, these amendments shall amend the amount of part of the fines, prescribed for certain misdemeanors committed in accordance with this Law.

Compulsory traffic insurance is regulated by the **Law on Compulsory Traffic Insurance**, which regulates compulsory insurance contracts, minimum insurance amounts, deadlines for reporting and compensation by insurance companies, determining the right to mediation, the competencies of the Guarantee Fund, change of the manner of determining the premium tariffs through the functioning of the Automobile Liability Insurance Commission and the penal provisions for the insurance companies and the National Insurance Bureau. Also, the Law provides for the facilitation of cross-border provision of insurance services through the establishment of the so-called Authorized Representative for Damages and Establishment of a Service for Compensation of Damages, by which

these activities will be actualized at the moment of accession of the Republic of Macedonia to the European Union.

The **Law on Voluntary Health Insurance** provides a legal opportunity and opens a wide field of action for insurance companies to offer packages of health services that are already covered by the system of compulsory health insurance. Voluntary health insurance is regulated both additionally and privately. The additional health insurance ensures the coverage of the costs on behalf of participation with personal funds when using health services from the compulsory health insurance (co-payment), in accordance with the regulations from the compulsory health insurance and health care. Private health insurance provides coverage of the costs for using the health services for a higher standard of health services arising from the compulsory health insurance, the costs for covering the health services used in the additional activity, as well as for using the health services in health institutions outside the network of health institutions in which the health activity is performed and in the legal entities that make, issue and service orthopedic and other aids.

The Law on Payment of Pensions and Pension Benefits in the field of Fully Funded Pension Insurance completes the regulation of fully funded pension insurance in the Republic of North Macedonia by regulating the deaccumulation phase, i.e. the Law regulates the payment of pensions from the second and third pension pillar. The law regulates thoroughly the types of second pillar pension payments (programmed withdrawals, lifetime annuities and their combination), the types of third pillar pension benefits payments (programmed withdrawals, annuities, one-time and multiple payments), the characteristics and rules of payments and the manner and the procedure for acquiring the right to age, disability and family pension from the second pillar, as well as the procedure for acquiring the right to pension compensation from the third pillar.

The law also regulates which institutions will be able to pay pensions and pension benefits from the second and third pillar - pension companies and life insurance companies. Also, in order to increase the transparency of the choice of pension from the second pillar and pension compensation from the third pillar, a centralized electronic listing system is established, through which they submit applications for quotations for different types of payments and will receive offers from the pension and insurance companies.

The Law on Prevention of Money Laundering and Financing of Terrorism establishes the competence of ISA to conduct supervision over the insurance market, which is subject to regulation by this law, and in particular the part of the implementation of measures and actions for prevention of money laundering and financing of terrorism.

3. INSURANCE MARKET IN THE REPUBLIC OF NORTH MACEDONIA

3.1 INSURANCE COMPANIES

During 2020, 16 insurance companies operated on the insurance market, of which 5 insurance companies operate with life insurance, while the remaining 11 work with non-life insurance. Only one company, in addition to non-life insurance, has a license to perform reinsurance activities. (Table 1).

Table 1: Register of insurance companies

	Insurance undertaking name	Insurance segment
1	JSC for Insurance and Reinsurance MAKEDONIJA – 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	GRAWE Insurance Nonlife JSC Skopje	
8	Insurance Undertaking UNIQA JSC Skopje	
9	National Insurance Group INSURANCE POLICY JSC Skopje	
10	HALK INSURANCE JSC Skopje	
11	CROATIA INSURANCE JSC - Non-life Insurance Undertaking	
12	CROATIA Insurance JSC - Life Insurance Undertaking	
13	GRAWE Insurance JSC Skopje	
14	JSC on Insurance WINNER Life – Vienna Insurance Group Skopje	
15	Insurance Undertaking UNIQA Life JSC Skopje	
16	TRIGLAV Life Insurance JSC Skopje	

Source: *ISA*

Insurance companies at the end of 2020 employ 1.876 workers, which is a decrease of 3.70 of hired labor compared to 2019 (2019: 1,948).

3.1.1. Ownership structure

Insurance companies are predominantly owned by foreign legal entities in the financial sector (80.11%), which are partially or fully present in 14 out of 16 insurance companies on the market in total (Table 2). 12 insurance companies are part of insurance groups based in EU member states, while two insurance companies are fully owned by domestic investors.

Table 2: Ownership structure of the insurance companies (percentage)

	2020	2019	2018
1. Foreign shareholders	80.11%	79.51%	87.29%
1.1. Natural persons	0.33%	0.04%	0.05%
1.2. Non-financial legal entities	0.00%	0.00%	0.00%
1.3. Financial institutions	79.78%	79.46%	87.24%
2. Domestic shareholders	19.86%	20.46%	12.67%
2.1. Natural persons	4.88%	4.97%	5.86%

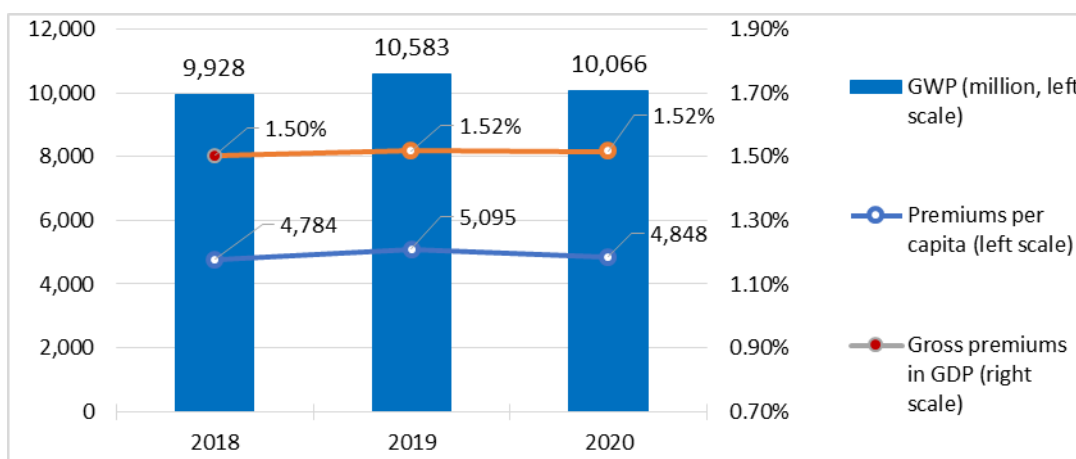
2.2. Non-financial legal entities	0.61%	0.91%	5.10%
2.3. Financial institutions	14.37%	14.58%	1.72%
3. State-ownership	0.03%	0.03%	0.04%
TOTAL	100.00%	100.00%	100.00%

Source: ISA

3.1.2. Insurance market development

The basic indicator that measures the degree of development of the insurance market is the degree of penetration and the degree of density¹. Data on the level of insurance penetration in 2020 show that total GWP in the country participates with 1.52% in the gross domestic product which is the same as the previous year (2019: 1.52%) while the degree of density is 4,848 MKD per capita², which is a decrease of 4.85% compared to the previous year (Chart 1).

Chart 1: Insurance market development indicators (million MKD; right axis - percentage)



The insurance sector in the Republic of North Macedonia is characterized by low concentration which is a prerequisite for functional market competition. The Herfindahl index, calculated through GWP, in 2020 is 769.56 (2019: 792.42). A similar result shows the measurement of the index through the assets of insurance companies - 838.02 in 2020 (2019: 821.71)³.

Analyzed by groups of insurances, higher concentration is present in life insurance, due to the small number of companies in this domain. In life insurance companies, the Herfindahl index, measured according to GWP is 2,788.97 (2019: 3,157.74), while, measured according to the assets of the companies, is 3,077.21 (2019: 3,083.38).

In non-life insurance, the indicators show a low concentration, with the measurement through the Herfindahl index according to GWP in 2020 being 1,003.06 (2019: 1,020.43) and showing a decrease

¹ The degree of penetration is calculated as the ratio of gross written premium and gross domestic product, and the degree of density as the ratio of gross written premium and the number of inhabitants in the country

² The data on the number of inhabitants is for 2019, as the last published data on the population from the SSO.

³ The Herfindahl index is calculated according to the formula:

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

where S is the share of each insurance company in the total assets (gross written premium) of the insurance sector, and n is the total number of institutions in the respective segment. When the index moves in the range of 1,000 units to 1,800 units, the level of concentration of the insurance sector is considered acceptable.

compared to last year, while the same indicator measured by companies' assets is 1,070, 59 (2019: 1,058.79).

The CR5⁴ indicator, measured through the share in GWP of non-life insurance companies, in 2020 decreased by 56.86% (2019: 57.99%).

The following are tables showing the movements of the Herfindahl index and the concentration indicator of the first five insurance companies (CR5):

Table 3: Herfindahl index and CR5 index measured according to GWP

	2020		2019		2018	
	Herfindahl	CR5	Herfindahl	CR5	Herfindahl	CR5
Whole sector	769.56	47.03%	792.42	47.87%	830.10	50.46%
Non-life	1,003.06	56.86%	1,020.43	57.99%	1,061.77	60.67%
Life	2,788.97	100.00%	3,157.74	100.00%	3,374.55	100.00%

Source: ISA

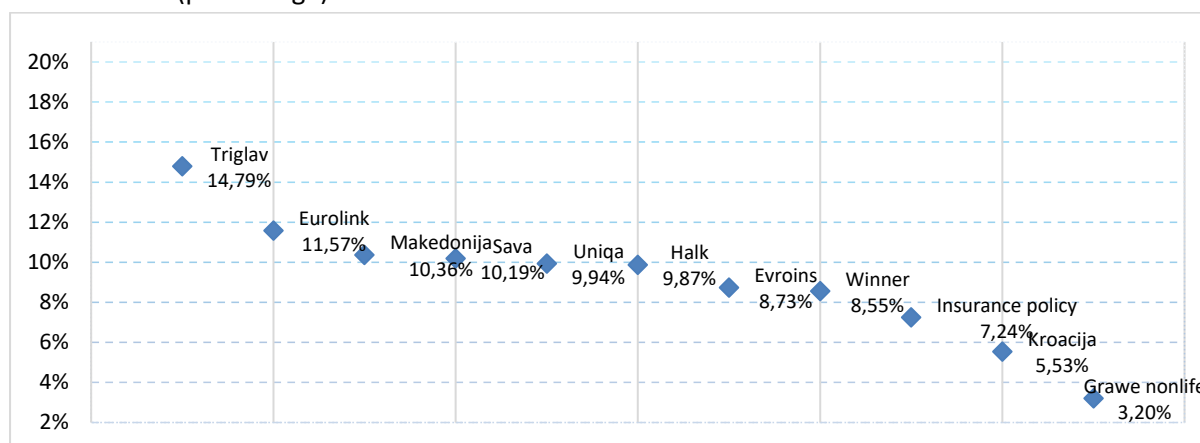
Table 4: Herfindahl index and CR5 index measured according to assets

	2020		2019		2018	
	Herfindahl	CR5	Herfindahl	CR5	Herfindahl	CR5
Whole sector	838.02	54.15%	821.71	53.50%	827.41	53.86%
Non-life	1,070.59	60.69%	1,058.79	60.64%	1,097.37	62.15%
Life	3,077.21	100.00%	3,083.30	100.00%	3,085.58	100.00%

Source: ISA

At the end of 2020, regarding the market concentration in the field of non-life insurance, 4 insurance companies cross the threshold of participation with over 10% in the total GWP. Thereby, on the insurance market in the Republic of North Macedonia, not a single company exceeds the threshold of over 20% market share (Chart 2).

