

2022

ANNUAL REPORT
ON THE STATUS
AND MOVEMENT OF
THE INSURANCE
MARKET

REPORT
NO. 1
2022



INSURANCE
SUPERVISION
AGENCY

Republic of Macedonia

Distinguished readers,

Events related to the Russian-Ukrainian military war that broke out in late February 2022 caused serious disruptions in the global food and energy markets. After a long period of global and regional price stability, we are now facing strong inflationary pressures. Taking into account the fact that the domestic economy meets its needs for food and energy from imports and cannot influence price movements on international markets, the trends of a general increase in prices are also present in our country. The government policies and the policies of the National Bank are primarily aimed at mitigating the adverse consequences of rising prices on the standard of living of citizens and the economy. Government measures mainly refer to the protection of socially vulnerable categories of citizens through subsidizing electricity bills and freezing the prices of certain food products, while the National Bank uses the authority it has in the area of monetary policy implementation, and through several subsequent decisions made an increase in the basic interest rate, so that at the end of 2022 it will amount to 4.75%.

The increase in prices could also be felt in the operations of insurance companies and insurance agents and mediators. The increase in costs during processing and payment of damages from insured motor vehicles is evident as a result of the increase in the prices of spare parts and repair services. In addition to these, the administrative costs of the companies have also increased.

Despite rising costs, insurance companies ended 2022 with improved financial results compared to the previous year.

This is primarily due to the improved selection of risks and increase in insurance prices,

insurance premiums, which represent the most significant category of income.

In the non-life insurance portfolio, there has been an annual increase in premiums in all classes of insurance except for property insurance, where a slight decrease in the gross written premium is recorded. The annual life insurance premium has gone up. Mainly due to the growth in the sale of life insurance policies that only cover the risk of death, and the growth of so-called unit-linked life insurance where insured entities assume the risk of investing their funds which are further invested in the acquisition of shares issued by investment funds in the country.

In addition to the growth of premiums, the growth of claims paid is also noticeable. Growth was also observed in the technical reserves of insurance companies. Technical reserves are an important indicator of the solvency of insurance companies. They represent liabilities for the companies under the insurance contracts. The sources for covering these liabilities are the collected amounts of premiums written. Insurance companies manage these assets prudently, in accordance with the legal requirements. At the same time, when choosing the type of investment of these funds, insurance companies should pay attention to the nature, maturity and currency of the obligations, i.e. the insurance contracts themselves.

Global inflation represents serious challenge and a relevant factor for future trends and developments on the local insurance market. Central bank's response to emerging inflationary pressures in form of tightening the monetary policy and raising the basic interest rate eventually could result in significant shifts in the offer of life insurance products with guaranteed insured amounts towards insurance products that do not contain any

guarantees with regard to return on invested assets upon expiry of the contracts. The growth of inflation did not worsen the financial performance of insurance companies. On the contrary, the financial results for the past year show that the profitability of the insurance market has been improved. For us as a regulator, in addition to maintaining the solvency and stability of the insurance sector, it is of high importance to see improvements in the quality of the services offered to policyholders. We believe it is necessary to increase transparency in creating insurance products, in addition to the price at which they are offered, the risks that are subject of insurance and the exceptions in which cases the insured will not be covered by the insurance. In other words, in this segment, structural changes are needed that will enable greater inclusion and access to quality insurance services. We believe there is a large population of uninsured people who need to be included in the insurance system. This should be done in a way that they will have the opportunity to choose from an offer of competitive and quality insurance coverage. On the other hand, they should have enough information that they get for the price they pay.

Last year we faced fluctuations in the professional staff at the Insurance Supervision Agency. Some of the colleagues terminated their employment, and in the same period we hired new staff. In accordance with our mandate and mission, we invest in their professional development in order to legally, expertly, impartially and promptly perform daily work tasks.

The Council of Experts of the Agency has five members and is the body making the decisions, i.e. the Agency's body of management. During 2022, we held a total of 31 sessions.

During the year, we implemented all the planned activities related to trainings and exams for

authorized actuary, as well as for insurance brokers and agents in insurance.

Activities related to licensing and supervision are performed in a timely manner and in accordance with the requirements of the law. In the area of on-site supervision and keeping of registers, there is a significant improvement of the processes thanks to the new supervisory software.

Our participation in the operations of the supervisory colleges was in accordance with the foreseen dynamics and plan of activities. We held working meetings remotely and thus responded to all work engagements related to cooperation and information exchange with supervisory authorities from EU member states.

Despite the fact that we are not a member state of the EU, and that the basic law that regulates the insurance activity in our country is not in line with the requirements of European directives and regulations, we strive to build a supervisory practice compatible and comparable to that applied by our colleagues from other countries. members of the EU. We believe that in this way we give a clear and unbiased picture of our expectations from entities that provide insurance services, but also contribute to further improvement in the understanding of risks and their management by insurance companies and their sales channels.

The use of technology in insurance is undoubtedly increasing, although there is little, and in one place, sublimated official data on these trends. The agency cooperates with other financial regulatory authorities for further development of the FinTech sector. The development of technology and its use in the performance of the activity and in supervision should enable greater involvement and availability of insurance services, as well as a better understanding and risk management in the insurance companies themselves. The entry

of technology should be supported by strengthening financial education and literacy.

We are working intensively to strengthen the public perception of the Institute Complaint - a right that every insured person has when they believe the quality of the service provided by the insurance company is not at the appropriate level. And we already have results expressed through the fact that the number of complaints received by the Agency from insured entities is continuously increasing. Ultimately and in the long term, it improves

public awareness of the importance of insurance and is a market barometer for the quality of service that companies provide to their policyholders.

Last but not least, I hereby invite you to familiarize yourself with the achievements of the market entities in 2022, the challenges we are exposed to, as well as our activities and plans.

Sincerely yours,

Krste Shajnoski



INSURANCE SUPERVISION AGENCY

ANNUAL REPORT
ON THE STATUS AND MOVEMENT OF THE INSURANCE MARKET IN 2022

Skopje, 2023

The report has been prepared in accordance with Article 158-o of the Law on Insurance Supervision. For its preparation, the Insurance Supervision Agency used data that the entities deliver to the Agency in accordance with the legal regulations. The subjects of supervision are responsible for the accuracy of the data.

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1. INTRODUCTION

The Insurance Supervision Agency (hereinafter the "ISA") is an independent regulatory body on the insurance market that exercises public authority, established by the Law on Insurance Supervision and the Law on Compulsory Traffic Insurance. ISA aims to contribute to the legal and efficient functioning of the insurance market in the country, for its continuous development, for the protection of the rights and interests of the insured entities, as well as for the promotion of the financial stability of the country.

During 2022, despite the unfavorable development of risks from the external environment caused by the corona virus pandemic, the growth of inflation and the slowdown of economic growth, the domestic insurance sector maintained a healthy liquidity and solvent position and achieved a positive financial result. It therefore showed readiness to deal with shocks, which was contributed to by the good condition of the sector before the pandemic, but also by the measures adopted by ISA in response to the crisis.

At the end of 2022, 16 insurance companies are actively working on the insurance market in the Republic of North Macedonia, of which 11 companies are engaged in non-life insurance, while 5 are in life insurance. In terms of intermediation, there are 42 insurance brokerage companies, 12 insurance representation companies and 8 banks that perform insurance representation operations.

The total gross written premium (hereinafter: "GWP") in 2022 is MKD 12,785,429 thousand, which represents an increase of 9.94% compared to the GWP achieved in 2021 (2021: MKD 11,629,700 thousand). In the non-life insurance section, GWP was achieved in the amount of MKD 10,508,927 thousand (2021: MKD 9,627,926 thousand), i.e. a growth of 9.15% compared to 2021. At the same time, in life insurance, GWP was realized in the amount of MKD 2,276,502 thousand (2021: MKD 2,001,774 thousand), which is an increase of 13.72%.

On 31.12.2022, total assets value of 16 insurance companies is MKD 30,393,398 thousand, which have increased by 6.6% compared to last year (2021: 28,512,618 thousand). The total calculated capital¹ of insurance companies shows a growth of 1.58% compared to 2021 and, at the end of 2022, amounts to MKD 7,241,199 thousand. The required solvency margin, as the main indicator for assessing the stability of the insurance sector, is aggregated to MKD 2,045,720 thousand, which means that the capital of the insurance sector is 3.54 times above the required solvency margin.

During 2022, the insurance sector reported a profit before taxation in the amount of MKD 631,835 thousand. At the same time, the non-life insurance companies made a profit of MKD 380,283 thousand, while on the other hand, the profit of the life insurance companies before taxation amounted to MKD 251,553 thousand.

In terms of regulation in 2022, 6 amendments to by-laws that were already in force, and 1 new by-law were adopted. Also, in March 2022, the Council of Experts of the ISA takes a position to recommend to the insurance companies to refrain from distributing and paying dividends from the profit realized in 2021, i.e. to retain the same in order to increase their statutory reserves, as long as there is uncertainty regarding the duration of the crisis and risk assessment on their financial condition and stability.

¹ According to the Insurance Supervision Law, the capital of the insurance company on a certain calculation date may differ from the amount of capital and reserves shown in the Balance Sheet on the same date.

2. LEGAL FRAMEWORK

Law on Insurance Supervision ("Official Gazette of the Republic of Macedonia" No. 27/02, 98/02, 79/07, 88/08, 67/10, 44/11, 112/11, 188/13, 30/14, 43/14, 112/14, 153/15, 92/15, 23/16, 83/18 and 198/18 and "Official Gazette of the Republic of North Macedonia" No. 101/19 and 31/20, and 173/22), the Law on Compulsory Traffic Insurance ("Official Gazette of the Republic of Macedonia" No. 88/05, 70/06, 81/08, 47/11, 135/11, 112/14 and 145/15 and "Official Gazette of the Republic of North Macedonia" No. 220/19), the Law on Voluntary Health Insurance ("Official Gazette of the Republic of Macedonia" no. 145/12 and 192/15), the Law on Payment of Pensions and Pension Benefits in the field of Fully Funded Pension Insurance ("Official Gazette of the Republic of Macedonia" No. 11/12, 147/15 and 30/16) and the Law on Prevention of Money Laundering and Financing of Terrorism ("Official Gazette of the Republic of Macedonia" No. 120/18, 275/19 and 151/22), the Law on investment of the Republic of Macedonia in the share capital of Europe RE ("Official Gazette of the Republic of Macedonia" no. 185/11), the Law on Financial Stability ("Official Gazette of the Republic of North Macedonia" no. 173/22) and the Law on Restrictive measures ("Official Gazette of the Republic of Macedonia" no. 190/17) are the basic legal framework that regulates the conditions and manner of performing insurance and reinsurance operations, the manner and conditions of performing insurance mediation work and the implementation of supervision over the operations of companies for insurance, insurance brokerage companies and insurance representation companies.

The more general legal framework that is mandatory on the operations of the local insurance companies is represented by the Law on Obligations in the part that refers to insurance contracts and the Law on Trade Companies.

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

Compulsory traffic insurance is regulated by the **Law on Compulsory Traffic Insurance**, which regulates motor vehicle third party liability insurance contracts, minimum insurance amounts, deadlines for reporting and compensation by insurance companies, determining the right to mediation, the competencies of the Guarantee Fund, change of the manner of determining the premium tariffs through the functioning of the Automobile Liability Insurance Commission and the penal provisions for the insurance companies and the National Insurance Bureau. Also, the law stipulates obligations for insurance companies to appoint claims representatives abroad in order for victims of traffic accidents to have easy and quick access to reporting claims and compensation in foreign countries, as well as establishing a Compensation Service, 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 a wide field of action for insurance companies to offer packages of health services that are already covered by the system

of compulsory health insurance. Voluntary health insurance is regulated both additionally and privately. The additional health insurance ensures the coverage of the costs on behalf of participation with personal funds when using health services from the compulsory health insurance (co-payment), in accordance with the regulations from the compulsory health insurance and health care. Private health insurance provides coverage of the costs for using the health services for a higher standard of health services arising from the compulsory health insurance, the costs for covering the health services used in the additional activity, as well as for using the health services in health institutions outside the network of health institutions in which the health activity is performed and in the legal entities that make, issue and service orthopedic and other aids.

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

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

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

The Law on Financial Stability regulates the objectives, status, tasks and way of working of the Financial Stability Committee, as well as the instruments and way of implementing the national macroprudential policy.

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

3. DOMESTIC AND INTERNATIONAL ENVIRONMENT

According to the data of the State Statistics Office, in 2022 the real gross domestic product (hereinafter referred to as "GDP") is estimated to grow by 2.1%. Namely, after a deep decline of 6.1% in 2020 as a result of the health and economic crisis caused by the covid-19 pandemic, a gradual recovery of the domestic economy was observed during 2021, which resulted in a revised GDP growth rate of 3.9%.

The slowdown in growth in 2022 compared to 2021 is mainly due to the adverse effects of Russia's military invasion of Ukraine, which imposed new global challenges related to the energy crisis and high inflation rates. After a long period of low inflation, in 2022 inflation accelerated, with the average inflation rate reaching 14.2%.²

The financial system of the Republic of North Macedonia is characterized by 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 2021 is 3.82%³. The other segments of the financial system, individually and together, continue to have a very modest share in the total assets value of the financial sector, although some of them almost constantly record relatively dynamic growth. Despite the continuous growth of the financial system, a comparative analysis of the levels of financial intermediation with other countries of Central and South-Eastern Europe points to a modest size of the domestic 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 individual segments of the financial system do not show significant changes in 2021.

The intersectoral connection of the individual institutional segments of the financial system of the Republic of North Macedonia and the possibility of risk spillover from one segment to another are at a low level. The reason for that is the simple structure of the financial system, the low interdependence of the activities of the individual 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 individual institutions from the financial system is within moderate limits and does not represent a source of contagion between individual segments.⁴

In 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 represent another potential channel of contagion in the financial system. Interbank claims and liabilities are another possible channel for contagion in the financial system, although it is still of relatively minor importance.

