



INSURANCE SUPERVISION AGENCY

2017
ANNUAL REPORT
THE INSURANCE MARKET IN THE REPUBLIC OF MACEDONIA

Skopje, 2018

The report was prepared in accordance with Article 158-o of the Law on Insurance Supervision and for its preparation, the Insurance Supervision Agency used data from its own records.

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1. INTRODUCTION

The Insurance Supervision Agency of the Republic of Macedonia (hereinafter, ISA) is an autonomous, independent regulatory authority which undertakes public authorizations as stipulated by the Law on Insurance Supervision and the Law on Compulsory Insurance in Traffic. ISA strives to ensure an effective, lawful domestic insurance market that develops continuously, to protect adequately the rights and interests of policyholders, and to contribute towards a strong, financially stable economy.

At the end of 2017, 16 insurance undertakings operated in the Republic of Macedonia's insurance market place, of which 11 offered non-life insurance, and 5 life insurance. During this period, ISA issued an operating license to 3 insurance brokerage companies by which the total number of insurance brokerage companies increased to 36 and 3 operating licenses for insurance agency activities were revoked by which the total number of insurance agencies was 11. The number of banks, performing insurance agency activities remained unchanged, with the total of 3 banks.

In 2017 total gross written premium (hereinafter: „GWP”) reached MKD 8.99 billion, a 3.10% increase over the GWP in 2016 (2016: MKD 8.72 billion). GWP for the non-life insurance segment was MKD 7.55 billion (2016: MKD 7.43 billion), showing a 1.56% increase compared to 2016. The life-insurance segment's GWP was MKD 1.44 billion (2016: MKD 1.29 billion), showing an increase of 11.95% compared to 2016. In 2017 the life insurance participated with 16.08% in the total GWP of the insurance sector, showing an increase compared to the previous year (2016: 14.81%).

On 31 December 2017, the insurance undertakings' assets totaled MKD 20.03 billion, an increase of 8.39% over the previous year (2016: MKD 18.48 billion). Total calculated capital of insurance undertakings showed an increase of 6.84% compared to 2016, that is at the end of 2017 totaled to MKD 5.93 billion. The solvency margin, a main indicator for assessing the stability of the insurance sector, was MKD 1.39 billion, this indicates the insurance sector capital to be 4.3 times above the minimum required solvency margin level.

During 2017, the insurance sector reported a profit after taxation in the amount of MKD 397.34 million. The non-life insurance sector reported a profit of MKD 315.56 million, while the life-insurance MKD 81.78 million.

Regarding legislation, in the course of year 2017, there were no amendments regarding the primary and the broader law regulations in the insurance domain. Regarding by-laws, three new by-laws were adopted and ten by-laws amending and supplementing the existing by-laws.

2. LEGAL FRAMEWORK

The 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 and 23/16), the Law on Compulsory Insurance in Traffic (“Official Gazette of the Republic of Macedonia No. 88/05, 70/06, 81/08, 47/11, 135/11, 112/14 and 145/15), and the Law on Voluntary Health Insurance (“Official Gazette of the Republic of Macedonia” No. 145/12, and 192/15) and the Law on Payment of Pensions and Pension Benefits from Fully Funded Pension Insurance (“Official Gazette of the Republic of Macedonia” No. 11/12, 147/15 and 30/16) provide the basic legal framework for regulating the performance of insurance, reinsurance and insurance intermediation activities, and for conducting supervision of the operations of insurance undertakings, insurance brokerage companies, and insurance agencies.

The broader legal framework is set under Contractual Law (“Official Gazette of Republic of Macedonia, No. 18/01, 4/02, 5/03, 84/08, 81/09, 161/09 and 123/13), particularly the part referring to insurance contracts, and the Company Law (“Official Gazette of the Republic of Macedonia, No. 28/04, 84/05, 25/07, 87/08, 42/10, 48/10, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 88/15, 192/15, 6/16, 30/16 and 61/16).

In the course of 2017 there were no amendments in the basic and the broader legal framework in the insurance domain.

The Law on Insurance Supervision incorporates insurance principles and standards of the International Association of Insurance Supervisors (IAIS) and EU Insurance Directives. The Law regulates the establishment and operations of insurance undertakings, risk management, the role of authorized actuaries, financial reporting, internal and external auditing, activities of insurance brokerage companies and insurance agencies, supervision over insurance undertakings, procedure for decision-making by the ISA, operations of insurance and reinsurance pools, cooperation with supervisory agencies and EU authorities, as well as penalty provisions.

Compulsory insurance in traffic is regulated with the **Law on compulsory insurance in traffic**, which regulates agreements for compulsory insurance, minimum insured amounts, deadlines for reporting claims to and receiving claim payments from insurance undertakings, establishing the right to mediation, competences of the Guarantee Fund, and changing the method for determining premium tariffs via the operations of the Commission for motor third party liability insurance and penal provisions for insurance undertakings and the National Insurance Bureau. Also, the Law envisages facilitation of cross-border provision of insurance services by setting-up a so called authorized claims representative, and a damage compensation service, thereby putting into force these activities as soon as the Republic of Macedonia has become a part of the European Union.

The **Law on Voluntary Health Insurance** gives legal opportunities and opens a wide area of operation of the insurance undertakings to offer packages of health services that are already covered by the system for compulsory health insurance. As such, voluntary health insurance is regulated as supplementary and private. Supplementary health insurance covers the partial costs that are paid from own funds (co-payment) for medical services provided through compulsory health insurance in accordance with the regulations of compulsory health insurance and health care protection. Private health insurance provides coverage of the costs of using

health services for a higher standard of health care services arising from compulsory health insurance, the costs of covering the health services used in the additional activity, and the use of health services in healthcare institutions outside the network health institutions in which the healthcare activity is carried out and in the legal entities that manufacture, issue and service of orthopedic and other devices.

The **Law on Payment of Pensions and Pension Benefits from Fully Funded Pension Insurance** regulates the manner of payment of pensions from the mandatory and voluntary fully funded pension insurance. The law stipulates three ways of payment of pensions to pension beneficiaries from the second and third pillars, namely: a lifetime immediate annuity, programmed withdrawals and temporary programmed withdrawals combined with a lifelong delayed annuity. According to the law, the conclusion of annuity contracts as a form of payment of a pension can only be performed by insurance undertakings that have a license to perform insurance activities in the class of insurance for annuities for pension beneficiaries while operations related to the payment of a pension through programmed withdrawals are performed by pension companies (Company for management of mandatory and/or voluntary pension funds).

3. INSURANCE MARKET IN THE REPUBLIC OF MACEDONIA

3.1. INSURANCE UNDERTAKINGS

There were 16 insurance undertakings operating on the insurance market of the Republic of Macedonia in 2017, of which 5 operated in the life insurance segment, and the remaining 11 in the non-life insurance segment. In addition to licenses to offer non-life insurance products, only one insurance undertaking was licensed for reinsurance (Table 1).

In 2017 the life insurance market was increased for one new company TRIGLAV Insurance Life JSC Skopje which acquired the license for performing life insurance activities on 4.8.2017.

Table 1: Register of insurance undertakings

	Insurance undertaking name	Insurance segment
1	JSC for Insurance and Reinsurance MACEDONIA – Skopje Vienna Insurance Group	Non-life insurance and reinsurance
2	TRIGLAV INSURANCE JSC Skopje	Non-life insurance
3	SAVA INSURANCE JSC Skopje	
4	JSC on Insurance EUROINS Skopje	
5	JSC on Insurance WINNER – Vienna Insurance Group Skopje	
6	JSC on Insurance EUROLINK Skopje	
7	Insurance Undertaking EUROSIG JSC Skopje	
8	Insurance Undertaking UNIQA JSC Skopje	
9	National Insurance Group INSURANCE POLICY JSC Skopje	
10	Insurance Undertaking ALBSIG JSC Skopje	
11	CROATIA INSURANCE JSC - Non-life Insurance Undertaking	
12	CROATIA INSURANCE JSC - Life Insurance Undertaking	
13	GRAWE Insurance JSC Skopje	
14	JSC on Insurance WINNER Life – Vienna Insurance Group Skopje	
15	Insurance Undertaking UNIQA Life JSC Skopje	
16	TRIGLAV Insurance Life JSC Skopje	

Source: ISA

At the end of 2017 the insurance undertakings employed 1,940 employees indicating a minimal workforce increase of 0.36% compared to 2016 (2016: 1,933).

3.1.1. Ownership structure

Foreign financial institutions own a significant share of insurance undertakings (87.07%), wholly or partially present in 15 of the 16 insurance undertakings (Table 2). While only 1 undertaking is fully owned by domestic

investors, 12 insurance undertakings are part of insurance groups which have head offices in EU Member States.