Chart 2: Market concentration according to the gross written premium in 2020, in the group of non-life insurance (percentage)

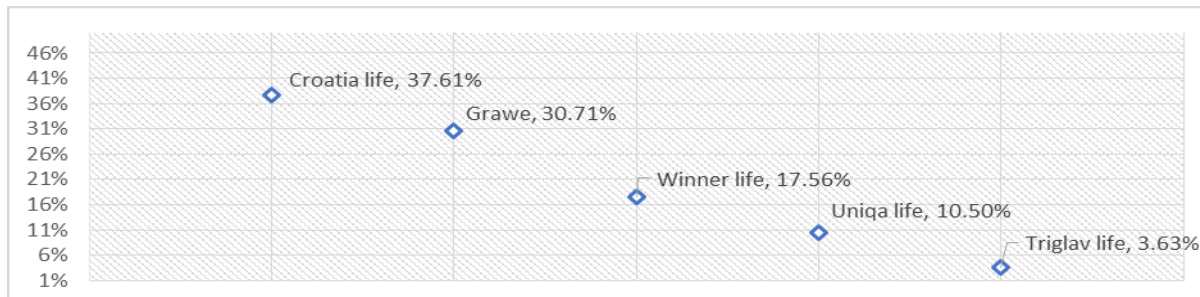


Source: ISA

In the group of life insurance, two life insurance companies have a dominant share (Chart 3).

⁴ The CR5 indicator represents the share of the first 5 insurance companies with the largest share in the overall structure.

Chart 3: Market concentration according to the gross written premium in 2020, in the group of life insurance (percentage)



Source: ISA

3.1.3. Gross written premium

GWP in insurance and reinsurance in non-life insurance companies includes all amounts of premium that are agreed (written policies) in the current accounting period, whether they fully or partially refer to the next period, whereas in life insurance the total policy premium includes all premiums paid by the end of the accounting period.

In 2020, GWP in total amount of 10.06 billion MKD was realized (Table 5), which is a decrease of 4.89% compared to GWP realized in 2019 (2019: 10.58 billion MKD).

Table 5: Gross written premium by insurance classes (thousands MKD)

Insurance class	Gross written premium (GWP)		Dynamics	Share in the total GWP	
	2020	2019	20/19	2020	2019
01. Accident Insurance	748,395	694,16	7.81%	7.43%	6.56%
02. Health Insurance	273,649	188,885	44.88%	2.72%	1.78%
03. Motor vehicle insurance- Casco	823,735	838,236	-1.73%	8.18%	7.92%
05. Aircraft Insurance - Casco	9,084	53,321	-82.96%	0.09%	0.50%
06. Vessel Insurance - Casco	1,104	565	95.40%	0.01%	0.01%
07. Insurance of goods in transit - Casco	84,696	81,562	3.84%	0.84%	0.77%
08. Property insurance against fire	768,207	751,603	2.21%	7.63%	7.10%
09. Other property insurance	1,092,265	1,020,798	7.00%	10.85%	9.65%
10. Motor third party liability/MTPL	4,136,297	4,577,080	-9.63%	41.09%	43.25%
11. Aircraft third-party liability insurance	6,787	14,336	-52.66%	0.07%	0.14%
12. Water vessel third-party liability insurance	2,709	3,063	-11.56%	0.03%	0.03%
13. Other liability insurance	211,97	226,948	-6.60%	2.11%	2.14%
14. Credits	25,158	12,927	94.62%	0.25%	0.12%
15. Insurance of guarantees	536	1241	-56.81%	0.01%	0.01%
16. Insurance against financial loss	64,478	67,203	-4.05%	0.64%	0.63%
17. Legal Protection	8	5	60.00%	0.00%	0.00%
18. Travel assistance insurance	76,325	220,692	-65.42%	0.76%	2.09%
19. Life Insurance	1,438,761	1,603,231	-10.26%	14.29%	15.15%
20. Insurance of marriage or childbirth	0	1,02	/	0.00%	/
21. Unit-linked insurance	301,742	226,538	33.20%	3.00%	2.14%
Total	10,065,906	10,583,414	-4.89%	100.00%	99.99%
Total Non-Life Insurance	8,325,403	8,752,625	-4.88%	82.71%	82.70%
Total Life Insurance	1,740,503	1,830,789	-4.93%	17.29%	17.30%

Source: ISA

The negative trend is present in both segments of insurance, with the non-life insurance realizing GWP in amount of 8.32 billion MKD (2019: 8.75 billion MKD), or 82.71% of the total GWP of the insurance sector, and represents an increase of 4.88% compared to 2019. During 2020, no reinsurance premium was realized (2019: 0).

Individually, compared to 2019, a decrease in GWP was registered in 8 non-life insurance companies (Table 6).

Table 6: Gross written premium in non-life insurance companies (in thousands MKD)

NO.	Insurance companies	Gross written premium (GWP)		Dynamics	Share in the total GWP	
		2020	2019	20/19	2020	2019
1	TRIGLAV	1,231,614	1,424,892	-13.56%	14.79%	16.28%
2	EUROLINK	963,579	1,013,069	-4.89%	11.57%	11.57%
3	MAKEDONIJA	862,860	927,978	-7.02%	10.36%	10.60%
4	SAVA	848,398	886,426	-4.29%	10.19%	10.13%
5	UNIQA	827,544	823,176	0.53%	9.94%	9.40%
6	HALK	821,730	523,287	57.03%	9.87%	5.98%
7	EUROINS	726,996	813,562	-10.64%	8.73%	9.30%
8	WINNER	712,129	808,989	-11.97%	8.55%	9.24%
9	INSURANCE POLICY	602,980	710,064	-15.08%	7.24%	8.11%
10	CROATIA NON-LIFE	460,756	459,102	0.36%	5.53%	5.25%
11	GRAWE NON-LIFE	266,817	362,080	-26.31%	3.20%	4.14%
	TOTAL NON-LIFE	8,325,403	8,752,625	-4.88%	100.00%	100.00%

Source: ISA

In the part of life insurance, which represents 17.29% of the total GWP of the insurance sector, GWP in amount of 1.74 billion MKD was realized (2019: 1.83 billion MKD), which is a decrease of 4.93% compared to 2019.

Individually, compared to 2019, an increase in GWP was observed in three life insurance companies (Table 7).

Table 7: Gross written premium in life insurance companies (in thousands MKD)

No.	Insurance company	Gross written premium (GWP)		Dynamics	Share in the total GWP	
		2020	2019	20/19	2020	2019
1	CROATIA LIFE	654,532	805,885	-18.78%	37.61%	44.02%
2	GRAWE	534,483	548,376	-2.53%	30.71%	29.95%
3	WIENER LIFE	305,663	291,559	4.84%	17.56%	15.93%
4	UNIQA LIFE	182,689	147,842	23.57%	10.50%	8.08%
5	TRIGLAV LIFE	63,136	37,127	70.05%	3.63%	2.03%
	TOTAL LIFE	1,740,503	1,830,789	-4.93%	100.00%	100.00%

Source: ISA

One of the most appropriate indicators of the volume of work performed by insurance companies is the analysis of the volume of work performed by different classes of insurance. Thus, through the data on GWP by insurance classes, the market structure of all insurance companies in 2020 is additionally shown (Table 8).

Table 8: Gross written premium for the period 01.01.2020- 31.12.2020 (thousands MKD)

Lines of business	nonlife											Total
	Makedonija	Triglav	Sava	Evroins	Eurolink	Winner	Grawe	Uniqa	Ins. Policy	Halk	Croacija	
01. Accident	84,864	121,866	85,721	30,226	133,116	37,523	13,325	60,224	36,611	65,946	78,973	748,395
02. Health	2,251	70,296	10,531	15,883	112,795	2,385	0	14,969	136	31,489	12,914	273,649
03. Motor vehicles (casco)	66,047	147,837	143,997	55,365	83,717	49,273	8,283	67,247	90,384	58,718	52,867	823,735
04. Railway vehicles (casco)	0	0	0	0	0	0	0	0	0	0	0	0
05. Aircrafts (casco)	0	0	0	0	2,483	6,601	0	0	0	0	0	9,084
06. Vessels (casco)	6	309	121	21	74	347	0	49	124	53	0	1,104
07. Cargo	22,012	25,625	2,672	8,694	4,983	3,755	0	11,402	693	3,601	1,259	84,696
08. Property, fire and nat.forces	125,571	73,170	59,910	185,320	124,865	15,659	3,638	51,929	42,052	44,462	41,631	768,207
09. Property, other	268,828	206,763	114,244	72,795	76,911	91,469	1,656	51,324	12,316	183,101	12,858	1,092,265
10. MTPL (total)	242,389	478,534	394,166	349,762	357,363	487,092	236,642	528,436	400,386	408,606	252,921	4,136,297
11. Aircraft's liability	0	152	0	0	1,617	4,733	0	0	285	0	0	6,787
12. Vessel's liability	156	477	729	90	415	106	0	189	445	99	3	2,709
13. General liability	38,155	38,953	10,651	5,574	53,025	9,849	615	27,417	13,153	12,138	2,440	211,970
14. Credit	680	5,618	9,762	0	0	0	0	0	0	9,098	0	25,158
15. Suretyship	3	196	12	62	72	0	0	0	63	128	0	536
16. Financial losses	7,777	44,357	3,630	328	274	0	0	7,816	0	106	190	64,478
17. Legal expenses	0	0	0	0	0	0	0	0	0	3	5	8
18. Tourists assistance	4,121	17,461	12,252	2,876	11,869	3,337	2,658	6,542	6,332	4,182	4,695	76,325
Total	862,860	1,231,614	848,398	726,996	963,579	712,129	266,817	827,544	602,980	821,730	460,756	8,325,403

