



INSURANCE SUPERVISION AGENCY

ANNUAL REPORT
ON THE STATUS AND MOVEMENT OF THE INSURANCE MARKET IN 2021

Skopje, 2022

The report was prepared in accordance with Article 158-o of the Law on Insurance Supervision. For its preparation, the Insurance Supervision Agency used data from the reports submitted by the subjects to the Agency in accordance with the legal requirements. The subjects of supervision are held responsible for the accuracy of the data.

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1. INTRODUCTION

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

In the course of 2021, despite the challenges caused by the corona virus pandemic, the national insurance sector maintained a healthy liquidity and solvent position and achieved a positive financial result. Thus, it showed a good readiness to deal with unpredictable situations, thanks to the good status of the sector before the pandemic, and also the measures adopted by ISA in response to the crisis. The pandemic affected the operation of the sector mainly through a reduced demand for insurance contracts in 2020, which applied to both insurance segments; however, in 2021 there was a recovery of the sector and an increase in demand for certain types of insurance contracts (Green Card and Travel Insurance). The risks of losses in investment remained limited due to the conservative investment policy of the insurance companies in less risky and liquid instruments and the low exposure to the international financial markets.

At the end of 2021, 16 insurance companies actively worked on the insurance market in Republic of North Macedonia, of which 11 companies are engaged in non-life insurance, while 5 companies work with life insurance. At the end of 2021, in the domain of mediation, 39 insurance brokerage companies, 12 insurance representation companies and 7 banks performing insurance representation work were active.

In 2021, gross written premium (hereinafter referred to as "GWP") was realized in the total amount of MKD 11.63 billion, which is an increase of 15.53% compared to the GWP realized in 2020 (2020: MKD 10.07 billion). In the part referring to non-life insurance, GWP was achieved in the amount of MKD 9.63 billion (2020: MKD 8.32 billion), i.e. an increase of 15.56% compared to 2020. At the same time, in life insurance, GWP was achieved in the amount of MKD 2.00 billion (2020: MKD 1.74 billion), which is a growth of 15.01%.

On 31.12.2021, the insurance companies had funds in the amount of MKD 28.51 billion, which increased by 11.06% compared to last year (2020: MKD 25.67 billion). The total calculated capital of insurance companies shows a growth of 3.22% compared to 2020 and amounts to MKD 7.24 billion. The required level of solvency margin, as the main indicator for assessing the stability of the insurance sector, is aggregated to MKD 1.89 billion, which means that the capital of the insurance sector is 3.8 times above the required level of the solvency margin.

In the course of 2021, the insurance sector reported a profit in the amount of MKD 132.94 million. At the same time, the non-life insurance companies had a loss of MKD 53.44 million, while, on the other hand, the profit of the life insurance companies after taxation was in the amount of MKD 186.89 million.

In 2021, in the regulation domain, 3 amendments were made to the already valid bylaws and 2 new bylaws were adopted. Also, in March 2022, the ISA Council of Experts recommended the insurance

companies to refrain from distributing and paying dividends from the profit realized in 2021, i.e. to distribute it in an increase of safety reserves and the rest of the company's reserves, as long as there is uncertainty regarding the duration of the crisis and risk assessment on their financial status and stability.

2. LEGAL FRAMEWORK

The Law on Insurance Supervision ("Official Gazette of 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 Republic of North Macedonia" No. 101/19 and 31/20), the Law on Compulsory Traffic Insurance ("Official Gazette of Republic of Macedonia" no. 88/05, 70/06, 81/08, 47/11, 135/11, 112/14 and 145/15 and "Official Gazette of Republic of North Macedonia" No. 220/19), the Law on Voluntary Health Insurance ("Official Gazette of Republic of Macedonia" No. 145/12 and 192/15), the Law on the Payment of Pensions and Pension Benefits in the Field of Fully Funded Pension Insurance ("Official Gazette of Republic of Macedonia" No. 11/12, 147/15 and 30/16), the Law on Prevention of Money Laundering and Financing of Terrorism ("Official Gazette of Republic of Macedonia" No. 120/18, 275/19 and 317/20) and the Law on Restrictive Measures ("Official Gazette of Republic of Macedonia" no. 190/17) are the basic legal framework that regulates the conditions and manner of performing insurance and reinsurance matters, the manner and conditions of performing insurance mediation matters and the implementation of supervision over the operations of insurance companies, insurance brokerage companies and insurance representation companies.

The broader legal framework is represented by the Contract Law ("Official Gazette of Republic of Macedonia" no. 18/01, 4/02, 5/03, 84/08, 81/09, 161/09 and 123/13) in the part referring to insurance contracts and the Law on Trading Companies ("Official Gazette of 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, 61/16, 30/16 and 61/16, 64/18 and 120/18).

The Law on Insurance Supervision incorporates the basic insurance principles of the International Association of Insurance Supervisors (IAIS), as well as the rules contained in the first generation of European Union (EU) insurance directives. This Law regulates the establishment and operation of insurance companies, risk management, the role of certified actuaries, keeping business books and reports, internal and external audit, representation and mediation in insurance, supervision of insurance companies, ISA operations, the implementation of the supervision and the decision-making procedure by ISA, the cooperation with supervisory bodies and EU bodies, as well as the penalty provisions.

Compulsory traffic insurance is regulated by **the Law on Compulsory Traffic Insurance**, which regulates contracts for compulsory insurance of motor vehicles against liability, the minimum sums of insurance, the deadlines for processing requests for compensation of damage by insurance companies, determination of the right to mediate (mediation), the competences of the Guarantee Fund, a change in the way of determining premium rates through the functioning of the Automobile Liability Insurance Commission and the penalty provisions for insurance companies and the National Insurance Bureau. Furthermore, the Law stipulates obligations for insurance companies to appoint authorized representatives for damages abroad in order for victims of traffic accidents to have easy and quick access to reporting claims for compensation of damages caused by domestic motor vehicles abroad, as well as establishing a Service for compensation of damages, as a guarantee for victims of traffic accidents abroad, that even if the responsible driver was driving an uninsured motor vehicle, the damage will be promptly processed and paid. Some of these provisions have already entered into force, and some will enter into force from the moment of acquisition of full membership of the Republic of Macedonia in the European Union.

The **Law on Voluntary Health Insurance** provides a legal opportunity and opens up a wide field of action for insurance companies to offer packages of health services that are already covered by the mandatory health insurance system. Voluntary health insurance is regulated as additional and private. Additional health insurance provides coverage of costs for participation with personal funds when using health services from the mandatory health insurance (participation), in accordance with the regulations of the mandatory health insurance and health care. Private health insurance allows coverage of the costs for using health services for a higher standard of health services resulting from mandatory health insurance, the costs for covering health services used in the additional activity, as well as for the use of health services in health facilities outside the network of health facilities in which the health activity is carried out and in the legal entities that manufacture, issue and service orthopaedic and other aids.

The regulation of the fully funded pension insurance in the Republic of North Macedonia was completed with the **Law on Payment of Pensions and Pension Benefits in the Area of Fully Funded Pension Insurance** by regulating the deaccumulation phase, i.e. the Law regulates the payments of pensions from the second pillar and the pension benefits from the third pillar. The Law regulates in detail the types of pension payments from the second pillar (programmed withdrawals, lifetime annuities and combination thereof), the types of pension payments from the third pillar (programmed withdrawals, annuities, one-off and multiple payments), the characteristics and rules for the various types of payments and the method and procedure for acquiring the right to old-age, disability and family pension from the second pillar, as well as the procedure for acquiring the right to pension benefits from the third pillar. The Law also regulates which institutions will be able to pay pensions and pension benefits from the second and third pillars – pension companies and life insurance companies. Also, for the sake of greater transparency in the choice of pension from the second pillar and pension benefit from the third pillar, a centralized electronic quotation system is being established through which requests for quotations for various types of payments will be submitted and offers will be received from pension companies and insurance companies.

The **Law on the Prevention of Money Laundering and Financing of Terrorism** establishes the ISA competence to carry out supervision over the insurance market, which is subject to regulation of this Law, and especially in the area of the applying measures and taking actions for the prevention of money laundering and financing of terrorism.

The **Law on Restrictive Measures** assigns additional obligations to the entities responsible for taking measures to prevent money laundering in the direction of identifying and taking actions (financial measures) against persons to whom restrictive measures have been imposed by the EU or the United Nations. Financial measures, within the meaning of Article 5 of the Law on Restrictive Measures, are defined as "ban on the use, assignment, conversion, transfer or other type of disposal of property, ban on making any property available, directly or indirectly, as well as ban on establishing or continuing a business relationship.

3. DOMESTIC AND INTERNATIONAL ENVIRONMENT

According to State Statistics Office data, in 2021 the real Gross Domestic Product (hereinafter referred to as "GDP") recorded growth of 4%. Namely, after the deep decline of 6.1% in 2020 as a result of the health and economic crisis caused by Covid-19 pandemic, a gradual recovery of the national economy was marked in the course of 2021.

Moreover, the economic growth in 2021 is due to several factors, such as the gradual adaptation of the behaviour and habits of the subjects under the circumstances of a pandemic, the reopening of economies and the application of targeted and less restrictive measures to deal with the pandemic, such as and the measures taken to support the economy. Seen by components, the growth of economic activity in 2021 is entirely due to the positive contribution of the national demand, in terms of annual growth and positive contribution by all its categories (personal consumption, gross investments and public consumption), while the net export component has a negative contribution, in terms of higher growth of imports in relation to the growth of exports. On the manufacturing side, growth was encouraged from services (trade, transport, tourism, information, communications and real estate), while the industry was facing disruptions in the supply chains, and towards the end of the year and with the negative effects of the energy crisis the construction recorded a further decline.

In 2021, the average inflation rate was 3.2%, which is a moderate acceleration compared to the performance in 2020, when inflation was 1.2%. Generally speaking, this growth of the national prices throughout the year reflects changes in the prices of primary products on the world stock exchanges, which is related to the disruption of the global supply chains and the reopening of economies, the transferred effects of the administrative and regulatory changes from the last year, as well as from certain factors specific to the pandemic crisis, and in terms of the relaxation of the restrictive measures from the end of the second quarter of the year. Hence, the price pressure throughout 2021 mainly stemmed from supply-side factors. Dynamically analysed, the growth of consumer prices accelerated throughout the year, and a slightly larger increase in prices on an annual basis was observed in the second half of the year.

The financial system of Republic of North Macedonia is characterized with a relatively simple structure. The banking system, followed by mandatory private pension funds and insurance companies, have the highest share in the assets of the financial system and almost continuously contribute the most to its absolute growth. The share of the insurance sector (insurance companies, insurance representation companies and insurance brokerage companies) in the total financial structure in 2020 is 3.83%¹. The other segments of the financial system, individually and together, still occupy a very small part of the total assets of the financial sector, although some of them almost constantly mark relatively dynamic growth. Despite the continuous growth of the financial system, the comparative analysis of the levels of financial intermediation with other countries of Central and South-Eastern Europe points to a modest size of the national financial sector. The largest and most significant segments of the financial system are predominantly owned by foreign shareholders. The ownership structure and concentration in the particular segments of the financial system do not show significant changes in 2021.

Intersectoral connection of the particular institutional segments of the financial system of Republic of North Macedonia and the possibility of risk spill over from one segment to another are at a low

¹ 2020 Financial Stability Report, National Bank of Republic of North Macedonia

level. The reason for that is the simple structure of the financial system, the low interdependence of the activities of the particular segments and the absence of more complex financial instruments and services. The stability of the financial system is conditioned by the stability of the banking sector as its main segment, where the savings of the non-financial sector and other financial institutions are concentrated. The ownership connection between the individual institutions of the financial system is within moderate limits and does not represent a source of contagion between the particular segments.²

Under conditions of still poor development of the financial markets and limited alternatives for investment and fertilization of the assets of economic entities, a significant part of the assets of non-banking financial institutions are placed in bank deposits. Also, bank loans granted to non-bank financial institutions are another potential channel of contagion in the financial system. Interbank claims and liabilities are another possible channel of contagion in the financial system, although it is still of relatively minor importance.

Bank insurance, i.e. cooperation between banks and insurance companies based on an insurance representation agreement, was applied by seven banks in 2021 (same as the previous year), and is another example of cross-sector connection.

There is an inherent connection between the leasing sector and the insurance sector due to the regulatory obligation to insure the leased item with an insurance company (unless otherwise specified in the leasing agreement). Also, the offer of the so-called unit-linked products, which represent a combination of life insurance with group investment, i.e. life insurance where the insured is burdened with the investment risk, refers to connection of this type of insurance with the movements of the financial markets, i.e. the achievements of investment funds. The ownership connection that exists between individual financial institutions is another potential channel of interdependence and eventual spill over of risks from one segment of the financial system to another.

When analysing and comparing the indicators of the level of **development of the domestic insurance market with the markets in the region** and beyond, it can be concluded that it is at an approximately similar level of development to the countries in the immediate vicinity, but far below the level of development of the average of EU Member States. This is primarily due to the fact that the insurance companies in our country are not involved in the phase of accumulation of funds from paid contributions from fully funded pension insurance, and are still at an early stage of development and offer of service packages in the domain of voluntary health insurance. This undoubtedly affects that we have an incomparably lower volume of annual premiums in these products compared to the same in developed insurance markets.

² 2020 Financial Stability Report, National Bank of Republic of North Macedonia

Table no. 1: More important indicators for the countries of Central and Eastern Europe in 2021

	GDP, current prices (billion euros)	GDP per capita, current prices (euro)	Gross written premium (millions euros)	Penetration rate (% in GDP)	Density rate (euro/capita)
Albania	15.65	5,499	160	1.02%	56
Bosnia and Herzegovina	18.95	5,445	418	2.21	120
Bulgaria	67.87	9,872	1,660	2.45%	241
Croatia	57.40	14,229	1,559	2.72%	386
Czech Republic	246.47	23,030	7,225	2.93%	675
Estonia	30.66	23,052	486	1.59%	366
Hungary	149.18	15,330	3,603	2.42%	370
Kosovo	7.64	4,251	119	1.56%	66
Latvia	32.92	17,390	849	2.58%	449
Lithuania	53,33	19,833	1,040	1.88%	373
Macedonia	11.74	5,673	189	1.61%	91
Montenegro	4.91	7,900	99	2.01%	159
Poland	565.97	14,957	15,050	2.66%	398
Romania	238.35	12,332	2,878	1.21%	149
Serbia	53,31	7,759	1,026	1.92%	149
Slovakia	97.12	18	1,848	1.90%	338
Slovenia	52.02	24,666	2,609	5.02%	1,237
Central and Eastern Europe - Total / Avg	1,705.48	14,235	40,819	2.39%	341

Source: XPRIMM, 2021 Annual Report

Out of 17 countries in Central and Eastern Europe according to the penetration rate indicator, Macedonia is on the 13th place in terms of development of the insurance market (before Albania, Kosovo, Romania and Estonia), while according to the density rate indicator Macedonia is on the 15th place (before Albania and Kosovo).

