

We witnessed a further escalation of uncertainty around world events in 2023. From armed conflicts to price shocks, global inflation, tighter monetary policies to combat inflation, difficulties sustaining the liquidity and solvency of large banks due to the rise in reference interest rates, and finally catastrophic natural disasters that are becoming more and more linked to climate change on a global scale.

The domestic economy is not immune to the unfavorable development of risks from the external environment. The country's economic policy makers prioritised keeping prices from rising further, especially for necessities like food items, protecting the population from electricity-related price shocks, and tightening monetary policy to lower inflationary pressures. The monetary policy's impacts result in a certain decline and stabilisation of inflation. However, it is a certain that the annual GDP growth will be around 1%, which reflects the negative effects of recent international events on the domestic economy.

In such conditions, the insurance sector continued to achieve solid results and cope with the challenges. Although the relative participation of the insurance sector in the total financial intermediation of all financial institutions, including primarily banks and companies that manage pension funds, is still small, insurance companies have a significant role in performing the social and protective functions of mitigation and amortization of the negative harmful consequences of the development and occurrence of the insured risks.

That is why, in order to mitigate losses in the future, it is necessary that we all advocate and work on the greatest possible education and stimulation of inclusion, to increase the number of insurances, as we would further contribute to further increasing the resilience and protection of property and persons from the increasingly certain unfavorable further development of risks in the future.

Major changes in regulation are taking place in the single European market for insurance services. Demands for insurance in global frameworks are experiencing structural changes. Insurance needs urge significant changes in implemented business models. The ultimate goal of these changes is easier and faster adaptation of societies in conditions of accelerated technological changes related to the development and use of artificial intelligence, digitalization, but also the adverse impact of climate change. Achieving the ultimate goal of protecting policyholders and insurance beneficiaries is much more than overseeing compliance with regulations related to maintaining the solvency and financial condition of insurers.

The same goal of the supervisors is now increasingly achieved through regulatory measures that stimulate an increase in the number of insured. By increasing the number of insured risks, by expanding the coverage and including geographical territories and populations that are exposed to the risks, and which historically were not insured, or were insured but not enough. These changes are not effected in isolation, only in the insurance sector.

They primarily occur as a result of the strengthened inter-institutional cooperation of the insurance markets with local governments, but also with independent regulators, higher education and scientific institutions, professional bodies of actuaries and risk managers, and even the non-governmental sector.

ISA continuously monitors these developments and acts appropriately and transparently in accordance with the legal mandate and powers.

Let me list a few initiatives in which ISA actively participated in 2023. The work of the working group established in the Ministry of Finance to change the basic legal regulation for insurance is very significant. The purpose of these regulatory changes should be precisely in the function of creating a regulatory environment in which insurance services will be in function of achieving these sustainable development goals. Furthermore, within the framework of the committee and subcommittees for financial stability, the basic framework, procedures, measures and instruments for maintaining financial stability in the sector were built. In the segment of encouraging innovation and the use of technologies in the financial sector, the framework and beginnings for institutional action have been set.

ISA also focused on the supervision of the IT systems of the subjects under supervision in order to reduce the risks of errors, but also to increase the level of resistance of the systems. In the area of increasing financial literacy, and ensuring a greater degree of financial inclusion, we continuously implement activities and act in an

integrated manner at multiple levels by conducting supervision, educating policyholders and acting on complaints. During 2023, we continued to organize trainings and exams for certified actuaries according to an internationally recognized program. Having this in mind, we expect further institutional improvement of the quality of risk management in the insurance sector, but also the development of new products according to the demands and needs of the population and businesses.

With special attention, we monitor the operations of insurance companies in the segment of mandatory motor third-party liability (TPL) insurance. The protection of third parties, victims of traffic accidents caused by motor vehicles is the focus of our interest. The best way of protection is a quick and fair payment to everyone who is entitled to compensation, in the amount of the loss suffered. We are aware of the great challenge we face related to liberalization. Our expectations and commitments are to go through this process in a transparent manner, and at the same time to maintain the financial stability and solvency of the insurance companies. But on the other hand, we expect a further improvement in the quality of processing, as well as the amount of payments for claims for compensation of damages caused by the use of motor vehicles.

I invite you to carefully read the developments and market data and indicators contained in this annual report.

Sincerely yours,

Krste Shajnoski



INSURANCE SUPERVISION AGENCY

ANNUAL REPORT
ON THE STATUS AND MOVEMENT OF THE INSURANCE MARKET IN 2023

Skopje, 2024

The report has been prepared in accordance with Article 158-s 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.

TABLE OF CONTENTS

1. INTRODUCTION	5
2. LEGAL FRAMEWORK	6
3. DOMESTIC AND INTERNATIONAL ENVIRONMENT	8
4. INSURANCE MARKET IN THE REPUBLIC OF NORTH MACEDONIA	11
4.1. INSURANCE COMPANIES	11
4.1.1. OWNERSHIP STRUCTURE	11
4.1.2. DEGREE OF DEVELOPMENT	11
4.1.3. GROSS-WRITTEN PREMIUM	14
4.1.4. SHARE STRUCTURE	18
4.1.5. GROSS CLAIMS PAID (GCP)	23
4.1.5.1. Complaints by insurance policyholders and other claimants	25
4.1.6. ASSETS, LIABILITIES AND CAPITAL	28
4.1.6.1. Assets structure	28
4.1.6.2. Structure of liabilities and capital	30
4.1.7. TECHNICAL PROVISIONS	32
4.1.8. ASSETS COVERING TECHNICAL PROVISIONS	32
4.1.9. CAPITAL ADEQUACY OF INSURANCE COMPANIES	34
4.1.10. FINANCIAL PERFORMANCE	36
4.1.11. Insurance sector risks	37
4.1.12. INSURANCE SECTOR INDICATORS	38
4.2. INSURANCE INTERMEDIATION	41
4.2.1. REPRESENTATION IN INSURANCE	41
4.2.2. INSURANCE BROKERAGE OPERATIONS	43
4.3. NATIONAL INSURANCE BUREAU	44
4.3.1. GUARANTEE FUND OF NIB	44
4.3.2. REIMBURSEMENT OF CLAIMS FROM THE GUARANTEE FUND	45