Lines of business	life					Total
	Croatia	Grawe	Winner	Uniqa	Triglav	
19. Life assurance	586,306	522,031	145,426	121,905	63,093	1,438,761
20. Insurance of marriage or childbirth	0	0	0	0	0	0
21. Unit- linked	68,226	12,452	160,237	60,784	43	301,742
Total	654,532	534,483	305,663	182,689	63,136	1,740,503

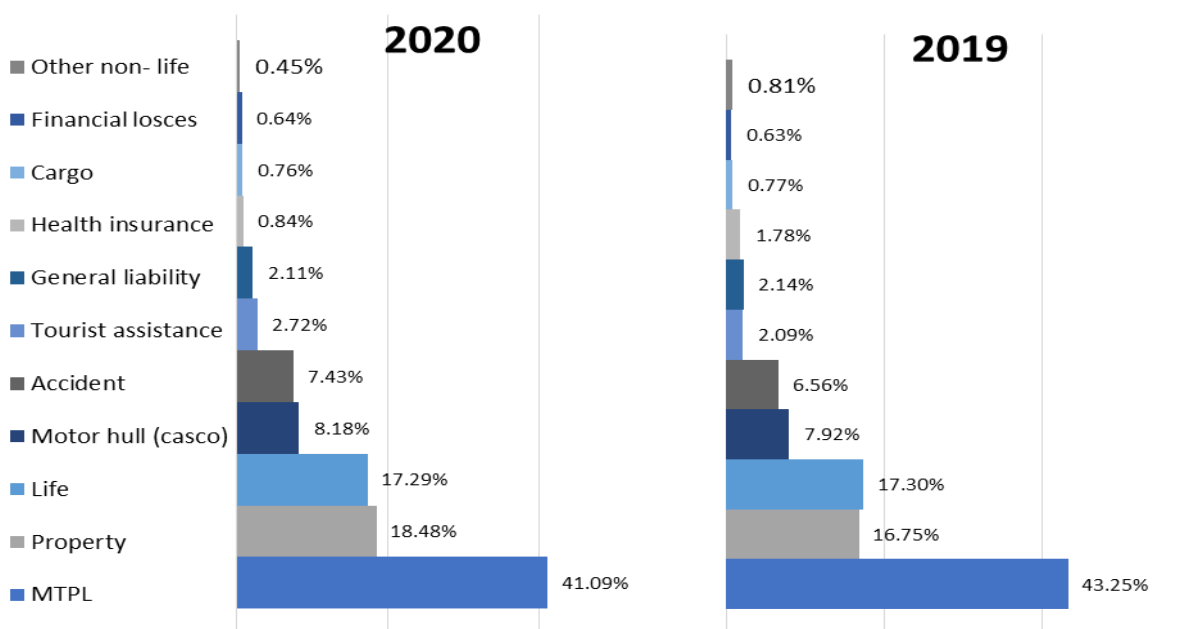
Total:	10,065,906
---------------	-------------------

Source: ISA

3.1.4. GWP share structure

The most significant share in the total GWP has the motor vehicle insurance with 49.28% (2019: 51.17%), which consists of the dominant compulsory auto liability insurance (MTPL), which participates with 41.09% (2019: 43,25%), and from the voluntary insurance of motor vehicles (casco) which participates with 8.18% (2019: 7.92%). An important place in the GWP structure has the property insurance with 18.48% (2019: 16.75%), life insurance with a share of 17.29% (2019: 17.30%) and accident insurance with share of 7.43% (2019: 6.56%). The structure of significant classes of insurance, as well as the comparison with 2019, is presented in Chart 4.

Chart 4: GWP structure by classes of insurance (percentage)



Source: ISA

GWP decrease of 9.63% compared to 2019 was recorded in the class of auto liability insurance (MTPL) with a total premium of 4.14 billion MKD (2019: 4.58 billion MKD), and a decrease in the number of concluded contracts of 12.63%, as well as casco insurance of motor vehicles with a decrease of 1.73% and a total premium of 823.73 million MKD (2019: 838.24 million), amid simultaneous increase in the number of concluded contracts of 0.43%.

Property insurance increased by 4.97% with GWP of 1.86 billion MKD (2019: 1.77 billion MKD), amid simultaneous growth in the number of concluded contracts by 3.75%. Analyzing by groups, among individuals there is an increase of 1.91% of the concluded contracts, followed by an increase of 4.49% of GWP, whereas for legal entities there is an increase of 9.81% of the concluded contracts, and an increase of 5.73% of GWP.

Within the property insurance, in agricultural insurance there is a decrease of 1.37% in the number of concluded contracts, and an increase of 24.81% in the realized GWP for agricultural insurance which amounts to 482.53 million MKD (2019: GWP of 386,63 million MKD).

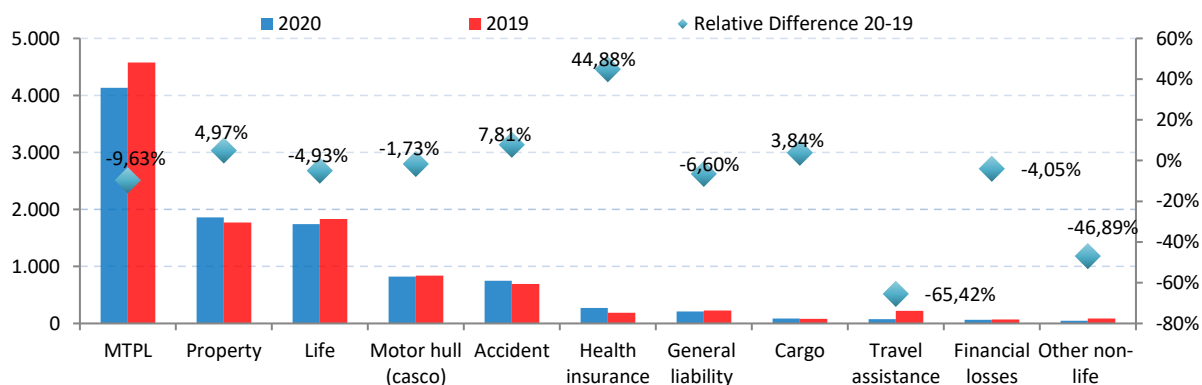
In 2020, there is a large increase in the sale of health insurance with 10,706 concluded health insurance contracts with a total GWP of 273.65 million MKD, which, compared to 2019, represents an increase of 35.60% of the number of concluded contracts , i.e. 44.88% of the total GWP.

In life insurance, GWP in amount of 1.74 billion MKD (2019: 1.83 billion) was realized, which is a decrease of 4.93%, with life insurance participating with 17.29% in the total GWP of the insurance sector.

In the traditional life insurance (class 19) a negative trend of GWP growth in amount of 1.44 billion (2019: 1.60) continues, which is a decrease of 10.26%, with a decrease in the number of newly concluded insurance life contracts of 25.76%, mostly of the type of term life insurance contracts (risiko). In life insurance, when the investment risk is borne by the insured (class 21), the expressed upward trend of 33.20% continues, with realized GWP of 301.74 million MKD (2019: 226.54 million MKD) and a decrease of concluded contracts of 8.15%.

Chart 5 shows the trend of GWP in major insurance classes.

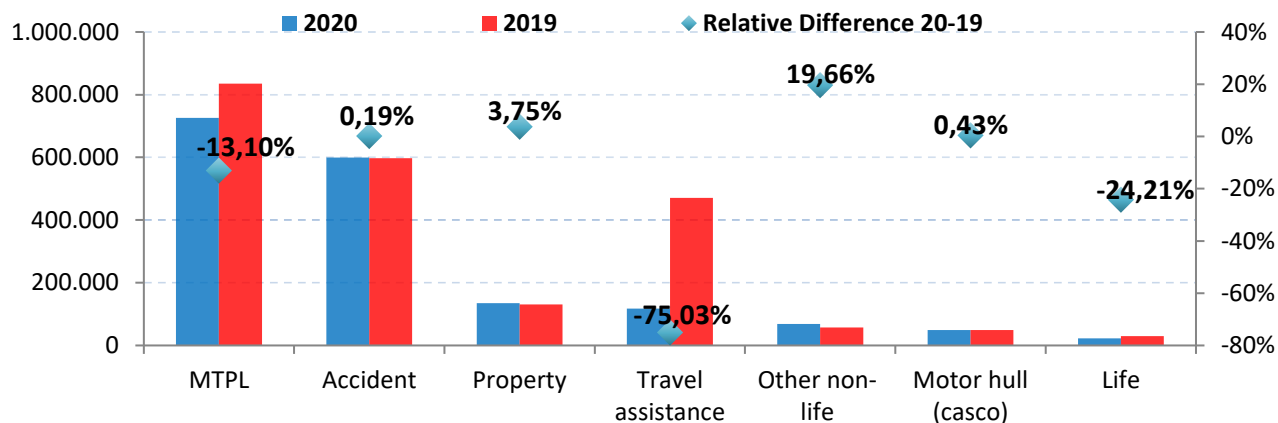
Chart 5: Trend of GWP in major insurance classes (million MKD; right axis - percentage)



Source: ISA

During 2020, the insurance companies concluded 1,166,439 contracts, with a decrease of 27.48% compared to 2019 when 1,608,546 contracts were concluded. Out of the total number of concluded contracts, 1,143,766 policies are within the scope of non-life insurance, which is a decrease of 27.55% compared to the number of policies in 2019 (2019: 1,578,629 policies), while 22,673 are life insurance policies, which is a decrease of 24.21% compared to 2019. The change in the number of concluded contracts in more significant insurance classes is presented in Chart 6.

Chart 6: Concluded contracts in insurance companies (number; right axis - percentage)



Source: ISA

3.1.5. Gross claims paid

Insurance companies in 2020 paid gross amount of claims of 4.00 billion MKD (Table no. 9). Compared to 2019, gross claims paid decreased by 0.63% (2019: 4.03 billion MKD). The share of reinsurance in the gross claims paid is 14.62%.