² Annual Report for 2022 of the National Bank of RNM

³ Financial Stability Report for 2021, National Bank of the Republic of North Macedonia

⁴ Financial Stability Report for 2021, National Bank of the Republic of North Macedonia

Bank insurance, i.e. cooperation between banks and insurance companies based on an insurance representation agreement, was used by eight banks in 2022 (the same as the previous year), and is another example of cross-sectoral 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 in which the investment risk is borne by the insured, refer to the connection of this type of insurance with the price movements of the financial markets, i.e. the performance of investment funds. The proprietary connection that exists between individual financial institutions is another potential channel of interdependence and eventual spillover of risks from one segment of the financial system to another.

When analyzing and comparing the indicators of the level of **development of the domestic insurance market with the markets of 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 the countries members of the European Union. This is primarily due to the fact that insurance companies in our country are not involved in the phase of accumulation of funds from paid contributions from capital-funded pension insurance, and are still at an early stage of development and offer of service packages in the domain of the voluntary health insurance. This is also related to the results of the first national measurement of the level of financial literacy among the adult population in the Republic of North Macedonia, carried out in February 2018⁵. It also showed an aggregate level of financial literacy of 11.8, in accordance with the standard methodology of INFE. It is a relatively lower level compared to the average of the most developed countries in the world from the Group of 20 of 12.7 points, but on the other hand it is comparable to the countries of the region. This undoubtedly affects that we have an incomparably lower volume of annual premiums in these products compared to those in the developed insurance markets.

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

	GDP, current prices (billion EUR)	GDP per capita, current prices (EUR)	Gross written premium (million EUR)	Penetration rate (% in GDP)	Density rate (EUR/per 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

⁵ The first measurement was organized by the National Bank, supported by EFSE, according to the international methodology of INFE OECD.

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/Average	1,705.48	14,235	40,819	2.39 %	341

Source: XPRIMM, Annual report for 2021

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

4. INSURANCE MARKET IN THE REPUBLIC OF NORTH MACEDONIA

4.1. INSURANCE COMPANIES

During 2022, 16 insurance companies operated on the insurance market, of which 5 insurance companies work on life insurance, while the remaining 11 work on non-life insurance. Only one company, in addition to non-life insurance, has a license to perform reinsurance.

Insurance companies have employed 1,926 workers at the end of 2022, which is 6.8% more compared to the beginning of the year (2021: 1,803).

4.1.1. Ownership structure

Insurance companies are predominantly owned by foreign legal entities from the financial sector (73.53%), 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 domestic investors.

Table no. 1: Ownership structure of insurance companies (percentage)

	2022	2021	2020
1. Foreign shareholders	77.14%	75.67%	80.11%
1.1. Natural persons	0.50%	0.52%	0.33%
1.2. Non-financial legal entities	3.11%	0.00%	0.00%
1.3. Financial institutions	73.53%	75.16%	79.78%
2. Domestic shareholders	22.83%	24.30%	19.86%
2.1. Natural persons	4.11%	4.26%	4.88%
2.2. Non-financial legal entities	0.52%	0.54%	0.61%
2.3. Financial institutions	18.20%	19.49%	14.37%
3. State ownership	0.03%	0.03%	0.03%
TOTAL	100.00%	100.00%	100.00%

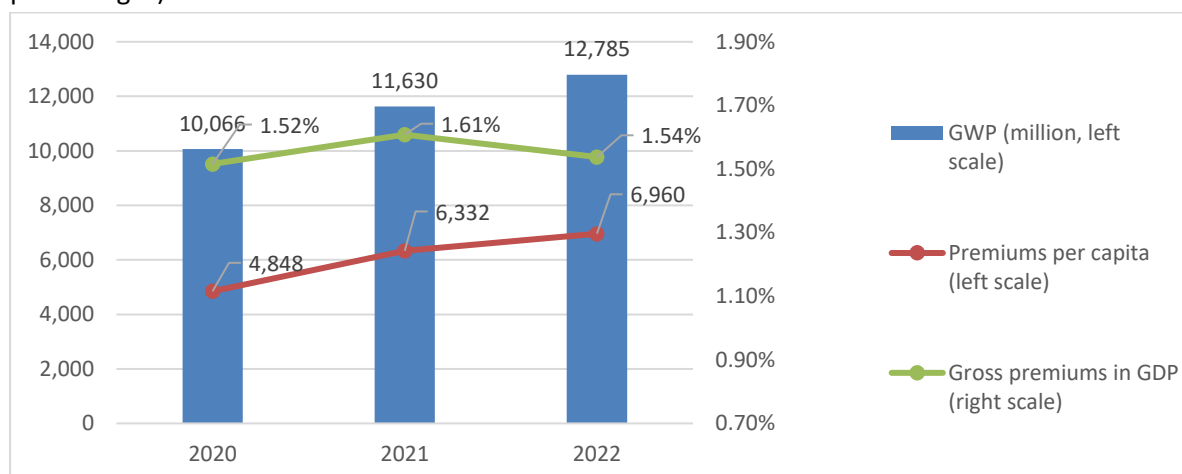
Source: ISA

4.1.2. Insurance market development

The basic indicators that measure the degree of development of the insurance market are the penetration rate and the density rate⁶. Data on the level of insurance penetration in 2022 show that the total GWP in the country contributes 1.54% to the gross domestic product, which is 0.07% lower than the previous year (2021: 1.61%). The density rate in 2022 is MKD 6,960 per inhabitant, which is an increase of 10% compared to the previous year (Chart no. 1).

⁶The penetration rate is calculated as the ratio of the gross written premium to the gross domestic product, and the density rate as the ratio of the gross written premium to the number of inhabitants in the country.

Chart no. 1: Indicators of the development of the insurance market (millions of MKD; right axis – percentages)



Source: Ministry of Finance, State Statistics Office, ISA

The insurance sector in the Republic of North Macedonia is characterized by low concentration, which is a prerequisite for functional market competition. The Herfindahl index, calculated through GWP, in 2022 is 738.09 (2021: 747.46). A similar result shows the measurement of the index through the assets of insurance companies at 786.90 in 2022 (2021: 812.88)⁷.

Analyzed 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, is 2,216.13 (2021: 2,407.60), while, measured according to the assets of the companies, it is 2,848.08 (2021: 2,960.76).

In the case of non-life insurance, the indicators show a low concentration, whereby the measurement through the Herfindahl index according to GWP in 2022 is 988.50 (2021: 986.51), while the same indicator measured through assets is 976.59 (2021: 1,035.56).

The CR5 indicator⁸, measured through the participation in GWP, among non-life insurance companies, recorded a decrease and amounted to 55.72% (2021: 58.97%) in 2022.

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

⁷The Herfindahl index is calculated according to the formula:

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

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

⁸The CR5 indicator represents the participation of the first 5 insurance companies with the largest participation in the overall structure

Table no. 2: Herfindahl index and CR5 indicator measured according to GWP

GWP	2022		2021		2020	
	Herfindahl	CR5	Herfindahl	CR5	Herfindahl	CR5
Whole sector	738.09	45.80%	747.46	52.57%	769.56	47.03%
Non-life	988.50	55.72%	986.51	58.97%	1,003.06	56.86%
Life	2,216.13	100.00%	2,407.60	100.00%	2,788.97	100.00%

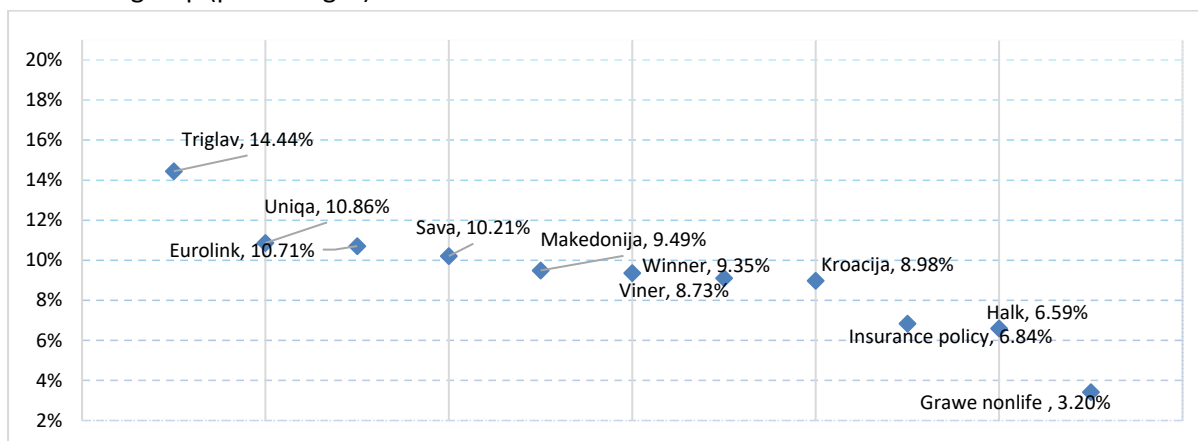
Source: ISA

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

Assets	2022		2021		2020	
	Herfindahl	CR5	Herfindahl	CR5	Herfindahl	CR5
Whole sector	786.90	50.23%	812.88	46.55%	838.02	54.15%
Non-life	976.59	56.10%	1,035.56	56.23%	1,070.59	60.69%
Life	2,848.08	100.00%	2,960.76	100.00%	3,077.21	100.00%

Source: ISA

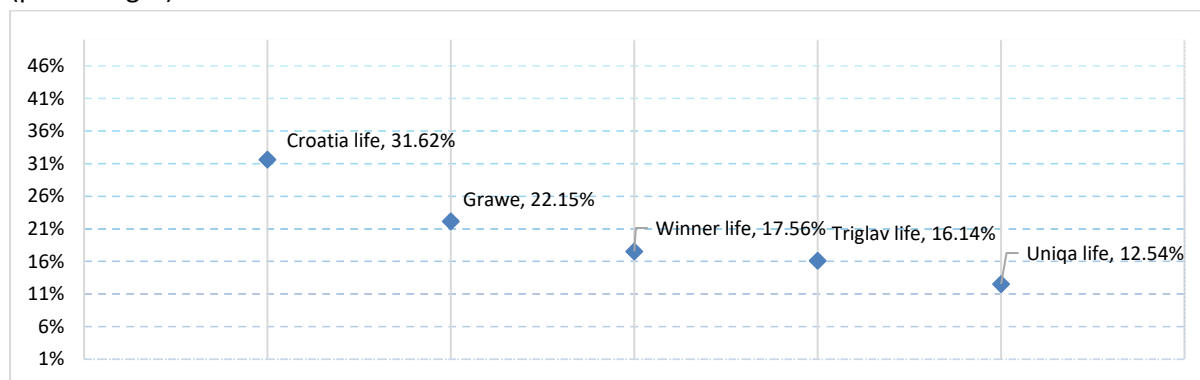
At the end of 2022, in the domain of market concentration in the non-life insurance sector, 4 insurance companies have market shares above 10% in the total GWP. Moreover, on the insurance market in the Republic of North Macedonia, there has been no single company that has market share above 20% of the total GWP (Chart no. 2).

Chart no. 2: Market concentration according to the gross written premium in 2022, in the non-life insurance group (percentages)

Source: ISA

Despite the significant above-average annual increase in written premiums in the life insurance group in 2022, two life insurance companies still have a dominant share in three out of five life insurance companies (Chart no. 3).

Chart no. 2: Market concentration by gross written premium in 2022, in the life insurance group (percentages)



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 2022, GWP was realized in the total amount of MKD 12,785,429 thousand (Table no. 5), which represents a growth of 9.94% compared to GWP realized in 2021 (2021: MKD 11,629,700 thousand).

Table no. 4: Gross written premium by insurance classes (thousand MKD)

Insurance classes	Gross written premium (GWP)		Dynamics	Share in total GWP	
	2022	2021		2022	2021
01. Accident insurance	685,343	647,100	5.91%	5.36%	5.56%
02. Health insurance	679,649	405,009	67.81%	5.32%	3.48%
03. Insurance of motor vehicles-kasko	994,104	890,288	11.66%	7.78%	7.66%
05. Insurance of aircraft - casko	74,735	88,367	-15.43%	0.58%	0.76%
06. Insurance of vessels - casko	1,650	1,673	-1.37%	0.01%	0.01%
07. Insurance of goods - cargo	108,870	90,412	20.42%	0.85%	0.78%
08. Property insurance from fire	736,355	758,584	-2.93%	5.76%	6.52%
09. Other property insurance	1,371,072	1,408,342	-2.65%	10.72%	12.11%
10. Auto liability	5,207,931	4,836,286	7.68%	40.73%	41.59%
11. Aircraft liability insurance	19,703	19,106	3.12%	0.15%	0.16%
12. Vessels liability insurance	3,681	3,418	7.69%	0.03%	0.03%
13. Other liability insurance	264,806	252,424	4.91%	2.07%	2.17%
14. Credits	47,942	9,525	403.33%	0.37%	0.08%
15. Guarantee insurance	256	269	-4.83%	0.00%	0.00%
16. Insurance of financial losses	83,482	69,169	20.69%	0.65%	0.59%
17. Legal protection	3	5	-40.00%	0.00%	0.00%
18. Insurance of tourist assistance	229,345	147,949	55.02%	1.79%	1.27%

19. Life insurance	1,782,701	1,618,576	10.14%	13.94%	13.92%
20. Marriage or giving birth	0	0	/	0.00%	/
21. Life insurance when the investment risk is borne by the insured entity	493,801	383,198	28.86%	3.86%	3.29%
TOTAL	12,785,429	11,629,700	9.94%	100.00%	100.00%
TOTAL NON-LIFE	10,508,927	9,627,926	9.15%	82.19%	82.79%
TOTAL LIFE	2,276,502	2,001,774	13.72%	17.81%	17.21%

Source: ISA

A positive trend is present in both insurance segments, with the fact that in the non-life insurance section, GWP was achieved in the amount of MKD 10,508,927 thousand (2021: MKD 9,627,926 thousand), or it amounts to 82.19% of the total GWP of insurance sector, and represents an increase of 9.15% compared to 2021. During 2022, no reinsurance premium was realized (2021: 0).