TABLES LIST

TABLE NO. 1: IMPORTANT INDICATORS FOR THE COUNTRIES OF CENTRAL AND EASTERN EUROPE IN 2023.....	9
TABLE NO. 2: OWNERSHIP STRUCTURE OF INSURANCE COMPANIES (PERCENTAGE)	11
TABLE NO. 3: HERFINDAHL INDEX AND CR5 INDICATOR MEASURED ACCORDING TO GWP	13
TABLE NO. 4: HERFINDAHL INDEX AND CR5 INDICATOR MEASURED ACCORDING TO ASSETS.....	13
TABLE NO. 5: GROSS WRITTEN PREMIUM BY INSURANCE CLASSES	14
TABLE NO. 6: GROSS WRITTEN PREMIUM BY NON-LIFE INSURANCE COMPANIES.....	15
TABLE NO. 7: GROSS WRITTEN PREMIUM BY LIFE INSURANCE COMPANIES.....	16
TABLE NO. 8: GROSS WRITTEN PREMIUM (THOUSANDS MKD)	17
TABLE NO. 9: GWP, IN THOUSAND MKD, STRUCTURE FOR MOTOR TPL INSURANCE	19
TABLE NO. 10: GROSS WRITTEN PREMIUM FOR LIFE INSURANCE, IN THOUSAND MKD	21
TABLE NO. 11: CLAIMS PAID BY INSURANCE CLASSES (THOUSAND MKD)	23
TABLE NO. 12: MTPL CLAIMS STRUCTURE IN THOUSAND MKD	23
TABLE NO. 13: NUMBER OF CLAIMS PAID	25
TABLE NO. 14: COMPLAINTS SUBMITTED TO THE INSURANCE COMPANIES IN 2023.....	26
TABLE NO. 15: COMPLAINTS SUBMITTED TO THE ISA IN 2023	27
TABLE NO. 16: ASSET STRUCTURE OF NON-LIFE INSURANCE COMPANIES (THOUSAND MKD)	28
TABLE NO. 17: ASSET STRUCTURE OF LIFE INSURANCE COMPANIES (THOUSAND MKD)	29
TABLE NO. 18: STRUCTURE OF LIABILITIES AND CAPITAL OF NON-LIFE INSURANCE COMPANIES (IN THOUSAND MKD)	30
TABLE NO. 19: STRUCTURE OF LIABILITIES AND CAPITAL OF LIFE INSURANCE COMPANIES (IN THOUSAND MKD)	31
TABLE NO. 20: TECHNICAL COEFFICIENTS	38
TABLE NO. 21: FINANCIAL INDICATORS.....	40
TABLE NO. 22: STRUCTURE OF POLICY SALES CHANNELS BY REALIZED GWP (THOUSAND MKD)	41
TABLE NO. 23: SHARE IN THE GUARANTEE FUND BY INSURANCE COMPANIES.....	45
TABLE NO. 24: REPORTED AND ACCEPTED CLAIMS TO BE REIMBURSED BY THE GUARANTEE FUND	46

CHARTS LIST

CHART NO. 1: INDICATORS OF THE DEVELOPMENT OF THE INSURANCE MARKET	12
CHART NO. 2: MARKET CONCENTRATION ACCORDING TO THE GROSS WRITTEN PREMIUM IN 2023, IN THE NON-LIFE INSURANCE GROUP (PERCENTAGES)	13
CHART NO. 3: MARKET CONCENTRATION BY GROSS WRITTEN PREMIUM IN 2023, IN THE LIFE INSURANCE GROUP (PERCENTAGES)	14
CHART NO. 4: STRUCTURE OF THE GROSS WRITTEN PREMIUM BY INSURANCE CLASSES (PERCENTAGE)	18
CHART NO. 5: TREND OF THE GROSS WRITTEN PREMIUM BY INSURANCE CLASS	20
CHART NO. 6: CONTRACTS CONCLUDED WITH INSURANCE COMPANIES	22
CHART NO. 7: SHARE OF INSURANCE COMPANIES IN GROSS PAID CLAIMS IN 2023 (THOUSAND MKD), SEPARATELY FOR NON-LIFE AND LIFE	24
CHART NO. 8: ASSET STRUCTURE OF INSURANCE COMPANIES ON 31.12.2023, SEPARATELY FOR NON-LIFE AND LIFE	29
CHART NO. 9 STRUCTURE OF SOURCES OF ASSETS- NON-LIFE INSURANCE COMPANIES, IN MILLION MKD	31
CHART NO. 10 STRUCTURE OF SOURCES OF ASSETS-LIFE INSURANCE COMPANIES, IN MILLION MKD	32
CHART NO. 11: COVERAGE OF NET TECHNICAL PROVISIONS OF NON-LIFE INSURANCE COMPANIES	33
CHART NO. 12: COVERAGE OF NET TECHNICAL PROVISIONS OF LIFE INSURANCE COMPANIES	34
CHART NO. 13: MOVEMENT OF CAPITAL AND THE REQUIRED SOLVENCY MARGIN FOR INSURANCE COMPANIES	35
CHART NO. 14: CAPITAL STRUCTURE OF INSURANCE COMPANIES (SEPARATELY FOR NON-LIFE AND LIFE)	35
CHART NO. 15: FINANCIAL RESULT OF THE OPERATIONS OF THE INSURANCE COMPANIES	37
CHART NO. 16: GWP STRUCTURE, BY INSURANCE CLASSES	42
CHART NO. 17: GWP STRUCTURE, BY INSURANCE CLASSES	43

1. INTRODUCTION

The Insurance Supervision Agency (hereinafter referred to as "ISA") is an individual and independent regulatory body on the insurance market that exercises public powers to control the compliance of the operations of insurance companies and other entities on the insurance market with the applicable regulations, with the aim of protection to the insured entities and insurance beneficiaries. ISA was established in 2009, based on previous amendments to the Law on Insurance Supervision. In addition to performing supervision, as a primary task, ISA, together with other regulatory bodies of the financial market, acts preventively and educationally in the implementation of national strategies and plans for better protection of the rights of the insured entities and other users of financial services, to maintain financial stability in the country and for greater involvement in the insurance market.

During 2023, two requests for the establishment of an insurance company were submitted, one for non-life and one for life insurance. ISA issued licenses to the two new insurance companies; one of them started operating in late 2023 and the other in the first quarter of 2024. Having that in mind, there are now 18 insurance companies on the domestic insurance market, of which 12 are non-life and 6 life insurance companies.

Regarding intermediation, on the other hand, at the end of 2023, 43 insurance brokerage companies, 12 insurance representation companies and 8 banks that perform insurance representation operations are active.

The total gross written premium (hereinafter: "GWP") in 2023 is MKD thousand 14,344,690 which represents an increase of 12.2% compared to the GWP achieved in 2022 (2022: MKD thousand 12,785,429). In the non-life insurance section, GWP was achieved in the amount of MKD thousand 11,856,465 (2022: MKD thousand 10,508,927), i.e. a growth of 12.82% compared to 2022. At the same time, in life insurance, GWP was realized in the amount of MKD thousand 2,482,225 (2022: MKD thousand 2,276,502), which is an increase of 9.3%.

On 31.12.2023, insurance companies have funds in the amount of MKD thousand 33,880,219 which have increased by 11.47% compared to last year (2022: 30,393,398 thousand MKD). The total calculated capital¹ of insurance companies shows a growth of 15%² compared to 2021 and, at the end of 2023, amounts to MKD thousand 8,297,733. The required level of solvency margin, as the main indicator for assessing the stability of the insurance sector, is aggregated to MKD thousand 2,274,968 which means that the capital of the insurance sector is 3.65 times above the required level of the solvency margin.