4. INSURANCE MARKET IN REPUBLIC OF NORTH MACEDONIA

4.1. INSURANCE COMPANIES

In the course of 2021, 16 insurance companies operated on the insurance market, of which 5 insurance companies worked 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.

By the end of 2021, the insurance companies employed 1,803 workers, which is a decrease of 3.89% in the number of employed workers compared to 2020 (2020:1,876).

4.1.1. Ownership structure

Insurance companies are predominantly owned by foreign legal entities from the financial sector (75.67%), which are partially or fully present in 14 out of a total of 16 insurance companies on the market (Table no.2). In addition, 12 insurance companies are part of insurance groups based in EU Member States, while two insurance companies are fully owned by national investors.

Table no. 2: Ownership structure of insurance companies (percentage)

	2021	2020	2019
1. Foreign shareholders	75.67%	80.11%	79.51%
1.1. Natural persons	0.52%	0.33%	0.04%
1.2. Non-financial legal entities	0.00%	0.00%	0.00%
1.3. Financial institutions	75.16%	79.78%	79.46%
2. National shareholders	24.30%	19.86%	20.46%
2.1. Natural persons	4.26%	4.88%	4.97%
2.2. Non-financial legal entities	0.54%	0.61%	0.91%
2.3. Financial institutions	19.49%	14.37%	14.58%
3. State	0.03%	0.03%	0.03%
Total	100.00%	100.00%	100.00%

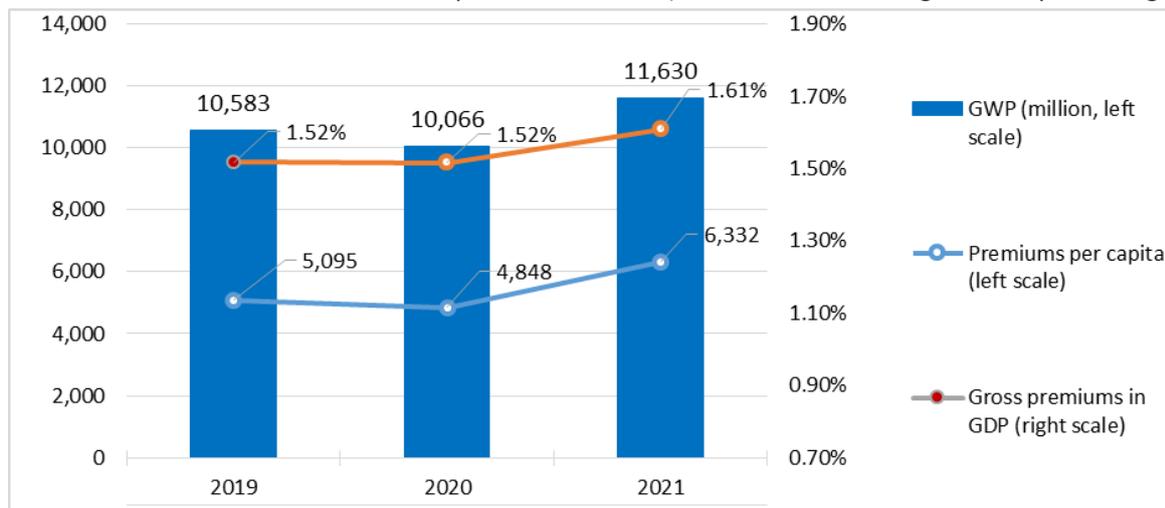
Source: ISA

4.1.2. Insurance market development

The basic indicators that measure the development level of the insurance market are the degree of penetration and the degree of density³. The data on the degree of insurance penetration in 2021 show that the total GWP in the country participates with 1.61 % in the gross domestic product, which is 0.09% more than the previous year (2020: 1.52%). Whereas, the degree of density in 2021 is MKD 6,332 per capita, which is an increase of 30.60% compared to the previous year (Chart no. 1).

³The degree of penetration is calculated as the ratio of the gross written premium and the gross domestic product, and the density degree as the ratio of the gross written premium and the number of inhabitants in the country.

Chart no. 1: Insurance market development indicators (millions of denars; right axis – percentage)



Source: ISA, State Statistics Office and Ministry of Finance

The insurance sector in Republic of North Macedonia is characterized by low concentration, which is a prerequisite for functional market competition. The Herfindahl index, calculated through GWP, in 2021 is 747.46 (2020: 769.56). A similar result is shown by the measurement of the index through the assets of the insurance companies of 812.88 in 2021 (2020: 838.02)⁴.

Analysed by insurance groups, a higher concentration is present in life insurance, due to the small number of companies in this domain. For life insurance companies, the Herfindahl index, measured according to GWP, amounts to 2,407.60 (2020: 2,788.97), while, measured according to the assets of the companies, it amounts to 2,960.76 (2020: 3,077.21).

In terms of non-life insurance, the indicators show a low concentration, whereby the measurement by applying the Herfindahl index according to GWP in 2021 amounts to 986.51 (2020: 1,003.06) and shows a decrease compared to last year, while the same indicator measured by assets amounts to 1,035.56 (2020: 1,070.59).

The indicator CR5⁵, measured through share in GWP, among non-life insurance companies, in 2021 recorded an increase and amounted to 58.97% (2020: 56.86%).

The tables below show the movements of the Herfindahl index and the concentration indicator of the first five insurance companies (CR5):

⁴The Herfindahl index is calculated according to the following 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 ranges from 1,000 units to 1,800 units, the level of concentration of the insurance sector is considered acceptable.

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

Table no. 3: Herfindahl - index and CR5 indicator measured according to GWP

GWP	2021		2020		2019	
	Herfindahl	CR5	Herfindahl	CR5	Herfindahl	CR5
Entire sector	747.46	52.57%	769.56	47.03%	792.42	47.87%
Non-life	986.51	58.97%	1,003.06	56.86%	1,020.43	57.99%
Life	2,407.60	100.00%	2,788.97	100.00%	3,157.74	100.00%

Source: ISA

Table no. 4: Herfindahl-index and CR5 indicator measured according to assets

Assets	2021		2020		2019	
	Herfindahl	CR5	Herfindahl	CR5	Herfindahl	CR5
Entire sector	812.88	46.55%	838.02	54.15%	821.71	53.50%
Non-life	1,035.56	56.23%	1,070.59	60.69%	1,058.79	60.64%
Life	2,960.76	100.00%	3,077.21	100.00%	3,083.30	100.00%

Source: ISA

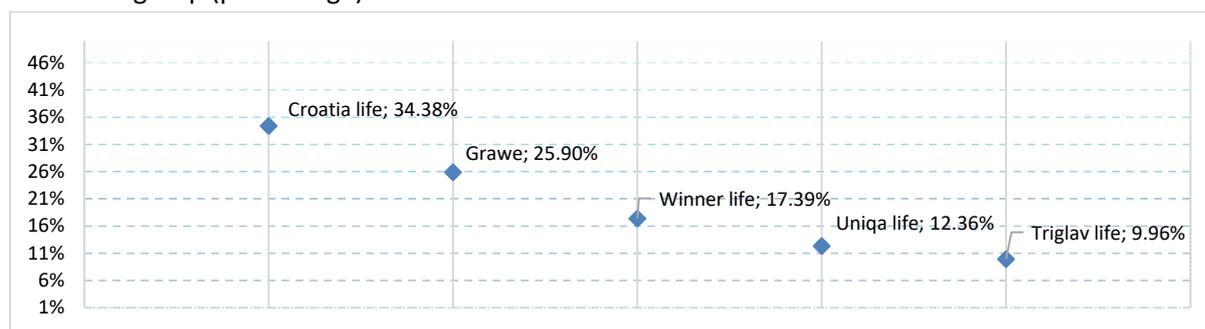
At the end of 2021, in the domain of market concentration in the non-life insurance sector, 4 insurance companies cross the share threshold with over 10% in the total GWP. At the same time, on the insurance market in the Republic of North Macedonia, not a single company crosses the threshold of over 20% market share (Chart no. 2).

Chart no. 2: Market concentration according to the gross written premium in 2021, in the non-life insurance group (percentage)

Source: ISA

In the life insurance group, despite the significant above-average annual increase in written premiums in 2021 in three of the five life insurance companies, two life insurance companies still have dominant share (Chart no. 3).

Chart no. 3: Market concentration according to the gross written premium in 2021, in the life insurance group (percentage)



Source: ISA

4.1.3. Gross Written Premium

GWP in insurance and reinsurance for non-life insurance companies includes all premium amounts that have been contracted (written) in the current accounting period, regardless of whether they refer in whole or in part to the next period, while in life insurance the total written premium includes all premiums paid up to the end of the accounting period.

In 2021, GWP was realized in the total amount of MKD 11.63 billion (Table no.5), which represents a growth of 15.54% compared to GWP realized in 2020 (2020: MKD 10.06 billion).

Table no. 5: Gross written premium per insurance classes (thousands of denars)

Insurance class	Gross Written Premium (GWP)		Dynamics	Share in total GWP	
	2021	2020		21/20	2021
01. Accident insurance	647,100	748,395	-13.53%	5.56%	7.43%
02. Health insurance	405,009	273,649	48.00%	3.48%	2.72%
03. Motor vehicle insurance - Casco	890,288	823,735	8.08%	7.66%	8.18%
05. Aircraft insurance - Casco	88,367	9,084	872.78%	0.76%	0.09%
06. Vessel insurance - Casco	1,673	1,104	51.54%	0.01%	0.01%
07. Insurance of goods in transport - cargo	90,412	84,696	6.75%	0.78%	0.84%
08. Property insurance against fire	758,584	768,207	-1.25%	6.52%	7.63%
09. Other property insurances	1,408,342	1,092,265	28.94%	12.11%	10.85%
10. Automobile liability	4,836,286	4,136,297	16.92%	41.59%	41.09%
11. Aircraft liability insurance	19,106	6,787	181.51%	0.16%	0.07%
12. Vessels liability insurance	3,418	2,709	26.17%	0.03%	0.03%
13. Other liability insurances	252,424	211,970	19.08%	2.17%	2.11%
14. Credits	9,525	25,158	-62.14%	0.08%	0.25%
15. Warranty insurance	269	536	-49.81%	0.00%	0.01%
16. Financial loss insurance	69,169	64,478	7.28%	0.59%	0.64%
17. Legal protection	5	8	-37.50%	0.00%	0.00%
18. Tourist assistance insurance	147,949	76,325	93.84%	1.27%	0.76%
19. Life insurance	1,618,576	1,438,761	12.50%	13.92%	14.29%
20. Marriage or childbirth	0	0	/	0.00%	/
21. Life insurance when the investment risk is borne by the insured	383,198	301,742	27.00%	3.29%	3.00%
TOTAL	11,629,700	10,065,906	15.54%	100.00%	100.00%
TOTAL NON-LIFE	9,627,926	8,325,403	15.65%	82.79%	82.71%
TOTAL LIFE	2,001,774	1,740,503	15.01%	17.21%	17.29%

Source: ISA

A positive trend is present in both insurance segments, whereby in the part referring to non-life insurance, GWP was realized in the amount of MKD 9.63 billion (2020: MKD 8.32 billion) i.e. it amounts to 82.79% of the total GWP of the insurance sector, which is an increase of 15.65% compared to 2020. In the course of 2021, no reinsurance premium was realized (2020: 0).

Individually, compared to 2020, a decline in GWP was not observed in any non-life insurance company (Table no. 6).

Table no. 6: Gross written premium per non-life insurance companies (thousands of denars)

	Insurance company	Gross Written Premium (GWP)		Dynamics	Share in total GWP	
		2021	2020	21/20	2021	2020
1	Triglav	1,332,869	1,231,614	8.22%	13.84%	14.79%
2	Eurolink	1,124,298	963,579	16.68%	11.68%	11.57%
3	Uniqa	1,023,456	827,544	23.67%	10.63%	9.94%
4	Halk	991,893	821,730	20.71%	10.30%	9.87%
5	Sava	941,572	848,398	10.98%	9.78%	10.19%
6	Makedonija	911,313	862,860	5.62%	9.47%	10.36%
7	Winner	848,348	712,129	19.13%	8.81%	8.55%
8	Euroins	807,699	726,996	11.10%	8.39%	8.73%
9	Croatia non-life	670,262	460,756	45.47%	6.96%	5.53%
10	Insurance policy	658,248	602,980	9.17%	6.84%	7.24%
11	Grawe non-life	317,968	266,817	19.17%	3.30%	3.20%
	TOTAL NON-LIFE	9,627,926	8,325,403	15.65%	100.00%	100.00%

Source: ISA

In the part referring to life insurance, which is 17.21% of the total GWP of the insurance sector, GWP was achieved in the amount of MKD 2.00 billion (2020: MKD 1.74 billion), which is a growth of 15.01% compared to 2020.

Individually, compared to 2020, an increase in GWP was observed in four life insurance companies (Table no. 7).