Table 2: Ownership structure of insurance undertakings (percentages)

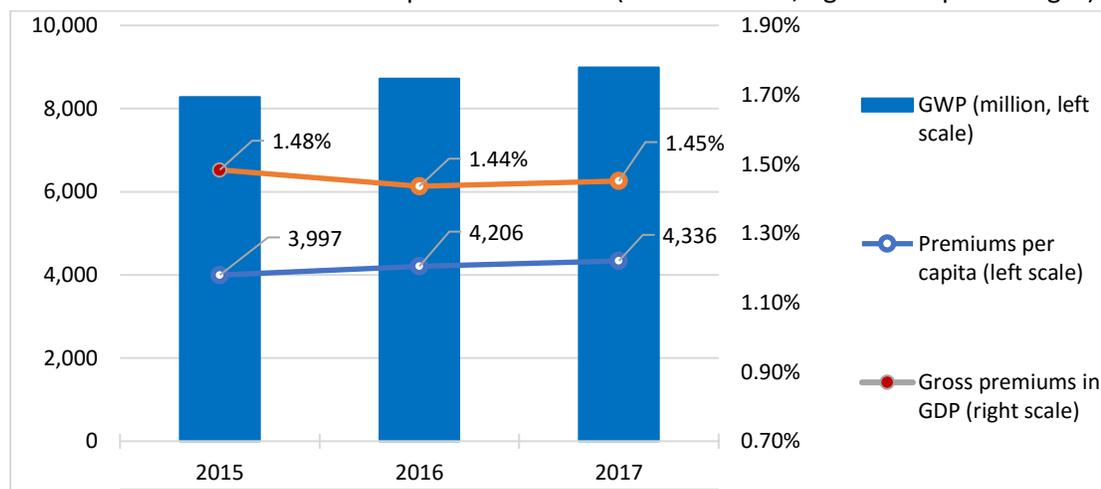
	2017	2016	2015
1. Foreign shareholders	87.07%	92.21%	92.17%
1.1. Natural persons	0.05%	0.07%	0.08%
1.2. Non-financial legal entities	0.00%	0.00%	0.01%
1.3. Financial institutions	87.01%	92.13%	92.09%
2. Domestic shareholders	12.90%	7.75%	7.79%
2.1. Natural persons	6.08%	6.60%	6.61%
2.2. Non-financial legal entities	5.09%	0.76%	0.79%
2.3. Financial institutions	1.72%	0.39%	0.39%
3. State-ownership	0.04%	0.04%	0.04%
Total	100.00%	100.00%	100.00%

Source: ISA

3.1.2. Insurance market development

Two basic indicators, the insurance penetration rate and the insurance density rate¹ measure the insurance market's development. The data on insurance penetration for 2017 show total GWP to account for 1.45% of the country's GDP (2016: 1.44%), and the insurance density rate of MKD 4.336 per capita shows an increase of 8.48% compared to the previous year (Грешка! Не е пронајден извор на референца.).

Chart 1: Insurance market development indicators (million denars; right axis – percentages)



Source: ISA, State Statistical Office and Ministry of Finance

¹ The insurance penetration is calculated as the ratio of gross written premiums to the gross domestic product. The insurance density is calculated as the ratio of gross written premiums to the country's population.

The insurance sector in Macedonia is characterized by its low market concentration, a prerequisite for a competitively functioning market competition. The Herfindahl index, when calculated against GWP in 2017 was 823.65 (2016: 867.56). A similar result is obtained when computing the index against assets of insurance undertakings, 836.45 in 2017 (2016: 848.13)².

Analysis across different insurance segments shows higher concentration in the life insurance segment, mainly due to the small number of undertakings in this area. For life insurance, the Herfindahl-index measured against GWP is 3,040.90 (2016: 3,417.37). Measured against the undertakings' assets, it is 3,371.13 (2016: 3,348.99).

For the non-life insurance segment, indicators show low concentration with a small upward trend, as indicated by the Herfindahl index as measured against GWP, which in 2017 was 1,121.64 (2016: 1,092.15), and as measured against the assets is 1,063.94 (2016: 1,135.38).

CR5 indicator³, measured against the GWP share, increased for non-life insurance undertakings in 2017 and reached 64.26% (2016: 62.76%).

The tables below show the Herfindahl-index and concentration index for the top five insurance undertakings (CR5):

Table 3: Herfindahl-index and CR5 index measured relative to GWP

GWP	2017		2016		2015	
	Herfindahl	CR5	Herfindahl	CR5	Herfindahl	CR5
The whole sector	823.65	53.56%	867.56	53.47%	887.61	54.18%
Non-life Insurance	1,121.64	64.26%	1,092.15	62.76%	1,094.88	62.49%
Life Insurance	3,040.90	100.00%	3,417.37	100.00%	3,650.92	100.00%

Source: ISA

Table 4: Herfindahl-index and CR5 index measured against assets

Assets	2016		2015		2014	
	Herfindahl	CR5	Herfindahl	CR5	Herfindahl	CR5
The whole sector	836.45	51.02%	848.13	53.56%	859.48	54.18%
Non-life Insurance	1,063.94	60.79%	1,135.38	64.25%	1,145.62	66.03%
Life Insurance	3,371.13	100.00%	3,348.99	100.00%	3,376.42	100.00%

Source: ISA

Regarding market concentration at the end of 2017, 4 non-life insurance undertakings exceeded the participation threshold with over 10% share of total GWP. Nonetheless, no insurance undertakings exceeded the 20% market share threshold (Chart 2).

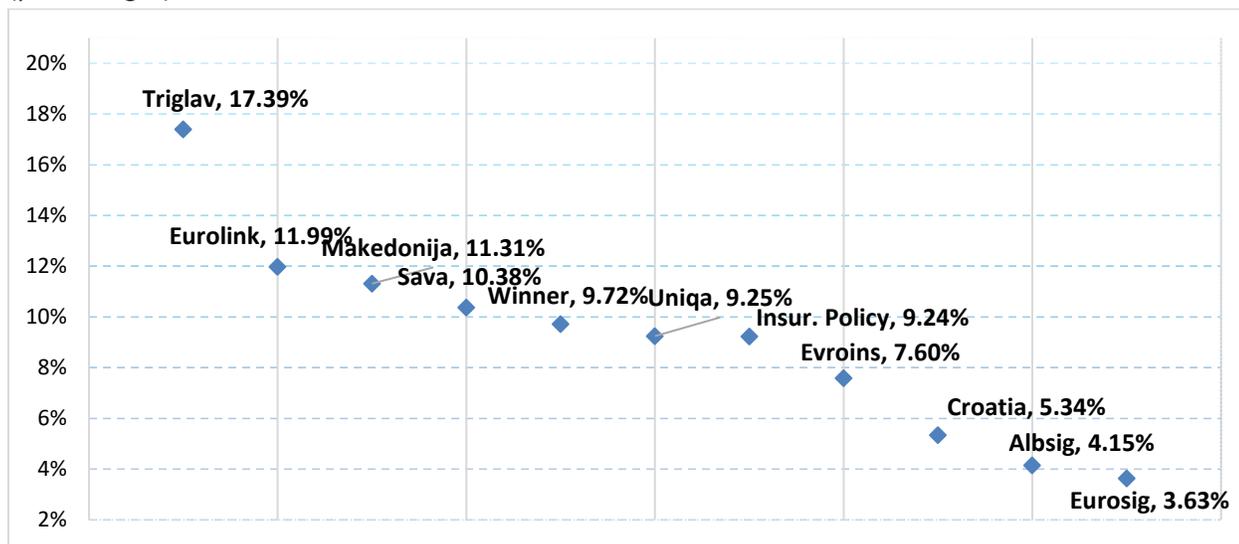
² Herfindahl index is calculated as per the following formula:

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

where S is the share of each insurance undertaking in the total assets (gross written premium) of the insurance sector, and n is to total number of institutions in the respective segment. When the index ranges between 1000 and 1800 units, the concentration level of the insurance sector is deemed acceptable.

³ CR5 is the shares of the first 5 insurance undertakings with largest shares in the total structure.

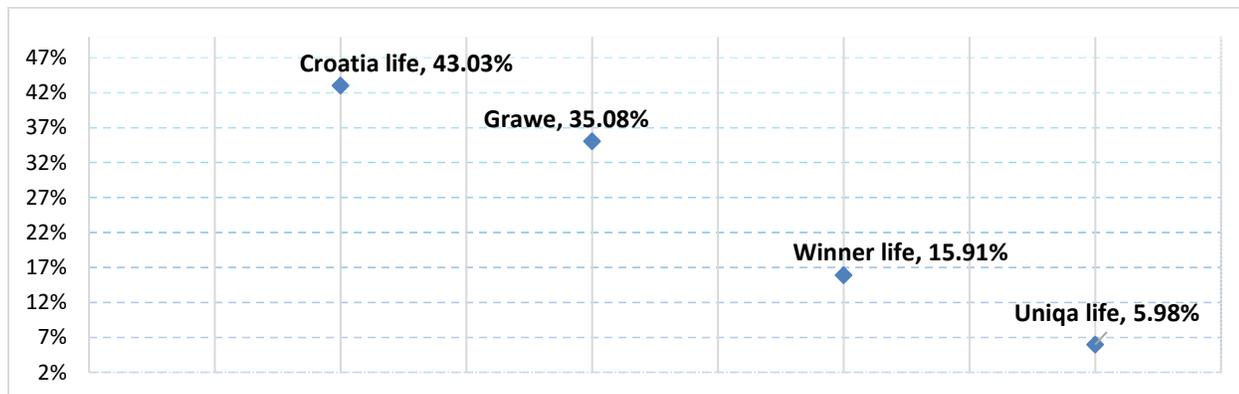
Chart 2: Market concentration relative to gross written premium in 2017, for the non-life insurance segment (percentages)



Source: ISA

In the life insurance segment, two insurance undertakings dominated significantly the other two undertakings which had only shortly been participating in the market (Chart 3).

Chart 3: Market concentration relative to gross written premiums in 2017, life insurance segment (percentages)



Source: ISA

3.1.3. Gross written premium

GWP for non-life insurance and reinsurance undertakings includes all insurance premiums contracted (written) within the current accounting period, whether they partially or completely refer to any part of the following period. However, total written premiums for life insurance include all premiums paid through the end of the accounting period.

The GWP in 2017 was MKD 8.99 billion (Table 5), a 3.10% increase over GWP in 2016 (2016: MKD 8.72 billion).