Overall profitability has improved compared to 2022, in both non-life and life market segments.

During 2023, ISA adopted 5 new regulations and one amendment to an already enforced by-law.

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 In the calculation of the capital of the insurance sector as of 31.12.2023, the balance of the total paid-in founding capital of the life insurance company that received a license to operate at the end of the year is also included.

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, 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 wider legal framework 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 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 authorized representatives for damages abroad in order for victims of traffic accidents to have easy and quick access to reporting claims for compensation for damages caused by domestic motor vehicles abroad, as well as establishing a Service for compensation for damages, as a guarantee for victims of traffic accidents abroad, that even if the responsible driver was driving an uninsured motor vehicle, the damage will be promptly processed and paid. Some of these provisions have already entered into force, and some will enter into force from the day 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 Office³, and the monthly published information⁴ by the National Bank, in 2023 the real gross domestic product (hereinafter referred to as "GDP") is estimated to grow by 1%. This is a lower real GDP growth rate than the October projections of real growth of 1.9% in 2023. It is obvious that there has been a slowdown in real annual growth compared to the previous two post-Covid years, in which GDP grew by 2.1% and 3.9% respectively.

The annual inflation rate continues to slow down, and as of February 2024 the achievements are better than expected and are gradually approaching the historical average.

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 total value of the assets of all financial institutions operating on the financial market in Macedonia at the end of 2022⁵ is MKD 866,069 million, which represents 107.8% of the national GDP.

The share of the insurance sector (insurance companies, insurance representation companies and insurance brokerage companies) in the total financial structure in 2022 is 3.85%⁶. The other segments of the financial system, individually and together, continue to occupy a very small part of the total assets 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.

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.⁷

Bankassurance, i.e. cooperation between banks and insurance companies based on an insurance representation agreement, was used by eight banks in 2023 (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

³ <https://www.stat.gov.mk/PrikaziSoopstenie.aspx?rbrtxt=31>

⁴ https://www.nbrm.mk/content/MPI%20publikacii/Najnovi_makroekonomski_pokazатели_mart_2024.pdf

⁵ At the time of writing this report, the Financial Stability Report for 2023 has not yet been published.

⁶ Financial Stability Report for 2022, National Bank of the Republic of North Macedonia

⁷ Financial Stability Report for 2022, National Bank of the Republic of North Macedonia

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

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 2018⁸. 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 2023

	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	18,16	6,334	184	1.01 %	64
Bosnia and Herzegovina	24,18	6,963	450	1.86 %	130
Bulgaria	84,56	12,439	1,847	2.18 %	272
Croatia	67,39	17,485	1,682	2.50 %	437
Czech Republic	281,27	26,745	8,297	2.95 %	789
Estonia	36,18	27,167	551	1.52 %	414
Hungary	155,60	15,996	3,568	2.29 %	367
Kosovo	8,92	5,039	134	1.50 %	76
Latvia	40,07	21,205	995	2.48%	527
Lithuania	66,92	23,756	1,234	1.84%	438
Macedonia	13,00	6,284	208	1.60%	100

⁸ The first measurement was organized by the National Bank, supported by EFSE, according to the international methodology of INFE OECD.

Montenegro	5,79	9,310	108	1.87%	174
Poland	654,11	17,372	15,249	2.36%	410
Romania	285,49	14,993	3,337	1.17%	175
Serbia	60,44	8,831	1,142	1.89%	167
Slovakia	107,73	19,822	1,925	1.79%	354
Slovenia	58,99	27,994	2,799	4.72%	1.328
Central and Eastern Europe - Total/Average	1,968,80	14,235	43,890	2.32%	486

Source: XPRIMM, Annual report for 2022

4. INSURANCE MARKET IN THE REPUBLIC OF NORTH MACEDONIA

4.1. INSURANCE COMPANIES

The insurance market increased towards the end of the year by two new insurance companies, one of which started operating in 2023 and the other in 2024. Therefore, the data on the ownership structure and total assets as of 31.12.2023 published in this report refer to a total of 18 joint-stock insurance companies. Of these, 6 insurance companies are licensed for life insurance, while the remaining 12 are for non-life insurance. Only one company, in addition to non-life insurance, has a license to perform reinsurance.

Insurance companies have employed 1,933 workers by the end of 2023, which is nearly the same in comparison to the end of 2022 (2022: 1,926).

4.1.1. Ownership structure

Changes in the ownership structure are due to the fact that at the end of 2023, the two new insurance companies, i.e. their founders, were taken into account. Insurance companies are predominantly owned by foreign legal entities from the financial sector (68.34%), which are partially or fully present in 15 out of a total of 18 insurance companies on the market (Table no. 2). In addition, 13 insurance companies are part of insurance groups based in EU member states, while three insurance companies are fully owned by domestic investors.

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

	2022	2023
1. Foreign shareholders	77.14%	71.39%
1.1. Natural persons	0.50%	0.42%
1.2. Non-financial legal entities	3.11%	2.63%
1.3. Financial institutions	73.53%	68.34%
2. Domestic shareholders	22.83%	28.58%
2.1. Natural persons	4.11%	6.24%
2.2. Non-financial legal entities	0.52%	0.43%
2.3. Financial institutions	18.20%	21.91%
3. Country	0.03%	0.03%
TOTAL	100.00%	100.00%