Table no. 7: Gross written premium per life insurance companies (thousands of denars)

	Insurance company	Gross Written Premium (GWP)		Dynamics	Share in total GWP	
		2021	2020	21/20	2021	2020
1	Croatia life	688,282	654,532	5.16%	34.38%	37.61%
2	Grawe	518,447	534,483	-3.00%	25.90%	30.71%
3	Winner life	348,206	305,663	13.92%	17.39%	17.56%
4	Uniqa life	247,416	182,689	35.43%	12.36%	10.50%
5	Triglav life	199,423	63,136	215.86%	9.96%	3.63%
	TOTAL LIFE	2,001,774	1,740,503	15.01%	100.00%	100.00%

Source: ISA

One of the most appropriate indicators of the work volume performed by insurance companies is the analysis of the work volume performed per different classes of insurance. Such tabular presentation enables the analysis of the premium distribution for different insurance classes per insurance companies, i.e. gives an answer to the question in which insurance products individual companies are specialized. Thus, the market structure of all insurance companies in 2021 is additionally shown through the GWP data per insurance classes (Table no. 8).

Table no. 8: Gross written premium for the period 01.01.2021- 31.12.2021 (thousands of denars)

Line of business	nonlife											Total
	Makedonija	Triglav	Sava	Evroins	Eurolink	Winner	Grawe nonlife	Uniqa	Ins. Policy	Halk	Croatia	
01. Accident	63,619	85,861	81,238	22,511	81,661	46,006	15,758	53,182	38,112	73,836	85,316	647,100
02. Health	7,332	86,500	36,834	15,632	104,012	1,966	0	18,920	127	73,702	59,984	405,009
03. Motor vehicles (casco)	60,822	157,892	152,921	57,569	77,567	56,487	7,870	82,112	88,559	87,529	60,960	890,288
04. Railway vehicles (casco)	0	0	0	0	0	0	0	0	0	0	0	0
05. Aircrafts (casco)	0	0	0	0	78,100	7,300	0	0	767	2,200	0	88,367
06. Vessels (casco)	6	302	519	11	185	94	0	98	217	241	0	1,673
07. Cargo	20,978	34,261	3,104	10,993	2,729	1,018	0	8,959	1,898	3,671	2,801	90,412
08. Property, fire and nat.forces	149,445	82,928	61,534	69,679	200,840	14,231	3,300	32,257	36,198	56,171	52,001	758,584
09. Property, other	293,491	220,215	113,932	224,552	99,100	86,540	1,104	145,442	12,461	190,826	20,679	1,408,342
10. MTPL (total)	259,017	536,428	451,445	395,570	384,668	605,325	286,078	623,730	453,458	471,770	368,797	4,836,286
11. Aircraft's liability	0	0	0	0	6,876	9,492	0	0	1,230	1,508	0	19,106
12. Vessel's liability	187	475	874	77	496	214	0	345	480	267	3	3,418
13. General liability	37,793	37,821	11,213	5,014	63,173	13,249	599	42,162	13,398	21,504	6,498	252,424
14. Credit	1,570	4,585	881	131	0	0	0	0	0	-68	2,426	9,525
15. Suretyship	3	61	8	62	9	2	0	0	16	108	0	269
16. Financial losses	10,165	49,409	2,406	414	274	0	0	6,273	0	172	56	69,169
17. Legal expenses	0	0	0	2	0	0	0	0	0	0	3	5
18. Tourists assistance	6,885	36,131	24,663	5,482	24,608	6,424	3,259	9,976	11,327	8,456	10,738	147,949
Total	911,313	1,332,869	941,572	807,699	1,124,298	848,348	317,968	1,023,456	658,248	991,893	670,262	9,627,926

Line of business	life					Total
	Croatia	Grawe	Winner	Uniqa	Triglav	
19. Life assurance	592,373	497,035	173,606	163,166	192,396	1,618,576
20. Insurance of marriage or childbi	0	0	0	0	0	0
21. Unit- linked	95,909	21,412	174,600	84,250	7,027	383,198
Total	688,282	518,447	348,206	247,416	199,423	2,001,774

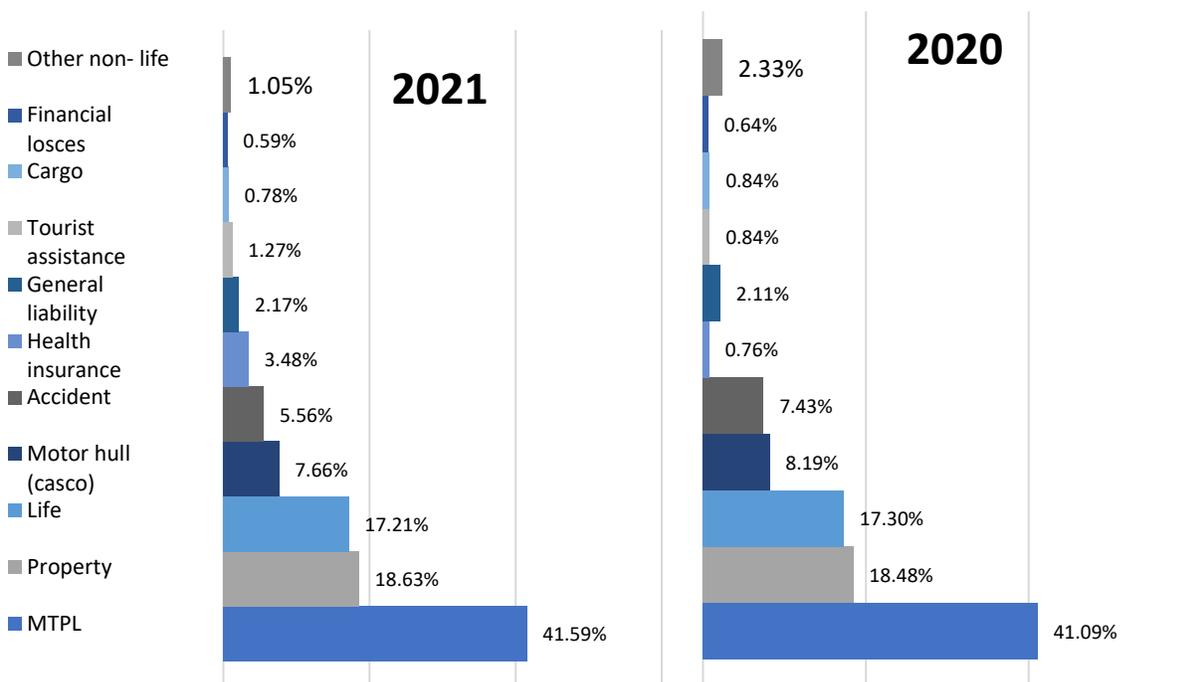
Total:	11,629,700
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Source: ISA

4.1.4. Structure of share

In the total GWP, the most significant share is motor vehicle insurance with 49.25 % (2020: 49.27%), which consists of dominant automobile liability insurance (premiums from compulsory insurance policies from automobile liability and green cards) which participates with 41.59% (2020: 41.09%) and from the voluntary motor vehicle insurance (Casco) which participates with 7.66 % (2020: 8.18%). A significant place in the GWP structure is property insurance with 18.63 % (2020: 18.48%), life insurance with share of 13.92% (2020: 17.29 %) and insurance for the consequences of an accident (accident) with share of 5.56% (2020: 7.43%). The structure per more important insurance classes, as well as the comparison with 2020, is presented in Chart no. 4.

Chart no. 4: Structure of gross written premium per insurance classes (percentage)



Source: ISA

GWP increase of 16.92% compared to 2020 was observed in the class for automobile liability insurance (AO) with a total premium in the amount of MKD 4.84 billion (2020: MKD 4.14 billion), and there was also an increase in the number of concluded contracts of 19.53%. There is also an increase in the Casco insurance of motor vehicles of 8.08% and total premium in the amount of MKD 890,28 million (2020: MKD 823,73 million), with a simultaneous increase in the number of concluded contracts of 6.04 %.

Property insurance shows an increase of 16.47% with GWP of MKD 2.17 billion (2020: MKD 1.86 billion), with a simultaneous increase in the number of concluded contracts of 10.47%. Analysing by groups, an increase of 10.84% in concluded contracts was recorded among natural persons, followed by property insurance with an increase of 33.59% in GWP, while legal entities mark a growth of 9.33% in concluded contracts and an increase of 10.05% in GWP.

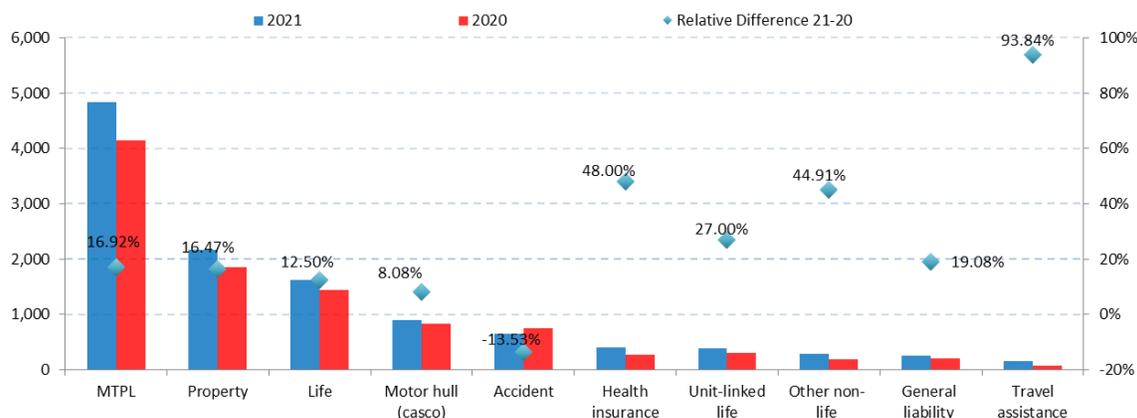
In terms of property insurance, agricultural insurance marks an increase of 2.85% in the number of concluded contracts, and a growth of 13.33% in the realized GWP for agricultural insurance, which amounts to MKD 546,85 million (2020: GWP of MKD 482,53 million).

In 2021 there was a big increase in the sale of health insurance with 18,235 concluded contracts for health insurance (2020: 10,706 contracts) with a total GWP of MKD 405.00 million (2020: MKD 273.65 million), which compared to 2020 is an increase of 70.33% in the number of concluded contracts i.e. a growth of 48.00 % of the total GWP.

There is a decrease in GWP in accident insurance of 13.53% compared to 2020, with a total premium in the amount of MKD 647.10 million (2020: MKD 748.39 million), and in terms of the number of concluded contracts there is an increase of 13.39%. One of the reasons for the reduction of GWP in this insurance class is that the risk of death as a result of illness, which was previously covered with the collective accident insurance contracts, was transferred to life insurance policies starting from 1.1.2021 based on the clarification provided by ISA.

Chart no. 5 shows the trend of GWP per more significant insurance classes.

Chart no. 5: Gross written premium trend per insurance class (millions of denars; right axis – percentage)



Source : ISA

In life insurance, GWP was realized in the amount of MKD 2.00 billion (2020: MKD 1.74 billion), which is an increase of 15.01%, with life insurance share of 17.21% of the total GWP of the insurance sector.

In the case of traditional life insurance (class 19), a positive trend has been realized in GWP, which amounts to MKD 1.61 billion (2020: 1.44), which is a growth of 11.80%, with big increase in the number of newly concluded contracts for life insurance of 184.43%, mostly in the type of term contracts for life insurance (death). Regarding these contracts, it is worth noting that they are most often concluded by loan seekers - individuals from banks, and the most common sales channel is precisely the banks. In the case of life insurance, when the investment risk is borne by the insured (class 21), the expressed annual trend of increase of 27.00% continues with a realized GWP of MKD 383.20 million (2020: MKD 301.74 million).

The table below shows the structure of the gross written premium for life insurance in 2021, compared to the previous year 2020.

Table no. 9: Gross written premium for life insurance, in thousands of denars

	Class	Total 2020	Total 2021	Change 21/20	Share 2020	Share 2021
Life insurance	19	1,438,762	1,618,576	12.50%	82.70%	80.86%
total basic life insurance		1,323,491	1,495,115	12.97%	76.00%	74.69%
mixed insurance		766,219	786,856	2.69%	44.00%	39.31%
death (term)		181,009	330,446	82.56%	10.40%	16.51%
experience		151,433	157,325	3.89%	8.70%	7.86%
mixed insurance with TBS		220,919	216,595	-1.96%	12.70%	10.82%
death (for life)		3,911	3,893	-0.46%	0.20%	0.19%
total additional insurance		115,271	122,052	5.88%	6.60%	6.10%
accident (death)		36,491	34,926	-4.29%	2.10%	1.74%
accident (disability)		63,892	69,205	8.32%	3.70%	3.46%
health (other)		14,888	17,921	20.37%	0.90%	0.90%
total rent insurance		-	1,409		0.00%	0.07%
Life insurance when the investment risk is borne by the insured	21	301,742	383,198	27.00%	17.30%	19.14%
Total		1,740,504	2,001,774	15.01%	100.00%	100.00%

Source: ISA

The data on the gross written premiums broken down according to the types of products, i.e. the risks covered by these products, are one of the indicators that confirm the thesis that the share of traditional, so-called mixed, life insurances having a savings component, at the expense of an increase in the so-called risk life insurances that cover only the risk of death, i.e. an increase in life insurance contracts where the invested funds from premiums are redirected to the purchase of shares issued by investment funds and where the insured bears the risk of the investments of the companies that manage these investment funds.

The price at which the insurance company buys the shares from the investment fund in the name and at the expense of the insured are the market i.e. stock exchange prices during the period when the insured pays the agreed premium to the insurance company. The contracts are long-term i.e. the insured usually pays the premium over a multi-year period. The obligation of the insurance company to the insured depends on the market value of the shares on the date on which the obligation of the company to the insured arises. If the acquisitions of shares in the name and for the account of the insured were made in periods when the market values of the shares were low, and if the agreed obligation of the insurance company towards the insured occurred in a period of time when the market values of the shares were significantly higher, the insured would make a profit, i.e. I would receive much more cash from the total investments, i.e. premium payments. And vice versa, if at the time of payment of premiums to the insurance company the value of the share was high, and at the time of payment of the agreed obligations to the insured the value of the shares was low, the insured should know that he/she will receive less than he/she invested, i.e. there will be a loss. Therefore, for these products the insured bears the risk of the change in the market value of the invested assets.