Table 5: Gross written premium by lines of business insurance (thousand MKD)

Line of Business Insurance	Gross Written Premium (GWP)		Change	Share in total GWP	
	2017	2016		17/16	2017
01. Accident Insurance	669,038	665,181	0.58%	7.44%	7.63%
02. Health Insurance	58,099	45,217	28.49%	0.65%	0.52%
03. Motor vehicle insurance- Casco	756,341	758,473	-0.28%	8.41%	8.70%
05. Aircraft Insurance - Casco	30,142	43,879	-31.31%	0.34%	0.50%
06. Vessel Insurance - Casco	1,090	881	23.72%	0.01%	0.01%
07. Insurance of goods in transit - Casco	68,282	74,118	-7.87%	0.76%	0.85%
08. Property insurance against fire	479,543	486,475	-1.42%	5.33%	5.58%
09. Other property insurance	956,628	1,068,600	-10.48%	10.64%	12.25%
10. Motor third party liability/MTPL	4,068,054	3,857,004	5.47%	45.24%	44.22%
11. Aircraft third-party liability insurance	7,018	6,778	3.54%	0.08%	0.08%
12. Water vessel third-party liability insurance	2,481	2,214	12.06%	0.03%	0.03%
13. Other liability insurance	203,375	200,607	1.38%	2.26%	2.30%
14. Credits	338	0	0.00%	0.00%	0.00%
15. Insurance of guarantees	4,089	762	436.61%	0.05%	0.01%
16. Insurance against financial loss	42,771	37,092	15.31%	0.48%	0.43%
17. Legal Protection	13	0	0.00%	0.00%	0.00%
18. Travel assistance insurance	198,922	182,669	8.90%	2.21%	2.09%
19. Life Insurance	1,345,494	1,234,211	9.02%	14.96%	14.15%
21. Investment-linked life insurance	100,494	57,459	74.90%	1.12%	0.66%
Total	8,992,212	8,721,620	3.10%	100.00%	100.00%
Total Non-Life Insurance	7,546,224	7,429,950	1.56%	83.92%	85.19%
Total Life Insurance	1,445,988	1,291,670	11.95%	16.08%	14.81%

Source: ISA

Positive trend is seen in both insurance segments, with the non-life segment producing GWP of MKD 7.55 billion (2016: MKD 7.43 billion), or 83.92% of the total GWP of the insurance sector, an increase of 1.56% compared to 2016.

The life insurance segment which comprises of 16.08% of the total GWP of the insurance sector, reached GWP in the amount of MKD 1.44 billion (2016: MKD 1.29 billion), a 11.95% increase compared to 2016.

Individually, if compared to 2016, an increase in GWP was noted at 7 of 11 non-life insurance undertakings operational in 2017 (Table 6).

Table 6: Gross written premium by non-life insurance undertakings (thousand MKD)

Ser.	INSURANCE UNDERTAKING	Gross Written Premium (GWP)		Change 17/16	Share in total GWP	
		2017	2016		2017	2016
1	TRIGLAV	1,312,648	1,328,135	-1.17%	17.39%	17.88%
2	EUROLINK	904,468	845,595	6.96%	11.99%	11.38%
3	MACEDONIA	853,818	936,352	-8.81%	11.31%	12.60%
4	SAVA	783,313	751,536	4.23%	10.38%	10.11%
5	WINNER	733,345	801,485	-8.50%	9.72%	10.79%
6	UNIQA	697,718	696,985	0.11%	9.25%	9.38%
7	OSIGURITELNA POLISA	697,064	644,312	8.19%	9.24%	8.67%
8	EUROINS	573,147	532,279	7.68%	7.60%	7.16%
9	CROATIA NON-LIFE	403,344	371,423	8.59%	5.34%	5.00%
10	ALBSIG	313,187	323,538	-3.20%	4.15%	4.35%
11	EUROSIG	274,172	198,310	38.25%	3.63%	2.67%
	Total non-life insurance	7,546,224	7,429,950	1.57%	100.00%	100.00%

Source: ISA

All life insurance undertakings showed an increase in GWP. In the course of 2017 TRIGLAV Insurance Life JSC Skopje still did not realize premium income (Table 7).

Table 7: Gross written premium by life insurance undertakings (thousand MKD)

Ser.	Insurance Undertaking	Gross Written Premium (GWP)		Change 17/16	Share in total GWP	
		2017	2016		2017	2016
1	CROATIA LIFE	622,254	552,767	12.57%	43.03%	42.79%
2	GRAWE	507,197	469,995	7.92%	35.08%	36.39%
3	WINNER LIFE	230,091	195,917	17.44%	15.91%	15.17%
4	UNIQA LIFE	86,446	72,991	18.43%	5.98%	5.65%
	Total Life Insurance	1,445,988	1,291,670	11.95%	100.00%	100.00%

Source: ISA

In 2017 GWP from reinsurance was not reached.

An indicator that most satisfactorily shows development of the insurance sector is analysis of the scope of operations in different lines of business insurance by insurance undertaking. Hence, by using the data on the GWP by lines of business insurance (classes), the market structure of all insurance undertakings in 2017 is also presented (Table 8).

Table 8: Gross written premium for the period 01.01.2017-31.12.2017 (thousand MKD)

Line of business	nonlife											Total
	Makedonija	Triglav	Sava	Evroins	Eurolink	Winner	Insig	Uniqa	Ins. Policy	Albsig	Croacija	
01. Accident	82,95	120,211	74,563	40,201	123,285	67,276	12,848	36,735	46,506	10,499	53,964	669,038
02. Health	83	28522	1363	0	24358	590	0	3010	173	0	0	58,099
03. Motor vehicles (casco)	71,892	169,109	120,786	55,682	90,576	43,188	9,338	46,762	81,965	20,431	46,612	756,341
04. Railway vehicles (casco)	0	0	0	0	0	0	0	0	0	0	0	0
05. Aircrafts (casco)	0	18235	0	0	5307	6,6	0	0	0	0	0	30,142
06. Vessels (casco)	35	364	186	29	225	138	0	64	49	0	0	1,09
07. Cargo	22,065	18,236	2790	10,913	3263	4,778	25	4680	278	9	1245	68,282
08. Property, fire and nat.forces	121,1	76,453	52,964	27,464	95,48	8,941	5421	25,822	40,708	5,677	19,513	479,543
09. Property, other	234,665	196,187	87,129	45,643	69,956	131,428	1532	115,478	51,393	7198	16,019	956,628
10. MTPL (total)	259,56	578,441	390,948	367,296	410,335	440,763	237,724	423,747	444,771	261,966	252,503	4,068,054
11.Aircraft's liability	0	2581	0	0	2197	1,991	0	0	249	0	0	7,018
12. Vessel's liability	170	465	832	67	237	189	0	74	441	0	6	2,481
13. General liability	38,133	38,863	14,927	11,084	46,802	13,202	1294	22,394	12,505	1864	2,307	203,375
14. Credit	0	338	0	0	0	0	0	0	0	0	0	338
15. Suretyship	25	114	3514	87	0	4	0	0	345	0	0	4,089
16. Financial losses	8064	27,315	3314	913	393	0	0	2772	0	0	0	42,771
17. Legal expenses	0	0	0	0	0	0	0	0	0	0	13	13
18.Tourists assistance	15,076	37,214	29,997	13,768	32,054	14,257	5990	16,18	17,681	5,543	11,162	198,922
Total	853,818	1,312,648	783,313	573,147	904,468	733,345	274,172	697,718	697,064	313,187	403,344	7,546,224

Line of business	life					Total
	Croatia	Grawe	Winner	Uniqa	Triglav	
19. Life assurance	615,024	507,197	139,409	83,864	0	1,345,494
21. Unit- linked	7,23	0	90,682	2,582	0	100,494
Total	622,254	507,197	230,091	86,446	0	1,445,988

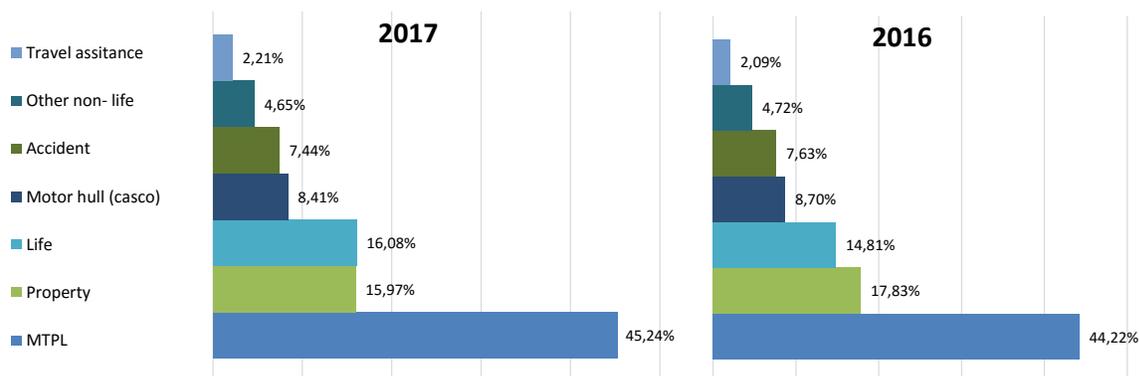
Total:	8,992,212
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Source: ISA

3.1.4. GWP share structure

As a share of aggregate GWP, the line of business non-life insurance with motor vehicle insurance claimed the largest portion of all insurance premiums collected at 53.65% (2016: 52.92%), with motor third-party liability insurance (MTPL) claiming 45.24% (2016: 44.22%), and voluntary motor vehicle insurance policies (casco) claiming 8.41% (2016: 8.70%). Property insurance (against fire, natural disasters, theft and other risks) claimed 15.97% (2016: 17.83%), and insurance against accident consequences (accident) claimed a 7.44% share (2016: 7.63%). Life insurance also claimed a significant share, with 16.08% (2016: 14.81%). Chart 4 compares the relative share of aggregate GWP by lines of business and includes a comparison with 2016.

Chart 4: Gross written premium structure by lines of business insurance (percentages)



Source: ISA

GWP for motor third party liability insurance showed an increase of 5.47% over 2016 with MKD 4.07 billion (2016: MKD 3.86 billion), with a concurrent increase of 3.66% in the number of policies sold. Casco motor vehicle insurance, showed a slight decrease of 0.28% with GWP MKD 756.34 million (2016: MKD 758.47 million), with a concurrent small increase of the number of concluded agreements of 3.44%.

Property insurance showed an increase of 7.65% with GWP of MKD 1.44 billion (2016: MKD 1.55 billion), with a concurrent increase of the number of concluded agreements of 11.33% which is an indicator of the pronounced price competition between the insurance undertakings, which leads the increased number of sold policies to be realized with lower prices compared to the previous year. Analyzing by groups, for natural entities the increase of 13.72% of concluded agreements is followed by 5.94% decrease of GWP, while for legal entities the increase of 5.04% of concluded agreements is followed by 8.08% decrease of GWP.