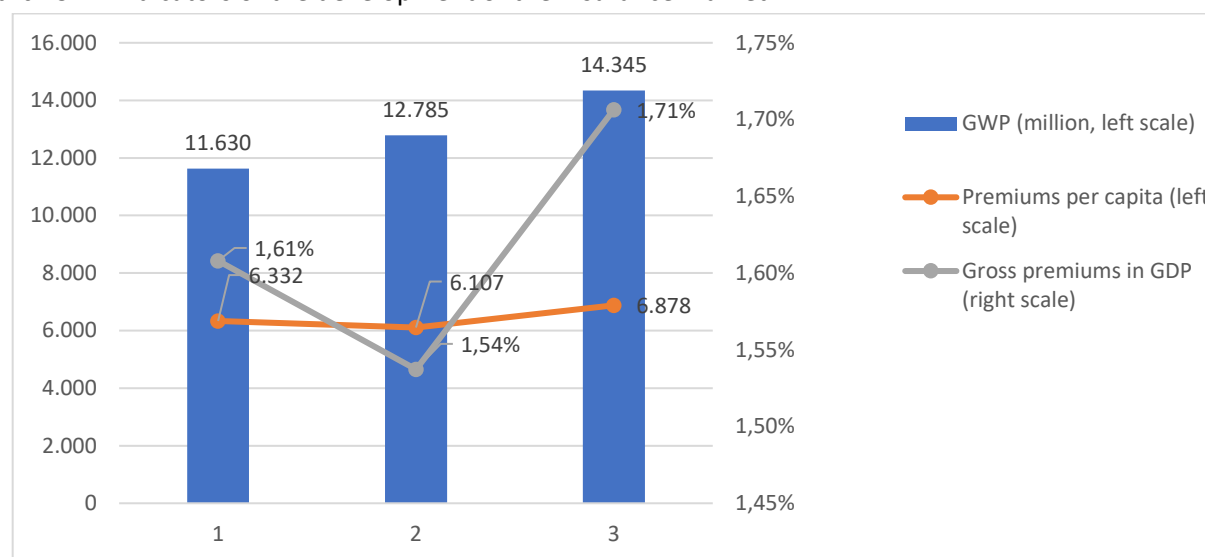
Source: ISA

4.1.2. Degree of development

The basic indicators that measure the degree of development of the insurance market are the degree of penetration and the degree of density⁹. Data on the level of insurance penetration in 2023 show that the total GWP in the country contributes 1.71% to the gross domestic product, which is 0.17% higher than the previous year (2022: 1.54%). In contrast, the degree of density in 2023 is MKD 6,878 per inhabitant, which is an increase of 12% compared to the previous year (Chart no. 1).

⁹The degree of penetration is calculated as the ratio of the gross written premium to the gross domestic product, and the density degree 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



Source: Ministry of Finance, State Statistics Office, ISA

The insurance sector is characterized by low concentration, which is a prerequisite for functional market competition. The Herfindahl index, calculated through GWP, in 2023 is 725.03 (2022: 738.09). A similar result shows the measurement of the index through the assets of insurance companies at 751.12 in 2023 (2022: 786.90)¹⁰.

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 2,151.15 (2022: 2,216.13), while, measured according to the assets of the companies, it is 2,609.28 (2022: 2,848.08).

In non-life insurance, the indicators show a low concentration, whereby the measurement through the Herfindahl index according to GWP in 2023 is 966.53 (2022: 988.50), while the same indicator measured through assets is 966.51 (2022: 979.59).

The CR5 indicator¹¹, measured through the participation in GWP, among non-life insurance companies, recorded a decrease and amounted to 55.12% (2022: 55.72%) in 2023.

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

¹⁰The 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.

¹¹The CR5 indicator represents the participation of the first 5 insurance companies with the largest participation in the overall structure

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

GWP	2022		2023	
	Herfindahl	CR5	Herfindahl	CR5
Whole sector	738.09	45.80%	725.03	45.56%
Non-life	988.5	55.72%	966.53	55.12%
Life	2,216.13	100.00%	2,151.15	98.09%

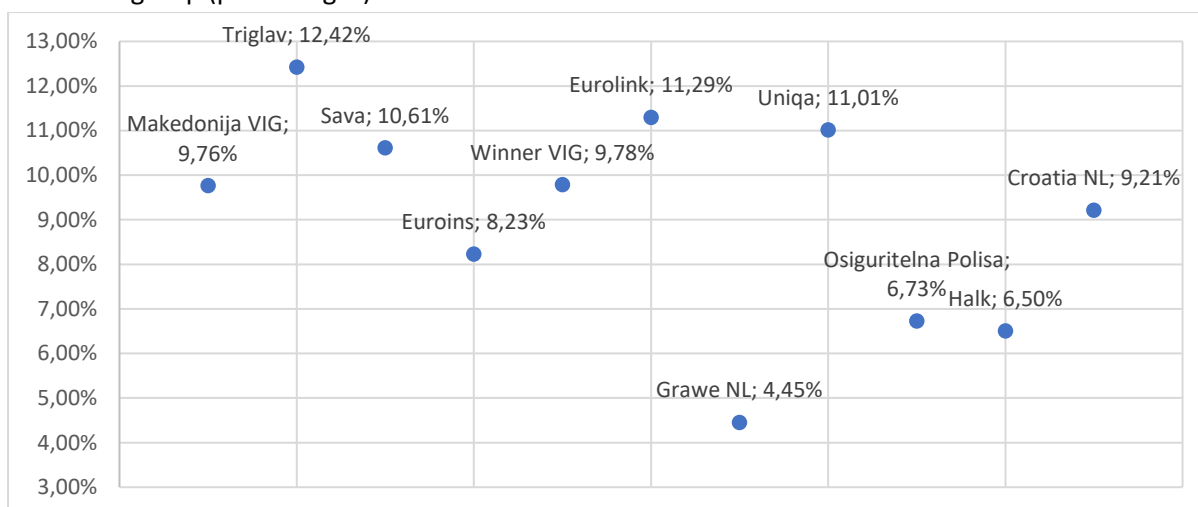
Source: ISA

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

Assets	2022		2023	
	Herfindahl	CR5	Herfindahl	CR5
Whole sector	78.90	50.23%	751.12	48.64%
Non-life	976.59	56.10%	966.51	55.65%
Life	2,848.08	100.00%	2,609.28	98.09%

Source: ISA

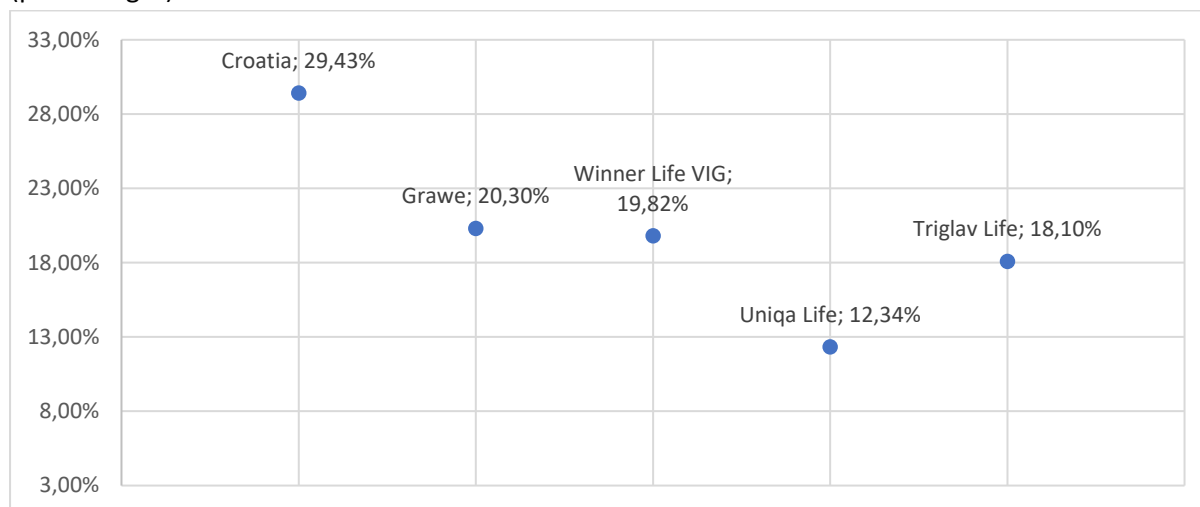
At the end of 2023, in the domain of market concentration in the non-life insurance sector, 4 insurance companies cross the share threshold with over 10% in the total GWP. Moreover, on the insurance market no company crosses the threshold of over 15% market share (Chart no. 2).