The structure of investments of funds collected from the so-called unit-linked life insurances per insurance companies and in separate investment funds on 31.12.2021 and on 31.12.2020 is shown in the tables below:

Table no. 10: Structure of investments of unit-linked life insurance funds on 31.12.2021

Insurance company	Product	Name of the investment fund	Quantity-Number of share	Net worth per share or stock	Accounting value in MKD	Special reserve in MKD
Winner life	Life Invest	VFP Premium Invest	2,846,625	150.6171	428,750,338	428,750,338
	Futura	General Investments	5,474	156.4300	856,370	856,370
Grawe	Grawe Invest	VFP Fund Management - Grave Global	89,350	138.2728	12,354,694	12,354,694
Croatia life	Flexi Invest	VFP PREMIUM INVEST	269,033	150.6171	40,520,919	43,797,112
	Flexi Invest	VFP 100% BOND	11,447	118,1835	1,352,886	1,483,880
	Cro Invest	KB Publicum Balanced Fund	588,056	191.5161	112,622,252	113,057,085
	Garant Invest	General Top Brands	123,497	156.4288	19,318,504	19,551,005
Triglav life	Unit link	VFP Premium Invest	213	150.6171	32,136	32,136
	Unit link	General Top Brands	24,826	156.4288	3,883,447	3,883,447
	Unit link	KB Publicum Balanced	14,270	191.5161	2,733,016	2,733,016
Uniqa life	Unit link	Illyricum Southeast Europe	221,994	62.5485	13,885,400	13,885,400
	Unit link	Illyrica Global Emerging Markets	121,932	76.2685	9,299,572	9,299,572
	Unit link	VFP Premium Invest	359,438	150.6171	54,137,563	54,137,563
	Unit link	VFP 100% Bond	10,386	118.1835	1,227,471	1,227,471
	Unit link	General Top Brands	31,633	156.4288	4,948,380	4,948,380

Source: ISA

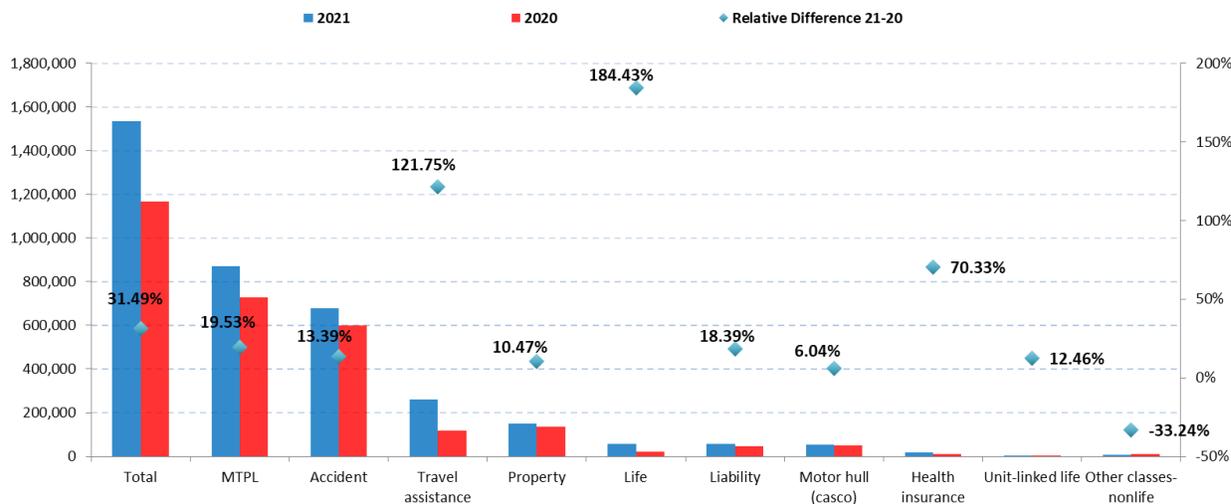
Table no. 11: Structure of investments of unit-linked life insurance funds on 31.12.2020

Insurance company	Product	Name of the investment fund	Quantity-Number of share	Net worth per share or stock	Accounting value in MKD	Special reserve in MKD
Winner life	Life Invest	VFP Premium Invest	2,146,752	120.5953	258,888,085	258,888,085
	Futura	General Top Brands	2,337	137.1756	320,645	320,645
Grawe	Grawe Invest	VFP Fund Management - Grawe Global	34,279	111.6961	3,828,885	3,828,885
Croatia life	Flexi Invest	VFP PREMIUM INVEST	162,265	120.5953	19,568,435	21,279,501
	Flexi Invest	VFP 100% BOND	6,583	115.7358	761,891	929,445
	Cro Invest	KB Publicum Balanced Fund	433,598	171.7137	74,454,674	74,485,503
	Garant Invest	General Top Brands	15,208	137.1756	2,086,220	2,115,520
Triglav life	Unit link	VFP Premium Invest	132	120.5953	15,865	15,865
Uniqa life	Unit link	Illyricum Southeast Europe	156,435	54.4878	8,523,805	8,523,805
	Unit link	Illyrica Global Emerging Markets	63,367	72.4432	4,590,521	4,590,521
	Unit link	VFP Premium Invest	160,722	120.5953	19,382,297	19,382,297
	Unit link	VFP 100% Bond	4,090	115.7358	473,304	473,304
	Unit link	General Top Brands	5,903	137.1756	809,699	809,699

Source: ISA

In the course of 2021, insurance companies concluded 1,533,706 contracts, which is an increase by 31.49% compared to 2020 when 1,166,439 contracts were concluded. Out of the total number of concluded contracts, 1,473,386 policies are within the non-life insurance, which is an increase by 28.82% compared to the number of policies in 2020 (2020: 1,143,766 contracts), while 60,320 are life insurance contracts, i.e. an increase by 166.04% compared to 2020. The change in the number of contracts concluded per more significant insurance classes is presented in Chart no. 6.

Chart no. 6: Contracts concluded with insurance companies (left axis - number; right axis - annual change in percentage)



Source: ISA

4.1.5. Gross paid claims

In 2021, the insurance companies paid a gross amount of damages of MKD 4.66 billion (Table no. 12). Compared to 2020, the gross paid damages increased by 16.45% (2020: MKD 4.00 billion). The reinsurance share in the gross paid claims is 14.58 %.

Table no. 12: Damages paid per insurance classes (thousands of denars)

Insurance class	2021	2020	Change	Share 2021	Share 2020
Automobile liability	2,102,153	1,880,406	11.79%	45.1%	46.9%
Property insurance	709,851	630,200	12.64%	15.2%	15.7%
Life insurance	565,318	424,472	33.18%	12.1%	10.6%
Motor vehicles (Casco)	507,183	483,812	4.83%	10.9%	12.1%
Accident insurance	434,078	396,887	9.37%	9.3%	9.9%
Health insurance	211,276	105,990	99.34%	4.5%	2.6%
Other classes - non-life	45,542	10,669	326.86%	1.0%	0.3%
Travel insurance	40,278	48,110	-16.28%	0.9%	1.2%
Life (inv. shares)	29,712	12,419	139.25%	0.6%	0.3%
General liability	18,831	12,399	51.88%	0.4%	0.3%
Total	4,664,222	4,005,364	16.45%	100.0%	100.0%

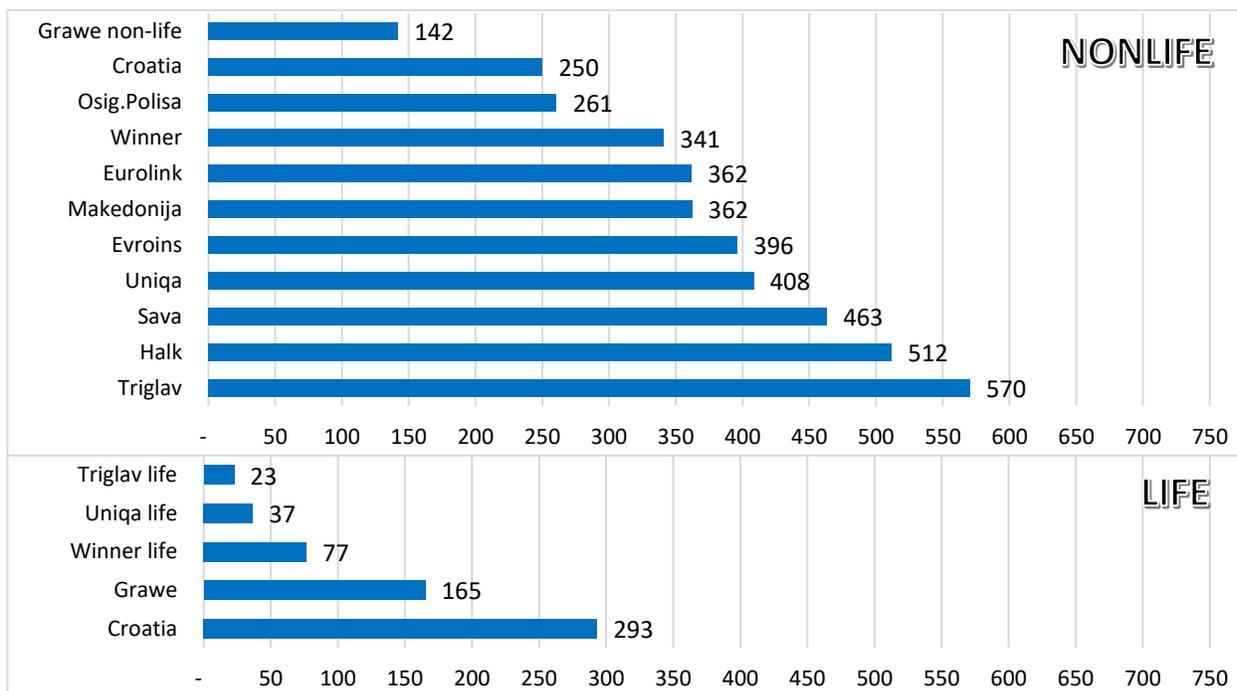
Source: ISA

In the structure of gross paid claims, the largest share is of the claims based on auto liability insurance with 45.07%, followed by property insurance claims with the share of 15.22%, paid life insurance claims with 12.76%, claims for motor vehicle insurance – Casco of 10.87% and insurance of persons from the consequences of an accident with 9.3% of the total paid damage claims.

In the part referring to property insurance, a significant place is occupied by agricultural insurance with a share of 50.29% and with a total of MKD 316.85 million paid damage claims.

Chart no. 7 shows the individual share of insurance companies in the total amount of paid damage claims for the year 2021.

Chart no. 7: Insurance company share in gross paid claims in 2021 (millions of denars), separately for non-life and life



Source : ISA

If the number of damage claims paid per individual insurance classes is analysed, it can be noted that in 2021 there was a significant increase in the number of damage claims paid on the basis of voluntary health insurance, i.e. some companies paid more damage claims in this insurance class compared to the auto liability insurance class. Despite the high frequency of damage claims in this insurance class, the average amount of paid damage claims is much lower compared to the same in the most common automobile liability insurance class. This is an indicator that a large number of the reports from the insured under health insurance policies to the insurance companies were for reimbursement of insured amounts that cost less than MKD 10,000 per individual case. As a comparison, the average damage claim paid on the basis of automobile liability insurance in 2021 amounted to MKD 70,419. (Table no. 13)

Table no. 13: Number of paid damage claims

Insurance class	2021	2020	Change
Auto liability (MTPL)	29,852	25,370	17.67%
Health	23,057	11,710	96.90%
Property	8,976	9,439	-4.91%
Motor vehicles (Casco)	7,843	7,634	2.74%
Accident	7,324	7,587	-3.47%
Life	3,760	2,803	34.14%
Travel	1,819	2,005	-9.28%
General liability	371	380	-2.37%
Life (unit-linked)	242	154	57.14%
Other classes - non-life	94	75	25.33%
Total non-life	79,336	64,200	23.58%
Total life	4,002	2,957	35.34%
In total	83,338	67,157	24.09%

Source: ISA

4.1.5.1 Complaints from the insured

In the event that the insured, i.e. the policyholder, deems that the insurance company does not comply with the provisions of the insurance contract, the policyholder may submit a complaint to:

- 1) The relevant organizational unit competent for resolving disputes between the contracting parties within the insurance company;
- 2) The internal audit office in the insurance company;
- 3) The Consumer Protection Organization; and
- 4) Insurance Supervision Agency.

In 2021, 5,282 complaints were submitted to the insurance companies, which is more by 38.34% compared to 2020 (2020: 3,818 submitted complaints). Out of the total submitted complaints, 26.85% (2020: 28.23%) were resolved with positive outcome, i.e. in favour of the insured/policyholder, and 60.85% (2020: 63.44%) were resolved with negative outcome.

Table no. 14 displays the data on the number and outcome of submitted and resolved complaints per insurance companies. As seen from the table, as many as 6 non-life insurance companies deviate from the market average in terms of the number of submitted complaints (the market average for 2021 is 464 received complaints per non-life insurance company), while 2 life insurance companies exceed the market average which amounts to 36 received complaints per life insurance company.

Table no. 14: Complaints submitted by insured persons to insurance companies in 2021

Name of subject	Number of complaints	Number of complaints resolved with positive outcome	Number of complaints resolved with negative outcome	Number of partially resolved complaints	Number of pending complaints	Number of complaints acted upon within the legal term	Number of complaints not acted upon within the legal term
Triglav	732	5	411	316	0	732	0
Winner	650	285	332	0	33	617	0
Halk	618	210	391	0	17	601	0
Uniqa	592	222	355	0	15	577	0
Sava	524	182	275	13	54	474	0
Insurance Policy	465	162	294	0	9	456	0
Eurolink	427	26	271	89	41	386	0
Croatia non-life	329	77	226	15	11	318	0
Grawe non-life	307	111	196	0	0	307	0
Makedonija	288	64	224	0	0	288	0
Euroins	170	0	145	25	0	170	0
Croatia life	82	39	37	0	6	82	0
Grawe	53	18	32	0	3	53	0
Winner life	27	10	16	0	1	27	0
Uniqa life	12	5	7	0	0	12	0
Triglav life	6	2	2	0	0	6	0
Total	5,282	1,418	3,214	458	190	5,106	0

Source: ISA

Policyholders, insurance beneficiaries and third damaged parties have the right to submit a complaint to ISA regarding the operation of insurance and reinsurance companies, insurance brokerage companies, insurance representation companies, insurance agents and the National Insurance Bureau, but only if they have previously addressed the subject in writing and were not satisfied with the answer or if the subject did not decide upon the complaint and did not notify the person submitting the complaint in writing within the legal term of 30 days as of the day when it was properly received.