Within property insurance, agriculture insurance shows a decrease of 44.25% of the number of concluded agreements, but also a decrease of 10.49% of realized GWP for agriculture insurance which amounts to MKD 157.26 million (2016: GWP of MKD 175.69 million).

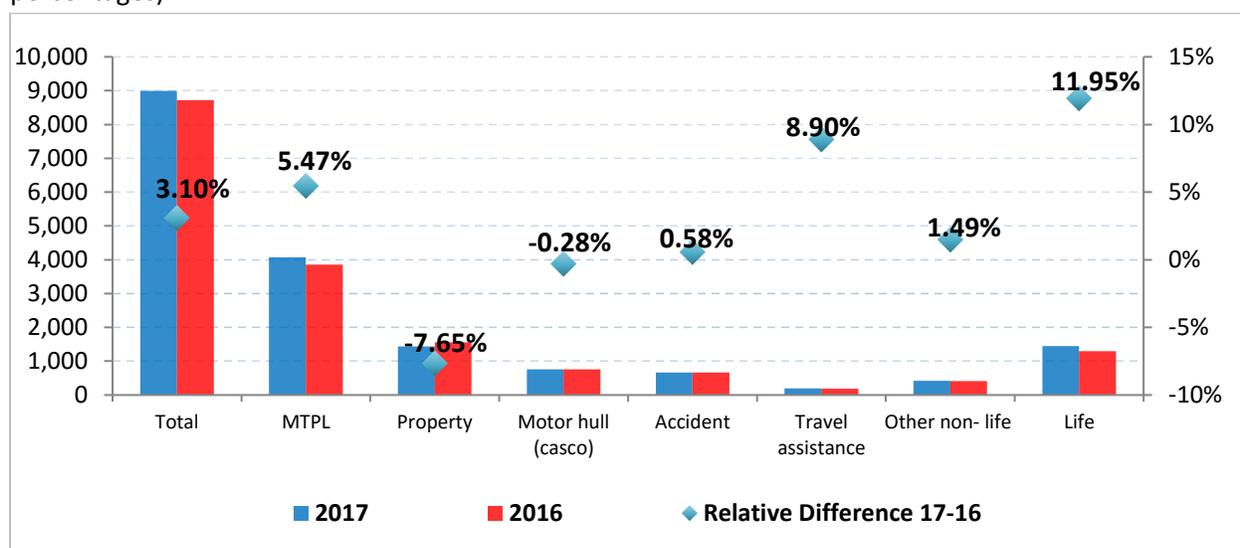
In 2017, there is a great rise in the sale of health insurance. In 2017, 1,752 contracts for health insurance were concluded with total GWP of MKD 58.10 million. Compared to 2016 there was an increase of 39.49% in the number of concluded contracts, that is 28.49% in the total GWP.

Significant increase of 436.61% was noted in the insurance of guarantees with GWP MKD 4.09 million (2016: MKD 762 thousand), and in the number of concluded contracts there is an increase of 88.72%.

The increase in GWP for life insurance, GWP of MKD 1.44 billion (2016: MKD 1.29 billion) was realized which is 11.95% increase. Life insurance participates with 16.08% in the total GWP of the insurance sector. A positive trend is preset in both lines of business, in which the traditional life insurance continues the positive trend of GWP increase in the amount of MKD 1.35 million (2016: 1.23) which is a 9.02% increase with 27.04% increase in the number of newly concluded life insurance contracts, among which dominant are the term (limited) life insurance contracts. The great trend continued for Unit linked life insurance with an increase of 74.90% and GWP of MKD 100.9 million (2016:57.4) and an increase of 9.07% in concluded agreements.

Chart 5 shows the GWP trend by more significant lines of business insurance.

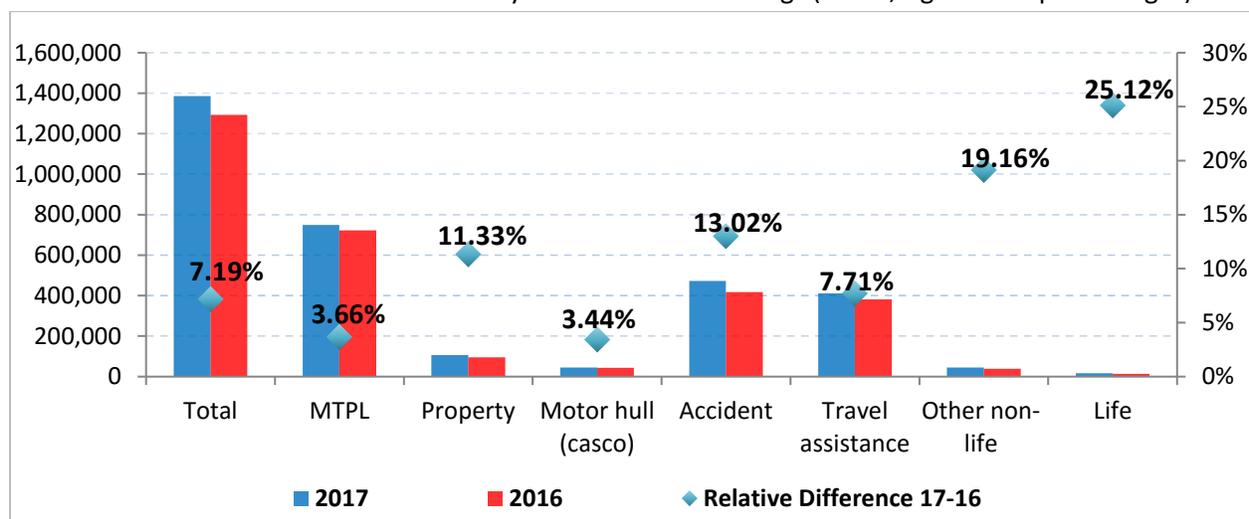
Chart 5: Trend of gross written premium by lines of business insurance (million MKD; right axis - percentages)



Source: ISA

Insurance undertakings issued 1,385,676 agreements in 2017, a 7.19% over the previous year compared to 2016 when 1,292,749 agreements were concluded. From the total number of concluded agreements, 1,368,493 were for non-life policies, showing a 7.00% increase compared to the policies in 2016, while 17,183 are life insurance policies, i.e. an increase of 25.12% compared to 2016 (2016: 13,733 policies). The change in the number of signed agreements across insurance lines of business is presented in Chart 6.

Chart 6: Number of concluded contracts by insurance undertakings (count; right axis – percentages)



Source: ISA

3.1.5. Gross claims paid

Insurance undertakings paid out MKD 3.58 billion in gross claims. The share of reinsurance in the gross paid claims is 15.64%. Compared to 2016, gross paid claims note a decrease of 0.78% (2016: MKD 3.61 billion). (Table 9).

Table 9: Gross claims paid by line of business (thousand MKD)

Lines of business insurance	2017	2016	2015
Motor third-party liability/MTPL	1,739,281	1,625,090	1,542,769
Property insurance	553,124	460,769	636,480
Motor vehicle insurance (casco)	521,747	409,738	374,066
Accident insurance	365,841	389,498	361,431
Life insurance	252,815	207,465	127,626
Travel assistance insurance	51,577	49,401	44,905
Other insurance – non-life	93,256	463,952	96,601
Total	3,577,641	3,605,913	3,183,878

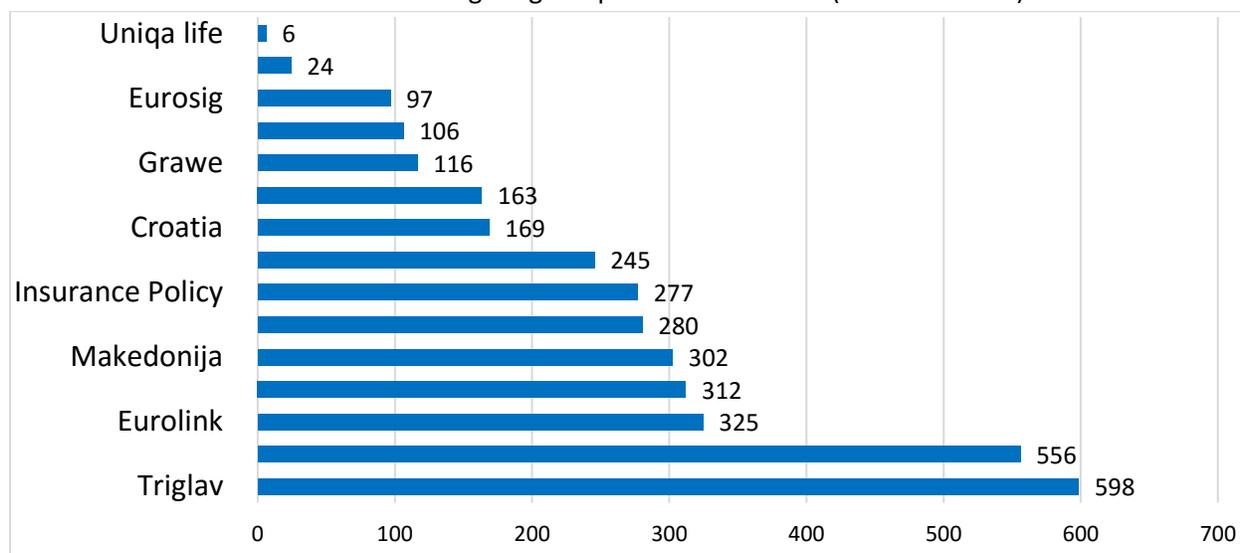
Source: ISA

In the structure of gross paid claims, the greatest share was on third-party liability insurance with 48.62%, followed by paid claims of property insurance with 15.46%, claims of motor vehicle insurance (casco) with 14.58%, claims of accident insurance with 10.23% and 11.11% paid claims in other lines of business. An increase in the paid claims compared to 2016 is noted in almost all lines of business, with the exception in accident insurance and other insurance.

In the property line, a significant share has the agricultural insurance with 18.74% and total of paid claims MKD 103.66 million.

Chart 7 shows each individual insurance undertaking's share of total claims paid in 2017.