Individually, compared to 2021, only one non-life insurance company recorded a drop in GWP, and that was significant, while the rest of the non-life insurance companies recorded an increase in premiums (Table no. 6).

Table no. 5: Gross written premium by non-life insurance companies (thousands of denars)

NO.	Insurance company	Gross written premium (GWP)		Dynamics	Share in total GWP	
		2022	2021	22/21	2022	2021
1	TRIGLAV	1,517,839	1,332,869	13.88%	14.44%	13,84%
2	UNIQA	1,141,732	1,023,456	11.56%	10.86%	10,63%
3	EUROLINK	1,125,323	1,124,298	0.09%	10.71%	11,68%
4	SAVA	1,072,970	941,572	13.96%	10.21%	9,78%
5	MAKEDONIJA VIG	997,351	911,313	9.44%	9.49%	9,47%
6	WINNER VIG	982,855	848,348	15.86%	9.35%	8,81%
7	EUROINS	957,076	807,699	18.49%	9.11%	8,39%
8	CROATIA NON-LIFE	943,304	670,262	40.74%	8.98%	6,96%
9	OSIGURITELNA POLISA	718,676	658,248	9.18%	6.84%	6,84%
10	HALK	692,676	991,893	-30.17%	6.59%	10,30%
11	GRAWE NON-LIFE	359,125	317,968	12.94%	3.42%	3,30%
TOTAL NON-LIFE		10,508,927	9,627,926	9.15%	100.00%	100.00%

Source: ISA

In the life insurance section, which represents 17.81% of the total GWP of the insurance sector, GWP was achieved in the amount of MKD 2,276,502 thousand (2021: MKD 2,001,774 thousand), which is a growth of 13.72% in compared to 2021.

Individually, compared to 2021, an increase in GWP was observed in four life insurance companies (Table no. 7).

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

NO.	Insurance company	Gross written premium (GWP)		Dynamics	Share in total GWP	
		2022	2021		2022	2021
1	CROATIA LIFE	719,735	688.282	4.57%	31.62%	34,38%
2	GRAWE	504,280	518.447	-2.73%	22.15%	25,90%
3	WINNER LIFE	399,652	348.206	14.77%	17.56%	17,39%
4	TRIGLAV LIFE	367,434	199.423	84.25%	16.14%	9,96%
5	UNIQA LIFE	285,401	247.416	15.35%	12.54%	12,36%
TOTAL LIFE		2,276,502	2,001,774	13.72%	100.00%	100.00%

Source: ISA

One of the most appropriate indicators of the volume of work performed by insurance companies is the analysis of the volume of work performed by different classes of insurance. Such a tabular presentation enables the analysis of the distribution of the premium for different classes of insurance by insurance companies, that is, it gives an answer to the question in which insurance products are specialized individual companies. Thus, through the GWP data by insurance classes, the market structure of all insurance companies in 2022 is additionally shown (Table no. 8).

Table no. 7: Gross written premium for the period 01.01.2022 – 31.12.2022 (thousand MKD)

Line of business	nonlife											Total
	Makedonija	Triglav	Sava	Evroins	Eurolink	Winner	Grawe nonlife	Uniqa	Ins. Policy	Halk	Croatia	
01. Accident	64,242	113,423	80,645	25,524	90,665	45,738	15,876	47,051	38,052	51,157	112,970	685,343
02. Health	57,857	123,696	61,035	23,418	152,935	8,243	0	43,939	9	52,948	155,569	679,649
03. Motor vehicles (casco)	63,439	167,517	172,559	63,388	90,656	78,619	11,126	79,197	99,222	91,307	77,074	994,104
04. Railway vehicles (casco)	0	0	0	0	0	0	0	0	0	0	0	0
05. Aircrafts (casco)	0	0	0	0	61,912	9,548	0	0	1,109	2,166	0	74,735
06. Vessels (casco)	10	178	873	1	70	143	0	77	166	132	0	1,650
07. Cargo	20,824	31,836	3,777	23,809	4,454	1,544	0	13,045	2,967	3,851	2,763	108,870
08. Property, fire and nat.forces	149,495	92,177	73,581	80,004	136,526	16,503	3,435	42,810	38,412	43,460	59,952	736,355
09. Property, other	292,993	228,253	138,926	261,784	53,963	125,809	1,330	178,460	16,215	46,029	27,310	1,371,072
10. MTPL (total)	282,806	567,124	477,176	463,889	423,374	657,600	323,938	681,068	485,189	370,475	475,292	5,207,931
11. Aircraft's liability	0	133	0	0	4,999	12,232	0	0	1,133	1,075	131	19,703
12. Vessel's liability	176	587	912	63	491	310	0	371	484	215	72	3,681
13. General liability	42,978	40,905	12,686	6,353	64,827	16,368	487	34,341	18,139	18,211	9,511	264,806
14. Credit	2,254	34,214	7,813	136	0	0	0	0	0	0	3,525	47,942
15. Suretyship	3	68	8	0	15	0	0	0	17	145	0	256
16. Financial losses	10,140	59,480	5,393	110	439	0	0	7,596	0	196	128	83,482
17. Legal expenses	0	0	0	0	0	0	0	0	0	0	3	3
18. Tourists assistance	10,134	58,248	37,586	8,597	39,997	10,198	2,933	13,777	17,562	11,309	19,004	229,345
Total	997,351	1,517,839	1,072,970	957,076	1,125,323	982,855	359,125	1,141,732	718,676	692,676	943,304	10,508,927

Line of business	life					Total
	Croatia	Grawe	Winner	Uniqa	Triglav	
19. Life assurance	620,966	463,915	197,658	182,647	317,515	1,782,701
20. Insurance of marriage or childbi	0	0	0	0	0	0
21. Unit- linked	98,769	40,365	201,994	102,754	49,919	493,801
Total	719,735	504,280	399,652	285,401	367,434	2,276,502

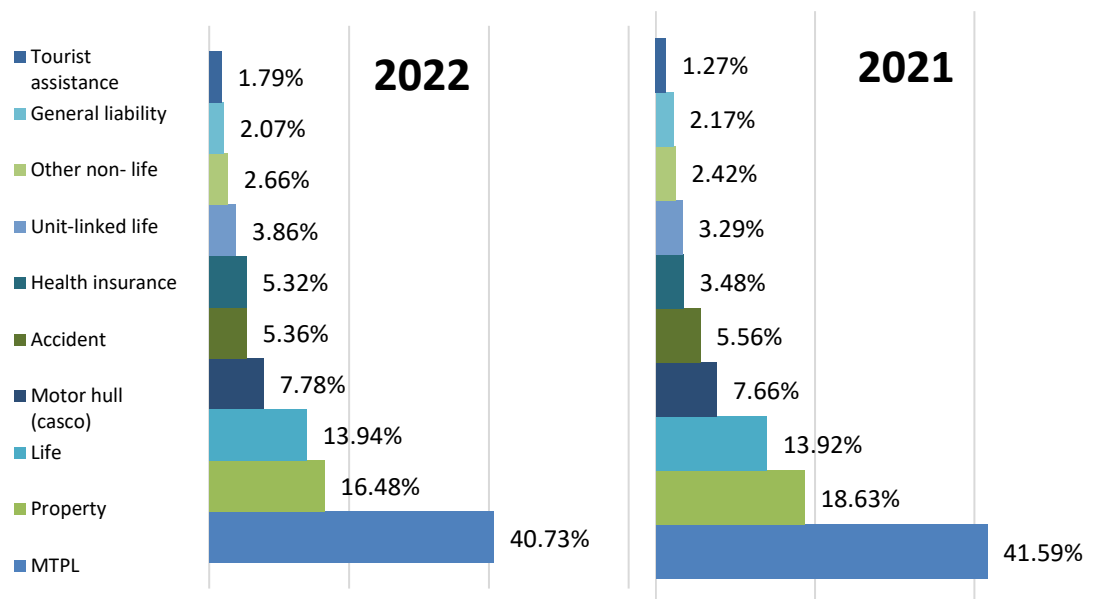
Total: 12,785,429

Source: ISA

4.1.4. Share structure

In the total GWP, motor vehicle insurance premium has the most significant share with 48.51% (2021: 49.25%), which consists of the dominant automobile third party liability insurance (premiums from compulsory insurance policies from motor TPL and green cards) which participates with 40.73% (2021: 41.59%) and from the voluntary insurance of motor vehicles (casco) which participates with 7.78% (2021: 7.66%). A significant share in the GWP structure is property insurance with 16.48% (2021: 18.63%), life insurance with a share of 17.81% (2020: 17.21%) and accident insurance (accident) with a share of 5.36% (2021: 5.56%). The structure according to the most important classes of insurance, as well as the comparison with 2021, is presented in chart no. 4.

Chart no. 3: Structure of the gross written premium by insurance classes (percentage)



Source: ISA

An increase in GWP of 7.68% compared to 2021 was recorded in the class for motor liability insurance (MTPL) with a total premium in the amount of MKD MKD 4,836,286 thousand), and there was also an increase the number of contracts by 8.10%. Motor casco insurance premium grew by 11.66% and a total premium in the amount of MKD 994,103 thousand MKD (2021: MKD 890,288 thousand), with a simultaneous increase in the number of concluded contracts of 5.17%.

In property insurance, there has been a decrease in GWP of 2.75% and it amounts to MKD 2,107,428 thousand (2021: MKD 2,166,926 thousand), and a decrease in the number of concluded contracts of 2.88%. The main reason for the decrease in the volume of concluded property insurances in 2022 compared to 2021 is the recorded decline of agriculture insurance.

Within property insurance, agricultural insurance shows a 14.4% decrease in the number of concluded contracts, and there is a 23.3% decrease in the realized GWP for agricultural insurance, which amounts to MKD 419,691 thousand (2021: GWP of 546,854 thousand).

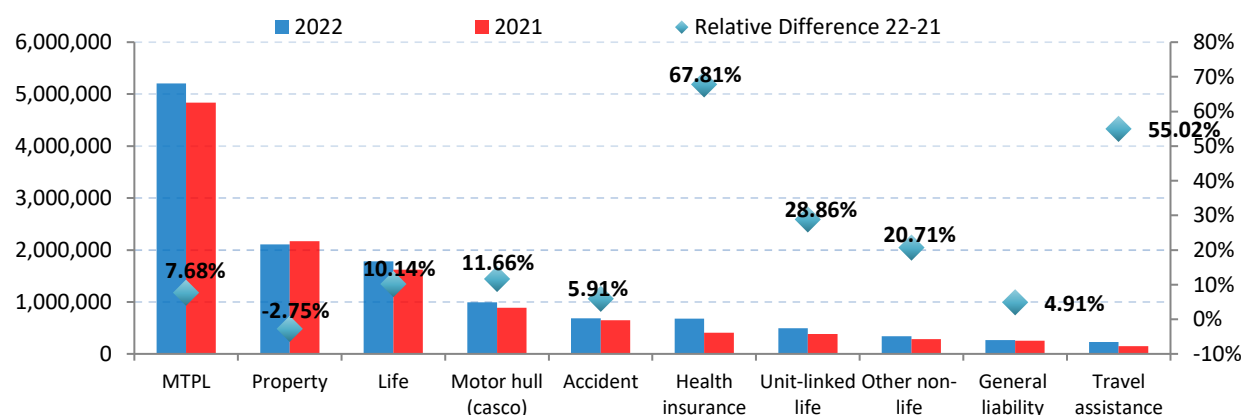
Voluntary health insurance offered by insurance companies, both non-life and life, continues to grow. The latter offer it as additional coverage to the basic coverage in classes 19 and 21 of Article 5 of the Insurance Supervision Law. In the non-life insurance segment, a total of 25,555 health insurance contracts were concluded in 2022 (2021: 18,235 contracts) with a total GWP of MKD 679,649 thousand (2021: MKD 405,009 thousand), which compared to 2021 represents an increase of 40.14% of the number of concluded contracts, i.e. growth by 67.81% of the total GWP.

After a certain double-digit drop in accident insurance premiums in 2021, in 2022 there is an increase in both the number of concluded contracts and the gross written premium. The total premium in 2022 is MKD 685,342 thousand and did not exceed the amount insured in 2020 (MKD 748,390 thousand), but still recorded a growth of 5.91% compared to 2021 (MKD 647,100 thousand).

One of the reasons for the reduction of GWP in this class of insurance in 2021 is the risk of death due to illness, which was previously covered in collective accident insurance contracts, has been transferred to life insurance policies starting from 1.1.2021, and based on the clarification provided by ISA.

On chart no. 5 shows the trend of GWP by major classes of insurance.

Chart no. 4: Trend of the gross written premium by insurance class (thousand of MKD; right axis – percentages)



Source: ISA

In the case of life insurance, GWP was achieved in the amount of MKD 2,276,502 thousand (2021: 2,001,774 thousand), which represents an increase of 13.72%, while life insurance participates with 17.81% in the total GWP of the insurance company sector.

In the case of traditional life insurance (class 19), a positive trend has been achieved at GWP, which amounts to MKD 1,782,701 thousand (2021: MKD 1,618,576 thousand), which represents a growth of 10.14%. This increase mainly results from term contracts for life insurance that are without profit participation features for the policyholders, i.e., life insurance contracts they only cover the risk of death. The number of concluded contracts with such basic coverage grew especially in 2021 when life insurance companies took over a significant portfolio of policyholders from non-life insurance companies who previously had coverage for the risk of death due to illness as an addition to the insurance policy for accident, as well as insurance of persons - bank borrowers. In the latter case, it is also about life insurance

policies when the borrower protects their family's property in case of death during the loan repayment period.