In 2021, 206 complaints were submitted to the ISA, which is an increase of 134.09% compared to 2020, when only 88 complaints were submitted. 20.39% (2020: 20.45%) of the total submitted complaints to ISA were resolved in favour of the person submitting the complaint, and 56.80% (2020: 60.23%) had a negative outcome. Out of the total submitted complaints, 44.17% refer to actions upon insurance contracts for automobile liability, 15.05% refer to accident insurance, 10.19% refer to property insurance and the rest are related to insurance contracts from other insurance classes.

Table no. 15 displays data on the number and outcome of complaints submitted to ISA per insurance subjects.

Table no. 15: Complaints submitted by insured persons to ISA in 2021

Name of subject	Number of complaints	Number of complaints resolved with positive outcome	Number of complaints resolved with negative outcome	Number of pending complaints	Number of withdrawn complaints	Number of submitted complaints without any basis for action
Halk	22	6	11	2	3	22
Grawe non-life	21	8	6	2	5	
Uniqa non-life	21	4	15	1	1	
Triglav	18	1	16	1	0	
Winner non-life	16	8	8	0	0	
Eurolink	14	2	12	0	0	
Euroins	13	1	11	0	1	
Insurance policy	13	4	7	2	0	
Croatia life	12	3	8	1	0	
Sava	10	1	7	2	0	
Croatia non-life	9	2	7	0	0	
Makedonija	4	0	3	0	1	
Grawe	4	0	4	0	0	
Winner life	3	1	1	1	0	
SN Insurance Broker	2	0	1	0	1	
Triglav life	1	0	0	1	0	
National Insurance Bureau	1	1	0	0	0	
Total	206	42	117	13	12	

Source: ISA

The most common reasons for submitting complaints to the ISA, regarding the operation of insurance entities, are as follows: issues with the application of the European report, dissatisfaction with the amount of damage, different court practice, disputable out-of-court settlements, lack of assessment criteria of intangible damage, issues when concluding/renewing an insurance contract, insufficient communication about the damage with the injured parties, failure to explain the conditions under which the insurance contract is concluded by the representatives, etc.

4.1.6. Funds and sources of funds

4.1.6.1. Asset structure

The value of the assets of the insurance companies on 31.12.2021 was MKD 28.51 billion and it is higher by 11.06 % compared to the total assets of the insurance companies in 2020 (Table no. 16).

Investments have the largest share of 72.89% in the structure of assets of insurance companies (2020: 74.44 %), and they have increased by 8.75% compared to the invested assets in 2020. In terms of the investments, the most significant share of 93.10% is occupied by the category of other financial investments, which marks a growth of 9.50% compared to the previous year. This category includes: financial investments available for sale (51.16%), deposits in banks, loans and other placements (30.736%), financial investments held until maturity (13.26%) and financial investments for trading (4.82%). The next more significant category is investment in land, construction facilities and other tangible assets (5.52%), which mark a decrease of 3.49% compared to 2020. Furthermore, part of the investments

are the financial investments in companies in a group - subsidiaries, associated companies and jointly controlled entities, which participate with 1.38% in the total investments and with a decrease of 0.96%.

Table no. 16: Structure of assets of the insurance companies (thousands of denars)

	31.12.2021	Share	31.12.2020	Share	Dynamics 21/20
Intangible assets	67,890	0.24%	74,013	0.29%	-8.27%
Investments	20,783,974	72.89%	19,111,645	74.44%	8.75%
Part for coinsurance and reinsurance in gross technical reserves	2,179,248	7.64%	1,712,094	6.67%	27.29%
Financial investments where the insured assumes the investment risk (insurance contracts)	705,923	2.48%	393,704	1.53%	79.30%
Deferred and current tax assets	22,156	0.08%	14,664	0.06%	51.10%
Receivables	3,220,278	11.29%	3,004,606	11.70%	7.18%
Other assets	664,406	2.33%	563,415	2.19%	17.92%
Deferrals	868,640	3.05%	799,961	3.12%	8.59%
Non-current assets held for sale and non-current operations	0	0.00%	0	0.00%	0.00%
TOTAL ASSETS	28,512,515	100.00%	25,674,102	100.00%	11.06%

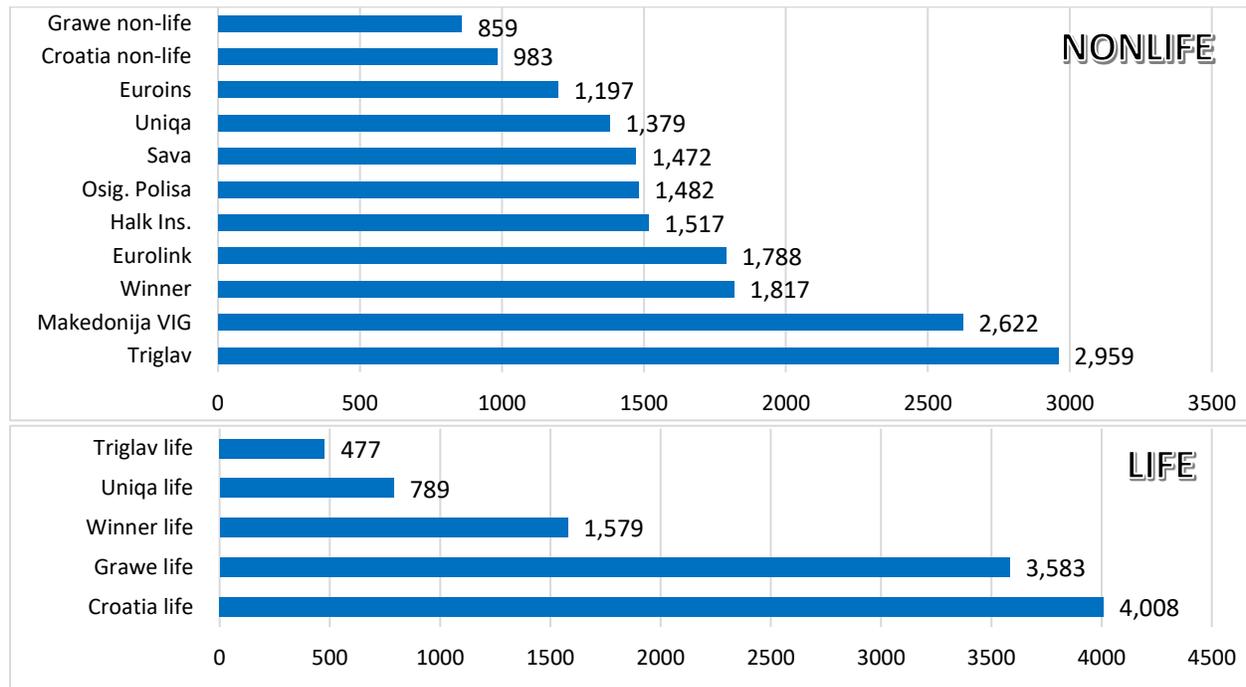
Source: ISA

Next in significance, with a share of 11.29% in the asset structure, are receivables and they show an increase in terms of absolute amounts of 7.18% compared to the receivables in 2020 (2020: 11.70%). The scope of receivables includes receivables from immediate insurance matters (where receivables from insured, receivables from intermediaries and other receivables from direct insurance works are included), receivables from co-insurance and reinsurance works and other receivables. The largest share of 77.31% in receivables, are the receivables from immediate insurance works in the amount of MKD 2.49 billion and they show an increase of 4.77% compared to 2020. The receivables from co-insurance and reinsurance works amount to MKD 225.13 million (6.99% of total receivables) and record an increase of 112.00% compared to 2020, as a result of an increase in receivables based on share in compensation of coinsurance and reinsurance damage claims. The remaining receivables amount to MKD 505.46 million (15.70% of the total receivables) which are 3.18% lower compared to 2020.

Although with a share of 2.48 % in the assets structure, the greatest relative increase of 79.30% is observed in financial investments where 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) have an obligation, according to the contract with the insured, these assets which serve as cover for the special reserve in line with Article 94 of the Law on Insurance Supervision, to invest in shares of open investment funds, for which the insured agreed upon when concluding the contract, i.e. throughout the duration of the contractual relation, and which funds are registered in the Registry of Investment Funds in Republic of North Macedonia. The structure of these investments in separate funds on 31.12.2021 is shown in Table no. 10.

The structure of the share of insurance companies in the total assets of the insurance sector is displayed in Chart no. 8.

Chart no. 8: Structure of share of insurance companies in the total assets of the insurance sector in 2021 (millions of denars), separately for non-life and life



Source: ISA

If the structure of assets by insurance companies is analysed, it can be concluded that the main category of life insurance companies are investments in national debt securities and deposits in banks. On the other hand, non-life insurance companies have more diverse structure of assets, where investments in national debt securities and deposits in banks represent half of the total value of assets, while the other half is represented by receivables, part of the gross technical reserves transferred to reinsurance, real estate and other tangible and intangible assets, investments in shares in open investment funds, accruals, investments in shares, as well as investments in the guarantee fund at the National Insurance Bureau.

The value of separate categories of assets, and the percentage share in total assets on the last day of 2021 and 2020, for non-life insurance and life insurance segment are displayed in Tables no. 17 and 18.

Table no. 17: Structure of assets of non-life insurance companies (thousands of denars)

Asset category	31.12.2021	Share	31.12.2020	Share
Government securities	5,033,432	27.85%	4,246,559	25.88%
Deposits in banks and money	4,539,366	25.11%	4,408,140	26.86%
Receivables	2,893,352	16.01%	2,690,344	16.39%
Technical reserves - part in reinsurance	2,044,254	11.31%	1,589,433	9.69%
Real estate and intangible assets	1,266,565	7.01%	1,330,083	8.11%
Accruals	861,760	4.77%	791,571	4.82%
Shares in investment funds	814,619	4.51%	792,804	4.83%

Stocks	362,991	2.01%	320,368	1.95%
Shares in NBO	185,541	1.03%	185,742	1.13%
Other	61,996	0.34%	55,213	0.34%
Bonds - corporate	12,448	0.07%	0	0.00%
Total	18,076,326	100.00%	16,410,256	100.00%

Source: ISA

Table no. 18: Structure of assets of life insurance companies (thousands of denars)

Asset category	31.12.2021	Share	31.12.2020	Share
Government securities	6,957,234	66.66%	6,125,446	66.12%
Deposits in banks and money	1,794,134	17.19%	1,995,164	21.54%
Financial investments where the insured assumes the investment risk	705,923	6.76%	393,704	4.25%
Receivables, loans and down payments	402,319	3.86%	386,629	4.17%
Shares in investment funds	268,755	2.58%	99,027	1.07%
Technical reserves - part in reinsurance	134,994	1.29%	122,661	1.32%
Real estate and intangible assets	126,548	1.21%	131,330	1.42%
Stocks	37,545	0.36%	1320	0.01%
Other	8,840	0.08%	8,565	0.09%
Total	10,436,292	100.00%	9,263,846	100.00%

Source: ISA

4.1.6.2. Structure of sources of funds

The sources of funds of insurance companies in 2021 recorded an increase of 11.06% compared to 2020 (Table no. 19).

The gross technical reserves have largest share of 60.47% in the structure of sources of funds of insurance companies (2020: 60.39%) with an increase of 11.22% compared to the previous year.

The next category with a share of 28.25% in the structure of sources of funds is capital and reserves, which increased by 6.84%.

The liabilities of insurance companies, which in the structure of the sources participate with 6.20% (2020: 6.27%), show an increase of 9.88% compared to the previous year. In the structure of liabilities, the largest share belongs to other liabilities (46.54%), liabilities from reinsurance and co-insurance (47.65%) and liabilities from direct insurance operations (5.80%).

Table no. 19: Structure of sources of funds of insurance companies (thousands of denars)

	31.12.2021	Share	31.12.2020	Share	Dynamics 21/20
Capital and reserves	8,053,384,761	28.25%	7,537,569,778	29.36%	6.84%
Subordinated liabilities	126,842,716	0.44%	157,269,350	0.61%	-19.35%
Gross technical reserves	17,242,599,896	60.47%	15,503,358,306	60.39%	11.22%
Gross technical reserves in relation to contracts where the insured assumes the investment risk	709,997,482	2.49%	396,818,804	1.55%	78.92%
Other reserves	85,415,467	0.30%	71,440,821	0.28%	19.56%
Deferred and current tax liabilities	61,190,277	0.21%	52,131,051	0.20%	17.38%
Liabilities arising from deposits of insurance companies for reinsurers, on the basis of reinsurance	91,219,844	0.32%	86,423,741	0.34%	5.55%
Liabilities	1,768,965,085	6.20%	1,609,889,585	6.27%	9.88%
Deferrals	372,899,733	1.31%	259,200,408	1.01%	43.87%
TOTAL SOURCES OF ASSETS	28,512,515,261	100.00%	25,674,101,845	100.00%	11.06%

Source: ISA

4.1.7. Technical reserves

The total amount of technical reserves (gross) of the insurance companies that perform non-life insurance works at the end of 2021 was MKD 9.79 billion, i.e. an increase of 12.02% compared to the previous year, while the total amount of technical reserves (gross) of the insurance companies that perform insurance work in the life insurance group amounts to 8.14 billion denars, which is a growth of 13.78 % compared to the previous year.