Chart 7: Share of insurance undertakings in gross paid claims in 2017 (thousand MKD)



Source: ISA

3.1.6. Assets and liabilities structure

3.1.6.1. Assets structure

On 31 December 2017, the total assets value of the insurance industry was MKD 20.03 billion, an increase of 8.39% over the total value of assets of insurance undertakings in 2016 (Table 10Грешка! Не е пронајден извор на референца.).

Table 10: Assets structure of insurance undertakings (MKD)

	31.12.2017	Share	31.12.2016	Share	17/16
Intangible assets	55,168,634	0.28%	46,641,484	0.25%	18.28%
Investments	14,973,912,497	74.76%	13,612,298,584	73.66%	10.00%
Co-insurers' and reinsurers' share in gross technical provisions	983,203,404	4.91%	1,120,811,739	6.06%	-12.28%
Unit linked insurance financial investments	53,353,975	0.27%	13,975,095	0.08%	0.00%
Deferred and current tax assets	19,266,620	0.10%	15,684,063	0.08%	22.84%
Receivables	2,653,770,687	13.25%	2,446,432,361	13.24%	8.48%
Other assets	584,345,745	2.92%	632,741,937	3.42%	-7.65%
Active valuation reserves	707,111,025	3.53%	591,189,562	3.20%	19.61%
Non-current assets held for sale and non-current operations	0	0.00%	290,060	0.00%	0.00%
Total assets	20,030,132,586	100.00%	18,480,064,884	100.00%	8.39%

Source: ISA

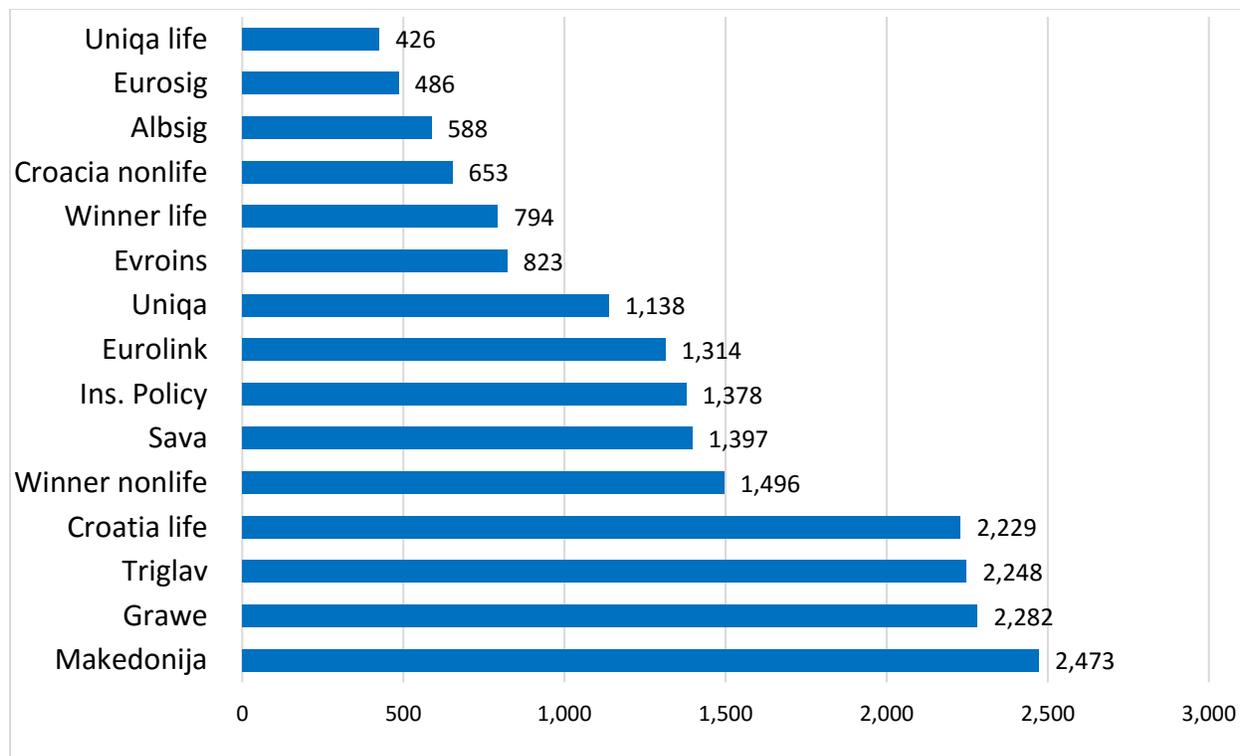
For insurance undertakings assets, investments made up the largest portion at 74.76% (2016: 73.66%), with their value increasing 10.00% over 2016. Within investments, the category other financial investments made up the largest component at 88.49% and its value increased 9.31% over the previous year. This category includes: bank deposits, loans and other placements (42.15%), financial investments

held for sale (38.12%), financial investments held to maturity (17.49%) and financial investments held for trading (2.23%). Other significant investment categories included, Investment in land, buildings and other tangible assets (9.79%) with an increase of 13.66%, over 2016. Other significant part of the investments are financial investments in undertakings of the group - subsidiaries, affiliates and jointly controlled entities, which made up 1.72% of the total investments with an increase of 28.50%.

What follows are the receivables with 13.25% in the liabilities structure (2016: 13.24%) with an increase of 8.48% over 2016. Within the receivables are the receivables from direct insurance activities (including receivables from insureds, receivables from intermediaries and other receivables from direct insurance activities), receivables from co-insurance and reinsurance operations etc. The greatest share of 72.14% in the receivables is from the direct insurance activities amounting to MKD 1.91 million with an increase of 3.39% over 2016. Receivables from co-insurance and reinsurance amount to MKD 174.03 million (6.56% of the total receivables) noting an increase of 100.33% compared to 2016, as a result of the increase of receivables on the basis of participation in compensation of damages from co-insurance and reinsurance. Other receivables amount to MKD 503.90 million (18.99% of the total receivables) decreased by 0.79% compared to 2016.

While non-life insurance undertakings asset holdings dominate total assets for both insurance sectors, the assets of life insurance undertakings present an increasing positive trend as a share of total assets, which in 2017 grew to 30.14% (2016: 26.01%). The structure of insurance undertakings' share of the total assets of the insurance sector is presented in Chart 8.

Chart 8: Share structure of insurance undertakings in the total assets of the insurance sector in 2017 (million MKD)



Source: ISA

3.1.6.2. Liabilities structure

Sources of funding for the insurance undertakings in 2017 increased by 8.39% compared to the previous year (Table 11).

Table 11: Liabilities structure of insurance undertakings (MKD)

	31.12.2017	Share	31.12.2016	Share	17/16
Capital (equity) and provisions	6,555,940,633	32.73%	6,030,816,167	32.63%	8.71%
Subordinated liabilities	49,192,560	0.25%	95,295,860	0.52%	-48.38%
Gross technical reserves	11,509,890,204	57.46%	10,651,486,851	57.64%	8.06%
Gross technical provisions for agreements for unit linked life insurance	53,353,130	0.27%	13,975,095	0.08%	
Other provisions	61,353,876	0.31%	61,415,648	0.33%	-0.10%
Deferred and current tax liabilities	19,535,291	0.10%	33,871,769	0.18%	-42.33%
Liabilities arising from deposits of insurance undertakings at reinsurance/cedents	28,858,062	0.14%	851,531	0.00%	3288.96%
Liabilities	1,487,428,036	7.43%	1,293,835,231	7.00%	14.96%
Passive valuation reserves	264,580,795	1.32%	298,516,732	1.62%	-11.37%
Total sources of funding	20,030,132,586	100.00%	18,480,064,884	100.00%	8.39%

Source: ISA

Gross technical provisions made for the largest source of funding, 57.46%, relative to total sources of funding (2016: 57.64%) with an 8.06% growth over the previous year.

After gross technical provisions, capital and provisions with 32.73% made for the highest portion the sources of funding with an increase of 8.71%.

The liabilities of insurance undertakings constituted 7.43% of the total sources of funding (2016: 7.00%) an increase of 14.96% over the previous year. In the structure of liabilities, direct insurance activities account for the largest share, followed by liabilities from reinsurance and co-insurance operations and other liabilities.

3.1.7. Technical provisions

At the end of the 2017, total technical provisions for non-life insurance undertakings were calculated to be MKD 7.22 billion, i.e. 0.99% decrease compared to the previous year, and total technical provisions for life insurance undertakings were calculated at MKD 4.33 billion, an increase of 23.18% over the previous year. The decrease in the technical provisions is due to the decrease in the claims provisions in the class of aircraft insurance (casco), and as a result of the payment of the reported damage in that class.

Claims provisions and unearned paid premium provisions made for the largest share of technical provisions, while for life insurance undertakings the mathematical provisions ranked as the most significant (Table 12).