Chart no. 2: Market concentration according to the gross written premium in 2023, in the non-life insurance group (percentages)

Source: ISA

In the life insurance group, the growth of competition continues and the downward trend in the participation of the two life insurance companies that have been present for the longest time at the market (Chart no. 3).

Chart no. 3: Market concentration by gross written premium in 2023, 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 agreed (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 2023, GWP was realized in the total amount of MKD thousand 14,344,690 (Table no. 5), which represents a growth of 12.2% compared to GWP realized in 2022 (2022: MKD thousand 12,785,429).

Table no. 5: Gross written premium by insurance classes

Insurance classes	Gross written premium (GWP) in thousand MKD		Dynamics	Share in total GWP	
	2022	2023	23/22	2022	2023
01. Accident insurance	685,343	758,692	10.70%	5.36%	5.29%
02. Health insurance	679,649	1,004,051	47.73%	5.32%	7.00%
03. Insurance of motor vehicles-kasko	994,104	1,181,114	18.81%	7.78%	8.23%
05. Insurance of aircraft - casko	74,735	92,253	23.44%	0.58%	0.64%
06. Insurance of vessels - casko	1,650	1,762	6.79%	0.01%	0.01%
07. Insurance of goods - cargo	108,870	118,918	9.23%	0.85%	0.83%
08. Property insurance from fire	736,355	835,740	13.50%	5.76%	5.83%
09. Other property insurance	1,371,072	1,498,216	9.27%	10.72%	10.44%
10. Auto liability	5,207,931	5,595,486	7.44%	40.73%	39.01%
11. Aircraft liability insurance	19,703	28,792	46.13%	0.15%	0.20%
12. Vessels liability insurance	3,681	4,380	18.99%	0.03%	0.03%
13. Other liability insurance	264,806	316,421	19.49%	2.07%	2.21%
14. Credits	47,942	60,331	25.84%	0.37%	0.42%
15. Guarantee insurance	256	397	55.08%	0.00%	0.00%
16. Insurance of financial losses	83,482	82,349	-1.36%	0.65%	0.57%

17. Legal protection	3	2	-33.33%	0.00%	0.00%
18. Insurance of tourist assistance	229,345	277,561	21.02%	1.79%	1.93%
19. Life insurance	1,782,701	1,901,868	6.68%	13.94%	13.26%
20. Marriage or giving birth	0	0		0.00%	0
21. Life insurance when the investment risk is borne by the insured entity	493,801	586,357	18.74%	3.86%	4.09%
TOTAL	12,785,429	14,344,690	12.20%	100.00%	100.00%
TOTAL NON-LIFE	10,508,927	11,856,465	12.82%	82.19%	82.65%
TOTAL LIFE	2,276,502	2,488,225	9.30%	17.81%	17.35%

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 thousand 11,856,465 (2022: MKD thousand 10,508,927), or it amounts to 82.65% of the total GWP of insurance sector, and represents an increase of 12.82% compared to 2022. During 2023, no reinsurance premium was realized (2022: 0).

Individually, compared to 2022, 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. 6: Gross written premium by non-life insurance companies

NO.	Insurance company	Gross written premium (GWP) in thousand MKD		Dynamics	Share in total GWP	
		2022	2023		2022	2023
1	TRIGLAV	1,517,839	1.472.639	-2.98%	14.44%	12.42%
2	EUROLINK	1,125,323	1.339.085	19.00%	10.71%	11.29%
3	UNIQA	1,141,732	1.305.648	14.36%	10.71%	11.01%
4	SAVA	1,072,970	1.258.028	17.25%	10.86%	10.61%
5	WIENER	982,855	1.159.866	18.01%	9.35%	9.78%
6	MAKEDONIJA	997,351	1.157.269	16.03%	9.49%	9.76%
7	CROATIA NON-LIFE	943,304	1.092.107	15.77%	8.98%	9.21%
8	EUROINS	957,076	975.627	1.94%	9.11%	8.23%
9	OSIGURITELNA POLISA	718,676	797.574	10.98%	6.84%	6.73%
10	HALK	692,676	770.795	11.28%	6.59%	6.50%
11	GRAWE NON-LIFE	359,125	527.827	46.98%	3.42%	4.45%
TOTAL NON-LIFE		10.508.927	11,856,465	12.82%	100.00%	100.00%

Source: ISA

In the life insurance section, which represents 17.35% of the total GWP of the insurance sector, GWP was achieved in the amount of MKD thousand 2,488,225 (2022: MKD thousand 2,276,502), which is a growth of 9.3% compared to 2022.

All life insurance companies recorded growth in annual GWP, with the growth of the leading two companies being significantly lower than the annual growth of the rest of the companies. Hence the further reduction of market concentration in this segment observed in 2023 (Table no. 7).

Table no. 7: Gross written premium by life insurance companies

NO.	Insurance company	Gross written premium (GWP) in thousand MKD		Dynamics	Share in total GWP	
		2022	2023		2022	2023
1	CROATIA LIFE	719,735	732.339	1.75%	31.62%	29.43%
2	GRAWE	504,280	505.169	0.18%	22.15%	20.30%
3	WIENER LIFE	399,652	493.075	23.38%	17.56%	19.82%
4	TRIGLAV LIFE	367,434	450.391	22.58%	16.14%	18.10%
5	UNIQA LIFE	285,401	307.157	7.62%	12.54%	12,34%
6	PRVA LIFE		94		0.00%	0.00%
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 operations performed by insurance companies is the analysis of the volume of operations 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 2023 is additionally shown (Table no. 8).

Table no. 8: Gross written premium (thousands MKD)