Table 9: Claims paid by insurance classes (thousands of MKD)

Insurance classes	2020	Share	2019	Share	Dynamics 20/19
Motor third-party liability (MTPL)	1,880,406	46.95%	2,060,176	51.11%	-8.73%
Motor vehicles insurance (casco)	630,199	15.73%	483,427	11.99%	30.36%
Property insurance	483,812	12.08%	542,704	13.46%	-10.85%
Accident insurance	396,887	9.91%	421,000	10.44%	-5.73%
Life insurance	436,891	10.91%	347,218	8.61%	25.83%
Travel assistance insurance	48,110	1.20%	67,163	1.67%	-28.37%
Other insurance – non-life	129,197	3.23%	109,265	2.71%	18.24%
Total	4,005,502	100.00%	4,030,953	100.00%	-0.63%

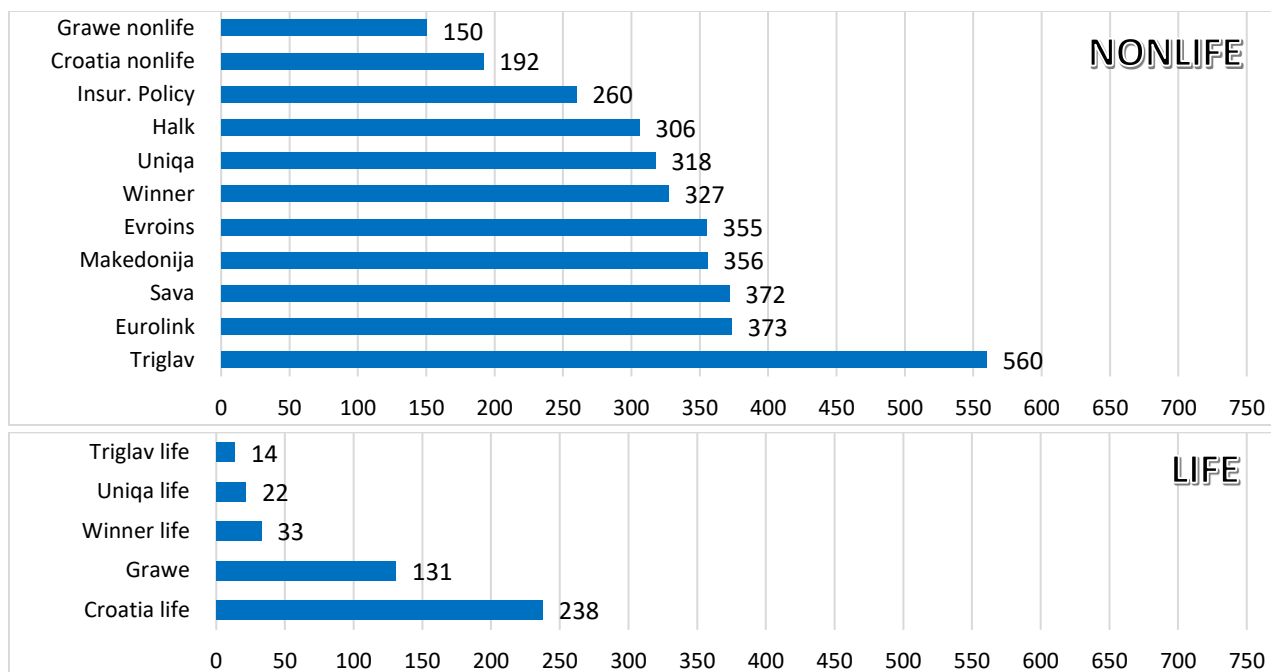
Source: ISA

In the structure of gross claims paid, the largest share belongs to auto liability claims with 46.95%, followed by paid claims for casco insurance for motor vehicles with 15.73%, property insurance claims with a share of 12.08%, insurance claims from accident with 9.91% and 15.33% are paid damages in the other classes of insurance.

In the field of property insurance, a significant part is taken by agricultural insurance with a share of 50.29% and a total of paid damages of 316.85 million MKD.

Chart 7 shows the individual share of the insurance companies in the total amount of paid claims for 2020.

Chart 7: Share of the insurance companies in gross paid claims in 2020 (in thousands MKD), separately for life and non-life



Source: ISA

3.1.6. Assets and liabilities

3.1.6.1. Assets structure

The value of the assets of the insurance companies on 31.12.2020 was 25.97 billion MKD and is higher by 7.34% compared to the total assets of the insurance companies in 2019 (Table no. 10).

The investments have the largest share of 74.44% in the structure of the assets of the insurance companies (2019: 76.02%), and they have increased by 5.12% compared to the invested assets in 2019. Within the investments, the most significant share of 92.46% belongs to the category of other financial investments and it has an increase of 6.19% compared to the previous year.

This category includes: financial investments available for sale (49.30%), deposits in banks, loans and other placements (34.73%), financial investments held until maturity (12.02%) and financial investments for trading (3.95%). The next more significant category is the investments in land, construction facilities and other tangible assets (6.22%) which decreased by 7.53%, compared to 2019. In addition, part of the investments are the financial investments in companies in a group - subsidiaries, associates and jointly controlled entities, which participate with 1.32% in the total investments and have decreased by 0.96%.

Table 10: Assets structure of the insurance companies (in thousands MKD)

	31.12.2020	Share	31.12.2019	Share	Dynamics 20/19
Intangible assets	74,013	0.29%	73,841	0.31%	0.23%
Investments	19,111,645	74.44%	18,181,249	76.02%	5.12%
Part for co-insurance and re-insurance in gross technical reserves	1,712,094	6.67%	1,281,907	5.36%	33.56%
Financial investments where the insured person undertakes the investment risk (insurance contracts)	393,704	1.53%	239,766	1.00%	64.20%
Deffered and current tax assets	14,664	0.06%	19,012	0.08%	-22.87%
Receivables	3,004,606	11.70%	2,730,388	11.42%	10.04%
Other assets	563,415	2.19%	574,435	2.40%	-1.92%
Active valuation reserves	799,961	3.12%	817,350	3.42%	-2.13%
Non-current assets held for sales and non-current operations	0	0.00%	0	0.00%	0.00%
TOTAL ASSETS	25,674,102	100.00%	23,917,950	100.00%	7.34%

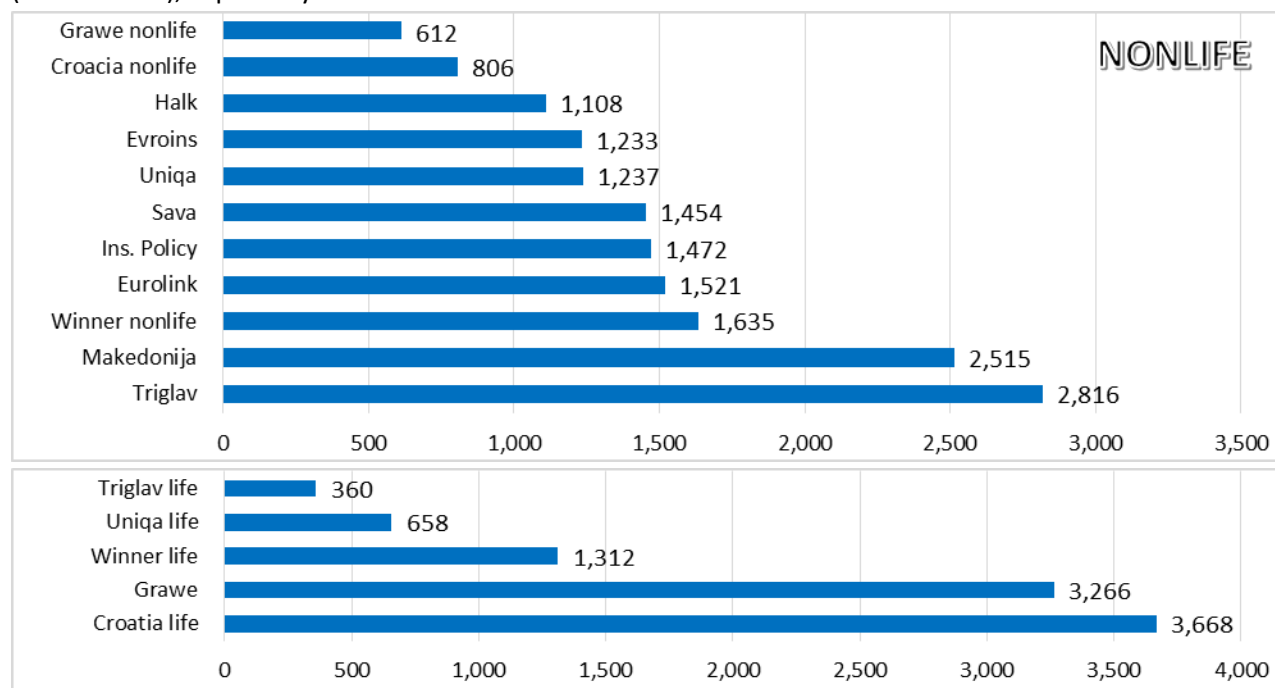
Source: ISA

Next in significance, with a share of 11.70% in the structure of assets, are receivables and they have increased by 10.04% compared to receivables in 2019 (2019: 11.42%). Receivables include receivables from direct insurance operations (which include receivables from insured persons, receivables from intermediaries and other receivables from direct insurance operations), receivables from co-insurance and reinsurance operations and other receivables. The largest share of 79.09% belongs to receivables on direct insurance operations in amount of 2.38 billion MKD and has increased by 9.67% compared to 2019. Receivables from co-insurance and reinsurance activities amounted to 106.19 million MKD (3.53% of total receivables) and decreased by 30.85% compared to 2019, as a result of reduced receivables on the basis of participation in compensation from co-insurance and reinsurance. Other receivables amount to 522.05 million MKD (17.38% of the total receivables) and they are higher by 8.20% compared to 2019.

Although with a share of 1.53% in the structure of assets, the highest relative increase of 64.20% is found in financial investments in which the insured assumes the investment risk. Life insurance companies operating in class 21 (Life insurance in case the investment risk is borne by the insured) are obliged to invest these funds, which serve as a cover of the special reserve in accordance with Article 94 of the Law on Insurance Supervision, to invest in shares of open-end investment funds registered in the Register of Investment Funds in the Republic of North Macedonia, and maintained by the Securities and Exchange Commission of the Republic of North Macedonia.

The structure of the participation of insurance companies in the total assets of the insurance sector is shown in Chart 8.