On the basis of life insurance related to investments in investment funds when the investment risk is borne by the insured (class 21 of article 5 of LIS), a total premium of MKD 493,801 thousand was written, which represents an annual growth of 28.86%. The written premium under these contracts in 2021 was MKD 383,198 thousand.

The following table shows the structure of the gross written premium for life insurance in 2022, compared to the previous year 2021.

Table no. 8: Gross written premium for life insurance, in thousand MKD

	Class	Total 2021	Total 2022	Change 22/201	Share 2021	Share 2022
Life insurance	19	1,618,576	1,782,701	10.14%	80.86%	78.31%
Total basic life insurance		1,495,115	1,658,707	10.94%	74.69%	72.86%
Endowment		786,856	783,703	-0.40%	39.31%	34.43%
Term		330,446	507,377	53.54%	16.51%	22.29%
Pure endowment		157,325	149,195	-5.17%	7.86%	6.55%
Endowment with CI		216,595	214,750	-0.85%	10.82%	9.43%
Whole life		3,893	3,682	-5.42%	0.19%	0.16%
Total supplementary insurance		122,052	123,055	0.82%	6.10%	5.41%
Accident (death)		34,926	32,741	-6.25%	1.74%	1.44%
Accident (disability)		69,205	72,013	4.06%	3.46%	3.16%
Health (supplementary)		17,921	18,300	2.12%	0.90%	0.80%
Total annuity insurance		1,409	939	-33.36%	0.07%	0.04%
Life insurance when the investment risk is borne by the policyholders	21	383,198	493,801	28.86%	19.14%	21.69%
Total		2,001,774	2,276,502	13.72%	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 of declining share in total life insurance portfolio of traditional, so-called endowment, life insurances that have a savings component. This at the expense of an increase in the so-called term pure risk life insurance that covers only the risk of death, i.e., an increase in unit-linked 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 on behalf and for the account of the insured are the market, i.e. stock exchange prices in the period when the insured pays the agreed premium to the insurance company. The contracts are long-term, that is, 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 on behalf 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

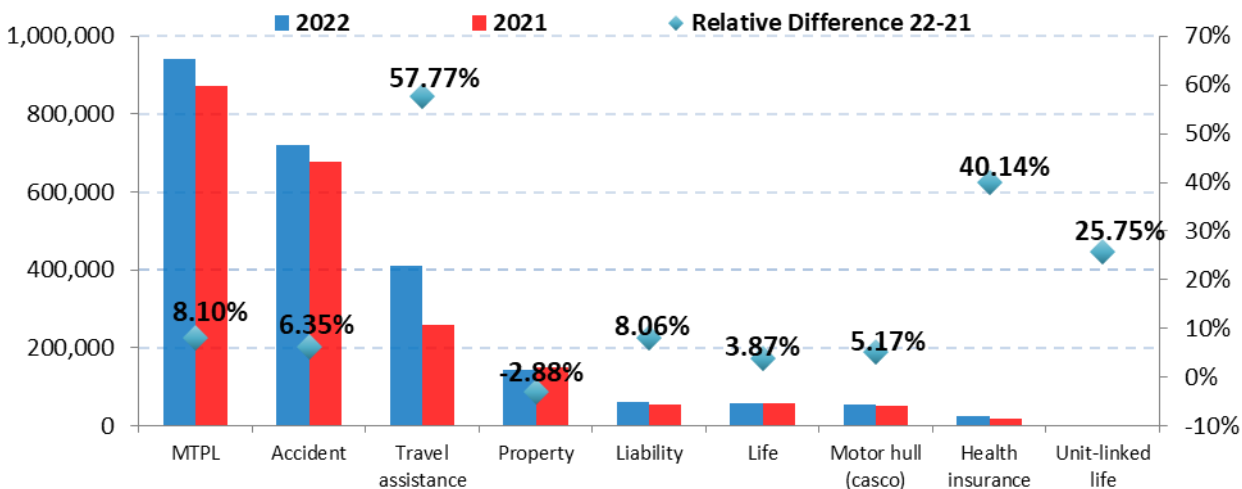
company towards the insured occurred in a time period when the market values of the shares were higher, the insured would make a profit, i.e., they would receive more cash from the total investments, that is, premium payments. And vice versa, if at the time of payment of premiums to the insurance company 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 they will receive less than they have invested, so there will be a loss. Therefore, it is said for these products that the insured entity bears the risk of the change in the market value of the invested funds.

The total market value of units in investment funds on 31.12.2022 is MKD 913,258 thousand, which represents 7.9% of the total assets value of the five life insurance companies.

The funds under these unit-linked life insurance policies are invested in units issued by investment funds managed by three companies: VFP Fund Management AD Skopje, KB Publikum Invest AD Skopje and Generali Investments AD Skopje. The largest part, or 71.5% of the total investments of funds from UL policies are in shares issued by the open investment fund VFP Premium Invest, which is managed by the company VFP Fund Management.

During 2022, insurance companies concluded 1,776,968 contracts (policies) for insurance, which is an increase of 15.86% compared to 2021 when 1,533,706 contracts were concluded. Of the total number of concluded contracts, 1,713,715 policies are within non-life insurance, which represents an increase of 16.31% compared to the number of contracts in 2021 (2021: 1,473,386 contracts), while 63,253 are for life insurance contracts, i.e. an increase of 4.86% compared to 2021. The change in the number of contracts concluded by the most important classes of insurance is presented on Chart no. 8.

Chart no. 5: Contracts concluded with insurance companies (left axis - number; right axis - annual change in percentage)



Source: ISA

4.1.5. Gross paid claims

In 2022, the insurance companies paid a gross amount of claims of MKD 5,113,008 thousand (Table no. 12). Compared to 2021, the gross paid claims have increased by 9.62% (2021: MKD 4,664,222 thousand). The share of reinsurance in gross claims paid is 14.88%.

Table no. 9: Claims paid by insurance classes (thousand MKD)

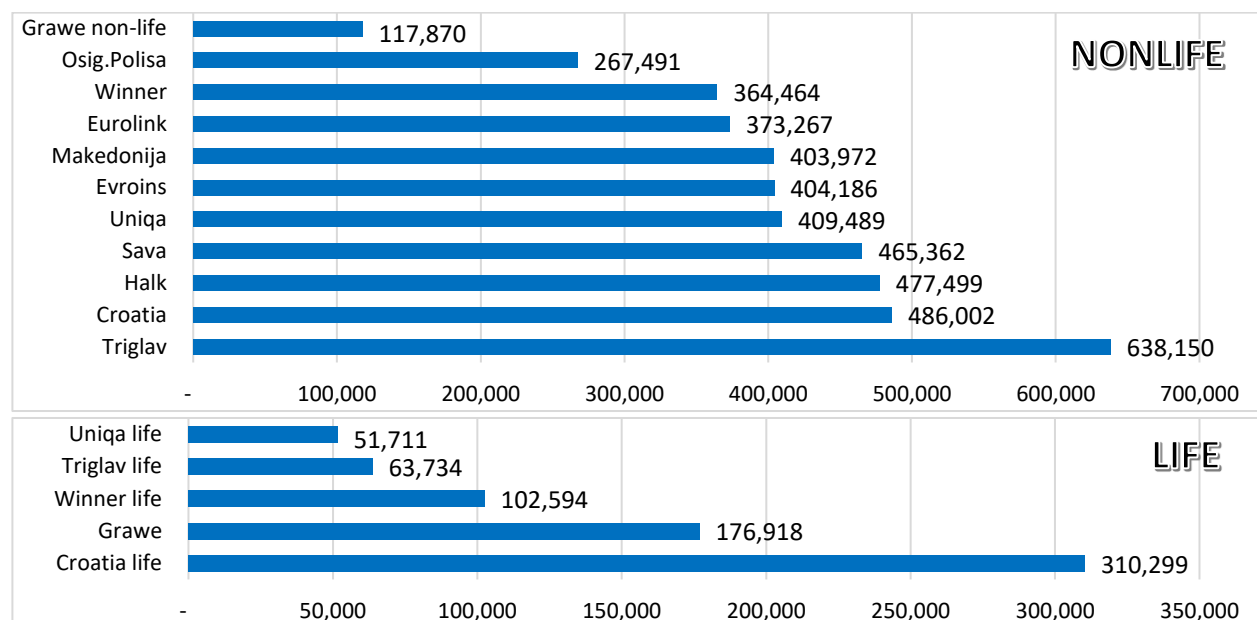
Class	2022	2021	Change 22/21	Share 2022	Share 2021
Motor liability	2,208,723	2,102,153	5.1%	43.2%	45.1%
Property	766,367	709,851	8.0%	15.0%	15.2%
Life	662,827	565,318	17.2%	13.0%	12.1%
Motor vehicles (casco)	545,250	507,183	7.5%	10.7%	10.9%
Health insurance	425,912	211,276	101.6%	8.3%	4.5%
Accident	347,249	434,078	-20.0%	6.8%	9.3%
Travel insurance	62,151	40,278	54.3%	1.2%	0.9%
Unit-linked life	42,429	29,712	42.8%	0.8%	0.6%
Other classes	36,630	45,542	-19.6%	0.7%	1.0%
General liability	15,470	18,831	-17.8%	0.3%	0.4%
Total	5,113,008	4,664,222	9.6%	100.0%	100.0%

Source: ISA

In the structure of gross claims paid, the largest share is claims based on motor liability insurance with 43.2%, followed by property insurance claims with a share of 15%, life insurance claims with 13%, motor casco 10.7% and voluntary health insurance with 8.3% of the total claims paid.

In the property insurance, agricultural insurance has a significant share of 37% of the total property insurance claims paid, with a total paid amount of MKD 283,131 thousand.

Chart no. 7 shows the individual share of insurance companies in the total amount of claims paid for 2022.

Chart no. 6: Share of insurance companies in gross paid claims in 2022 (thousand MKD), separately for Non-life and Life

Source: ISA

If the number of claims paid by individual insurance classes is analyzed, it can be noted that in 2022 the total number of claims paid based on voluntary health insurance exceeded the total number of claims paid in the dominant class of motor liability insurance. Despite the high frequency of claims in this class of insurance, the average amount of claims paid is much lower compared to the same in the most common class of insurance. This is an indicator that a large number of the reports from the insured regarding 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 amount of a claim paid on the basis of motor liability insurance in 2022 was MKD 77,228 (Table no. 11).

Table no. 10: Number of claims paid

Class	2022	2021	Change 22/21
MTPL	28,600	29,852	-4.19%
Health insurance	46,119	23,057	100.02%
Property	9,085	8,976	1.21%
Motor vehicles (casco)	7,617	7,843	-2.88%
Accident	7,870	7,324	7.45%
Life	4,126	3,760	9.73%
Travel insurance	3,370	1,819	85.27%
General liability	384	371	3.50%
Unit-linked life	359	242	48.35%
Other classes	85	94	-9.57%
Total Non-life	103,130	79,336	29.99%
Total Life	4,485	4,002	12.07%
Total	107,615	83,338	29.13%

Source: ISA

4.1.5.1. Complaints handling

In the event that the insurance policyholder or beneficiary believes that the insurance company does not comply with the provisions of the insurance contract, he/she can submit a complaint to:

1. the appropriate organizational unit responsible for resolving disputes between contracting parties within the insurance company;
2. the internal audit service in the insurance company;
3. the consumer protection organization and
4. Insurance Supervision Agency.

In 2022, 5,490 complaints were submitted to insurance companies, which is almost 4% more compared to 2021 (2021: 5,282 submitted complaints). Of the total submitted complaints, 25.63% (2021: 26.85%) were resolved positively, i.e. in favor of the insured/beneficiary of the insurance, and 59.29% (2021: 60.85%) were resolved negatively.

Table no. 12 presents data on the number and outcome of submitted and resolved complaints by an insurance company. As can be seen from the Table, 3 non-life insurance companies deviate from the market average in terms of the number of submitted claims (the market average for 2022 is 483 received

claims per non-life insurance company), while 2 life insurance companies exceed the market average which amounts to 35 received complaints per life insurance company.

Table no. 11: Complaints submitted by insured entities to insurance companies in 2022

Name of entity	Number of complaints	Number of positively resolved complaints	Number of negatively resolved complaints	Number of partially resolved complaints	Number of complaints in the process of decision	Number of complaints that were acted upon within the deadline	Number of complaints that were not acted upon within the deadline
Winner	700	230	370	0	100	600	0
Winner Life	11	5	6	0	0	11	0
Grawe	47	23	24	0	0	47	0
Grawe Non-life	226	75	130	0	21	205	0
Evroins	164	1	137	26	0	164	0
Eurolink	381	46	235	38	62	319	0
Croatia Life	73	29	44	0	0	73	0
Croatia Non-life	447	103	304	24	16	431	0
Makedonija	251	45	206	0	0	251	0
Osiguritelna Polisa	434	161	237	0	36	398	0
Sava	457	136	266	20	35	422	0
Triglav	845	8	462	375	0	845	0
Triglav Life	18	14	3	0	1	17	0
Uniq	702	286	416	0	0	702	0
Uniq Life	25	4	21	0	0	25	0
Halk	709	241	394	0	74	635	0
Total Non-life	5,316	1,332	3,157	483	344	4,972	0
Total Life	174	75	98	0	1	173	0
Total	5,490	1,407	3,255	483	345	5,145	0

Source: ISA

Insurance policyholders and beneficiaries have the right to submit a complaint to the ISA regarding the work of insurance and reinsurance companies, insurance brokerage companies, insurance representation companies, insurance agents and the National Insurance Bureau, but only if previously have addressed the entity in writing and are not satisfied with the answer or if the entity did not decide on the complaint and did not notify the petitioner in writing within the legal term of 30 days from the day when it was properly received.