Line of business	nonlife											Total
	Makedonija	Triglav	Sava	Evroins	Eurolink	Winner	Grawe nonlife	Uniq	Ins. Policy	Halk	Croatia	
01. Accident	64,448	126,347	85,697	34,106	96,746	47,325	24,325	58,073	43,740	51,733	126,152	758,692
02. Health	151,547	156,623	101,908	30,627	217,603	16,863	0	73,264	0	67,626	187,990	1,004,051
03. Motor vehicles (casco)	72,215	171,988	211,641	79,201	106,495	114,255	18,370	87,371	104,189	123,126	92,263	1,181,114
04. Railway vehicles (casco)	0	0	0	0	0	0	0	0	0	0	0	0
05. Aircrafts (casco)	0	1,007	0	0	78,100	11,273	0	0	1,719	154	0	92,253
06. Vessels (casco)	9	160	674	1	118	245	0	52	232	271	0	1,762
07. Cargo	22,923	27,392	3,513	23,195	7,786	2,303	0	15,844	5,307	5,407	5,248	118,918
08. Property, fire and nat.forces	168,915	90,543	87,075	70,680	177,708	18,531	3,704	37,032	53,245	58,961	69,346	835,740
09. Property, other	322,997	227,719	161,086	236,613	83,970	159,962	1,924	181,647	26,003	54,949	41,346	1,498,216
10. MTPL (total)	284,834	488,385	509,527	480,481	440,671	721,049	473,969	784,343	514,414	367,749	530,064	5,595,486
11. Aircraft's liability	0	1,142	0	0	6,447	19,458	0	0	1,492	77	176	28,792
12. Vessel's liability	316	406	1,056	65	537	465	0	423	647	328	137	4,380
13. General liability	45,005	46,287	20,061	8,058	75,984	20,088	600	40,661	22,629	24,115	12,933	316,421
14. Credit	2,430	21,288	18,545	1,144	0	14,368	0	0	0	198	2,358	60,331
15. Suretyship	3	152	4	0	7	0	0	0	3	228	0	397
16. Financial losses	9,509	54,625	7,451	148	484	0	0	7,007	0	2,511	614	82,349
17. Legal expenses	0	0	0	0	0	0	0	0	0	0	2	2
18. Tourists assistance	12,118	58,575	49,790	11,308	46,429	13,681	4,935	19,931	23,954	13,362	23,478	277,561
Total	1,157,269	1,472,639	1,258,028	975,627	1,339,085	1,159,866	527,827	1,305,648	797,574	770,795	1,092,107	11,856,465

Line of business	life						Total
	Croatia	Grawe	Winner	Uniq	Triglav	Prva	
19. Life assurance	633,304	447,526	228,722	195,708	396,514	94	1,901,868
20. Insurance of marriage or childbi	0	0	0	0	0	0	0
21. Unit- linked	99,035	57,643	264,353	111,449	53,877	0	586,357
Total	732,339	505,169	493,075	307,157	450,391	94	2,488,225

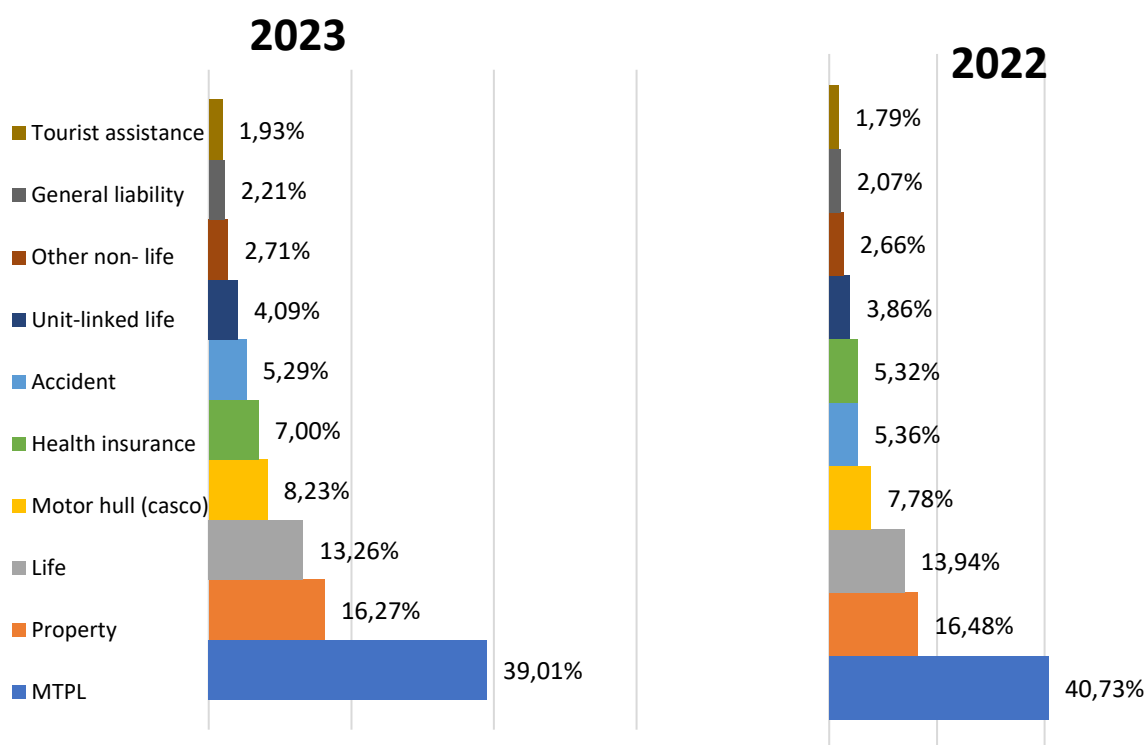
Total:	14,344,690
---------------	-------------------

Source: ISA

4.1.4. Share structure

In the total GWP, motor vehicle insurance has the most significant share with 47.24% (2022: 48.51%), which consists of the dominant motor third-party liability (MTPL) insurance (premiums from compulsory insurance policies for coverage in the country and the green cards) which participates with 39.01% (2022: 40.73%) and from the voluntary insurance of motor vehicles (casco) which participates with 8.23% (2022: 7.78%). A significant place in the GWP structure is property insurance with 16.27% (2022: 17.81%), life insurance with a share of 17.35% (2022: 17.81%) as well as personal lines of health and accident insurance both together with a share of 12.29% (2023: 10.68%). The structure according to the most important classes of insurance, as well as the comparison with 2022, is presented in chart no. 4.

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



Source: ISA

An increase in GWP of 7.74% compared to 2022 was recorded in the motor TPL insurance line of business with a total premium in the amount of MKD thousand 5,595,486 (2022: MKD thousand 5.207.931), with similar relative annual growth of the number of concluded contracts in this line of business of 8.07%. Almost 72% of the total insurance premium written from motor TPL insurances, or in absolute amount MKD thousand 4,023,802, are from compulsory motor TPL policies that provide only coverage in the country. In addition, insurance companies realized total amount of MKD thousand 1,300,372 from issued green cards, which represents 23.24% of the total GWP for motor TPL insurance. The green card provides coverage for damages caused in foreign countries.

The structure and changes in the motor TPL gross insurance premium written is shown in the following table:

Table no. 9: GWP, in thousand MKD, structure for motor TPL insurance

Type of MTPL insurance	2022	2023	Change in %	2022	2023
Compulsory MTPL insurance	3,829,046	4,023,802	5.09%	73.52%	71.91%
Green card	1,147,441	1,300,372	13.33%	22.03%	23.24%
Border insurance	129,533	165,869	28.05%	2.49%	2.96%
Liability insurance of the driver for received goods	101,911	105,443	3.47%	1.96%	1.88%
Total	5,207,931	5,595,487	7.44%	100.00%	100.00%

Source: ISA

Regarding casco insurance of motor vehicles, there has also been an increase of 18.81% and a total premium in the amount of MKD thousand 1,181,114 (2022: MKD thousand 994,103), with a simultaneous increase in the number of concluded contracts of 3.63%.