Chart 8: Structure of the share of insurance companies in the total assets of the insurance sector in 2020 (million MKD), separately for life and non-life



Source: ISA

If the assets structure is analyzed in the insurance companies, it could be concluded that the main category in life insurance companies is investments in state debt securities and bank deposits. On the other hand, the non-life insurance companies have a more diverse assets structure where investments in state debt securities and deposits in banks are one half of the total assets value, whereas the other half is represented by the receivables, part of the gross technical reserves transferred in re-insurance, real estate and other tangible and intangible assets, investments in shares in open investment funds, accruals, investments in shares as well as investments in Guarantee Fund of the National Insurance Bureau.

The value of the separate assets categories and the percentage share in the total assets at the last day of 2020 and 2019, regarding the segment of non-life insurance and life insurance, is shown in Tables 11 and 12.

Table 11: Assets structure of non-life insurance companies (thousands of MKD)

Asset category	31.12.2020	Share	31.12.2019	Share
Deposits in banks and money	4,408,140	26.86%	4,460,942	28.48%
Government securities	4,246,559	25.88%	4,037,526	25.78%
Receivables	2,690,344	16.39%	2,453,434	15.67%
Technical reserve - part in reinsurance	1,589,433	9.69%	1,171,681	7.48%
Real estate and intangible assets	1,330,083	8.11%	1,424,330	9.09%
Shares in investment funds	792,804	4.83%	760,648	4.86%
Accruals	791,571	4.82%	808,110	5.16%
Shares/stocks	320,368	1.95%	303,719	1.94%
Shares in the NIB	185,742	1.13%	185,147	1.18%

Other	55,213	0.34%	55,448	0.35%
Total	16,410,256	100.00%	15,660,985	100.00%

Source: ISA

Table 12: Assets structure of life insurance companies (thousands of MKD)

Asset category	31.12.2020	Share	31.12.2019	Share
Government securities	6,125,446	66.12%	5,535,132	66.95%
Deposits in banks and money	1,995,164	21.54%	1,827,502	22.11%
Financial investments in which the insured assumes the investment risk	393,704	4.25%	239,766	2.90%
Receivables, loans and advances	386,629	4.17%	344,594	4.17%
Real estate and intangible assets	131,330	1.42%	123,977	1.50%
Technical reserve - part in reinsurance	122,661	1.32%	110,226	1.33%
Shares in investment funds	99,027	1.07%	75,962	0.92%
Other	8,565	0.09%	9,824	0.12%
Shares/stocks	1,320	0.01%	0	0.00%
Total	9,263,846	100.00%	8,266,984	100.00%

Source: ISA

3.1.6.2. Liabilities structure

The sources of assets of insurance companies in 2020 increased by 7.34% compared to 2019 (Table no. 13).

The largest share of 60.39% in the structure of the sources of assets of the insurance companies, have gross technical reserves (2019: 59.74%) and they have an increase of 8.50% compared to the previous year.

The next category, with a share of 29.36% in the structure of the sources of assets, are the capital and reserves, which increased by 5.85%.

The liabilities of insurance companies, which participate in the structure of sources with 6.27% (2019: 7.30%), decreased by 7.75% compared to the previous year. In the structure of liabilities, other liabilities (49.34%), liabilities from reinsurance and co-insurance (43.76%) and liabilities from direct insurance (6.89%) have the largest share.

Table 13: Structure of sources of assets of the insurance companies (MKD)

	31.12.2020	Share	31.12.2019	Share	Dynamics 20/19
Capital and reserves	7,537,570	29.36%	7,120,892	29.77%	5.85%
Subordinated liabilities	157,269	0.61%	156,790	0.66%	0.31%
Gross technical reserves	15,503,358	60.39%	14,289,238	59.74%	8.50%
Gross technical reserves related to contracts where the insured assumes the investment risk	396,819	1.55%	239,766	1.00%	65.50%
Other reserves	71,441	0.28%	73,463	0.31%	-2.75%
Deferred and current tax liabilities	52,131	0.20%	34,644	0.14%	50.48%

Liabilities arising from deposits of insurance companies for reinsurers, on the basis of reinsurance	86,424	0.34%	66,660	0.28%	29.65%
Liabilities	1,609,890	6.27%	1,745,161	7.30%	-7.75%
Deferrals	259,200	1.01%	191,335	0.80%	35.47%
Total Liabilities and Capital	25,674,102	100.00%	23,917,950	100.00%	7.34%

Source: ISA

3.1.7. Technical provisions

The total amount of technical provisions of non-life insurance companies at the end of 2020 amounted to 8.74 billion denras, i.e. 6.03% increase compared to the previous year, while the total amount of technical provisions of non-life insurance companies performing insurance activities in the group of life insurance amounted to 7.16 billion MKD, which is an increase of 13.91% compared to the previous year.

Table 14: Structure and change of technical provisions (thousand MKD)

Technical provisions structure	Non-life			Life			Total		
	2020	2019	20/19	2020	2019	20/19	2020	2019	20/19
Claims provisions	4,837,104	4,124,483	17.28%	92,127	92,033	0.10%	4,929,231	4,216,516	16.90%
Unearned paid premium provisions	3,849,932	4,009,126	-3.97%	35,786	35,973	-0.52%	3,885,718	4,045,099	-3.94%
Mathematical provisions	0	0	0.00%	6,909,617	6,035,373	14.49%	6,909,617	6,035,373	14.49%
Provisions for bonuses and rebates	46,108	87,223	-47.14%	120,252	120,186	0.05%	166,360	207,409	-19.79%
Other technical provisions	9,240	24,595	-62.43%	0	0	0.00%	9,240	24,595	-62.43%
Total	8,742,384	8,245,427	6.03%	7,157,782	6,283,565	13.91%	15,900,166	14,528,992	9.44%

Source: ISA

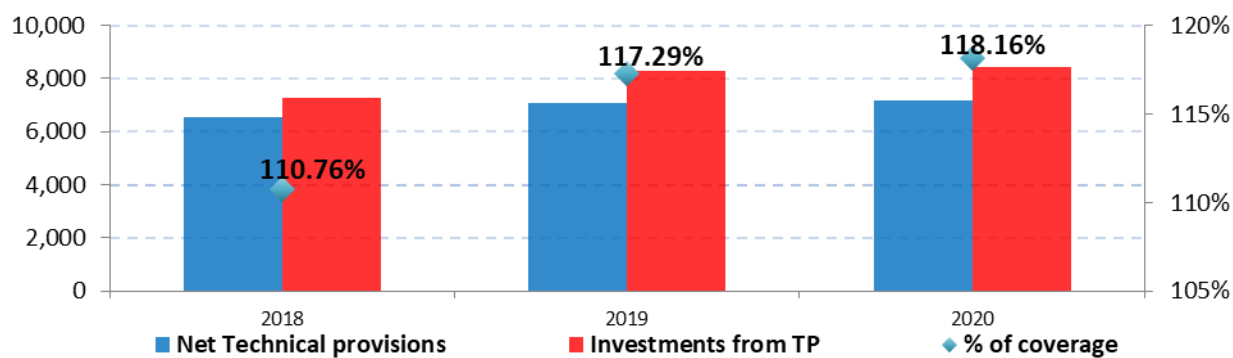
In the structure of technical reserves, claims provisions and the unearned paid premium provisions have the largest share, and in insurance companies that perform insurance activities in the life group, after these categories, follow the mathematical reserve (Table no. 14).

3.1.8. Assets covering the technical provisions

Assets that cover technical reserves are the assets of the insurance company that serve to cover the future liabilities arising from the insurance contracts, as well as to cover the possible losses in relation to those risks related to performing insurance activities, for which the company for insurance is obliged to allocate funds to cover net technical reserves. The insurance company is obliged to invest funds in amount at least equal to the value of technical reserves, net of reinsurance, in accordance with the provisions of the Law on Insurance Supervision and in accordance with the Rulebook on types and characteristics of assets covering technical reserves and assets which cover the mathematical reserve, as well as detailed placement and limitation of those investments and their valuation ("Official Gazette of the Republic of Macedonia" no. 64/11, 127/14, 61/16 and 36/19).

The investments of the assets that cover the technical reserves of the non-life insurance companies, at the end of 2020 amounted to 8.45 billion denras and covered 118.16% (2019: 117.29%) of the total net technical reserves (Chart 9).

Chart 9: Coverage of net technical reserves in non-life insurance companies (million MKD; right axis – percentage)



Source: ISA

The assets that cover the technical reserves of the non-life insurance companies are placed in securities issued by the Republic of North Macedonia (48.99%), bank deposits (37.80%), and shares in investment funds (9.38%) and in stocks (2.67%). The amounts and the structure of the investments are shown in Table 15.

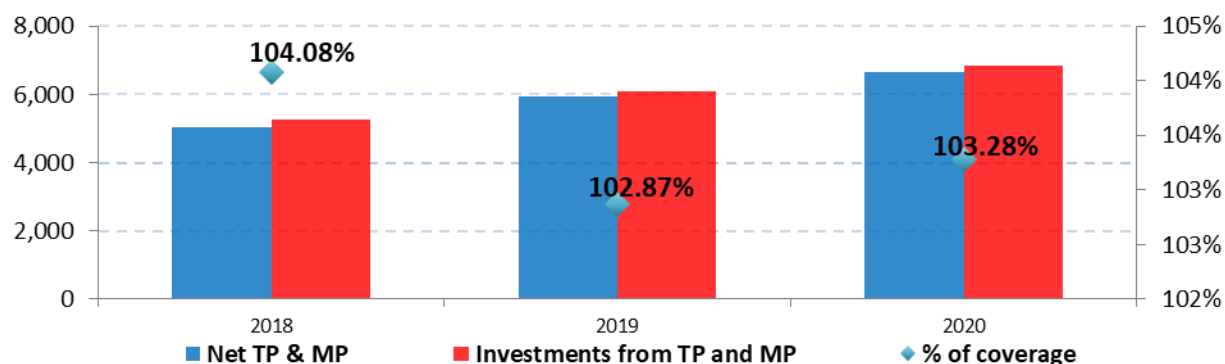
Table 15: Assets that cover the technical reserves of the non-life insurance companies (in thousands MKD)

	2020	2019	2018
Bank accounts and bank deposits	3,194,914	3,345,592	3,258,311
State securities	4,140,434	3,977,336	3,370,466
Stocks	225,563	213,021	120,472
Long-term securities issued in EU or OECD	0	0	36,407
Investment funds	792,804	760,648	474,738
Other	98,298	0	0
Total	8,452,012	8,296,596	7,260,394

Source: ISA

In the companies operating life insurance, the investments of the funds from the technical reserves and the mathematical reserve amounted to 6.85 billion MKD and have coverage of net technical reserves of 103.28% (2019: 102.87%) (Chart 10).