Table 12: Structure of and changes in technical provisions (thousand MKD)

Technical provisions structure	Non-life insurance			Life insurance			Total		
	2017	2016	17/16	2017	2016	17/16	2017	2016	17/16
Claims provisions	3,774,992	3,788,817	-0.36%	57,781	54,673	5.68%	3,832,773	3,843,490	-0.28%
Unearned paid premium provisions	3,324,575	3,259,772	1.99%	34,735	33,661	3.19%	3,359,310	3,293,433	2.00%
Mathematical provisions	0	0	0.00%	4,122,496	3,318,363	24.23%	4,122,496	3,318,363	24.23%
Provisions for bonuses and rebates	74,638	71,924	3.77%	113,876	107,691	5.74%	188,514	179,615	4.95%
Other technical provisions	47,807	30,509	56.70%	0	0	0.00%	47,807	30,509	56.70%
Total	7,222,012	7,151,022	0.99%	4,328,888	3,514,388	23.18%	11,550,900	10,665,410	8.30%

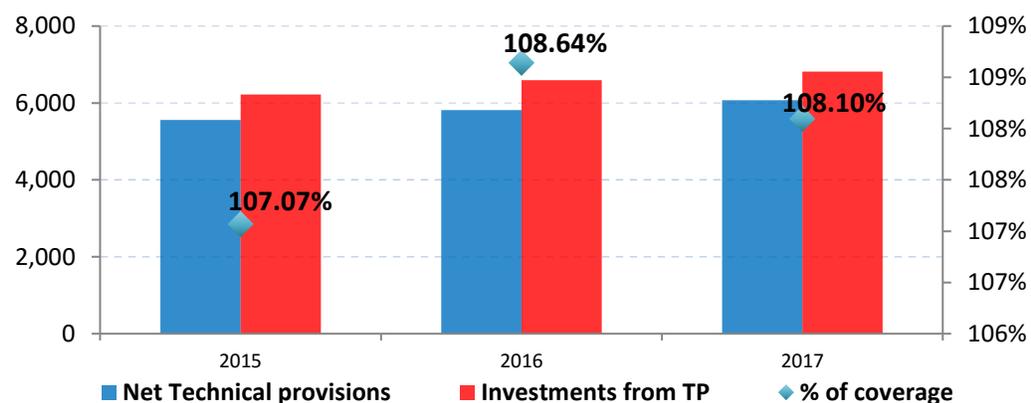
Source: ISA

3.1.8. Assets covering the technical provisions

The assets covering the technical provisions are the assets of insurance undertakings used to cover future liabilities arising from insurance contracts, as well as possible losses related to risks from the insurance operations for which the insurance undertakings are obligated to allocate funds to cover net technical provisions. An insurance undertaking is obligated to invest funds at least equivalent to the technical provisions amount – net reinsurance and must be pursuant to provisions in the Law on Insurance Supervision and the Rulebook on the types and characteristics of assets covering the technical provisions, and assets covering the mathematical provision, as well as details on the placements and restrictions of said investments and valuation thereof (“Official Gazette of Republic of Macedonia” No. 64/11, 127/14 and 61/16).

At the end of 2017, investments in assets covering the technical provisions of the non-life insurance undertakings were MKD 6.82 billion and covered 108.10% (2016: 108.64%) of the total net technical provisions (Chart 9Chart).

Chart 9: Coverage of net technical provisions at non-life insurance undertakings (million denars; right axis – percentages)



Source: ISA

Non-life insurance undertakings invested their assets covering technical provisions across securities issued by the Republic of Macedonia (49.35%), bank deposits (42.33%), shares in investment funds (5.73%),

equities (1.49%) and other financial instruments (1.10%). The investment amounts and structure are presented in Table 13.

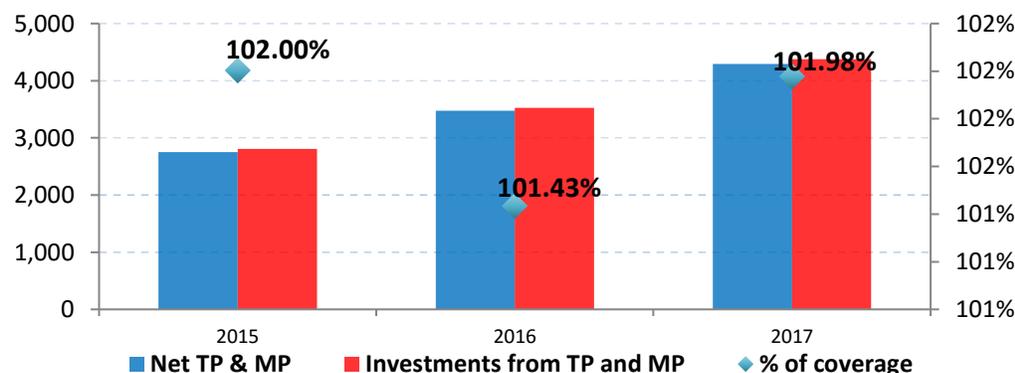
Table 13: Assets covering the technical provisions of non-life insurance undertakings (thousand MKD)

	2017	2016	2015
Bank accounts and bank deposits	2,886,140	2,728,235	2,655,520
Government securities	3,364,546	3,290,802	3,077,459
Equity	101,919	94,264	59,940
Long-term securities issued by EU or OECD	74,795	143,229	144,255
Shares in investment funds	391,001	337,949	285,679
Other	0	0	0
Total	6,818,401	6,594,479	6,222,852

Source: ISA

For life insurance undertakings, the invested assets covering the technical and mathematical provisions totaled MKD 4.37 billion with net technical provisions covered at 101.98% (2016: 101.43%) (Chart 10).

Chart 10: Coverage of net technical provisions at life insurance undertakings (million denars; right axis – percentages)



Source: ISA

Life insurance undertakings invested a majority of their assets, covering the mathematical provision, in government securities issued by the Republic of Macedonia (76.67%), bank deposits (21.09%), investment funds (1.52%) and other financial instruments (0.72%) (Table 14).

Table 14: Assets covering the technical provisions and the mathematical provisions at life insurance undertakings (thousand MKD)

	2017	2016	2015
Bank accounts and bank deposits	922,944	757,251	616,521
Government securities	3,354,867	2,704,579	2,124,977
Investment funds	66,375	29,067	50,308
Other	31,278	31,624	17,349
Total	4,375,473	3,522,522	2,809,155

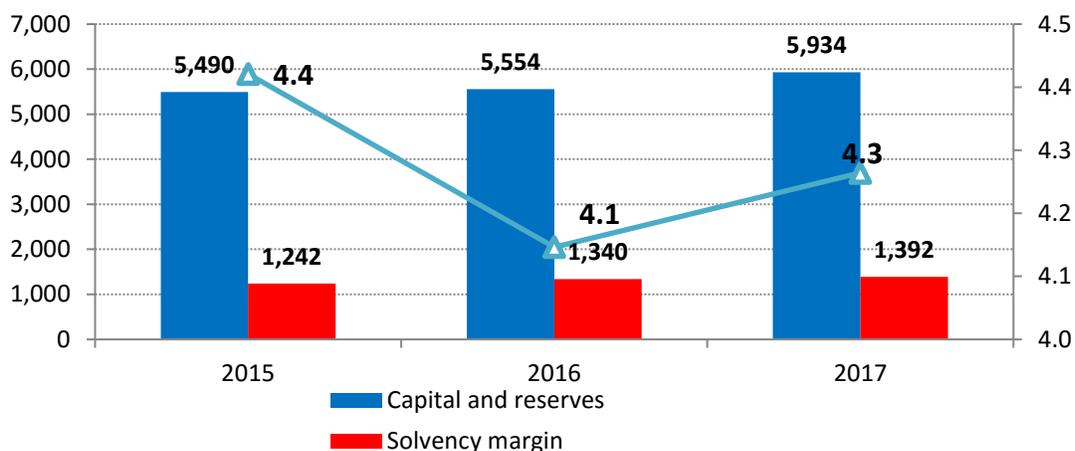
Source: ISA

3.1.9. Capital and required level of solvency margin

Pursuant to Articles 75 and 76 of the Law on Insurance Supervision, insurance undertakings should at minimum maintain their capital at the required solvency margin level. Based on the data submitted to ISA, at the end of 2017, the total calculated capital of insurance undertakings⁴ was MKD 5.93 billion, which is an increase of 6.84% over 2016. Analyzed by insurance segments, the capital of non-life insurance undertakings was MKD 4.66 billion, and MKD 1.27 billion for life insurance undertakings.

The solvency margin, which is the key indicator used to assess stability of the insurance sector, was MKD 1.39 billion (MKD 1.12 billion for non-life insurance, and MKD 270 million for life insurance), yielding insurance sector capital that is 4.3 times above the solvency margin level. The capital and solvency margin trends of the insurance undertakings are shown on Chart 11.

Chart 11: Capital and solvency margin trends of insurance undertakings (million MKD)



Source: ISA

3.1.10. Operational financial results

For 2017 the insurance sector reported profits of MKD 397.34 million. Among the non-life insurance undertakings, 9 undertakings realized profits of MKD 407.56 million, while 2 undertakings reported loss in the amount of MKD 92.01 million. Life insurance undertaking earned aggregate profits of MKD 81.78 million, with 4 undertakings generating MKD 92.07 million in profits, and 1 undertaking incurring loss of MKD 10.28 million.

The technical result⁵ was at negative level MKD 64.36 million (2016: positive balance MKD 38.69 million). Analysis by insurance segments reveals that the technical result for the non-life insurance was MKD 24.40 million (2016: MKD 130.90 million), with six non-life insurance undertakings showing positive technical results, and the remaining undertakings showing negative technical results. Nonetheless, the technical

⁴ Rulebook on the types and description of items that will be taken into account when calculating the capital of the insurance and/or reinsurance undertaking („Official Gazette of Republic of Macedonia“ No. 5/2011 and 64/2011”)

⁵ Technical result from the operations of the insurance undertakings is the result achieved by performing the main business activity-insurance. The other revenues and expenses from their operations represent the non-technical result.

result for the life insurance segment was negative and amounts to MKD 88.75 million (2016: MKD -92.21 million). Of the life insurance undertakings, all five undertakings had a negative technical result.

Table 15 shows the impact of both the technical and non-technical results on the financial results of the insurance sector. In this case, for the purposes of the analysis, one category was selected – EBIT earnings before interest and tax, in order to isolate the various effects of the taxation and to precisely establish the impact of both the technical and non-technical results during generation of the final financial result.

Table 15: Structure of the financial result – technical and non-technical (MKD)

		2017	2016	2015
1	Technical result – life insurance	-88,754,825	-92,207,466	-87,055,075
2	Technical result – non-life insurance	24,396,431	130,898,722	124,954,496
3	Technical result - total (3 = 1 + 2)	-64,358,394	38,691,256	37,899,421
4	Non-technical result	537,239,033	521,603,136	562,498,616
5	Profit/loss - earnings before taxation from regular operations (5 = 3 + 4)	472,880,639	560,294,392	600,398,038

Source: ISA

3.1.11. Insurance industry indicators

Various insurance indicators are used to assess the business operations of insurance undertakings.

Since 2017, a new methodology for calculation of technical standards has been applied which uses more relevant parameters available to ISA from the insurance industry after the entry into force of the Rulebook amending and supplementing the Rulebook on statistical insurance standards of the companies for insurance and/or reinsurance ("Official Gazette of the Republic of Macedonia" No. 22/2016).