After a decrease of 2.75% in GWP in the previous year, in 2023 property insurance recorded a growth of 10.75% and it amounted to MKD thousand 2,333,954 (2022: MKD thousand 2,107,428), and a more moderate growth in the number of concluded contracts of 3.07%. The milder relative annual growth in the number of insurance contracts compared to the growth of GWP in the voluntary motor vehicle and property insurance classes is an indicator of the impact of general price inflation in the insurance sector.

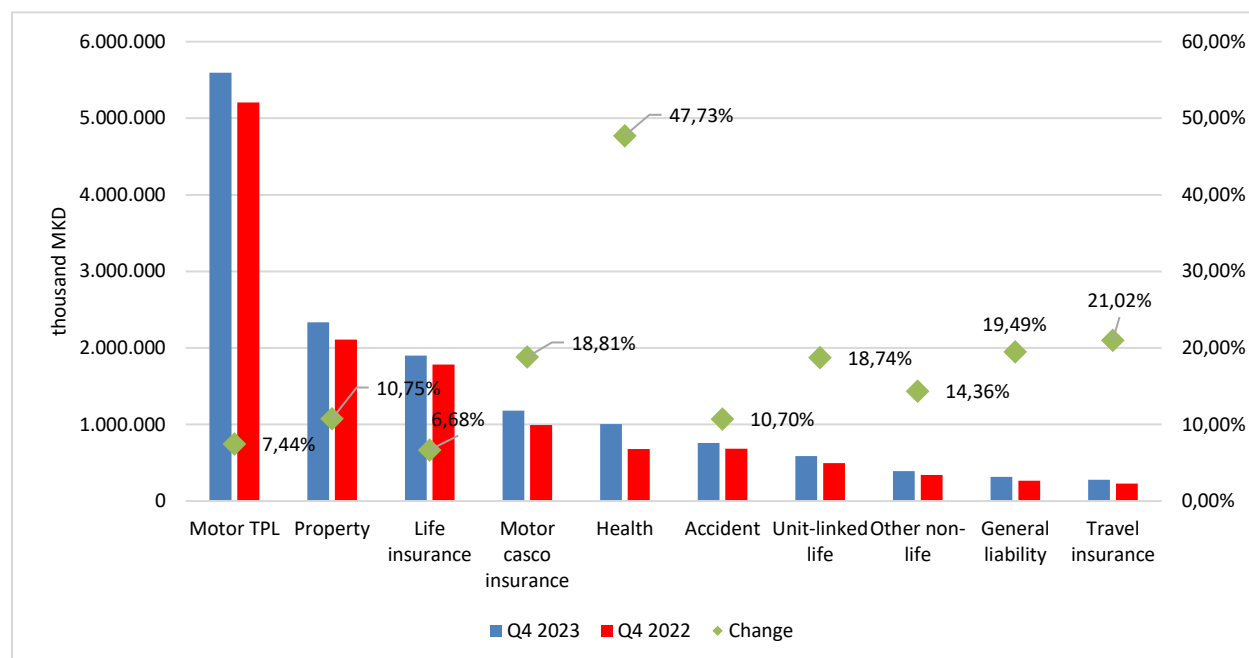
The agricultural insurance of crops, fruits, and livestock is represented by 17% in the total annual premium for property insurance. In 2023, GWP from agricultural insurance amounts to MKD thousand 393,942, which is 6% less than the premium that insurance companies wrote in 2022 on this basis. On the other hand, there has been an increase in the number of contracts concluded for the insurance of farmers.

The growth trend of voluntary health insurance has been maintained in 2023 as well. In non-life insurance, a total of 33,717 health insurance contracts were concluded in 2023 (2022: 25,555 contracts) with a total GWP of MKD thousand 1,004,051 (2022: MKD thousand 679,649), which compared to 2022 represents an increase of 31.94% of the number of concluded contracts, i.e. growth by 47.73% of the total GWP.

Personal accident insurance has seen growth both in the number of concluded contracts and in GWP. The total annual GWP in this line of non-life insurance business is MKD thousand 758,692, which is over 10% more than in 2022 (2022: MKD thousand 685,343). The total number of concluded contracts in 2023 is MKD 769,861, while in 2022 it was MKD 722,240.

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

Chart no. 5: Trend of the gross written premium by insurance class



Source: ISA

In life insurance, GWP was achieved in the amount of MKD thousand 2,488,225 (2022: thousand 2,276,502), which represents an increase of 9.13%, while life insurance participates with 17.35% in the total GWP of the insurance company sector.

In traditional life insurance (class 19 of Article 5 of LIS), a positive trend has been achieved at GWP, which amounts to MKD thousand 1,901,868 (2022: MKD thousand 1,782,701), which represents a growth of 6.68%. This increase mainly results from term contracts for life insurance that are without share in the profit for the insured, i.e., 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 seeking credit.

On the basis of unit-linked 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 thousand 586,357 was written, which represents an annual growth of 18.74%. The policy premium under these contracts in 2022 was MKD thousand 493,801.

The following table shows the structure of the gross written premium for life insurance in 2023, compared to the previous year 2022.

Table no. 10: Gross written premium for life insurance, in thousand MKD

	Class	Total 2022	Total 2023	Change 23/22	Share 2022	Share 2023
Life insurance	19	1,782,701	1,901,868	6.68%	78.31%	76.43%
Total basic life insurance		1,658,707	1,772,603	6.87%	72.86%	71.24%
Endowment		783,703	806,962	2.97%	34.43%	32.43%
Death (term)		507,377	599,719	18.20%	22.29%	24.10%
Whole Life		149,195	147,274	-1.29%	6.55%	5.92%
Endowment with additional disability		214,750	245,214	0.22%	9.43%	8.65%
Death (whole life)		3,682	3,435	-6.71%	0.16%	0.14%
Total additional insurance		123,055	129,265	5.05%	5.41%	5.20%
Accident (death)		32,741	28,624	-12.58%	1.44%	1.15%
Accident (disability)		72,013	80,691	12.05%	3.16%	3.24%
Health (other)		18,300	19,635	7.30%	0.80%	0.79%
Total rent insurance		939	315	-66.45%	0.04%	0.01%
Unit-linked life insurance	21	493,801	586,357	18.74%	21.69%	23.57%
Total life insurance		2,276,502	2,488,225	9.30%	100.00%	100.00%

Source: ISA

The data on the gross written premiums broken down according to the types of products, i.e. the risks covered by these products, are one of the indicators that confirm the thesis that there is significant decrease of newly concluded traditional, so-called endowment, life insurances that have a savings component. On the contrary, there is significant increase of the newly concluded risk life insurance policies that cover only the risk of death. Upward trend has also been maintained in the sale of unit-linked life insurance contracts where the invested funds from premiums are redirected to the purchase of units issued by investment funds and where the policyholders bear the market risk of change in market value of the units.