Table no. 20: Structure and change of gross technical reserves (thousands of denars)

Structure of technical reserves	Non-life			Life			Total		
	2021	2020	21/20	2021	2020	21/20	2021	2020	21/20
Claims provisions	5,414,205	4,837,104	11.93%	110,541	92,127	19.99%	5,524,746	4,929,231	12.08%
Unearned paid premium provisions	4,261,910	3,849,932	10.70%	40,263	35,786	12.51%	4,302,173	3,885,718	10.72%
Mathematical provisions	0	0	0.00%	7,874,043	6,909,617	13.96%	7,874,043	6,909,617	13.96%
Provisions for bonuses and discounts	42,281	46,108	-8.30%	118,990	120,252	-1.05%	161,271	166,360	-3.06%
Other technical provisions	74,969	9,240	711.35%	0	0	0.00%	74,969	74,969	0.00%
Total	9,793,365	8,742,384	12.02%	8,143,837	7,157,782	13.78%	17,937,202	15,965,895	12.35%

Source: ISA

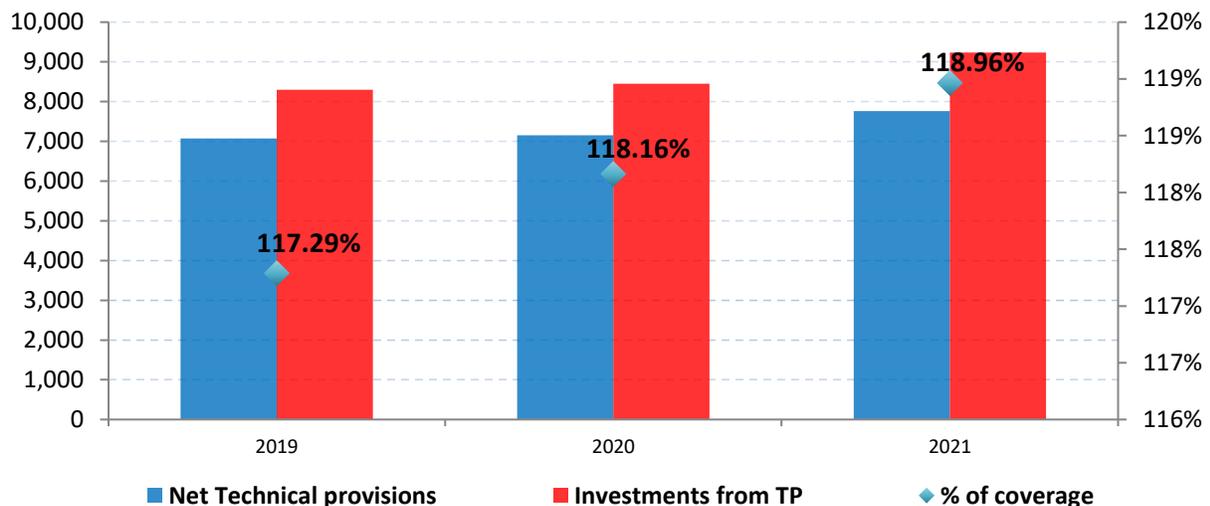
In the structure of technical reserves, claims provisions and unearned paid premium provisions have the largest share, while among the insurance companies that perform insurance works in the life group, the most significant place is occupied by the mathematical provisions (Table no. 20).

4.1.8. Funds covering technical reserves

Funds 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 the types and characteristics of funds covering technical reserves and assets which cover the mathematical provisions, as well as detailed placement and limitation of those investments and their valuation ("Official Gazette of Republic of Macedonia" no. 64/11, 127/14, 61/16, 36/19 and 107/20).

The investments of funds covering the technical reserves of non-life insurance companies at the end of 2021 amounted to MKD 9.24 billion denars and covered 118.96% (2020: 118.16%) of the total net technical reserves (Chart no. 9).

Chart no. 9: Coverage of net technical reserves at non-life insurance companies (millions of denars; right axis – percentage)



Source: ISA

The funds that cover the technical reserves of non-life insurance companies are invested in securities issued by Republic of North Macedonia (51.51%), deposits in banks (37.14%), shares in investment funds (8.82%) and stocks (2.53%). The amounts and structure of investments are displayed in Table no. 21.

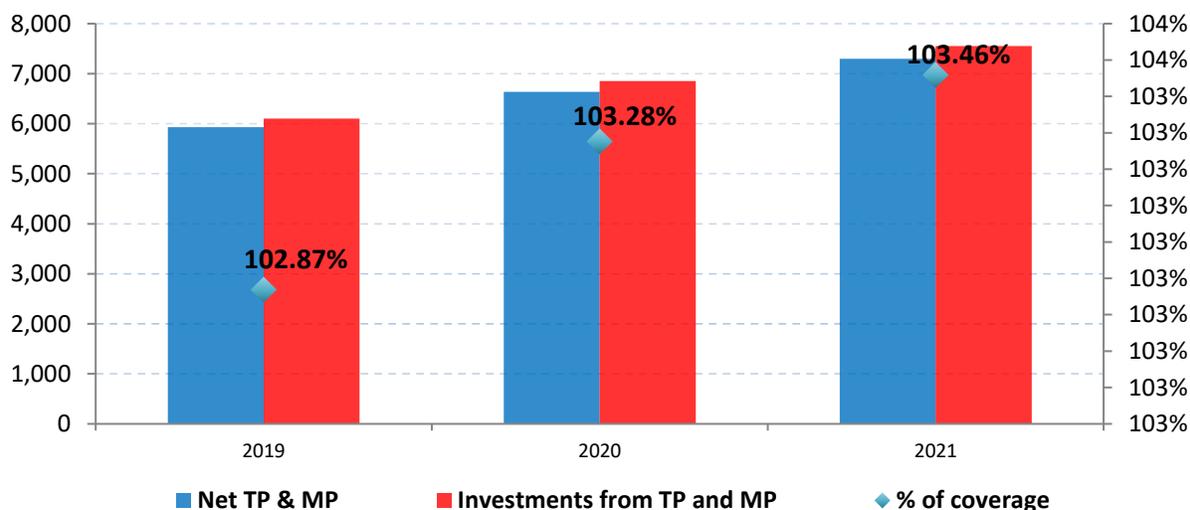
Table no. 21: Funds covering technical reserves at non-life insurance companies (thousands of denars)

	2021	2020	2019
Bank accounts and deposits in banks	3,430,161	3,194,914	3,345,592
Government securities	4,758,368	4,140,434	3,977,336
Stocks	233,834	225,563	213,021
Long-term securities issued in the EU or OECD	0	0	0
Investment funds	814,619	792,804	760,648
Other	0	98,298	0
Total	9,236,982	8,452,012	8,296,596

Source: ISA

In the case of life insurance companies, the investments of funds from the technical reserves and the mathematical reserve amounted to MKD 7.55 billion and have a coverage of net technical reserves of 103.46% (2020: 103.28%) (Chart no. 10).

Chart no. 10: Coverage of net technical reserves at life insurance companies (millions of denars; right axis – percentage)



Source : ISA

Life insurance companies invest most of the funds that cover the mathematical reserve in government securities issued by Republic of North Macedonia (7 8.11%), deposits in banks (20.61%), investment funds (0.59%) and in other financial instruments (0.69%) (Table no. 22).

Table no. 22: Funds covering technical reserves and mathematical reserves at life insurance companies (thousands of denars)

	2021	2020	2019
Bank accounts and deposits in banks	1,556,360	1,653,448	1,454,971
Government securities	5,898,243	5,116,003	4,562,433
Stocks	0	0	0
Long-term securities issued in the EU or OECD	0	0	0
Investment funds	44,251	36,502	38,941
Other	52,464	49,892	45,512
Total	7,551,317	6,855,846	6,101,857

Source: ISA

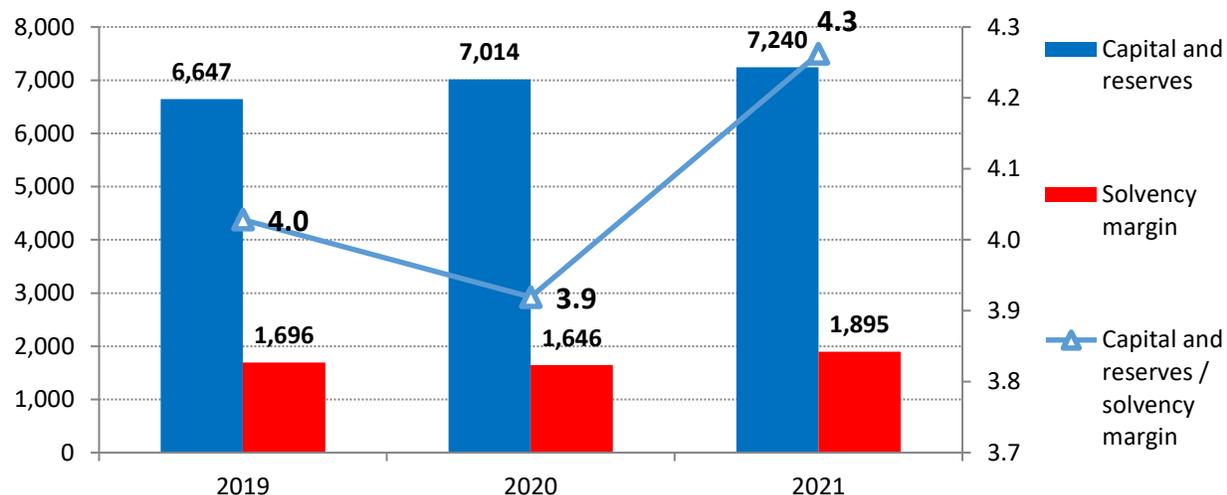
4.1.9. Capital adequacy of insurance companies

Pursuant to Articles 75 and 76 of the Law on Insurance Supervision, insurance companies should maintain the capital value at least at the required level of the solvency margin. According to the data submitted to ISA, at the end of 2021 the total calculated capital of insurance companies⁶ amounts to MKD 7.24 billion, which is an increase of 3.22% compared to 2020. Analysed by insurance groups, the capital of non-life insurance companies is MKD 5,433 billion, and that of life insurance companies is MKD 1.594 billion. Over 95% of the capital 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 believe that financial status and solvency of the insurance sector are good.

The required level of solvency margin, as the main indicator of the minimum required capital that the insurance sector must dispose with, in aggregated form amounts to MKD 1.89 billion (MKD 1.41 billion for non-life insurance and MKD 4.83 million for life insurance), thus the capital of the insurance sector is 3.8 times above the required level of solvency margin. The movement of capital and the required margin of solvency among insurance companies are displayed in Chart no. 11.

⁶Rulebook on the types and description of items that will be taken into account when calculating the company's capital for: insurance and/or reinsurance ("Official Gazette of Republic of Macedonia" no. 5/11, 64/11, 61/16 and 170/19")

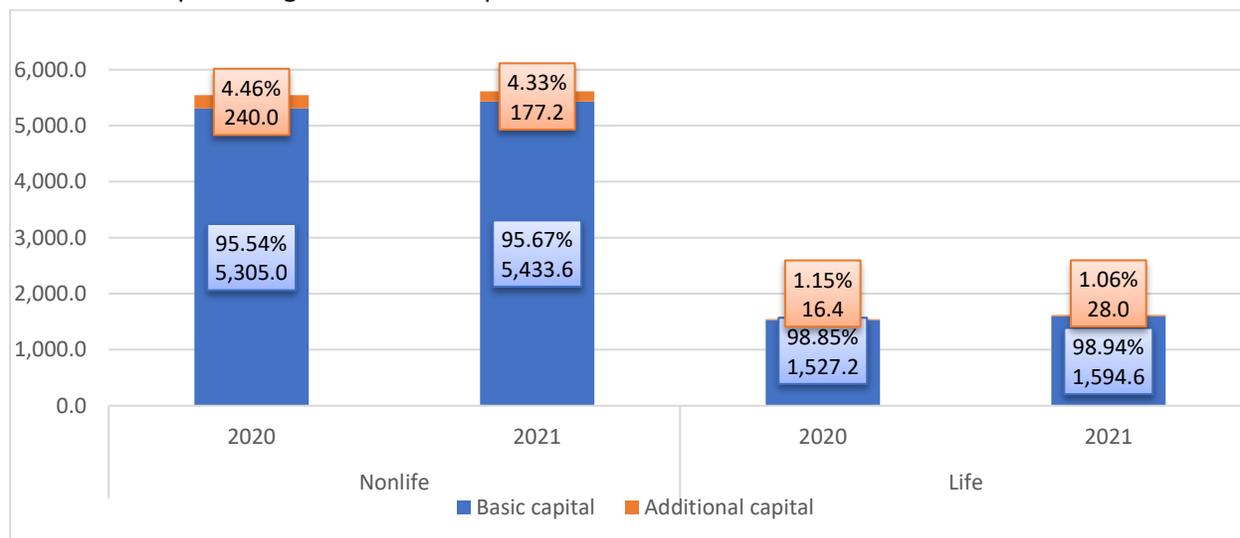
Chart no. 11: Movement of capital and the required solvency margin for insurance companies (millions of denars)



Source: ISA

As much as 95.67% of the total capital of non-life insurance companies, i.e. 98.94% of the total capital of 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 no. 12)

Chart no. 12: Capital structure of insurance companies (separately for non-life and life), in millions of denars and in percentage of the total capital



Source: ISA

4.1.10. Financial result of the operations

In the course of 2021, the insurance sector generated a profit in the amount of MKD 132.95 million, compared to the generated profit in the amount of MKD 451.66 million in 2020 (Graph no. 13) .

Non-life insurance companies had a loss of 53.44 million (2020: profit of MKD 273.81 million), which derives from the result of six companies that generated a profit in the amount of MKD 320.02 million and five companies that had a loss in the amount of MKD 373.47 million.

Life insurance companies generated a profit in the amount of MKD 186.39 million (2020: a profit of MKD 177.86 million) which derives from the result of four companies that generated a profit of MKD 191.62 million and one company that had a loss in an amount of MKD 5.23 million.

The growth of the work volume of non-life insurance companies expressed through the increase of gross written premiums and gross paid damage claims is the main reason for the deterioration of profitability in the non-life insurance sector in 2021. In addition, the significant deterioration of the financial result of some non-life insurance companies was affected by the need to harmonize the accounting recognition and reporting of acquisition costs, as well as the method of accounting recognition of the value adjustments of receivables based on premiums, after the end of the transitional period of deviations from the previously adopted accounting rules.