The loss ratio is calculated as the ratio between the incurred damages in the period and the premium and the expense ratio is the ratio between the cost of conducting the insurance and the premium. The combined ratio is calculated as the sum of the loss ratio and the expense ratio. Separately by insurance segments, Table 16 presents the coefficients on a gross basis and on a net basis, i.e. after isolating the effect of reinsurance.

Table 16: Technical coefficients

	2017			2016		
	Loss ratio	Expenses ratio	Combined ratio	Loss ratio	Expenses ratio	Combined ratio
Net coefficients						
Non-life	49.3%	50.1%	99.4%	47.4%	50.5%	97.9%
Life	75.2%	31.2%	106.4%	74.8%	32.1%	106.9%
Total	54.3%	46.4%	100.7%	52.3%	47.2%	99.5%
Gross coefficients						
Non-life	45.3%	44.1%	89.4%	43.8%	44.0%	87.8%
Life	73.8%	31.5%	105.3%	73.0%	32.8%	105.8%
Total	50.0%	42.0%	92.0%	48.3%	42.2%	90.6%

Source: ISA

The **return on investment (ROI)** is calculated as the ratio of net investment income to total invested amounts. In 2017 the Return on investment was 3.2%, which indicates a decrease compared to 2016 when it was 3.9%.

The **debt ratio** is calculated as the ratio of total liabilities to total assets. This ratio indicates the asset amounts that are financed by liabilities (technical provisions and other liabilities), without including the capital and the statutory provisions. For 2017 this ratio was 67.3%, a slight increase compared to 2016 when it was 67.4%.

The **return on assets (ROA)** is calculated as the ratio of net income to total assets. The aggregate industry ROA was 2.0% which is a decrease compared to the previous year when it was 2.6%. Considered separately by insurance segment, ROA for non-life insurance in 2017 was 2.3% compared to the 3.1% in 2016, whereas for life insurance in 2017 it was 1.3%, compared to the previous year when it was 1.1%.

The **return on equity (ROE)** is calculated as the ratio of net income to capital and provisions. The aggregate industry ROE was 6.1% compared to the 7.9% in 2016. Separated by segment, ROE for non-life insurance in 2017 was 6.2%, a decrease compared to 2016 when it was 8.5%. ROE for life insurance in 2017 was 5.7%, a slight increase compared to 2016 when it was 5.1%.

3.2. INSURANCE INTERMEDIATION

The role of intermediaries in the sale of insurance has become increasingly important. In 2017 50.62% of GWP was generated through direct sales by insurance undertakings, whereas 49.38% (2016: 54.31%) was generated through various intermediaries (Table 16).

Table 16: Structure of insurance policy sales channels by GWP generated (thousand MKD)

	2017	%	2016	%	2015	%
Direct sales	4,551,392	50.62%	3,985,000	45.69%	3,910,590	47.24%
Insurance brokerage companies	2,380,037	26.47%	2,228,717	25.55%	2,030,358	24.53%
Insurance agencies	829,413	9.22%	864,212	9.91%	768,199	9.28%
Banks	193,260	2.15%	131,253	1.50%	62,650	0.76%
Insurance agents	991,211	11.02%	1,471,514	16.87%	1,284,643	15.52%
Other distribution channels	46,764	0.52%	40,748	0.00%	221,045	2.12%
Total	8,992,077	100.00%	8,721,444	100.00%	8,277,485	100.00%

Source: ISA

3.2.1. Insurance agency activities

Insurance agency activities refer to preparation and execution of insurance contracts on behalf of one or several insurance undertakings, mainly for non-competitive insurance products. In the Republic of Macedonia these activities on the insurance market are conducted through insurance agents – natural persons and insurance agencies and banks that have acquired a license for insurance activities. In 2017 they realized 22.40% of GWP (2016: 28.28%).

The insurance agency activities via natural persons require an ISA license, which is issued after passing an exam which entitles one to work as insurance agent. The relative share of total GWP sold through insurance agents was 11.02%, keeping in mind that 1,155 agents held ISA licenses in 2017. ISA keeps available a registry of active insurance agents on its website ⁶.

In 2017 there were 11 insurance agencies active on the insurance market (Table 17), which is a decrease of 3 undertakings over 2016 (Insurance agency VDS MAGMA JSC Skopje, Insurance agency GLS Insurance JSC Skopje and Insurance agency IBO INSURANCE JSC Skopje).

Insurance agency activities are also performed by banks licensed to perform insurance agency activities by the National Bank of Republic of Macedonia, as obtained by a prior consent of the ISA. In 2017 the number of banks performing insurance agency activities remained unchanged, with a share of 2.15% in the total GWP.

⁶ <http://www.aso.mk/dokumenti/regulativa/Registar%20Zastapnici.pdf>

Table 17: Registry of insurance agencies and banks

Name of agency	
1	Insurance agency ACTIVA INSURANCE JSC Skopje
2	Insurance agency TREND-MR JSC Skopje
3	JSC for insurance activities LYON INS JSC Skopje
4	Insurance agency REA INSURANCE GROUP JSC Skopje
5	JSC for insurance activities SAFE LIFE Macedonia JSC Skopje
6	Insurance agency FORTIS JSC Skopje
7	JSC for insurance activities MAKO AS JSC Strumica
8	Insurance agency LIFE VISION JSC Skopje
9	Insurance agency YOUR FRIEND JSC Prilep
10	JSC for insurance activities FAMILY PARTNER JSC Skopje
11	JSC for insurance activities L.I.F.E MACEDONIA JSC Skopje
12	SPARKASSE BANK JSC Skopje
13	NLB Banka JSC Skopje
14	Ohridska Banka JSC Skopje

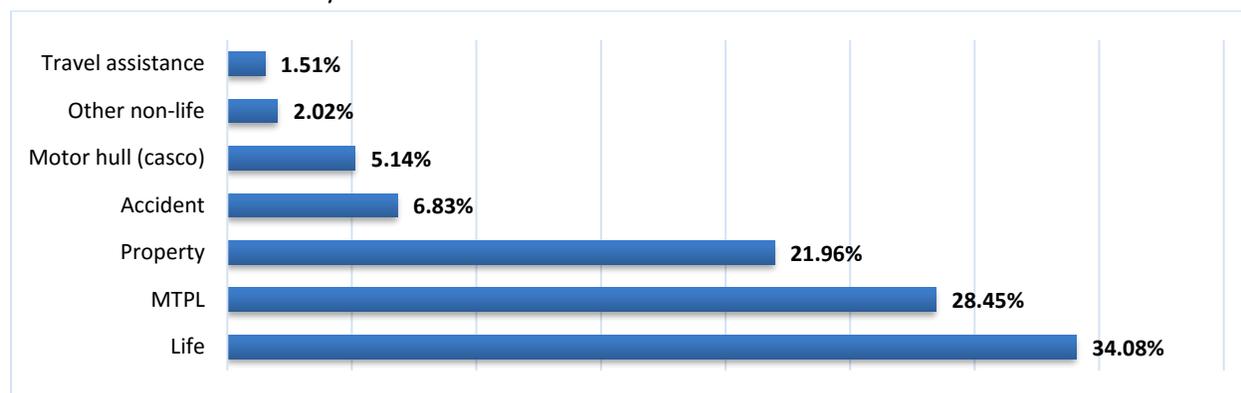
Source: ISA

In 2017, insurance agencies generated in volume 9.22% of total GWP (2016: 9.91%).

During 2016 insurance agencies signed 129,751 insurance agreements (policies) (2016: 115,032) a 12.8% increase over the previous year. They received commissions of MKD 187.76 million, from the insurance undertakings, as based on GWP of MKD 829.41 million.

In 2017 the banks signed 19,530 insurance agreements (2016: 14,892) which is a 31.14% increase compared to the previous year. They received commissions of MKD 37.23 million, as based on GWP of MKD 193.26 million.

Chart 12 shows the relative distribution of GWP across lines of business, as generated by insurance agencies and banks.

Chart 12: GWP structure by line of business

Source: ISA

3.2.2. Insurance brokerage activities

Insurance brokerage activities refer to intermediation over negotiations for insurance and reinsurance coverage by clients of brokerage companies, as well as intermediation during the process of settling claims for incurred losses from insurance and reinsurance undertakings on behalf of clients. In 2017 insurance brokerage companies generated 26.47% of the GWP (2016: 25.55%) through this distribution channel.

At year-end 2017, there were 36 insurance brokerage companies on the insurance market (Table 18). In 2017 an operating license was issued to 3 brokerage companies (Insurance brokerage company AURON BROKER JSC Struga, Insurance brokerage company RIZIKO INSURANCE JSC Skopje and Insurance brokerage company VIN BROKER JSC Skopje).