Chart 10: Coverage of net technical reserves in life insurance companies (million MKD; right axis - percentage)



Source: ISA

Life insurance companies place most of the assets covering the mathematical reserve in state securities issued by the Republic of North Macedonia (74.62%), bank deposits (24.12%), investment funds (0.53%) and in other financial instruments (0.73%) (Table 16).

Table 16: Assets covering technical reserves and mathematical reserve in life insurance companies (thousand MKD)

	2020	2019	2018
Bank accounts and bank deposits	1,653,448	1,454,971	1,106,998
State securities	5,116,003	4,562,433	4,052,740
Stocks	0	0	0
Long-term securities issued in EU or OECD	0	0	0
Investment funds	36,502	38,941	58,879
Other	49,892	45,512	38,272
Total	6,855,846	6,101,857	5,256,889

Source: ISA

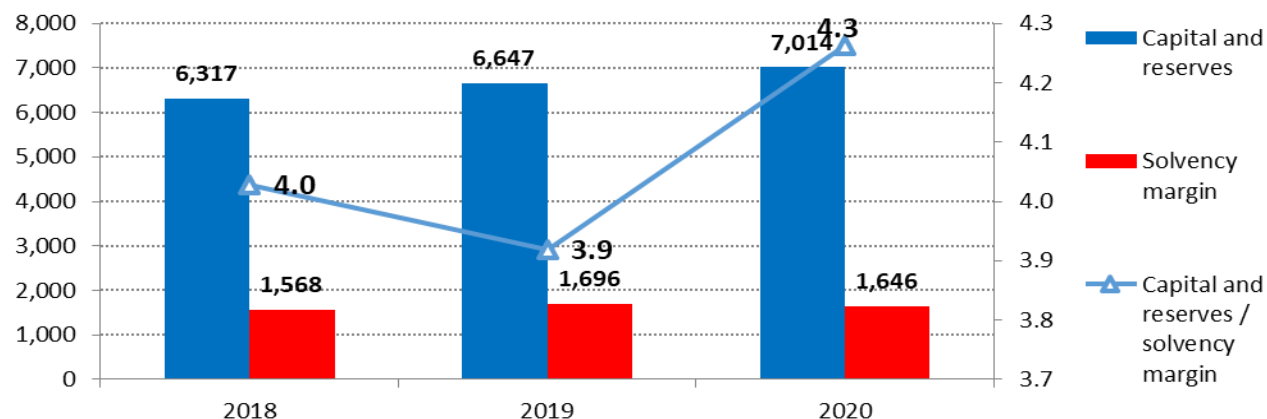
3.1.9. Capital and required level of solvency margin

In accordance with Articles 75 and 76 of the Law on Insurance Supervision, insurance companies must maintain the value of capital at least in the amount of the required level of the solvency margin. According to the data submitted to the ISA, at the end of 2020, the total calculated capital of insurance companies⁵ is 7.01 billion MKD, which is an increase of 5.53% compared to 2019. Analyzed by insurance groups, the capital of non-life insurance companies is 5.147 billion MKD, and of life insurance companies 1.54 billion MKD. Above 95% of the equity of insurance companies is core capital i.e. it stems from highest quality categories of assets i.e. from paid share capital of issued ordinary shares, legal (statute) reserves as well as accumulated retained earnings. The share of additional equity in the total capital of the insurance sector is really small. This makes us trust that financial status and solvency of the insurance sector are good.

⁵ Rulebook on the types and description of items that will be taken into account when calculating the capital of the insurance and/or reinsurance company ("Official Gazette of the Republic of Macedonia" No. 5/11, 64/11, 61/16 and 170/19)

The necessary solvency margin, as the main indicator for assessing the stability of the insurance sector, is 1.64 billion MKD (1.22 billion in non-life insurance and 421 million in life insurance), thus the capital of the insurance sector is 4.3 times above the solvency margin level. The movement of capital and the required solvency margin of insurance companies are shown in Chart 11.

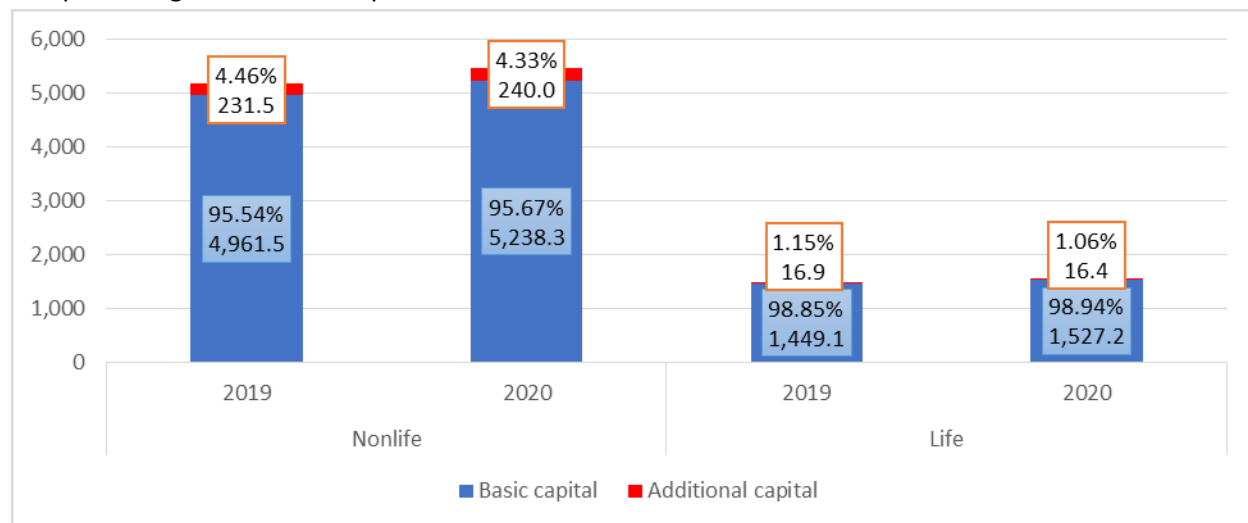
Chart 11: Movement of the capital and solvency margin in insurance companies (million MKD)



Source: ISA

As much as 95.67% of the total capital of the non-life insurance companies, i.e. 98.94% of the total capital of the life insurance companies is core capital, which is an indicator of the high quality of the items included in the calculation of the total capital, i.e. for the financial condition of insurance companies to respond to solvency risks in unpredictable adverse market circumstances.

Chart 12: Capital structure in the insurance companies (separately for life and non-life) in millions MKD and percentage of the total capital



Source:ISA

3.1.10. Financial result of the operations

During 2020, the insurance sector made a profit of 456.81 million MKD, compared to the realized profit of 25.37 million MKD in 2018 (Chart no. 12).

The non-life insurance companies realized a profit of 273.81 million MKD (2019: loss of 125.91 million) which comes from the result of ten companies that realized a profit in amount of 341.83 million MKD and one company that realized a loss in amount of 67.72 million MKD.

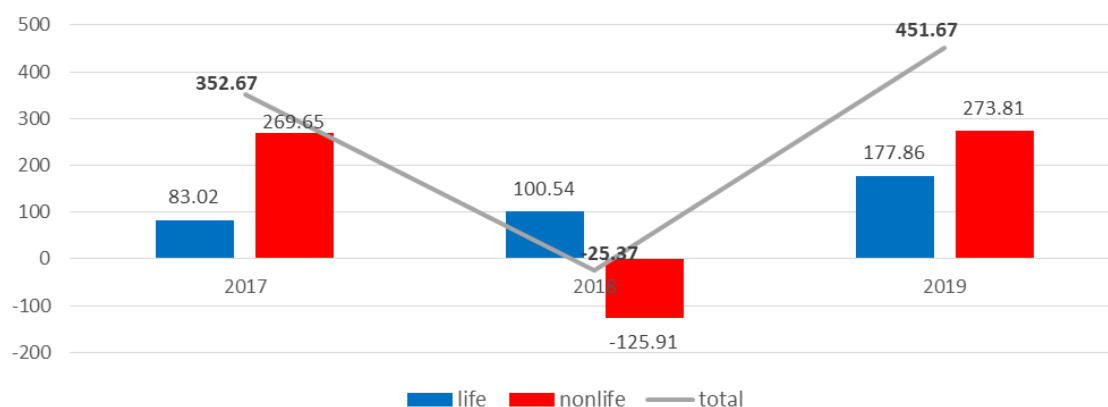
Life insurance companies made a profit of 177.86 million MKD (2019: profit of 100.54 million MKD), which comes from the result of four companies that made a profit of 198.64 million MKD and one company that realized a loss in the amount of 20.79 million MKD.

The improvement in profitability in the non-life insurance segment is the result of several movements. Namely, the decrease of the gross unearned paid premium provisions in 2020 is visible, which has a positive impact on the revenues from the earned premium in 2020, compared to the same realized in 2019. Then, the decrease in net claims incurred in 2020 compared to 2019 is evident (this decrease is primarily due to the reduced activity and assumed risks in insurance, in a period when the measures for restrictions and bans on travel abroad are in force and economic downturn due to the pandemic). An additional factor for the high profitability of life insurance companies is the temporary regulatory framework created by the ISA during the pandemic, in order to make corrections for late payments (which are a cost in the operation of each company) with extended deadlines, which obviously improve the financial statements of the companies in 2020 (i.e. until the interim regulations come into force).

Improving the profitability of life insurance companies is for reasons similar to non-life insurance companies. The growth of the mathematical reserve in 2020 is significantly smaller compared to the growth of the same in 2019. The growth of the mathematical reserve affects the increase of the total expenditures in the period.

The large variations in the profitability of the non-life insurance segment (if we analyze Chart 13 for the years 2018, 2019 and 2020), result from the significant improvement of the profitability in 2020 of two non-life insurance companies, which during 2019 performed significantly increase in the amounts of reserves for claims (liabilities), which contributed to end 2019 with large losses. In addition, during 2019, the two insurance companies performed an accounting adjustment of the value of the real estate with the requirements of the amended rulebook, reducing their value significantly. In both companies there were ownership changes, recapitalizations and changes in operations, which led to the financial results achieved in 2020 to be much better, compared to 2019.

Chart 13: Financial result of the insurance companies operations (million MKD)



Source: ISA

3.1.11. Indicators for the insurance sector

Indicators in the insurance industry are used to better monitor the work of insurance companies.