In the non-life insurance segment, the reasons for the deterioration of profitability are mainly in expenses in the profit and loss account. The total expenses due to incurred damages, net of reinsurance, of non-life insurance companies in 2021 amounted to MKD 3.59 billion and recorded an increase of MKD 509.41 million or 16.55% compared to 2020 (2020: MKD 3.08 billion). The total (net) costs for the implementation of the insurance (acquisition and administrative costs) amount to MKD 3.74 billion and also show an increase compared to 2020, i.e. they are by MKD 258.55 million or 7.42% higher than the costs realized in 2020 (2020: MKD 3.48 billion).

Another item of the total expenses of the non-life insurance companies is part of the reasons for the deterioration of profitability, namely the costs due to value adjustments (correction of value) of receivables based on premiums. The total costs on this basis, of non-life insurance companies in 2021, amount to MKD 161.01 million, while in 2020, the data show that the industry earned income due to the release of provisions for corrections of receivables in the total amount of MKD 33.61 million. The main reason for this significant increase in these costs is the fact that as of 1.1.2021 the transitional provisions of the Rulebook on the method of valuation of balance sheet items and preparation of business balance sheets ceased to be valid ("Official Gazette of Republic of Macedonia" no. 141 /13 and 61/16 and "Official Gazette of Republic of North Macedonia" no. 107/20) due to which the insurance companies suddenly had to recognize higher amounts of corrections of receivables in the accounting records that were previously exempted from correction of the accounting value (temporary measure due to the Covid-19 pandemic).

The total revenues of non-life insurance companies in 2021 amounted to MKD 8.24 billion and recorded a growth of 8.7% compared to the revenues generated in 2020 (2020: MKD 7.58 billion).

Revenues from premiums, net of reinsurance, is the most significant item from the total revenues of the non-life insurance segment, and it amounts to MKD 7.06 billion. Compared to the previous year, these revenues recorded an increase of MKD 494.35 million or 7.53%.

The returns from investments of non-life insurance companies, calculated as a difference between the total revenues from investments and the total costs from investments in 2021, amount to MKD 326.55 million and show a growth of 25.05% (2020: MKD 261.13 million), mainly as a result of realized profits from the sale of financial instruments to some insurance companies that actively trade in financial instruments.

The total revenues from commissions of reinsurers in 2021 amounts to MKD 496.36 million and shows a growth of 7.90% (2020: MKD 460.04 million).

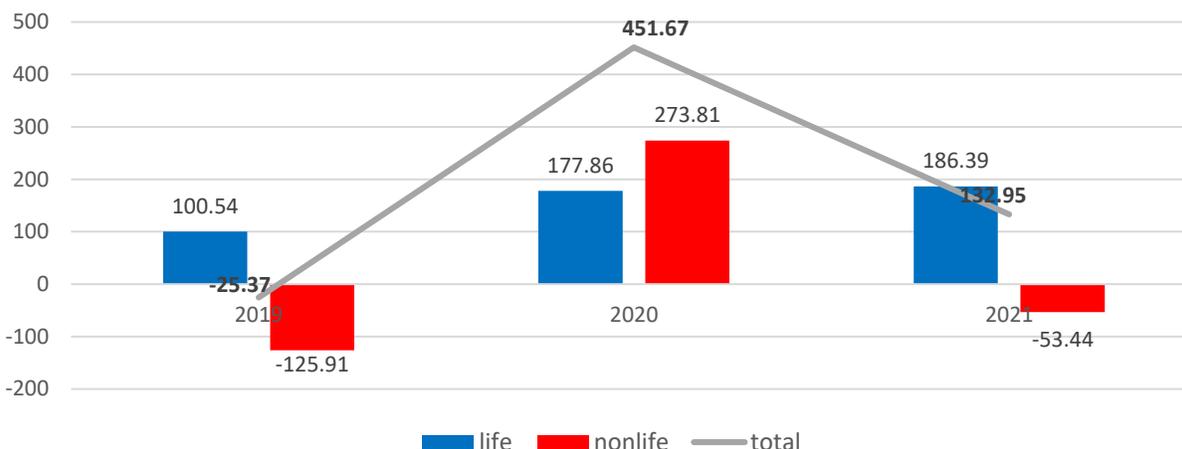
The total amount of other insurance technical revenues and other revenues from operations amount to MKD 273.54 million, and show an increase of MKD 81.50 million (2020: MKD 192.04 million). These categories of revenues usually include generated revenues for service damages, income based on the sale of tangible assets and the like.

Unlike the non-life insurance segment, there are no significant deviations in the life insurance segment in terms of profitability, although there are significant changes in the structure of insurance portfolios and market shares.

The total revenues from life insurance in 2021 amounted to MKD 1,932 million. The total expenses incurred during the respective period, due to the increase of liabilities under life insurance contracts, amount to MKD 1,531 million or 78.6% of the generated revenues. The total costs for performing the activity amounted to MKD 585 million, which is 30.3% of the revenues from the core activity. In terms of investment revenues, the difference between total investment revenues and expenditures of the five life insurance companies in 2021 amounted to MKD 394 millions, which is almost 20.4% of the insurance revenues.

Last year, the total revenues from life insurance amounted to MKD 1,698 million. The total expenses from the core activity amounted to MKD 1,278 million or 75.3% of the revenues. The total costs were in the amount of MKD 508 million or 30% of the revenues. The return on investments in 2020 amounted to MKD 290 million i.e. 17.1% of the generated revenues from insurance.

Chart no. 13: Financial result of the operation of the insurance companies (millions of denars)



Source: ISA

4.1.10.1. Risks of the insurance sector

In the forthcoming period, the insurance companies may face with challenges related to damage claims, due to the **growth of activity and the risks of climate changes**. The pandemic has temporarily reduced the costs of damage claims in non-life insurance in 2020, which can be explained by the introduced protective measures with restrictions on movement and the reduced volume of economic activity. However, in 2021, with the recovery of the economy, the number of risky events grew as was expected. On mid-term basis, a potential threat is the frequent occurrence of natural disasters, which highlights the exposure of the insurance sector to climate risks.

Pressures on the profitability of insurance companies are possible from low interest rates, which reflects on the returns from financial investments. The national insurance sector traditionally applies a conservative investment strategy with the leading participation of investments in national government securities and bank deposits. The exposure to international financial markets is very low for non-life insurance companies, while life insurance companies have almost no investments in foreign financial instruments. This type of investment structure contributes to the stability of the sector, as it provides protection against risks associated with the volatility of financial markets. On the other hand, investing in low-risk instruments limits the possibilities of achieving an adequate return from the investment, which is especially important in the current environment of low interest rates. Hence, in the next period, an increased search for yield by insurance companies and a rebalancing of portfolios in the direction of taking more risk is possible, especially if the era of low interest rates persists for a longer period. Certain shifts in this direction have already been present in the last few years through an increased participation of investments in shares and stocks of investment funds registered in the Republic of North Macedonia and in proprietary securities, which is more a tendency of non-life insurance. However, if such trends continue in the next period, it is possible to increase the exposure of insurance companies to market and liquidity risk, which emphasizes the importance of adequate risk management and their maintenance within controlled frameworks.

In general, **in conditions of low interest rates, life insurance becomes more expensive.** Under the assumption that everything else remains unchanged, the liabilities of life insurance companies under the same life insurance policies that have guaranteed agreed insured sums became larger compared to the conditions when interest rates were higher. This is because lower interest rates should now be used in valuing the liabilities, which has the effect of increasing the expected discounted future cash payments upon the policies.

These liabilities are actually the sum of the mathematical reserve for each individual active life insurance contract, and the change in these liabilities during the period is the most significant expense item in the balance sheet of the life insurance companies.

The importance of interest rates can be seen if the annual balance sheets of life insurance companies are analyzed by segment. The generated profits are precisely due to the returns from the investments of the funds, that is, the non-technical segment of the profit and loss account. The technical result, which basically consists of the difference between income from premiums and expenses from an increase in the mathematical reserve, is negative.

Projections for the growth of the global economy continues to be accompanied by exceptional uncertainty,⁷ connected with the further development of the pandemic, and as of the beginning of 2022 with the geopolitical tensions and developments between Russia and Ukraine. This would contribute to further deterioration in supply chains, rising inflation and inflationary expectations, and thus earlier and sharper tightening of monetary policies in many economies. Consequently, these factors may also increase the risk of financial stress, given the vulnerability of the public and private sector, especially in highly indebted emerging and developing countries, and in addition, the possible consequences related to climate change would have a negative effect on the recovery of this group of countries. Currently, a more pronounced risk for the global economy is the escalation of the Russian-Ukrainian conflict, which may cause an increase in the prices of primary energy and non-energy products, destabilization of global trade flows and increased instability in financial markets, adversely affecting global inflation and global economic recovery. In the long term, the global economy faces the risk of a more pronounced decline in the fundamental drivers of growth, especially pronounced in fast-growing and developing economies, in conditions of weaker investment in fixed assets, as well as consequences on human capital in the case of limited access to education and health services. Other global risks represent the possible slower growth of the Chinese economy and the possible emergence of global social unrest. On the other hand, the upside risks to future growth are mainly related to additional fiscal support in developed economies and faster adoption of new technologies, which could lead to increased productivity and a stronger global economic recovery than expected.

4.1.11. Indicators for the insurance sector

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

The claims ratio is calculated as the ratio between the damage claims incurred in the period and the premium, while **the cost ratio** represents the relation between the costs of implementing insurance and the premium. The sum of these two coefficients gives the **combined coefficient**. To be more precise, the

⁷ 2021 Annual Report, National Bank of the Republic of North Macedonia

coefficients on a gross basis and on a net basis by groups of insurance i.e. after isolating the effect of reinsurance, are displayed in Table no. 23.

Table no. 23: Technical coefficients

	2021			2020		
	Damage ratio	Cost ratio	Combined coefficient	Damage ratio	Cost ratio	Combined coefficient
Net coefficients						
Non-life	53.33%	52.15%	105.48%	47.82%	51.41%	99.23%
Life	79.44%	29.42%	108.86%	76.99%	28.98%	105.96%
Total	59.13%	47.10%	106.23%	53.77%	46.83%	100.60%
Gross coefficients						
Non-life	51.94%	45.46%	97.40%	50.09%	45.16%	95.25%
Life	78.94%	28.98%	107.92%	75.33%	28.87%	104.20%
Total	56.92%	42.42%	99.34%	54.43%	42.36%	96.79%

Source: ISA

Reinsurance plays an important role in managing the risks assumed in insurance. The financial indicators suggest that non-life insurance companies transfer significant risk to reinsurance, unlike life insurance companies. This is evident from the table above, which shows the technical coefficients gross and net from reinsurance, separately for non-life and life.

Just one unwanted harmful event may cause serious negative consequences in the financial result of an insurance company, if there is no reinsurance. In bus accidents which, unfortunately, ended with many human casualties, the helicopter crash at the Skopje airport, fortunately without human casualties, but with a large material loss, and other events that caused large losses, the existing sources would not have been sufficient funds available to the insurance companies, if they did not have previously provided adequate reinsurance coverage.

The aggregated balance sheet of non-life insurance companies for 2021, similarly to the previous year, shows that the share of the basic annual income of the companies, from gross premiums, transferred to reinsurance is about 23% (2020: 22%), or in absolute amount, the companies transferred MKD 2.064 billion (2020: MKD 1.90 billion) of the gross premium income in the amount of MKD 9.12 billion (2020: MKD 8.47 billion) to reinsurance. Analysed by individual companies, there are large differences in the relative share of reinsurance in the realized gross income from premiums, so for some insurance companies this percentage in the total annual income from premiums amounts to over 30%, in the last case even 53%, while in other companies, about 10%. Corresponding to this is the participation of reinsurance in the costs of the companies, namely those on the basis of compensation for damages and operating costs. The total annual compensation of reinsurers in damage claims in 2021 is MKD 988.97 million (2020: MKD 1.111 billion), which is 22% (2020: 26%) of the realized compensation for damage claims in the year, i.e. of the total incurred damage claims of MKD 4, 58 billion (2020: MKD 4.18 billion). The total annual income from commissions of the insurance companies amounts to MKD 496.36 million (2020: MKD 460.04 million), which is 24% (2020: 24%) of the premiums paid by the companies to reinsurers. The net financial effect of reinsurance on the aggregated balance sheet for 2021 is negative and amounts to MKD 578.85 million (2020: MKD -336.28 million).

If the participation of reinsurance in the total gross technical reserves is analysed through the aggregated balance sheet of non-life insurance companies, on 31.12.2021 the total amount of technical reserves transferred to reinsurance amounts to MKD 2.04 billion (31.12.2020: MKD 1.59 billion), which is 21%

(2020: 18%) of the gross amount of technical reserves, which amounts to MKD 9.81 billion (31.12.2020: MKD 8.73 billion).

The rate of return on investment (ROI) is calculated as the ratio of revenues minus the cost of investments and the amount of investments. The rate of return on investments at the industry level for 2021 is 3.61 % and shows an increase compared to last year (2020: 2.96%). Separately, by groups of insurance, it is established that the rate of return on investments in non-life insurance in 2021 is 2.90% compared to the achieved 2.42% in 2020 , while in life insurance in 2021 this rate is 4.55% which is an increase compared to the previous year when it was 3.69%.

Rate of return on assets (ROA) is calculated as a ratio of net profit and total assets. At industry level, this indicator is 0.47%, which means a decrease compared to the previous year when it was 1.76%. Separately, by insurance groups, the rate of return on assets for non-life insurance in 2021 is -0.30% compared to 1.67% in 2020, and for life insurance in 2021 it is 1.79% compared to 1.92% in 2020.

Rate of return on equity (ROE) is calculated as a ratio of net profit and the capital and reserves category. At industry level, this indicator is 1.65 % compared to 5.99% in 2020. Separately, by insurance groups, the rate of capital return in non-life insurance in 2021 is -0.87 %, which is a decrease compared to the previous year when it was 4.76%, and for life insurance in 2021 it is 9.63%, which is a small decrease compared to 2020 when it was 10.13%.

Debt ratio is calculated as the ratio of total liabilities to total assets. This coefficient shows how much of the assets are financed by liabilities (technical reserves and other liabilities), without including capital and legal reserves. In 2021, this coefficient was 71.75%, which is a small increase compared to 2020, when it was 70.64%.