In 2022, 256 complaints were submitted to the ISA, which represents an increase of 24% compared to 2021 when 206 complaints were submitted. 24.22% (2021: 20.39%) of the total submitted complaints to ISA were decided in favor of the petitioner, and 55.47% (2021: 56.80%) were decided upon negatively. Of the total submitted complaints, 36.72% refer to procedures for motor liability insurance contracts, 15.23% to accident insurance, 22.26% to property insurance and the rest are related to insurance contracts from other classes of insurance.

Table no. 13 presents data on the number and outcome of complaints submitted to ISA by entity.

Table no. 12: Claims submitted to the ISA, categorized by insured entities, in 2022

Name of entity	Number of complaints	Number of positively resolved complaints	Number of negatively resolved complaints	Number of complaints in the process of decision	Number of withdrawn complaints	Number of submitted complaints without grounds for action
Halk	43	13	25	1	4	28
Euroins	14	0	6	1	7	
Grawe Non-life	14	6	3	2	3	
Makedonija	7	0	6	0	1	
Uniqa Non-life	27	7	20	0	0	
Osiguritelna polisa	25	12	10	3	0	
Wiener Non-life	22	7	14	1	0	
Triglav	23	4	17	1	1	
Eurolink	15	3	10	2	0	
Sava	14	4	9	1	0	
Croatia Non-life	16	5	11	0	0	
Croatia Life	6	1	5	0	0	
Uniqa Life	3	0	3	0	0	
Triglav Life	1	0	1	0	0	
National Insurance Bureau	1	0	1	0	0	
SN Broker	7	0	0	0	7	
WFP Broker	1	0	1	0	0	
Total	239	62	142	12	23	28

Source: ISA

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

The submitted complaints contain important information for the Agency to undertake further activities in order to better protect the insured entities

In this sense, the ISA has recommended that the insurance companies revise the insurance terms and conditions for the class of accident insurance of persons and the class of voluntary health insurance in the section of the applied disability tables, in order to improve the quality of the service and the satisfaction of the insured in case of occurrence of the insured risks.

The agency initiated the formation of a working group that works on drafting criteria for material damages, which will be further applied in order to improve transparency and efficiency in the processing and resolution of requests for compensation of damages, which is in the interest of the insured.

4.1.6. Assets and Sources of assets

4.1.6.1. Assets structure

The total assets of the insurance companies on 31.12.2022 amounted to MKD 30,393,398 thousand and is higher by 6.6% compared to their total value at the end of 2021 (31.12.2021: MKD 28,512,618 thousand).

If we analyze the structure of assets by insurance companies, it can be concluded that the main asset category of life insurance companies are investments in government bonds and in deposits in local banks. On the other hand, non-life insurance companies have a more diverse asset structure, where investments in government bonds and deposits in banks represent half of the total value of assets, while the other half is represented by receivables, reinsurance share in the gross technical reserves, real estate, and other tangible and intangible assets, investments in shares in open investment funds, deferred acquisition costs and other prepayments and accruals, investments in shares, as well as participations in the guarantee fund at the National Insurance Bureau.

The value of individual asset categories, and the percentage share in total assets, on the last day of 2022 and 2021, for the non-life insurance and life insurance segment are shown in tables no. 14 and 15 respectively.

Table no. 13: Asset structure of non-life insurance companies (thousand MKD)

Assets category	31.12.2021	31.12.2022	Share 2021	Share 2022	Change 22/21
Government bonds	5,033,432	5,273,631	27.8%	28.0%	4.8%
Bank deposits and cash	4,539,366	5,025,874	25.1%	26.7%	10.7%
Receivables	2,893,352	2,947,578	16.0%	15.6%	1.9%
Reinsurance share in gross technical reserves	2,044,254	1,801,769	11.3%	9.6%	-11.9%
DAC and other deferrals/pre-paid expenses	861,760	1,171,506	4.8%	6.2%	35.9%
Real estate, intangible and tangible assets	1,266,565	1,158,184	7.0%	6.1%	-8.6%
Units in open investment funds	814,619	884,525	4.5%	4.7%	8.6%
Stocks	362,991	284,750	2.0%	1.5%	-21.6%
Participations in the GF of the Green Card Bureau	185,541	185,140	1.0%	1.0%	-0.2%
Other assets	61,996	79,951	0.3%	0.4%	29.0%
Corporate bonds	12,448	24,657	0.1%	0.1%	98.1%
Total assets, Non-life	18,076,326	18,837,566	100.0%	100.0%	4.2%

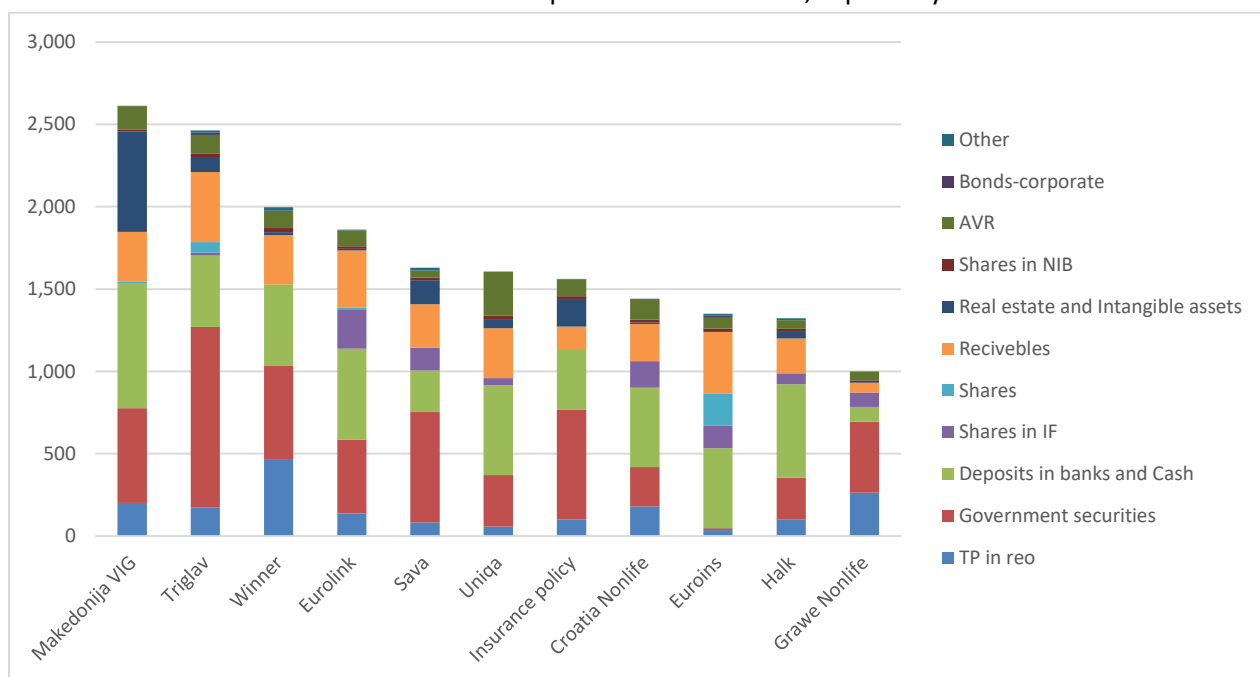
Source: ISA

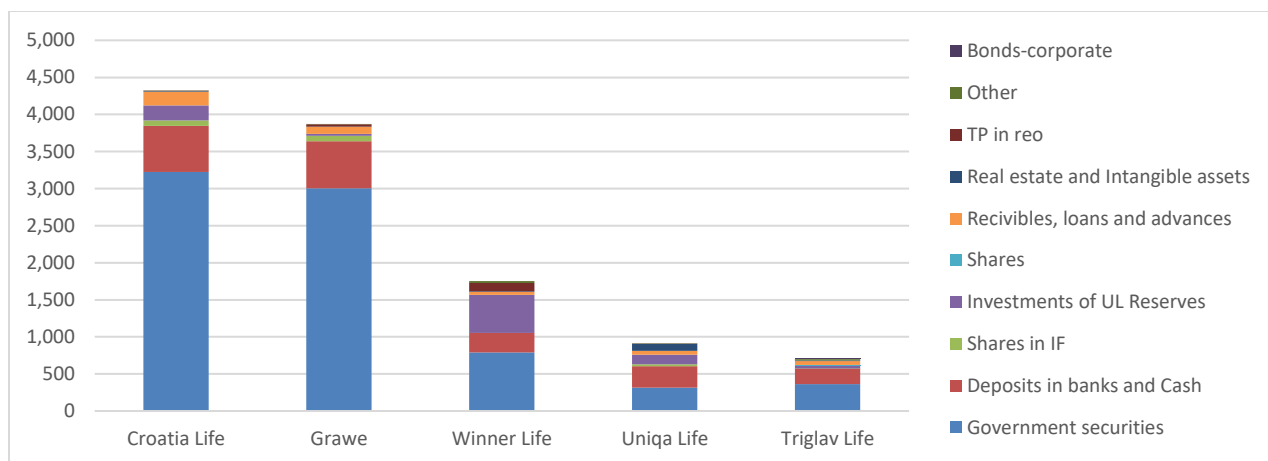
Table no. 14: Asset structure of life insurance companies (thousand MKD)

Assets category	31.12.2021	31.12.2022	Share 2021	Share 2022	Change 22/21
Government bonds	6,957,234	7,701,297	66.7%	66.6%	10.7%
Bank deposits and cash	1,794,134	2,016,526	17.2%	17.5%	12.4%
Investments of assets from special reserve according to unit-linked life-insurance contracts	705,923	913,258	6.8%	7.9%	29.4%
Receivables, loans and advance payments	402,319	424,408	3.9%	3.7%	5.5%
Units in open investment funds	268,755	177,388	2.6%	1.5%	-34.0%
Reinsurance share in gross technical reserves	134,994	146,504	1.3%	1.3%	8.5%
Real estate, intangible and tangible assets	126,548	123,230	1.2%	1.1%	-2.6%
Other assets	9,773	45,290	0.1%	0.4%	363.4%
Corporate bonds	0	6,211	0.0%	0.1%	-
Stocks	37,545	1,720	0.4%	0.0%	-95.4%
Total assets, Life	10,437,225	11,555,832	100.0%	100.0%	10.7%

Source: ISA

Insurance companies' shares structure in the total assets of the insurance sector is shown in Chart no.8.

Chart no. 7: Asset structure of insurance companies on 31.12.2022, separately for Non-life and Life



Source: ISA

4.1.6.2. Structure of sources of assets

The largest share, or 60.81% of the total sources of assets of insurance companies, is the gross technical reserves (2021: 60.47%). Compared to the situation at the end of the previous year, they have an annual increase of 7.2%.

The following two tables show, separately for non-life and life, the structure of sources of assets on 12.31.2022 and on 12.31.2021 respectively.

Table no. 15: Structure of sources of assets of non-life insurance companies (in thousand MKD)

Sources of assets	31.12.2021	31.12.2022	Share 2021	Share 2022	Change 22/21
Gross technical reserves	9,808,759	10,424,013	54.3%	55.3%	6.3%
Core capital	5,823,266	5,777,307	32.2%	30.7%	-0.8%
Liabilities to reinsurers	801,313	880,130	4.4%	4.7%	9.8%
Insurance liabilities	723,253	781,820	4.0%	4.2%	8.1%
Accrued costs and deferred revenues	359,790	437,557	2.0%	2.3%	21.6%
Additional capital (revaluation reserve and subordinated debt)	421,907	297,102	2.3%	1.6%	-29.6%
Other liabilities	130,364	140,168	0.7%	0.7%	7.5%
Liabilities based on financial investments	7,674	99,467	0.0%	0.5%	1196.2%
Total Non-life	18,076,326	18,837,566	100.0%	100.0%	4.2%

Source: ISA

TABLE no. 16: Structure of Sources of assets of Life Insurance Companies (in thousand MKD)

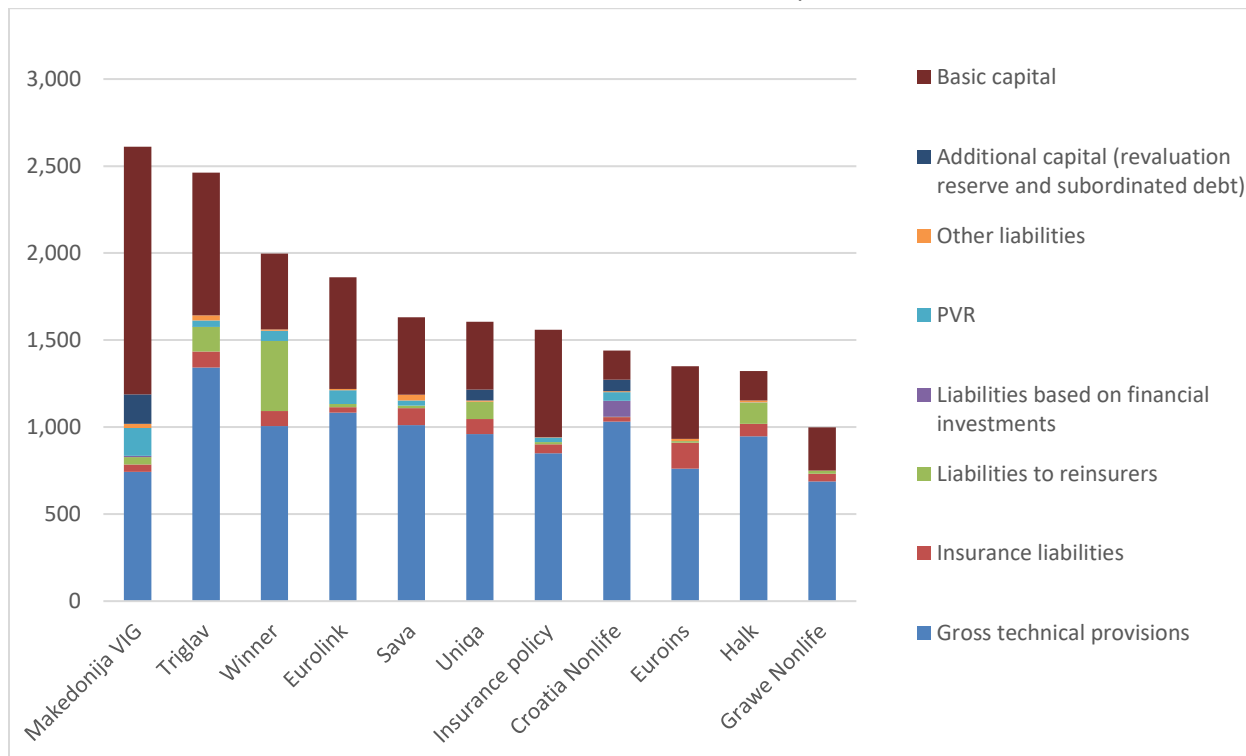
Sources of assets	31.12.2021	31.12.2022	Share 2021	Share 2022	Change 22/21
Gross technical reserves	7,433,841	8,059,091	71.2%	69.7%	8.4%
Core capital	1,908,181	2,184,698	18.3%	18.9%	14.5%