The **claim coefficient** is calculated as the ratio between the incurred damages in the period and the premium, and the **expenses coefficient** represents the ratio between the costs for conducting insurance and the premium. The sum of these two coefficients is given by the **combined coefficient**. More thoroughly, in insurance groups, Table 17 shows the ratios on a gross basis and on a net basis, after isolating the reinsurance effect.

Table 17: Technical coefficients

	2020			2019		
	Claims coefficient	Expenses coefficient	Combined coefficient	Claims coefficient	Expenses coefficient	Combined coefficient
Net coefficient						
Non-life	47.82%	51.41%	99.23%	52.50%	51.46%	103.96%
Life	76.99%	28.98%	105.96%	76.66%	32.72%	109.38%
Total	53.77%	46.83%	100.60%	57.63%	47.48%	105.11%
Gross coefficient						
Non-life	50.09%	45.16%	95.25%	47.94%	45.44%	93.38%
Life	75.33%	28.87%	104.20%	75.60%	32.47%	108.07%
Total	54.43%	42.36%	96.79%	52.94%	43.09%	96.03%

Source: ISA

Return on investment (ROI) is calculated as the ratio of income reduced to investment costs and the amount of investments. The return on investment at the industry level for 2020 is 2.96%, which indicates slight increase in comparison to last year (2019: 2.46%). Separately, by insurance groups, we notice that the return

on investments in non-life insurance in 2020 is 2.42%, compared to the realized 1.42% in 2019, whereas in life insurance in 2020 this rate is 3.69%, which is a decrease compared to the previous year when was 4.00%.

Return on assets (ROA) is calculated as a ratio of net-profit and total assets. At the industry level, this indicator is 1.76%, which means an increase compared to the previous year when it was -0.11%. Separately, by insurance groups, the return on assets in non-life insurance in 2020 is 1.67%, compared to -0.80% in 2019, and in life insurance in 2020 is 1.92% compared to the previous year when it was 1.22%.

Return on equity (ROE) is calculated as a ratio of net-profit and the category of capital and reserves. At the industry level, this indicator is 5.99%, compared to -0.36% in 2020. Separately, by insurance groups, the return on equity in non-life insurance in 2020 is 4.74%, which is an increase compared to the previous year when it was -2.28%, and in life insurance in 2020 is 10.13%, which indicates an increase compared to 2019 when it was 6.29%.

Debt ratio is calculated as the ratio of total liabilities and total assets. This coefficient shows how much of the assets are financed by liabilities (technical reserves and other liabilities), excluding capital and legal reserves. In 2020, this coefficient is 70.64%, which is a slight increase compared to 2019 when it was 70.23%.

An overview of all these financial indicators is given in Table 18.

Table 18: Financial indicators

	2020				2019			
	ROI	ROA	ROE	Debt ratio	ROI	ROA	ROE	Debt ratio
Non-life	2.42%	1.67%	4.74%	64.77%	1.42%	-0.80%	-2.28%	64.72%
Life	3.69%	1.92%	10.13%	80.66%	4.00%	1.22%	6.29%	80.66%
Total	2.96%	1.76%	5.99%	70.64%	2.46%	-0.11%	-0.36%	70.23%

Source: ISA

3.2. INSURANCE INTERMEDIATION

The role of sales intermediation is increasingly influential in the insurance sector. During 2020, 43.49% (2019: 46.61%) of the realized GWP were realized through direct sales by the insurance companies, while 56.51% (2019: 53.39%) were realized through indirect channels of mediation (Table 19).

Table 19: Structure of sales channels for insurance policies according to realized GWP (thousands MKD)

	2020	%	2019	%	2018	%
Direct sales	4,377,661	43.49%	4,933,179	46.61%	4,838,893	48.74%
Insurance brokerage companies	3,237,761	32.17%	3,135,577	29.63%	2,745,963	27.66%
Insurance agents	1,174,967	11.67%	1,046,595	9.89%	1,053,116	10.61%
Insurance agencies	839,930	8.34%	898,496	8.49%	85,866	8.65%
Banks	393,431	3.91%	508,507	4.80%	371,757	3.74%
Travel agents	9,015	0.09%	32,593	0.31%	34,198	0.34%
Other distributive channels	20,700	0.21%	17,823	0.17%	15,937	0.16%
Auto salons	12,425	0.12%	10,633	0.10%	9,041	0.09%
Total	10,065,890	100.00%	10,583,403	100.00%	9,927,565	100.00%

Source: ISA

3.2.1. Insurance agency activities

Insurance agency activities refers to preparation and conclusion of insurance contracts, on behalf and at the expense of one or more insurance companies, for insurance products that do not compete with each other. Representation on the insurance market in the Republic of North Macedonia is performed through insurance agents – natural persons, insurance agencies and banks that have received a license to perform insurance representation activities. Through these channels, in 2020, 23.93% of GWP was realized (2019: 23.18%), i.e. 2.41 billion MKD (2019: 2.51 billion MKD), which is a decrease of 1.85% compared to the previous year.

The insurance agency activities through natural persons is performed on the basis of a license from the ISA, which they receive after a previously passed exam for performing insurance representation activities. In the total GWP, the representation in insurance through natural persons participates with 11.67%, whereby in 2020 the number of representatives who had a license from ISA is 1,341. The register of all active insurance agents is available on the ISA website⁶.

The number of insurance agencies in relation to 2019 remained unchanged, i.e. there are 10 insurance agencies in insurance in total and 7 banks (Table 20). In the total GWP, the insurance agencies in insurance in 2020 participate with 839.93 million MKD or 8.34% of the total representation and in comparison to the previous year, there has been a decrease of 6.52% in (2019: 898.50 million MKD).

Also, insurance representation can be performed by a bank that has received a license for performing insurance representation activities from the National Bank of the Republic of North Macedonia, based on prior consent from ISA. Banks participated with 393.43 million MKD or 3.91% in the total GWP which is a decrease of 22.63% in comparison the previous year (2019: 508.507 million MKD).

⁶ http://aso.mk/wp-content/uploads/2019/12/registar_licenczirani-zastapniczi-vo-osiguruvanje-12-2019.pdf

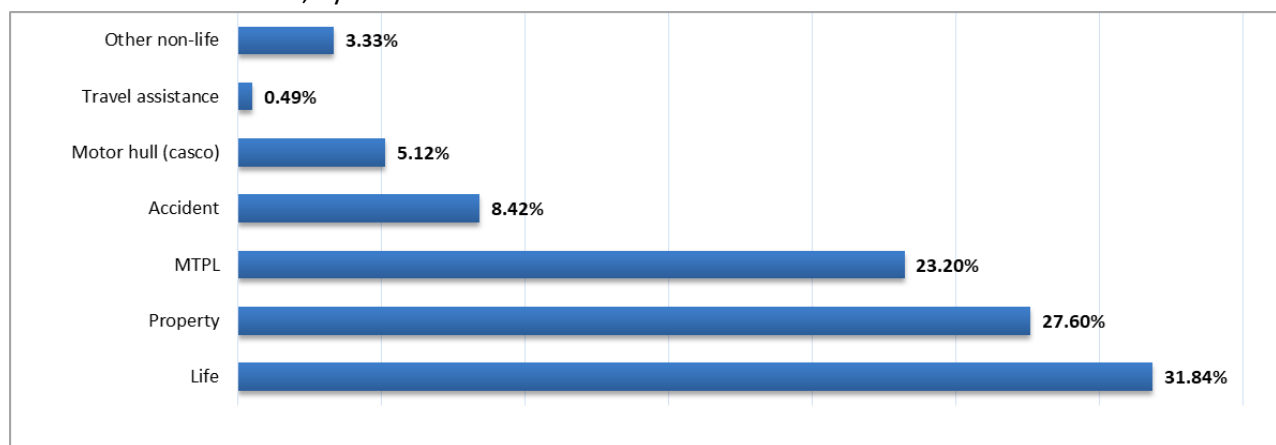
Table 20: Register of insurance agencies and banks

	Name of agency
1	Insurance agency AKTIVA OSIGURUVANJE JSC Skopje
2	Insurance agency TREND-MR AD Skopje
3	JSC for insurance activities LION INS Skopje
4	Insurance agency REA INSURANCE GROUP JSC Skopje
5	JSC for insurance activities SAFE LIFE Makedonija Skopje
6	Insurance agency FORTIS JSC Skopje
7	Insurance agency LIFE VISION JSC Skopje
8	Insurance agency VAS PRIJATEL JSC Prilep
9	JSC for insurance activities FAMILY PARTNER Skopje
10	JSC for insurance activities MOE OSIGURUVANJE Skopje
11	Sparkasse Banka JSC Skopje
12	NLB Tutunska Banka JSC Skopje
13	HALK Banka JSC Skopje
14	Stopanska Banka JSC Skopje
15	Komercijalna Banka JSC Skopje
16	Uni Banka JSC Skopje
17	TTK Banka JSC Skopje

Source: ISA

During 2020, 71,165 insurance contracts (policies) were concluded through insurance agencies (2019: 84,432), which is a decrease of 15.71% compared to the previous year. Through the banks, in 2020, 145,814 insurance contracts were concluded (2019: 144,136), which is an increase of 1.16% compared to the previous year.

The distribution of the total GWP, by insurance classes, realized by the representation companies and the banks is presented in Chart 14.

Chart 14: GWP structure, by insurance classes

Source: ISA

3.2.2. Insurance brokerage activities

Insurance brokerage activities include mediation in negotiating insurance and reinsurance coverage, as well as in the realization of indemnity claims after an insured harmful event with the insurance and reinsurance companies, on behalf and for the account of the clients. Through this distribution channel, insurance brokerage companies in 2020 realized 32.17% of GWP (2019: 29.63%), i.e. 3.24 billion MKD (2019: 3.14 billion MKD), which is an increase of 3.26% compared to the previous year.

At the end of 2020, 40 insurance brokerage companies operated on the insurance market, (Table 21). During 2020, a work permit has been issued to a new insurance brokerage company (Insurance brokerage company OMADA OSIGURUVANJE AD Skopje) and the permit for performing insurance brokerage activities has been returned to the Insurance Brokerage Company ENSA BROKER AD Skopje. In addition, in 2020 the permit to the Insurance Brokerage Company Safe Invest AD Skopje has been revoked.