The overview of all these financial indicators is given in Table no. 24.

Table no. 24: Financial indicators

	2021				2020			
	ROI	ROA	ROE	Indebtedness	ROI	ROA	ROE	Indebtedness
Non-life	2.90%	-0.30%	-0.87%	66.15%	2.42%	1.67%	4.74%	64.77%
Life	4.55%	1.79%	9.63%	81.46%	3.69%	1.92%	10.13%	80.66%
Total	3.61%	0.47%	1.65%	71.75%	2.96%	1.76%	5.99%	70.64%

Source: ISA

4.2. INSURANCE INTERMEDIATION

The role of sales intermediation has an increasing impact in the insurance sector. In the course of 2021, 43.14% (2020: 43.49%) of the achieved GWP was realized through direct sales by insurance companies, while 56.86% (2020: 56.51%) was realized through indirect mediation channels (Table no. 25).

Table no. 25: Structure of channels for the sale of policies according to realized GWP (thousands of denars)

	non-life				life				total			
	2021		2020		2021		2020		2021		2020	
	GWP	%	GWP	%	GWP	%	GWP	%	GWP	%	GWP	Share
Direct sales	4,584,193	48%	4,021,505	48%	433,187	22%	356,156	20%	5,017,380	43%	4,377,661	43%
Insurance brokerage companies	2,937,866	31%	2,431,315	29%	863,324	43%	806,446	46%	3,801,190	33%	3,237,761	32%
Insurance representation companies	685,633	7%	634,602	8%	214,775	11%	205,328	12%	900,408	8%	839,930	8%
Tourist agencies	13,773	0%	9,015	0%					13,773	0%	9,015	0%
Car dealerships	14,805	0%	12,425	0%					14,805	0%	12,425	0%
Banks	205,923	2%	169,893	2%	308,664	15%	223,538	13%	514,587	4%	393,431	4%
Agents	1,158,741	12%	1,025,945	12%	181,811	9%	149,022	9%	1,340,552	12%	1,174,967	12%
Other distribution channels	26,999	0%	20,700	0%					26,999	0%	20,700	0%
Total	9,627,933	100%	8,325,400	100%	2,001,761	100%	1,740,490	100%	11,629,694	100%	10,065,890	100%

Source: ISA

In the structure of sales channels for non-life insurance, the largest share is direct sales with 47.61%, followed by sales through insurance brokerage companies with 30.51%, sales through agents (natural persons) with 12.04%, sales through companies for representation in insurance with 7.12%, banks with 2.14% and 0.58% through other distribution channels. On the other hand, in the structure of life insurance sales channels, insurance brokerage companies have the largest share with 43.13%, followed by direct sales with 21.64%, banks with 15.42%, sales through insurance representation companies with 7.62% and 9.08% sales through agents (natural persons).

4.2.1. Insurance agency operations

Representation in insurance is the preparation and conclusion of insurance contracts, in the name 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 carried out through insurance agents - natural persons, insurance representation companies and banks that have received permission to perform insurance representation. In 2021, through these channels, 23.69% of GWP was realized (2020: 23.93%), i.e. MKD 2.76 billion (2020: MKD 2.41 billions), which is an increase of 14.42% compared to the previous year.

Representation in insurance through natural persons is carried out on the basis of a license from ISA, which they received after previously passing an exam for performing representation in insurance. In the

total GWP, representation in insurance through natural persons participates with 11.53%, while in 2021 the number of representatives who had a license from ISA is 1,313.

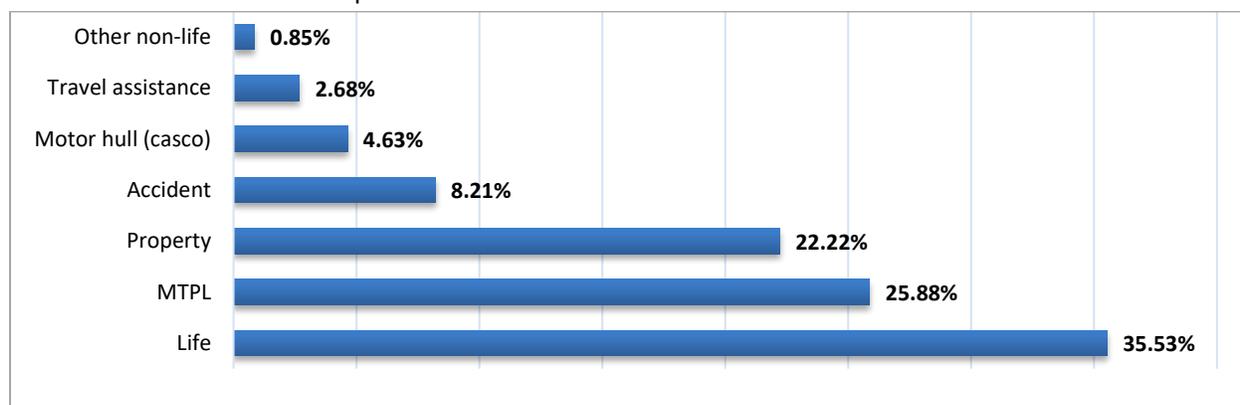
The number of insurance representation companies increased by two new companies (DZO Pro-Ins AD Skopje and DZO Protektor AD Prilep) compared to 2020, which makes the total number of representation companies to be 12. In 2021, in the total GWP insurance representation companies participate with MKD 900.41 million or 7.74% of the total mediation, and compared to last year an increase of 7.20% was recorded (2020: MKD 839.93 million).

Insurance representation can also be done by a bank that has received a license to perform insurance representation from the National Bank of Republic of North Macedonia, based on the prior consent of ISA. The number of banks performing insurance representation in 2021 remained unchanged, i.e. 7 banks. The banks participated with MKD 514.59 million or 4.42% in the total GWP, which is an increase of 30.79% compared to 2020 (2020: MKD 393.43 million).

In the course of 2021, 85,007 insurance contracts (policies) were concluded through insurance representation companies (2021: 71,165), which is 19.45% more than the previous year. In 2021, 187,127 insurance contracts were concluded (2020: 147,073) through the banks, which is an increase of 27.23% compared to the previous year.

The distribution of the total GWP per insurance classes realized by insurance representation companies and banks is displayed in Chart no. 14.

Chart no. 14: GWP structure per insurance classes



Source: ISA

4.2.2. Insurance brokerage operations

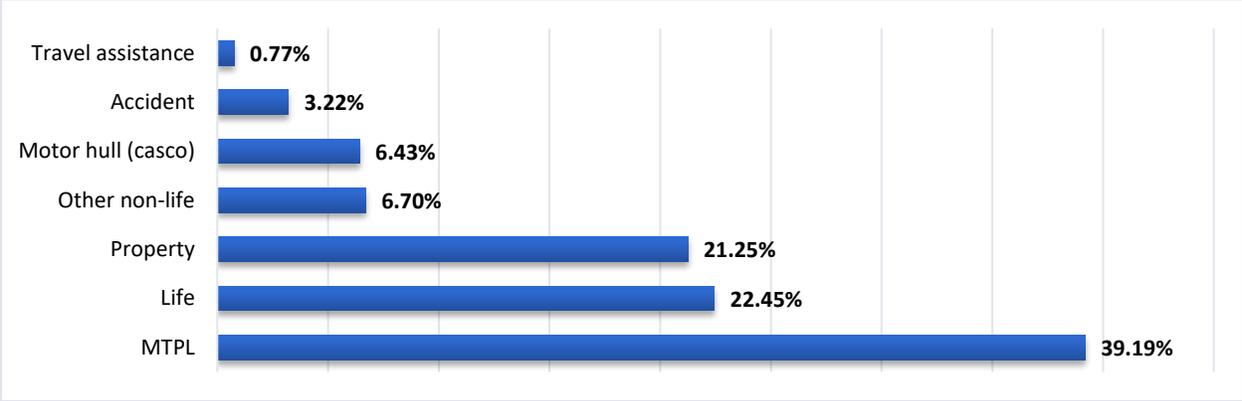
Insurance brokerage operations involve mediation in negotiating insurance and reinsurance coverage, as well as the realization of damage claims upon insured loss event that has occurred with insurance and reinsurance companies, on behalf and for the account of the clients. Through this distribution channel, insurance brokerage companies in 2021 realized 32.69% of GWP (2020: 32.17%), i.e. MKD 3.80 billion (2020: MKD 3.24 billion), which is an increase by 17.40% compared to the previous year.

At the end of 2021, 39 insurance brokerage companies operated on the insurance market. In the course of 2021, the license of the Insurance Brokers Company AMG Premium AD Skopje was revoked.

During this period, insurance brokerage companies sold 405,595 policies (2020: 306,693) which is an increase of 32.25 % compared to the previous year.

The distribution of the total GWP, by insurance classes, realized by insurance brokerage companies, is displayed in Chart no. 15.

Chart no. 15: GWP structure per insurance classes



Source: ISA

4.3. NATIONAL INSURANCE BUREAU

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

NIB has been a member of the Council of Bureaux in Brussels since 1994, whose purpose is to facilitate the international road traffic of motor and trailer vehicles, through liability insurance for damages caused to third parties, according to the conditions prescribed in the visited country and guarantees 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, NIB participates in the work of the South-Eastern European Group, in which the countries of the region are members.

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

In the operational report that NIB submitted to the ISA, pursuant to Article 54 paragraph (3) of the Law on Compulsory Traffic Insurance, the financial operations of NIB and the financial operations of the Guarantee Fund for the year 2021 are specified.

With status 31.12.2021, NIB total assets amounted to MKD 302.86 million, of which MKD 231.10 million are current assets, and the remaining MKD 71.76 million refer to non-current assets and compared to the previous year, they recorded a decrease of 4.77%. In NIB total assets, the deposits in banks take the largest share of 54.81%, followed by damage claims from insurance companies with 33.00% and investments in securities with 6.82%. In the total liabilities and capital of NIB in 2021, capital accounts for 63.12%, and liabilities for 36.73%. In 2021, NIB made a profit in the amount of MKD 2.34 billion (2020: profit of MKD 2.61 billion).

4.3.1. NIB Guarantee Fund

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

1. damages 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 aircrafts;
2. damages caused on the territory of the Republic of North Macedonia by means of transport registered for the transport of passengers in public traffic, for which the owners have not concluded an agreement for the insurance of passengers from the consequences of an accident;

3. damages from mandatory insurances that the injured persons cannot recover due to the termination of the insurance company with which the insurance contract was concluded, whereby only the part of the damage that was not compensated by the bankruptcy estate of the insurance company is paid; and
4. damages from insured motor vehicles originating from the territory of the Republic of North Macedonia, which are guaranteed by the National Insurance Bureau in accordance with the Crete Agreement and other international agreements.

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 Instructions for Keeping Records and Method of Paying Funds from the Guarantee Fund, adopted by the NIB.

Table no. 26: Participation in the Guarantee Fund by insurance companies for the period 1.1.2021-31.12.2021 (in MKD)

Name of the insurance company	Total GWP for all mandatory insurances	% of participation in GWP for all mandatory insurances	Participation in the Guarantee Fund
Makedonija	249,398,022	5.19%	9,596,889
Triglav	522,101,898	10.86%	20,090,591
Euroins	389,552,878	8.11%	14,990,077
Sava	438,927,833	9.14%	16,890,036
Winner	613,950,463	12.78%	23,624,943
Eurolink	386,556,796	8.05%	14,874,787
Grawe non-life	295,813,113	6.16%	11,382,951
Uniq	620,265,581	12.91%	23,867,951
Insurance policy	445,425,587	9.27%	17,140,071
Halk Insurance	477,804,245	9.95%	18,386,008
Croatia non-life	364,777,011	7.59%	14,036,696
Total	4,804,573,427	100.00%	184,881,000

Source: 2021 NIB Operational Report

The insurance companies that carry out mandatory auto liability insurance operations are obliged to pay funds to the Guarantee Fund in an amount corresponding to the premium realized for separate classes of mandatory auto liability insurance in the previous quarter, for the current quarter of the current year.

Pursuant to the decision of the Management Board of NIB, a new distribution of funds from the Guarantee Fund is made every calendar year in the amount of EUR 3,000,000, according to the percentage of the insurance company's participation in the total policy premium for all mandatory insurances. The participation in the Guarantee Fund by insurance companies for the year 2021 is displayed in Table no. 26.

4.3.2. Reimbursement of damages from the Guarantee Fund

Pursuant to Article 60 paragraph (4) of the Law on Compulsory Traffic Insurance, the insurance company that processed and paid the damage claim, has the right to a refund from the Guarantee Fund.

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 apply, to which the Republic of North Macedonia is a signatory, are not compensated from the funds of the Guarantee Fund.

Table no. 27: Reported and accepted damage claims for refund from the Guarantee Fund for the period 1.1.2021 - 31.12.2021

Name of the insurance company	Number of reported damage claims for refund	Number of accepted damage claims in the Guarantee Fund	Accepted damage claims in the Guarantee Fund (damage + fee) amount in MKD
Makedonija	72	72	22,930,548
Triglav	55	55	7,717,449
Euroins	76	76	13,434,796
Sava	54	54	9,118,078
Winner	98	98	12,640,043
Eurolink	57	57	12,017,755
Grawe non-life	62	60	26,192,870
Uniq	84	83	14,660,411
Insurance policy	67	67	12,884,540
Halk	70	69	8,263,430
Croatia non-life	52	52	10,871,382
Total	747	743	150,731,302

Source: 2021 NIB Operational Report

In 2021, 747 damage claims for refund were reported to NIB by insurance companies, of which 743 damage claims in the amount of MKD 150.73 million were accepted and refunded.

The number of reported claims for refund in the Guarantee Fund in 2021 (747) has decreased by 22 damage claims compared to 2020 (769), i.e. a decrease of 2.95%.

The average paid damage claim in 2021 is MKD 195,154 and it shows an increase of 2.65% compared to the average paid damage claims in 2020.

The number of reported and accepted damage claims for refund from the Guarantee Fund in the course of 2021, as well as the amount of accepted damage claims are displayed in Table no. 27.

Number 01-443/1

Skopje, 23.6.2022

President of the Council of Experts,

Krste Shajnoski