Special reserve for unit-linked contracts	709,997	919,081	6.8%	8.0%	29.4%
Insurance liabilities	197,913	214,090	1.9%	1.9%	8.2%
Liabilities arising from deposits of reinsurance companies with cedents, based on reinsurance contracts	91,220	114,604	0.9%	1.0%	25.6%
Liabilities to reinsurers	41,614	28,730	0.4%	0.2%	-31.0%
Accrued costs and deferred revenues	13,109	22,169	0.1%	0.2%	69.1%
Other liabilities	13,567	10,042	0.1%	0.1%	-26.0%
Additional capital (revaluation reserve and subordinated debt)	26,849	3,326	0.3%	0.0%	-87.6%
Total Life	10,436,292	11,555,832	100.0%	100.0%	10.7%

Source: ISA

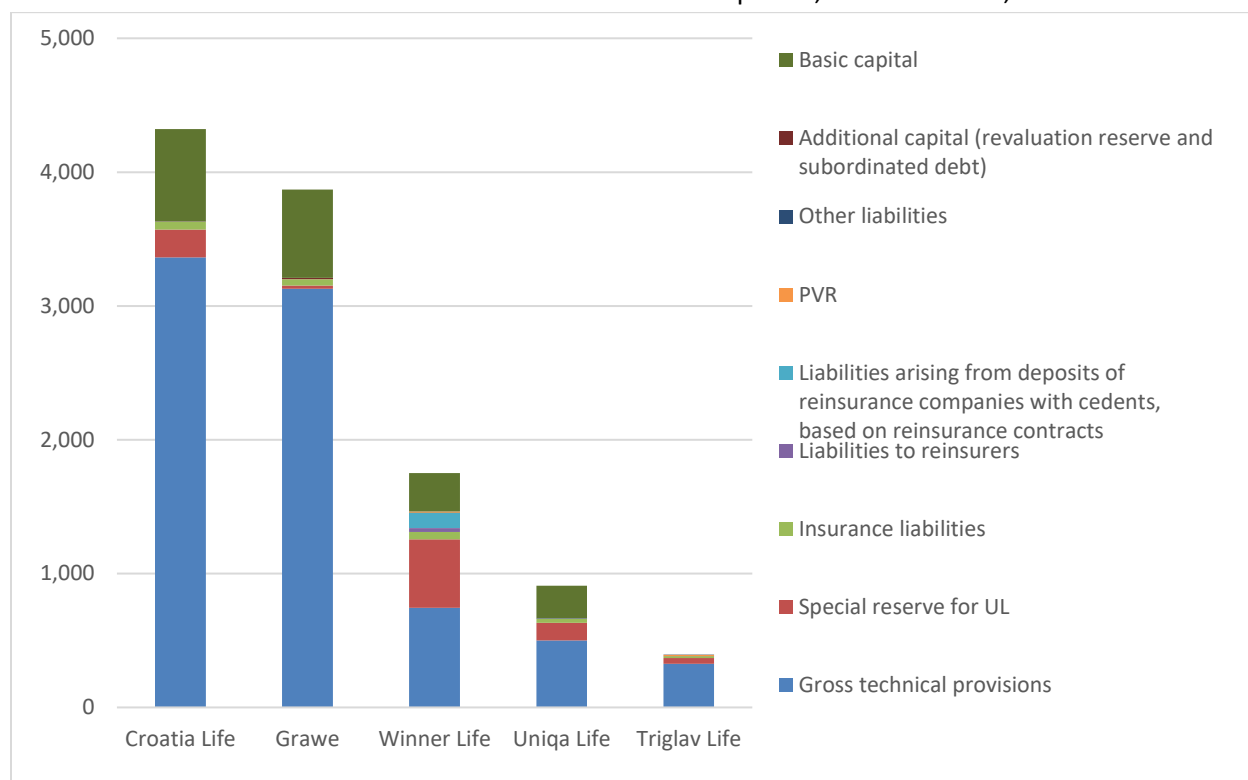
The following two charts show the structure of sources of assets, by insurance companies on 31.12.2022.

Chart no. 8: Structure of sources of assets- non-life insurance companies, in million MKD, on 31.12.2022



Source: ISA

Chart no. 9: Structure of sources of assets-life insurance companies, in million MKD, on 31.12.2022



Source: ISA

4.1.7. Technical reserves

The total amount of technical reserves (gross) of insurance companies that perform non-life insurance operations at the end of 2022 is MKD 10,424,013 thousand, and they have grown by 6.3% compared to the situation at the end of the previous year.

The total amount of technical reserves (gross) of the insurance companies that perform life insurance operations is MKD 8,059,091 thousand, which represents an annual growth of 8.4%.

In the segment of non-life insurances, the largest share of total technical reserves represents the claims reserves and the unearned premium reserves, and in life insurances, the mathematical reserve represents the most significant share of total technical reserves.

More data on the structure of gross technical reserves by individual classes of insurance is shown on the ISA website, in the corresponding tables from the aggregated forms for the period 1.1.2022 – 31.12.2022.

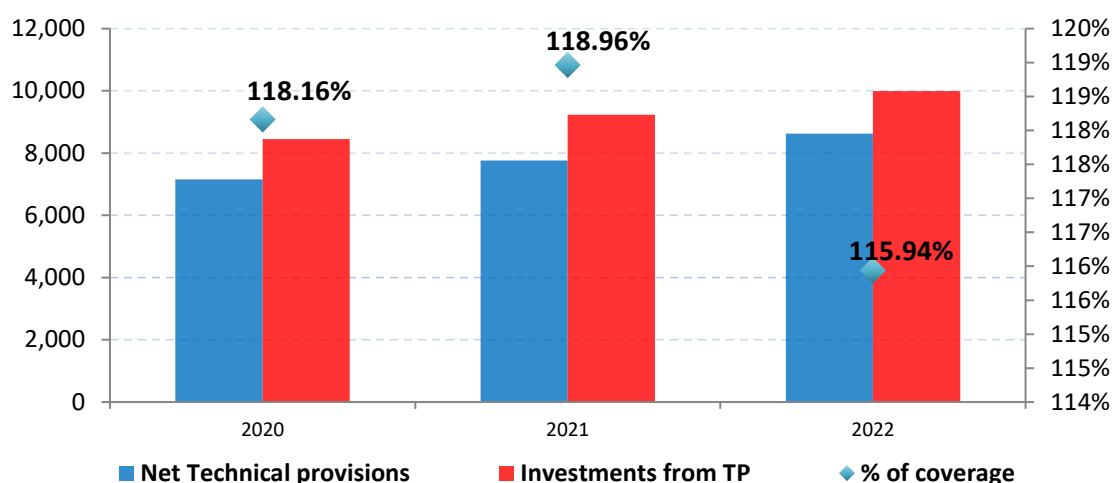
4.1.8. Assets covering technical reserves

The assets that cover the technical reserves are those assets of the insurance company that serve to cover future liabilities arising from insurance contracts, as well as to cover possible losses in relation to those risks related to the performance of insurance work, for which the company for insurance is obliged to set aside funds to cover net technical reserves. The insurance company is obliged to invest funds in an amount at least equal to the value of the technical reserves, net of reinsurance, in accordance with

the provisions of the Insurance Supervision Law and in accordance with the Rulebook on the types and characteristics of the funds that cover the technical reserves and funds which cover the mathematical reserve, as well as detailed placement and limitation of those investments and their valuation ("Official Gazette of the Republic of Macedonia" no. 64/11, 127/14, 61/16, 36/19, 107/20 and 118/ 22).

The investments of the funds that cover the technical reserves at the non-life insurance companies, at the end of 2022, amounted to MKD 9,996,370 thousand and cover 116% of the total net technical reserves (Chart no. 11). The trend of growth of net technical reserves has been maintained, but also of investments in categories of instruments which, according to the law, are acceptable coverage of technical reserves.

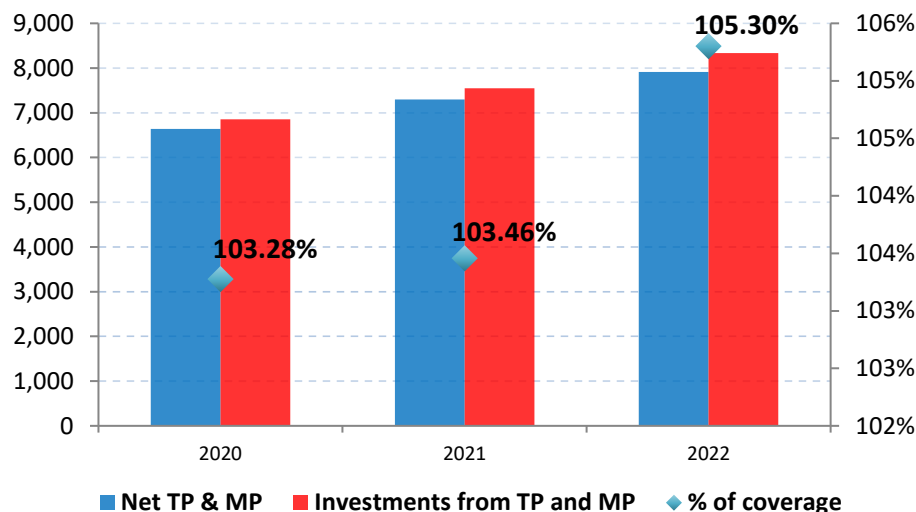
Chart no. 10: Coverage of net technical reserves at non-life insurance companies (millions of MKD; right axis – percentages)



Source: ISA

In the case of life insurance companies, investments of funds from technical reserves and mathematical reserves amounted to MKD 8,332,240 thousand and have a coverage of net technical reserves of 105.3% (Chart no. 12). In this segment, too, the positive growth trend of net technical reserves (mainly composed of the mathematical reserve) has been maintained, as well as of investments in acceptable categories of financial instruments of the assets covering the technical reserves.

Chart no. 11: Coverage of net technical reserves at life insurance companies (millions of MKD; right axis – percentages)



Source: ISA

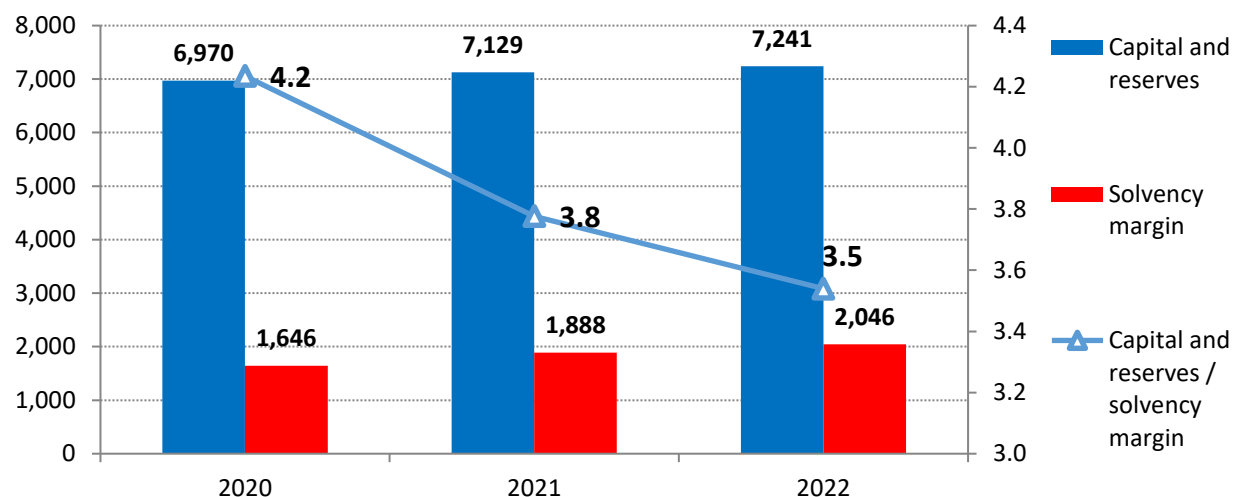
4.1.9. Capital adequacy of insurance companies

In accordance with Articles 75 and 76 of the Insurance Supervision Law, insurance companies should maintain the capital value at least at the required solvency margin value. According to the data submitted to ISA, at the end of 2022 the total calculated capital of insurance companies⁹ amounts to MKD 7,241,199 thousand. The capital calculation on 31.12.2022 does not include the profits made in 2022. Analyzed by insurance groups, the capital of non-life insurance companies amounts to MKD 5,246,946 thousand, and of life insurance companies to MKD 1,994,254 thousand. Over 98% of the capital of insurance companies is core capital, that is, it comes from the highest quality categories of sources of assets, i.e., from paid-in share capital from issued ordinary shares, legal (statutory) reserves, as well as accumulated undistributed profits. The share of additional capital in the total capital of the insurance sector is very small. This creates confidence that the financial condition and solvency of the insurance sector is good.