Table 21: Register of insurance brokerage companies

	Name of the company
1	Joint stock insurance brokerage company EURO EXPERTS Skopje
2	Insurance brokerage company EURO MAK BROKER JSC Skopje
3	Insurance brokerage company IN BROKER JSC Skopje
4	Joint stock insurance brokerage company WFP JSC Skopje
5	Insurance brokerage company MOBILITY BROKER JSC Skopje
6	Insurance brokerage company SEDA BROKER JSC Skopje
7	Insurance brokerage company NASE OSIGURUVANJE JSC Kocani
8	Insurance brokerage company JDB BROKER JSC Skopje
9	Insurance brokerage company DELTA-INS BROKER JSC Skopje
10	Joint stock insurance brokerage company A-TIMR Skopje
11	Insurance brokerage company LEGRA JSC Skopje
12	Insurance brokerage company POLISA PLUS JSC Skopje
13	Insurance brokerage company AMG PREMIUM JSC Skopje
14	Insurance brokerage company SUPER BROKER JSC Skopje
15	Insurance brokerage company KORAB INS JSC Skopje
16	Insurance brokerage company NOV OSIGURITELEN BROKER JSC Skopje
17	Insurance brokerage company CERTUS JSC Skopje
18	Insurance brokerage company STM BROKER PLUS JSC Skopje
19	Insurance brokerage company AM BROKER JSC Skopje
20	Insurance brokerage company MEGA BROKER JSC Skopje
21	Insurance brokerage company CVO BROKER JSC Ohrid
22	Insurance brokerage company ASUC BROKER JSC Skopje
23	Insurance brokerage company VIA BROKER JSC Glumovo Skopje
24	Joint stock insurance brokerage company VEBER GMA JSC Bitola
25	Insurance brokerage company MAK TREND BROKER JSC Skopje
26	Insurance brokerage company SN OSIGURITELEN BROKER JSC Bitola
27	Joint stock company for performing insurance brokerage operations PORSCHER BROKER Skopje
28	Insurance brokerage company JOKER INS BROKER JSC Gevgelija
29	Insurance brokerage company EOS BROKER JSC Skopje
30	Insurance brokerage company PETROL OIL BROKER JSC Skopje
31	Insurance brokerage company AURO BROKER JSC Struga
32	Insurance brokerage company RIZIKO OSIGURUVANJE JSC Skopje

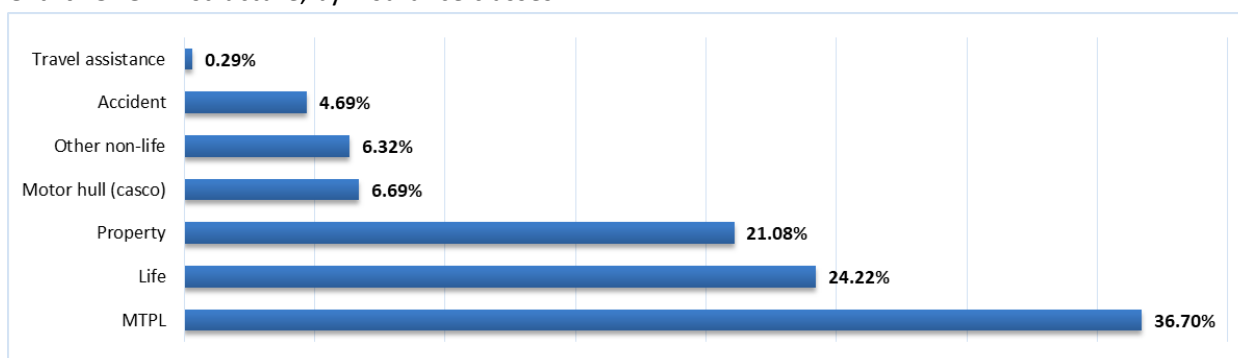
33	Insurance brokerage company WIN BROKER JSC Skopje
34	Insurance brokerage company BROLINS JSC Skopje
35	Insurance brokerage company MAKOAS BROKER JSC Strumica
36	Insurance brokerage company SMART MONEY SOLUTIONS JSC Skopje
37	Insurance brokerage company IBIS OSIGURUVANJE JSC Strumica
38	Insurance brokerage company ALFA BROKER JSC Kumanovo
39	Insurance brokerage company OMADA OSIGURUVANJE JSC Skopje
40	Insurance brokerage company ENSA JSC Skopje

Source: ISA

In this period, insurance brokerage companies realized sales of 306,693 policies (2019: 364,925), which is a decrease of 15.96% compared to the previous year.

The distribution of the total GWP, by classes of insurance, realized by the insurance brokerage companies, is presented in Chart 15.

Chart 15: GWP structure, by insurance classes



Source: ISA

3.3. NATIONAL INSURANCE BUREAU

Pursuant to the Law on Compulsory Traffic Insurance, the National Insurance Bureau (hereinafter: "NIB") performs the activities planned with the international agreements for insurance of owners and users of motor vehicles, from liability in traffic (green card) and represents the insurance companies from the Republic of North Macedonia in the international insurance organizations and institutions. The NIB also issues and prints international green cards for the needs of its members, maintains statistical records and performs statistical processing of statistical data from insurance companies, establishes and maintains a central system for recording policies and damages from the use of motor vehicles.

The NIB has been a member of the Council of Bureaux in Brussels since 1994, which aims to facilitate international road traffic of motor and trailer vehicles by insuring against liability for damages caused to third parties, under the conditions prescribed in the country visited and guaranteed that the injured persons in case of a traffic accident will be compensated for the damage caused by the use of the motor vehicle, 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 European Group, which includes the countries in the region.

Eleven insurance companies are members of the NIB, i.e. all non-life insurance companies in the Republic of North Macedonia.

The report on the operations submitted by the NIB to the 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 for 2020.

As of December 31, 2020, the total assets of the NIB amounted to 318.02 million MKD, of which 232.51 million are current assets, and the remaining 85.51 million refer to non-current assets and compared to the previous year increased by 0.50 %. In the total assets of the NIB, the largest share of 52.20% is taken by bank deposits, followed by receivables from insurance companies with 36.40% and investments in securities with 6.50%. In the total liabilities and capital of the NIB in 2020, the capital participates with 60.26%, and the liabilities with 39.68%. In 2020, NIB made a profit in amount of 2,610 thousand MKD (2019: profit of 2,696 thousand MKD).

3.3.1. Guarantee Fund of NIB

NIB, in accordance with Article 58 of the Law on Compulsory Traffic Insurance, establishes a Guarantee Fund that serves for the payment of:

1. claims caused on the territory of the Republic of North Macedonia by unknown and uninsured motor vehicles and trailers, uninsured boats and motor-powered ships, as well as uninsured aircraft;
2. claims caused on the territory of the Republic of North Macedonia by means of vehicles registered for transport of passengers in public traffic, for which the owners had not concluded a contract for insurance of passengers from the consequences of an accident;
3. claims from compulsory insurance that the damaged persons cannot collect due to termination of the insurance company with which the insurance contract was concluded, whereby only the part of the damage that was not compensated from the bankruptcy mass of the insurance company is paid; and
4. claims from insured motor vehicles originating from the territory of the Republic of North Macedonia, for which in accordance with the Cretan Agreement and other international agreements, are guaranteed by the National Insurance Bureau.

The work of the Guarantee Fund is based on the Law on Compulsory Traffic Insurance, as well as the Rulebook on the establishment and use of the Guarantee Fund and the Guidelines for keeping records and manner of payment of the Guarantee Fund assets, adopted by the NIB.

Table 22: Share in the Guarantee Fund by insurance companies for the period 1.1.-31.12.2020 (thousand MKD)

Name of the insurance company	Total GWP for all compulsory insurance	% of share in GWP for every compulsory share	Share in the Guarantee Fund
Makedonija	233,392	5.70%	10,548
Triglav	465,591	11.37%	21,042
Evroins	343,807	8.40%	15,538
Sava	383,469	9.36%	17,331
Winner	491,298	12.00%	22,204
Eurolink	354,499	8.66%	16,021
Grawe Non-life	245,775	6.00%	11,108
Uniqa	525,037	12.82%	23,729
Insurance policy	390,471	9.54%	17,647
Halk	412,977	10.08%	18,664
Croatia non-life	248,961	6.08%	11,252
Total	4,095,277	100.00%	185,082

Source: Report on the NIB operations for 2020

Insurance companies that perform compulsory auto liability insurance are obliged to pay funds to the Guarantee Fund in an amount proportional to the premium realized by certain classes of the compulsory auto liability insurance in the previous trimester, for the current trimester of the current year.

In accordance with the decision of the Board of Directors of NIB, every calendar year a new distribution of funds from the Guarantee Fund in amount of 3,000,000 EUR is made, according to the percentage of participation of the insurance company in the total written premium for compulsory insurance. For 2020, the participation in the Guarantee Fund by insurance companies is shown in Table 22.

3.3.2. Reimbursement of claims from the Guarantee Fund

In accordance with Article 60 paragraph (4) of the Law on Compulsory Traffic Insurance, the insurance company that has processed and paid the claim for damages, has the right to a refund of the funds paid from the funds of the Guarantee Fund.

The funds of the Guarantee Fund do not compensate damages caused by the use of uninsured foreign motor vehicles moving on the territory of the Republic of North Macedonia, for which special international agreements are valid, signed by the Republic of North Macedonia.

Table 23: Reported and accepted claims for damages to be reimbursed by the Guarantee Fund for the period 1.1.2020-31.12.2020

Name of the insurance company	No. of reported claims for reimbursement	No. of accepted claims in the Guarantee Fund	Accepted claims in the Guarantee Fund (claims+fees) Amount in thousand MKD
Makedonija	79	79	13,501
Triglav	106	105	16,860
Euroins	63	62	13,868
Sava	80	80	9,926
Winner	67	67	14,007
Eurolink	63	63	24,956
Grawe nonlife	68	68	15,431
Uniq	65	65	10,558
Insurance policy	70	70	8,934
Halk	50	49	7,267
Croatia Nonlife	58	58	10,291
Total	769	766	145,600

Source: Report on the NIB operations for 2020

In 2020, 769 claims for refund were reported by the insurance companies to the NIB, out of which 766 claims in amount of 145.60 million MKD were accepted and refunded.

The number of reported claims for refund to the Guarantee Fund in 2020 (769) was decreased by 45 claims compared to 2019 (814), i.e. decreased by 5.53%.

The average paid damage in 2020 is 190,077 MKD and it increased by 46.83% compared to the average paid damage in 2019.

The number of reported and accepted claims for refund from the Guarantee Fund during 2020, as well as the amount of accepted claims is shown in Table 23.

No. 02-455/3
Skopje
16.6.2021

President of the Council of Experts,
Krste Shajnoski