Table 18: Registry of insurance brokerage undertakings

Name of the undertaking	
1	Joint stock insurance brokerage company EUROEKSPERTS Skopje
2	Insurance brokerage company EUROMAK BROKER JSC Skopje
3	Insurance brokerage joint stock company WIASS Skopje
4	Insurance brokerage company IN BROKER JSC Skopje
5	Joint stock insurance brokerage company WFP JSC Skopje
6	Insurance brokerage company MOBILITY BROKER JSC Skopje
7	Insurance brokerage company SEDA BROKER JSC Skopje
8	Insurance brokerage company OUR INSURANCE JSC Kochani
9	Insurance brokerage company JDB BROKER JSC Skopje
10	Insurance brokerage company DELTA INS BROKER JSC Skopje
11	Joint stock insurance brokerage company A-TIM Skopje
12	Insurance brokerage company LEGRA JSC Skopje
13	Insurance brokerage company K MK BROKER JSC Skopje
14	Insurance brokerage company POLICY PLUS JSC Skopje
15	Insurance brokerage company AMG PREMIUM JSC Skopje
16	Insurance brokerage company SUPER BROKER JSC Skopje
17	Insurance brokerage company KORAB INS JSC Skopje
18	Insurance brokerage company NEW INSURANCE BROKER JSC Skopje
19	Insurance brokerage company CERTUS JSC Skopje
20	Insurance brokerage company STM Broker Plus JSC Skopje
21	Insurance brokerage company AM Broker JSC Skopje
22	Insurance brokerage company MEGA BROKER JSC Skopje
23	Insurance brokerage company CVO Broker JSC Ohrid
24	Insurance brokerage undertaking ASUC Broker JSC Skopje
25	Insurance brokerage company SAFE INVEST JSC Skopje
26	Insurance brokerage company VIA BROKER JSC Glumovo Skopje
27	Joint stock insurance brokerage company WEBER GMA AД Bitola
28	Insurance brokerage company MAK TREND BROKER JSC Skopje
29	Insurance brokerage company SN INSURANCE BROKER JSC Bitola

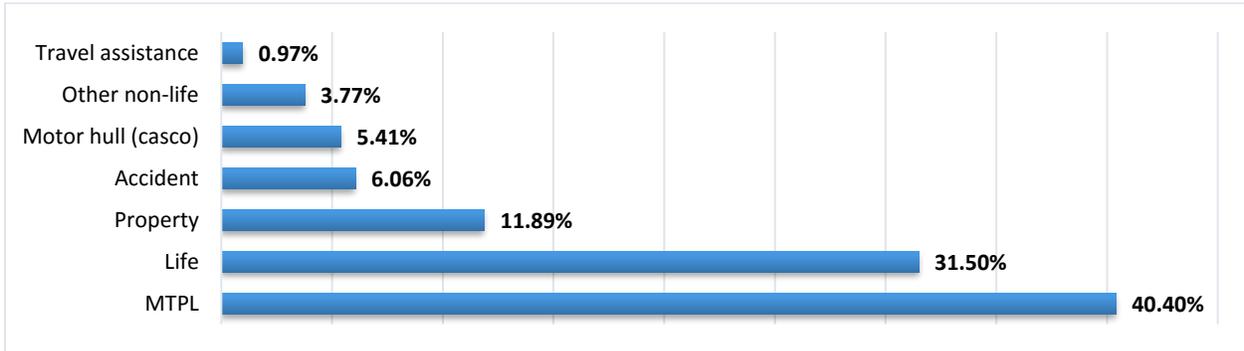
30	Joint stock undertaking for insurance brokerage activities PORSCHE BROKER JSC Skopje
31	Insurance brokerage company JOKER INS BROKER JSC Gevgelija
32	Insurance brokerage company EOS BROKER JSC Skopje
33	Insurance brokerage company PETROL - OIL BROKER JSC Skopje
34	Insurance brokerage company AURON BROKER JSC Struga
35	Insurance brokerage company RIZIKO INSURANCE JSC Skopje
36	Insurance brokerage company VIN BROKER JSC Skopje

Source: ISA

The insurance brokerage companies sold 279,755 insurance policies (2016: 260,213) which is an increase of 7.51% compared to the previous year. They earned commissions of MKD 540.93 million, from insurance undertakings, a figure determined on the basis of GWP MKD 2.38 billion.

Chart 13 shows distribution of total GWP across lines of business, as generated by insurance brokerage companies.

Chart 13: Relative share of GWP across lines of business



Source: ISA

3.3. NATIONAL INSURANCE BUREAU

In accordance with the Law on Compulsory Traffic Insurance of Republic of Macedonia, the National Insurance Bureau (hereafter, NIB) oversees activities envisaged in international agreements for insuring owners and users of motor vehicles against traffic liabilities (green card), and represents insurance undertakings from the Republic of Macedonia in international insurance organizations and institutions. NIB also issues and prints international motor insurance cards (green cards) on behalf of its members; maintains statistical records; processes statistical data submitted by insurance undertakings; establishes and maintains a central records system of insurance policies and damage claims related to use of motor vehicles.

Since 1994, NIB has been a member of the Council of Bureaux, whose purpose is to facilitate international road traffic for motor vehicles and trailers through motor third-party liability (MTPL) insurance as per conditions prescribed in the concerned country, and to guarantee that the persons who have suffered damages related to traffic accidents including motor vehicles are compensated 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 Europe Group, which includes the countries from the region.

All non-life insurance undertakings in the Republic of Macedonia are NIB members.

The Operations Report that the NIB submitted to 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 in 2017.

On December 31, 2017 NIB's total assets were MKD 255 million, of which MKD 186 million were in current assets, and the remaining MKD 69 million in non-current assets. Compared to 2016, total assets increased by 10.75%. Bank deposits make up the largest share of NIB's assets at 64.72 %, followed by receivables from insurance undertakings at 29.47%, investments in government securities at 8.30% and other assets at 5.50%. Regarding NIB's total liabilities and capital in 2017, capital made up 73.81% of the share, and liabilities the remaining 26.19%. At the same time, NIB generated profits of MKD 693 thousand (2016: MKD 1,715 thousand).

3.3.1. NIB's Guarantee Fund

Article 58 of the Law on Compulsory Traffic Insurance establishes NIB's Guarantee Fund, which is used toward paying:

1. Claims for damages incurred within the territory of the Republic of Macedonia by unknown and uninsured motor vehicles and trailers, uninsured boats and motor-powered boats, and uninsured aircrafts;
2. Claims for damages incurred within the territory of the Republic of Macedonia by public transportation vehicles registered to transport passengers but for which owners have not carried accident coverage for their passengers;

3. Claims to individuals who have suffered damages but cannot be indemnified by insolvent insurance undertakings, beginning the amount were a undertaking's runoff cannot fulfill its obligation operation; and
4. Claims for damages caused by insured motor vehicles originating from the territory of Republic of Macedonia for which National Insurance Bureau has provided insurance coverage in accordance with the Crete Agreement and the other international agreements.

The Guarantee Fund's operation is based upon the Law on Compulsory Traffic Insurance, the Rulebook on establishing and using the Guarantee Fund, and the Manual for record-keeping and disbursing the funds of the Guarantee Fund as adopted by the NIB.

Insurance undertakings which provide compulsory third-party motor liability insurance are obligated to pay into the Guarantee Fund an amount based on premiums realized from the previous quarter to the current year-current quarter and are of those certain compulsory lines of business that they undertake.

Following a decision by NIB's Management Board, each calendar year, new allocation of the funds in the amount of 3,000,000 EUR from the Guarantee Fund will be allocated, as per the share percentage of the insurance undertakings in the total written premium for all compulsory insurances. Table 19 below shows insurance undertakings' relative share of contributions into the Guarantee Fund in 2017.

Table 19: Share in the Guarantee Fund by insurance undertaking for the period 1.1.2017-31.12.2017

Name of the insurance undertaking	Total GWP for all compulsory insurances	% of GWP share for all mandatory insurances	Share in the Guarantee Fund
Triglav	566,103,165	14.01%	25,837,456
Uniq	422,058,601	10.44%	19,263,133
Osiguritelna Polisa	436,108,636	10.79%	19,904,389
Winner	441,229,442	10.92%	20,138,107
Sava	363,579,109	9.00%	16,594,076
Eurolink	407,346,620	10.08%	18,591,665
Euroins	385,878,732	9.55%	17,611,851
Albsig	268,872,902	6.65%	12,271,600
Macedonia	251,696,921	6.23%	11,487,673
Croatia non-life	252,879,665	6.26%	11,541,655
Eurosig	246,062,091	6.09%	11,230,494
Total	4,041,815,884	100.00%	184,472,100

Source: NIB Operations Report, 2017

3.3.2. Claims Subrogated from the Guarantee Fund

According to Article 60, paragraph (4), of the Law on Compulsory Traffic Insurance, an insurance undertaking that processed and paid for a claim has a right of subrogation, that is, is entitled to be refunded from the Guarantee Fund in case of:

1. claims incurred on the territory of the Republic of Macedonia from unknown and uninsured motor vehicles and trailers, uninsured boats and motor-powered ships, as well as uninsured aircrafts;

2. claims incurred on the territory of the Republic of Macedonia from means of transport registered for the transport of passengers in public transport, for which the owners have not concluded a passenger insurance contract in case of an accident;
3. claims from compulsory insurance that the damaged persons cannot collect due to the termination of the insurance undertaking with which the insurance contract is concluded, whereby only the part of the damage that was not compensated from the bankruptcy estate of the insurance undertaking is paid and
4. claims from insured motor vehicles originating in the territory of the Republic of Macedonia for which, the National Insurance Bureau guarantees in accordance with the Crete Agreement and other international agreements.

The Guarantee Fund's assets do not compensate for claims arising from the use of uninsured foreign motor vehicles that move on the territory of the Republic of Macedonia, and for which special international agreements are in force, of which the Republic of Macedonia is a signatory.

In 2017, insurance undertakings reported 825 claims for subrogation. Of these claims 813 totaling MKD 125,863 million were accepted and refunded.

In 2017 insurance undertakings to reported 825 claims for refunding in NIB, 813 were accepted and refunded in the amount MKD 125.86 million.

Table 20: Reported and accepted claims for refunding from the Guarantee Fund for the period 1.1.2017 to 31.12.2017

Name of insurance undertaking	Number of reported claims for subrogation	Number of claims accepted for subrogation from the Guarantee Fund	Losses recognized by the Guarantee Fund (amounts in MKD)
Macedonia	115	115	22,380,877
Triglav	92	91	16,387,218
Euroins	51	51	7,463,805
Sava	78	73	9,081,794
Winner	98	96	12,327,129
Eurolink	87	87	9,140,941
Eurosig	49	48	6,226,221
Uniqa	54	54	5,320,577
Osiguritelna Polisa	72	72	13,090,428
Albsig	68	65	15,967,265
Croatia non-life	61	61	8,477,688
Total	825	813	125,863,943

Source: NIB Operations Report, 2017

The number of reported claims in NIB in 2017 (285) increased by 57 claims compared to 2016 (768), that is an increase of 7.42%.

The average subrogated claim paid in 2017 was MKD 154,814 which is a decrease of 4.11% compared to 2016 (2016: MKD 148,705).

The number and amounts of reported and accepted claims for subrogation from the Guarantee Fund are presented in the Table 20.

INSURANCE SUPERVISION AGENCY
President of the Council of Experts,
Klime Poposki

Number 02-02-601/4
Skopje
31.10.2018