The required solvency margin, as the main indicator of the minimum required capital that the insurance sector must have, aggregated amounts to 2,045,720 thousand (for non-life insurance 1,505,915 thousand, and for life insurance 539,806 thousand), with that the capital of the insurance sector is 3.54 times above the required level of solvency margin. Aggregated data on capital and the required margin of solvency are shown in Chart no. 13.

⁹Rulebook 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 the Republic of Macedonia" no. 5/11, 64/11, 61/16, 170/19 and 96/20)

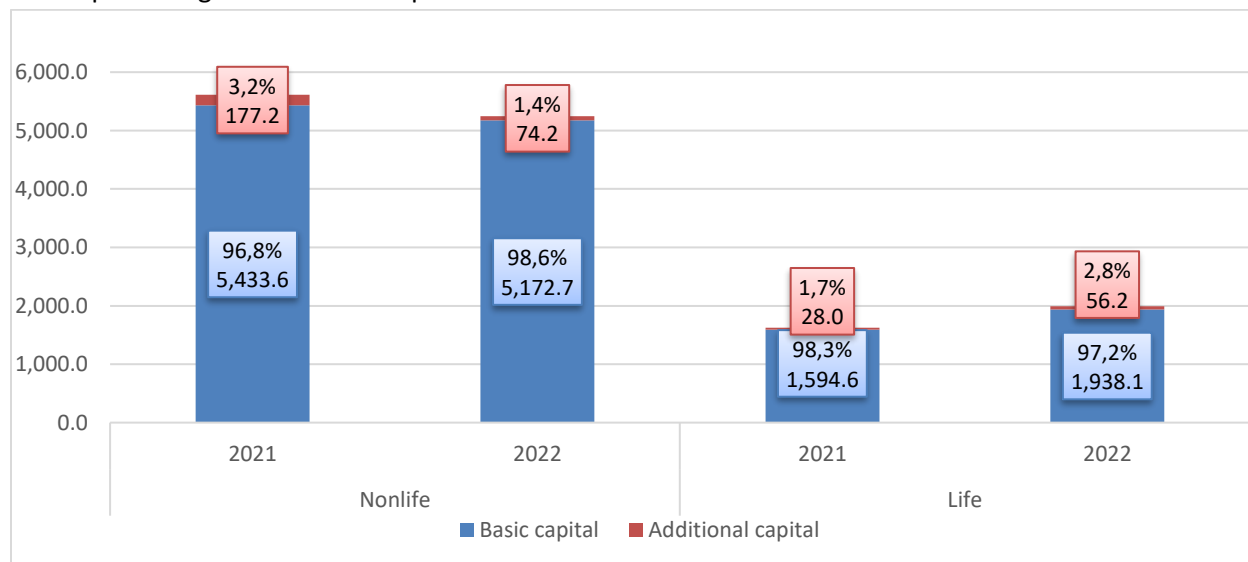
Chart no. 12: Capital and the required solvency margin for insurance companies (millions of MKD)



Source: ISA

As much as 98.6% of the total capital of non-life insurance companies, i.e. 97.2% 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 total capital, i.e. for the financial condition of insurance companies to respond to solvency risks in unpredictable adverse market circumstances (Chart no. 14).

Chart no. 13: Capital structure of insurance companies (separately for non-life and life), in millions of MKD and in percentages of the total capital



Source: ISA

4.1.10. Financial results

Compared to the previous year, in 2022 the insurance sector recorded significantly better financial results, in both market segments. The total aggregated profit after taxation, at the sector level, in 2022 amounts to MKD 531,128 thousand. As for comparison, for 2021 it amounted to 135,630 thousand (Chart no. 17).

The aggregate result of non-life insurance companies is positive and amounts to MKD 307,222 thousand, unlike the previous year, 2021, when it was negative and amounted to MKD 50,763 thousand.

The aggregate result of the life insurance companies for 2022 is also positive, and amounts to MKD 223,906 thousand (2021: profit of MKD 186,393 thousand).

The growth in the volume of operations of non-life insurance companies expressed through the increase in gross written premiums with a relatively much smaller increase in the expense side of the profit and loss account, is the main reason for the significant improvement in profitability in the non-life insurance sector in 2022 compared with 2021.

The total income from premiums, net of reinsurance, in 2022 in the non-life insurance segment amounts to MKD 7,641,793 thousand (2021: MKD 6,750,284 thousand).

The total amount of incurred losses, net of reinsurance, in 2022 amounts to MKD 4,069,465 thousand (2021: MKD 3,599,811 thousand); while, on the other hand, the total amount of operating expenses, reduced by revenues from commissions from reinsurers, MKD 3,560,785 thousand (2021: MKD 3,520,416 thousand).

The return on investments calculated as the difference between income and expenses from investments from the aggregated income statement for 2022 of non-life insurance companies amounts to MKD 338,988 thousand (2021: MKD 326,535 thousand).

In the life insurance segment, there has also been an improvement in profitability, analyzed at the aggregate income statement level.

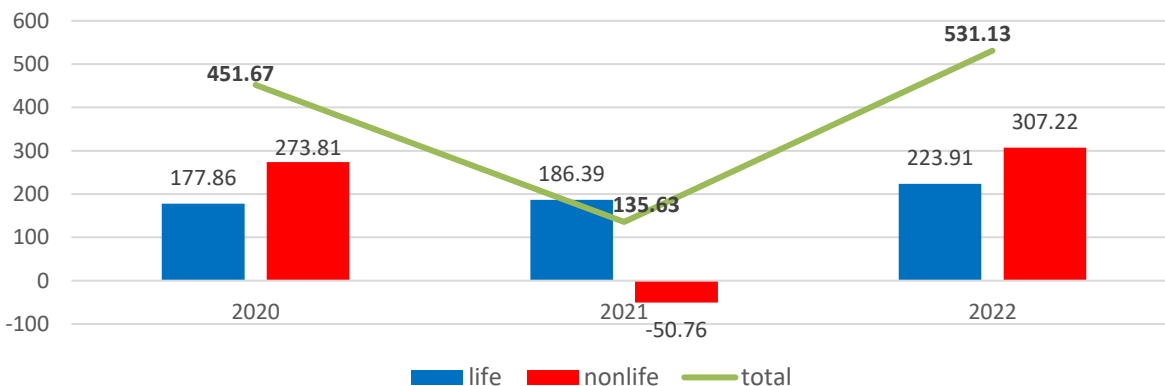
Similar to the reasons in the non-life insurance segment, in life insurance the main reason for the improvement of profitability in 2022 compared to 2021 is the growth of premiums, at a relatively same level of realized operating costs and the reduced growth of the mathematical reserve in 2022 compared to growth in 2021.

The total income from premiums, net of reinsurance, in 2022 in the life insurance segment amounts to MKD 2,204,867 thousand (2021: MKD 1,927,448 thousand).

The total amount of incurred losses, net of reinsurance, in 2022 amounts to MKD 1,491,998 thousand (2021: MKD 1,531,287 thousand); while, on the other hand, the total amount of operating expenses, reduced by revenues from commissions from reinsurers, MKD 696,762 thousand (2021: MKD 567,100 thousand).

The return on investments calculated as the difference between income and expenses from investments from the aggregated income statement for 2022 of the life insurance companies amounts to MKD 235,685 thousand (2021: MKD 394,163 thousand).

Chart no. 14: Financial result of the operations of the insurance companies (millions of MKD)



Source: ISA

4.1.10.1. Insurance sector risks

The past year was marked by a significant general increase in the prices of most products. Mainly due to the conflict in Ukraine and disrupted international trade relations and sanctions against Russia, there was a global shortage of energy and food for a period of time. This caused a global increase in prices, which in a short time was transferred to the domestic economy, which is dependent on the import of these products.

Insurance companies have recognized the risk of rising costs caused by rising inflation, and have adjusted their insurance rates accordingly and in a timely manner.

Hence, the growth in prices and costs was amortized by the growth in sales volume and realized revenues.

But, for longer period now, the key risks to the profitability and solvency of insurance companies are inherent in their nature.

Namely, they are related to the high share of costs and the pressure to reduce premiums, especially expressed in the non-life insurance segment, which represents over 82% of the total insurance premium. The main products in the non-life insurance segment are motor vehicle insurance (auto liability and casco). There is a lot of competition, and the realized operating costs in these classes of insurance are significantly higher than those determined by the tariffs of the companies. This adversely affects the available funds from collected premiums, which should be sufficient to pay timely and fair amounts of compensation for damages and other basic liabilities from insurance contracts.

A significant part of the risks that can be insured remains uninsured. This especially applies to the risks associated with weather disasters, which experts associate more and more frequently with the adverse effects of global climate change. Insurance companies are very careful in defining the insurance conditions and often the large number of restrictions and exceptions actually affect those who are insured to not be

insured, that is, to be insufficiently insured, from the risks they are exposed to and from which they want to be insured.

The domestic insurance sector traditionally applies a conservative investment strategy with the leading participation of investments in domestic government securities and bank deposits. Exposure to international financial markets is very low for non-life insurance companies, and 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. The high concentration of investments in government bonds, in conditions when the basic interest rate is growing, adversely affects the market value of these instruments, and hence their accounting value in the balance sheets of insurance companies that value these instruments at market value.

In the life insurance segment, there are significant changes in the structure of insurance portfolios. In contrast to the years of emergence and double-digit annual growth of life insurance, in which years there were exceptionally so-called endowment insurance policies that usually brought a guaranteed return for the insured at the end of the policy's term, life insurance companies changed their business policies, making these policies significantly less desirable to potential policyholders. The multi-year period of low interest rates contributed to a significant restructuring in the offer of life insurance, whereby the so-called pure term risk insurance policies and unit-linked life insurances became dominant. Pricing of these products do not have any significant impact on the solvency of the insurance companies, because the insurance companies assume a significantly lower risk compared to the insurance policies with guaranteed insured sums.

But on the other hand, a significant part of the premiums paid for these insurances are used for the payment of current costs by the insurance companies, and if the same is not communicated to the insured in a timely, appropriate and understandable manner, it can create dissatisfaction and mistrust on the market in terms of what would be the the real value obtained from the insurance contracts for the money paid by the policyholders.

4.1.11. Insurance sector indicators

Indicators in the insurance sectors are used to better monitor the operations of insurance companies.

The **loss ratio** is calculated as the ratio between the incurred claims in the period and the earned premium, and the **cost ratio** represents the ratio between the operational costs and the earned premium. The sum of these two coefficients gives the **combined ratio**. Table no. 18 presents the coefficients/ratios in more detail, by groups of insurance in on a gross basis and on a net basis, i.e. after isolating the effect of reinsurance.

Table no. 17: Technical coefficients

	2022			2021		
	Loss ratio	Cost ratio	Combined coefficient	Loss ratio	Cost ratio	Combined coefficient
Net coefficient						
Non-life	53.25%	46.60%	99.85%	53.33%	52.15%	105.48%
Life	67.67%	31.60%	99.27%	79.44%	29.42%	108.86%
Total	56.48%	43.24%	99.72%	59.13%	47.10%	106.23%
Gross coefficient						
Non-life	46.18%	41.76%	87.94%	51.94%	45.46%	97.40%
Life	67.23%	31.23%	98.46%	78.94%	28.98%	107.92%
Total	50.13%	39.79%	89.91%	56.92%	42.42%	99.34%

Source: ISA

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

Just one undesired harmful event can cause serious negative consequences for the financial condition and solvency of an insurance company if there is no reinsurance. In the bus accidents which, unfortunately, ended with many human casualties, the burned factories in Tetovo and Prilep, fortunately without human casualties, but with a large material loss, and other insured cases resulting in large losses, existing sources of funds available to the insurance companies would have not been enough, if the insurance companies in question had not have provided adequate reinsurance coverage.

The aggregated income statement of non-life insurance companies for 2022, 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 22% (2021: 23%), or in absolute amount, the companies transferred MKD 2,195,181 thousand (2021: MKD 2,085,331 thousand) of the gross realized income from premiums in the amount of MKD 9,836,974 thousand (2021: MKD 8,835,615 thousand), to reinsurance. Analyzed by individual companies, there are large differences in the relative share of reinsurance in the realized gross income from premiums, so in extreme cases, this percentage in the total annual income from premiums is between 4.7% and 53.8%. Corresponding to this is the participation of reinsurance in the costs of the companies, namely those based on compensation for damages and operating costs. The total annual compensation of reinsurers in claims at non-life insurance companies in 2022 is MKD 473,081 thousand (2021: MKD 989,445 thousand), which represents 10.4% (2021: 21.6%) of the realized gross compensation of claims in the year, that is, from the total incurred damages of 4,542,546 thousand (2021: 4,589,256 thousand). The total annual income from commissions of non-life insurance companies amounts to MKD 547,072 thousand (2021: MKD 496,356 thousand), which represents 24.7% (2021: 22.6%) of the premiums paid by the companies to reinsurers. The net financial effect of reinsurance on the aggregated income statement for 2022 is negative and amounts to MKD 1,175,028 thousand (2021: MKD 599,530 thousand).

If the share of reinsurance in the total gross technical reserves is analyzed through the aggregated balance sheet of the non-life insurance companies, on 31.12.2022 the total amount of technical reserves transferred to reinsurance amounts to MKD 1,801,769 thousand (31.12.2021: MKD 2,044,254 thousand), which represents 17.3% (2021: 20.8%) of the gross amount of technical reserves, which amounts to MKD 10,424,013 thousand (31.12.2021: MKD 9,808,759 thousand).

Return on investment (ROI) is calculated as the ratio of income minus the cost of investment and the amount of investment. The rate of return on investments at the industry level for 2022 is 2.85% and has dropped from last year (2021: 3.89%). Separately, by groups of insurance, it is established that the rate of return on investments in non-life insurance in 2022 is 3.15% compared to the achieved 3.28% in 2021, while in life insurance in 2022 this rate is 2.52%, which is a decrease compared to the previous year when it was 4.61%.

Return on assets (ROA) is calculated as the ratio of pre-tax profit/loss to total assets. At the industry level, this indicator is 2.08%, which means an increase compared to the previous year when it was 0.72%. Separately, by insurance groups, the rate of return on assets in non-life insurance in 2022 is 2.02% compared to -0.02% in 2021, and in life insurance in 2022 it is 2.18% compared to 2.01% in 2021.

Return on equity (ROE) is calculated as the ratio of profit/loss before tax and the capital and reserves category of the balance sheet. At the industry level, this indicator is 7.77% against 2.56% in 2021. Separately, by insurance group, the rate of return on capital for non-life insurance in 2022 is 6.39%, which is a significant improvement compared to the previous year, when it was negative and amounted to -0.06%. In life insurance in 2022 it is 11.50%, which is a small increase compared to 2021 when it was 10.83%.

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 2022, this coefficient is 73.23%, which represents a slight increase compared to 2021, when it was 71.75%.

The overview of all these financial indicators is given in Table no. 19.

Table no. 18: Financial indicators

	2022				2021			
	ROI	ROA	ROE	Indebtedness	ROI	ROA	ROE	Indebtedness
Non-life	3.15%	2.02%	6.39%	68.43%	3.28%	-0.02%	-0.06%	66.15%
Life	2.52%	2.18%	11.50%	81.06%	4.61%	2.01%	10.83%	81.46%
Total	2.85%	2.08%	7.77%	73.23%	3.89%	0.72%	2.56%	71.75%

Source: ISA

4.2. INSURANCE INTERMEDIATION

The role of mediation in sales has an increasing impact in the insurance sector. During 2022, 38.76% (2021: 43.14%) of realized GWP were realized through direct sales by insurance companies, while 61.24% (2021: 56.86%) were realized through indirect channels of mediation (Table no. 20).

Table no. 19: Structure of distribution channels by realized GWP (thousand MKD)

	Non-life				Life				Total			
	2022		2021		2022		2021		2022		2021	
	GWP	%	GWP	%	GWP	%	GWP	%	GWP	%	GWP	Share
Direct sales	4,466,513	42.50%	4,584,193	47.61%	489,543	21.50%	433,187	21.64%	4,956,056	38.76%	5,017,380	43.14%
Insurance brokerage companies	3,153,068	30.00%	2,937,866	30.51%	911,547	40.04%	863,327	43.13%	4,064,615	31.79%	3,801,193	32.69%
Insurance representation companies	808,029	7.69%	685,633	7.12%	218,633	9.60%	214,775	10.73%	1,026,662	8.03%	900,408	7.74%
Travel agencies	21,618	0.21%	13,773	0.14%	0	0.00%	0	0.00%	21,618	0.17%	13,773	0.12%
Car dealerships	16,701	0.16%	14,805	0.15%	0	0.00%	0	0.00%	16,701	0.13%	14,805	0.13%
Banks	344,238	3.28%	205,923	2.14%	476,564	20.93%	308,664	15.42%	820,802	6.42%	514,587	4.42%
Agents	1,673,495	15.92%	1,158,741	12.04%	180,213	7.92%	181,808	9.08%	1,853,708	14.50%	1,340,549	11.53%
Other distribution channels	25,265	0.24%	26,999	0.28%	0	0.00%	0	0.00%	25,265	0.20%	26,999	0.23%
Total	10,508,927	100.00%	9,627,933	100.00%	2,276,500	100.00%	2,001,761	100.00%	12,785,427	100.00%	11,629,694	100.00%

Source: ISA

In the structure of non-life insurance sales channels, the largest share is direct sales with 42.5%, followed by sales through insurance brokerage companies with 30%, sales through agents (individuals) with 15.92%, sales through companies for representation in insurance with 7.69%, banks with 3.28% and 0.61% through other distribution channels. In contrast, in the structure of sales channels for Life insurance, the largest share is held by insurance brokerage companies with 40.04%, followed by direct sales with 21.5%, banks with 20.93%, sales through insurance representation companies with 9.6% and 7.92% sales through agents (natural persons).

4.2.1. Representation in insurance

Representation in insurance represents the preparation and conclusion of insurance contracts, on behalf and the account 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 acquired permission to perform insurance representation. Through these channels, in 2022, 28.95% of GWP (2021: 23.69%), i.e. MKD 3,701,172 thousand (2021: MKD 2,755,544 thousand) were realized, which represents an increase of 34.3% compared to the previous year.

Representation in insurance through natural persons is carried out on the basis of a license from ISA, which is obtained after previously passing an exam for performing representation operations in insurance. In the total GWP, representation in insurance through natural persons participates with 14.5%.

In the course of 2022, a total of 363 new insurance agent licenses were issued and one bank was given consent to perform insurance agency operations, which increased the number of banks acting as insurance agents to 8.

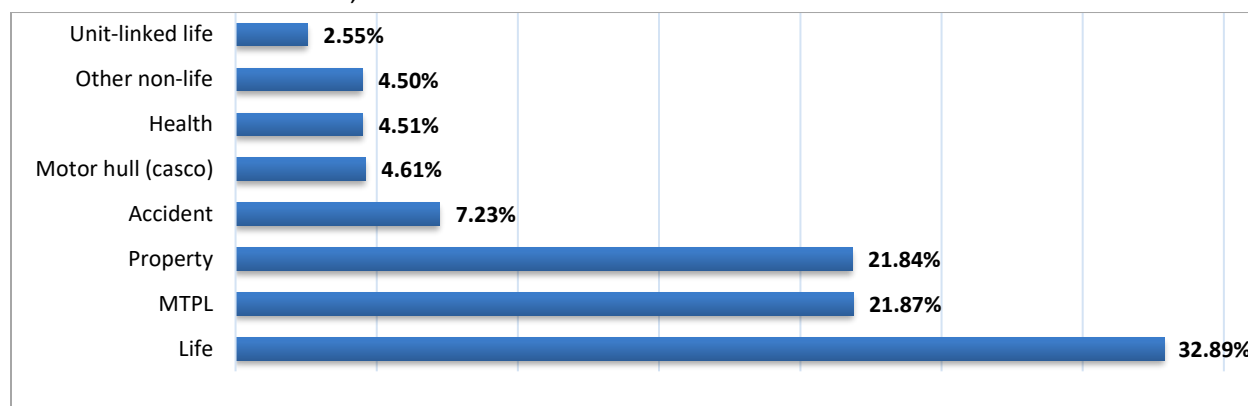
In the total GWP, insurance representation companies in 2022 participated with MKD 1,026,662 thousand or 8.03% of the total mediation, and compared to last year, an increase of 14% was recorded (2021: MKD 900,408 thousand).

Insurance representation operations can also be performed by a bank that has received a license to perform insurance representation operations from the National Bank of the Republic of North Macedonia, based on the prior consent by ISA. Banks contributed MKD 820,802 thousand or 6.42% in the total GWP, which represents an increase of 59.5% compared to 2021 (2021: MKD 514,587 thousand).

During 2022, 98,975 insurance contracts (policies) were concluded through insurance representation companies (2021: 78,424), which is 26.2% more than the previous year. Through banks, 203,587 insurance contracts were concluded in 2022 (2021: 184,649), which represents an increase of 10.3% compared to the previous year.

The distribution of the total GWP, by classes of insurance, realized by representation companies and banks is presented in chart no. 16.

Chart no. 15: GWP structure, in insurance classes



Source: ISA

4.2.2. Insurance brokerage operations

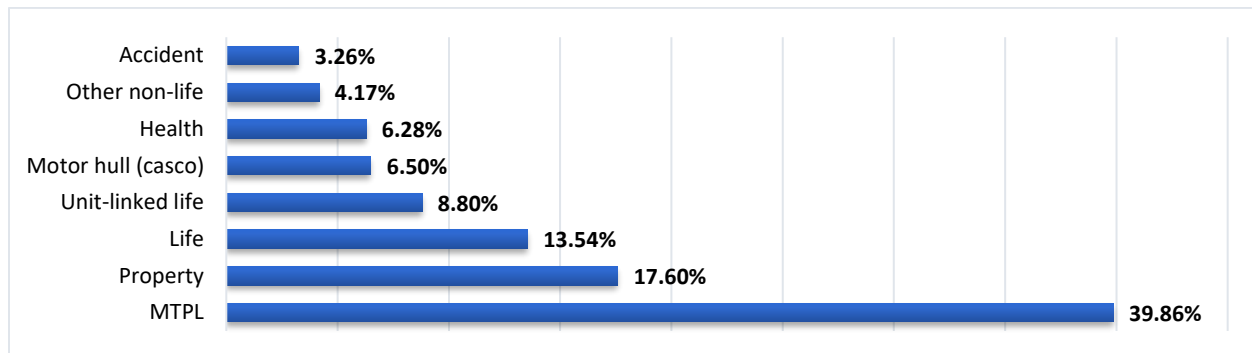
Insurance brokerage involves mediation in negotiating insurance and reinsurance coverage, as well as in the realization of compensation claims after an insured loss event has occurred with insurance and reinsurance companies, on behalf and for the account of the clients – insurance policyholders. Through this distribution channel, insurance companies in 2022 realized 31.79% of GWP (2021: 32.69%), i.e. MKD 4,064,615 thousand (2021: MKD 3,801,193 thousand), which represents an increase of 6.9 % compared to the previous year.

In the course of 2022, three requests for a license to establish an insurance brokerage company were submitted to the ISA, and a positive decision was made.

In this period, insurance brokerage companies sold 459,839 policies (2021: 405,595), which represents an increase of 13.4% compared to the previous year.

The distribution of the total GWP, by classes of insurance, realized by the insurance-brokerage companies, is presented in graph no. 17.

Chart no. 16: GWP structure, in insurance classes



Source: ISA

4.3. NATIONAL INSURANCE BUREAU

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

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

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

The report on the operations submitted by the NIB to the ISA, in accordance with Article 54 paragraph (3) of the Law on Compulsory Traffic Insurance, shows the financial operations of the NIB and the financial operations of the Guarantee Fund for 2022.

As of 31.12.2022, the total assets of NBO amount to MKD 297,538 thousand, of which MKD 166,000 thousand, or 55.8% are deposits in banks, MKD 98,407 thousand, or 33.1% are claims, MKD 21,375 thousand, or 7.2% are cash on bank accounts, and the rest are intangible and tangible assets. Compared to the previous year, the total assets recorded a decrease of 1.76%. In the total liabilities and capital of NBO in 2022, capital accounts for 63.72%, and liabilities for 36.28%. In 2022, NBO made a profit in the amount of MKD 1,992 thousand (2021: profit of 2,338 thousand).

4.3.1. Guarantee Fund of NIB

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

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

4. losses from insured motor vehicles originating from the territory of the Republic of North Macedonia, for which in accordance with the Cretan Agreement and other international agreements, are guaranteed by the National Insurance Bureau.

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

Table no. 20: Share in the Guarantee Fund by insurance companies for period 1.1.2022–31.12.2022 (in MKD)

Name of the insurance company	Total GWP for every compulsory insurance	% of share in GWP for every compulsory insurance	Share in the Guarantee Fund
Makedonija	268,775,922	5.21 %	9,596,889
Triglav	550,979,406	10.68 %	20,090,591
Evroins	458,733,065	8.89 %	14,990,077
Sava	465,441,413	9.02 %	16,890,036
Wiener	666,629,278	12.92 %	23,624,943
Eurolink	422,772,540	8.20 %	14,874,787
Grawe Non-life	336,459,918	6.52 %	11,382,951
Uniq	677,054,988	13.13 %	23,867,951
Osiguritelna polisa	478,117,124	9.27 %	17,140,071
Halk	362,739,927	7.03 %	18,386,008
Croatia non-life	470,708,646	9.13 %	14,036,696
Total	5,158,112,227	100.00 %	184,881,000

Source: Report on the NIB operations for 2022

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

In accordance with the decision of the Board of Directors of NIB, every calendar year a new distribution of funds from the Guarantee Fund in amount of 3,000,000 EUR is made, according to the percentage of participation of the insurance company in the total written premium for compulsory insurance. For 2022, the participation in the Guarantee Fund by insurance companies is shown in Table 21.

4.3.2. Reimbursement of damages from the Guarantee Fund

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

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

Table no. 21: Reported and accepted claims for damages to be reimbursed by the Guarantee Fund for the period 1.1.2022 – 31.12.2022

Name of the insurance company	No. of reported claims for reimbursement	No. of accepted claims in the Guarantee Fund	Accepted claims in the Guarantee Fund (damages+fees) Amount in MKD MKD
Makedonija	45	45	6,005,492
Triglav	35	35	5,015,429
Euroins	51	51	12,352,792
Sava	69	69	13,522,981
Wiener	65	65	9,811,254
Eurolink	45	45	4,315,440
Grawe non-life	51	51	25,170,216
UNIQA	58	58	9,150,680
Osiguritelna polisa	71	71	9,426,469
Halk	56	56	8,941,978
Croatia Non-life	48	48	14,799,919
Total	594	594	118,512,650

Source: Report on the NIB operatins for 2022

In 2022, 594 claims for refund were reported by the insurance companies to the NIB, all of which in amount of 118.513 thousand MKD were accepted and refunded.

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

The average paid damage in 2022 is 190,077 MKD and it increased by 46.83% compared to the average paid damage in 2019.

The number of reported claims for reimbursement in the Guarantee Fund in 2022 (594) has decreased by 153 claims compared to 2021 (747), i.e. it shows a decrease of 20.48%.

The average paid claim in 2022 is 191,363 denars and it shows a decrease of 1.94% compared to the average paid damage in 2021.

The number of reported and accepted claims for reimbursement from the Guarantee Fund during 2022, as well as the amount of accepted claims are shown in Table no. 22.

Number 01-585/1

Skopje, 29.6.2023

President of the Council of the experts,

Krste Shajnoski