The price at which the insurance company buys the units from the investment fund on behalf and for the account of the policyholder are the market, i.e. stock exchange prices in the period when the policyholder pays the agreed premium to the insurance company. The contracts are long-term, that is, the policyholder usually pays the premium over a multi-year period. The obligation of the insurance company to the policyholder depends on the market value of the units on the date on which the obligation of the company to the policyholder arises. If the acquisitions of units on behalf and for the account of the policyholder were made in periods when the market values of the units were low, and if the agreed obligation of the insurance company towards the policyholder occurred in a time period when the market values of the units were higher, the policyholder would make a profit from the insurance contract. And vice versa, if at the time of payment of premiums to the insurance company the value of the unit was higher than the same value at the insurance contract expiry date, the policyholder would suffer a loss from the contract. Therefore, it is said for these products that the policyholder bears the risk of the change in the market value of the invested funds.

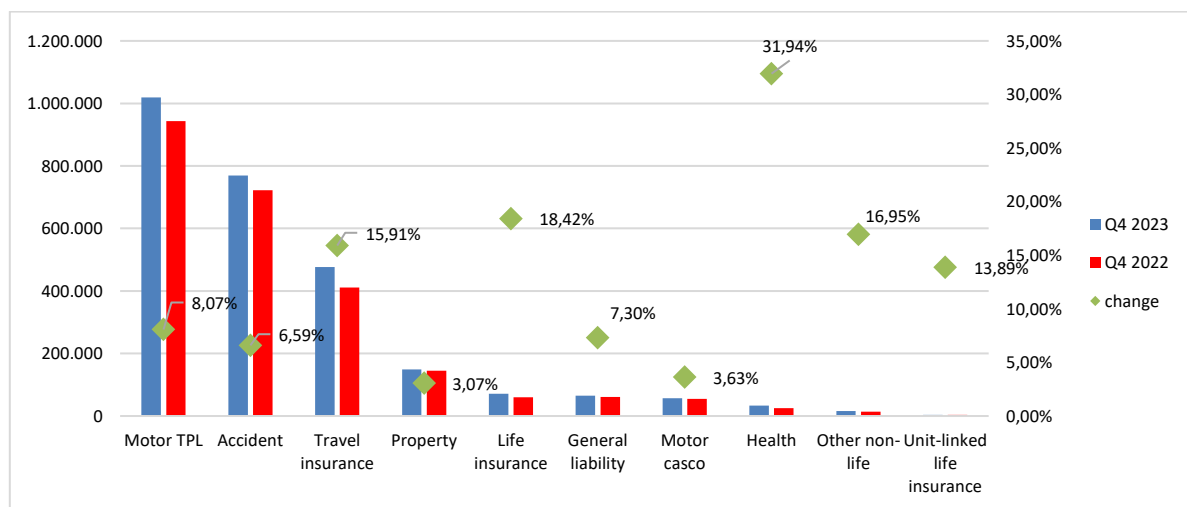
In this sense, the activities and interventions of ISA in the market continued in the area of changing the by-laws for the purpose of implementation of preventive requirements for insurance companies to inform the policyholders of all the risks related to the products.

The total market value of the units of investment funds linked to these life insurance products at 31.12.2023 is MKD thousand 1.391.246, which represents 10.6% of the total assets value of the life insurance companies (31.12.2022: MKD thousand 913.258).

The funds under these life insurance policies are invested in units issued by investment funds managed by four companies: WVP Fund Management AD Skopje, KB Publikum Invest AD Skopje, Generali Investments AD Skopje and Vega Funds AD Skopje. The largest part, or almost 70% of the total investments of funds from unit-linked life insurance policies are in units issued by the open investment fund WVP Premium Invest, which is managed by the company WVP Fund Management.

During 2023, insurance companies concluded 1,949,592 contracts (policies) for insurance, which is an increase of 9.71% compared to 2022 when 1,776,968 contracts were concluded. Of the total number of concluded contracts, 1,874,841 policies are within non-life insurance, which represents an increase of 9.4% compared to the number of contracts in 2022 (2022: 1,713,715 contracts), while 74,751 are for life insurance contracts, i.e. an increase of 18.18% compared to 2022, when 63.253 life insurance contracts were made. The change in the number of contracts concluded by the most important¹² classes of insurance is presented on Chart no. 6.

Chart no. 6: Contracts concluded with insurance companies



Source: ISA

¹² On the website of ISA <https://aso.mk/izveshtaj-za-rabotenjeto-na-drushtvata-za-osiguruvanje-vo-periodot-1-1-2023-31-12-2023-godina/> aggregated annual statistics are published data on the number of concluded insurance contracts by insurance classes, and separately for different coverages under insurance policies from AL, as well as for life insurance

4.1.5. Gross claims paid (GCP)

In 2023, the insurance companies paid a gross amount of claims of MKD thousand 5,822,812 (Table no. 11). Compared to 2022, the gross paid claims have increased by 13.88% (2022: MKD thousand 5,113,008). The share of reinsurance in gross claims paid is 16.76%.

Table no. 11: Claims paid by insurance classes (thousand MKD)

Class	Q4 2023	Q4 2022	Change	Share 2023	Share 2022
MTPL	2,367,717	2,208,723	7.20%	40.66%	43.20%
Life	804,584	662,827	21.39%	13.82%	12.96%
Property	760,351	766,367	-0.79%	13.06%	14.99%
Motor vehicles (casco)	716,745	545,250	31.45%	12.31%	10.66%
Health insurance	659,008	425,912	54.73%	11.32%	8.33%
Accident	349,227	347,249	0.57%	6.00%	6.79%
Travel insurance	84,486	62,151	35.94%	1.45%	1.22%
Unit-linked life insurance	52,357	42,429	23.40%	0.90%	0.83%
Other non-life	10,707	36,630	-70.77%	0.18%	0.72%
General liability	17,630	15,470	13.96%	0.30%	0.30%
Total non-life	4,965,871	4,407,752	12.66%	85.28%	86.21%
Total life	856,941	705,256	21.51%	14.70%	13.79%
Total	5,822,812	5,113,008	13.88%	100.00%	100.00%

Source: ISA

Motor TPL insurance has the largest share with 40.66%, followed by life insurance claims with 13.82%, property insurance claims with a share of 13.06%, casco insurance with 12.31% and voluntary health insurance with 11.32% of the total claims paid.

With regard to the motor TPL insurance, the largest percentage or 77.6% of the total amount of claims paid are for policies for compulsory motor insurance, in an absolute amount MKD thousand 1,837,299. On the grounds of issued green cards, in 2023 a total amount of MKD thousand 502,815 was paid, which represents 21.24% of the total claims paid out on the basis of motor TPL insurance.

Table no. 12: MTPL claims structure in thousand MKD

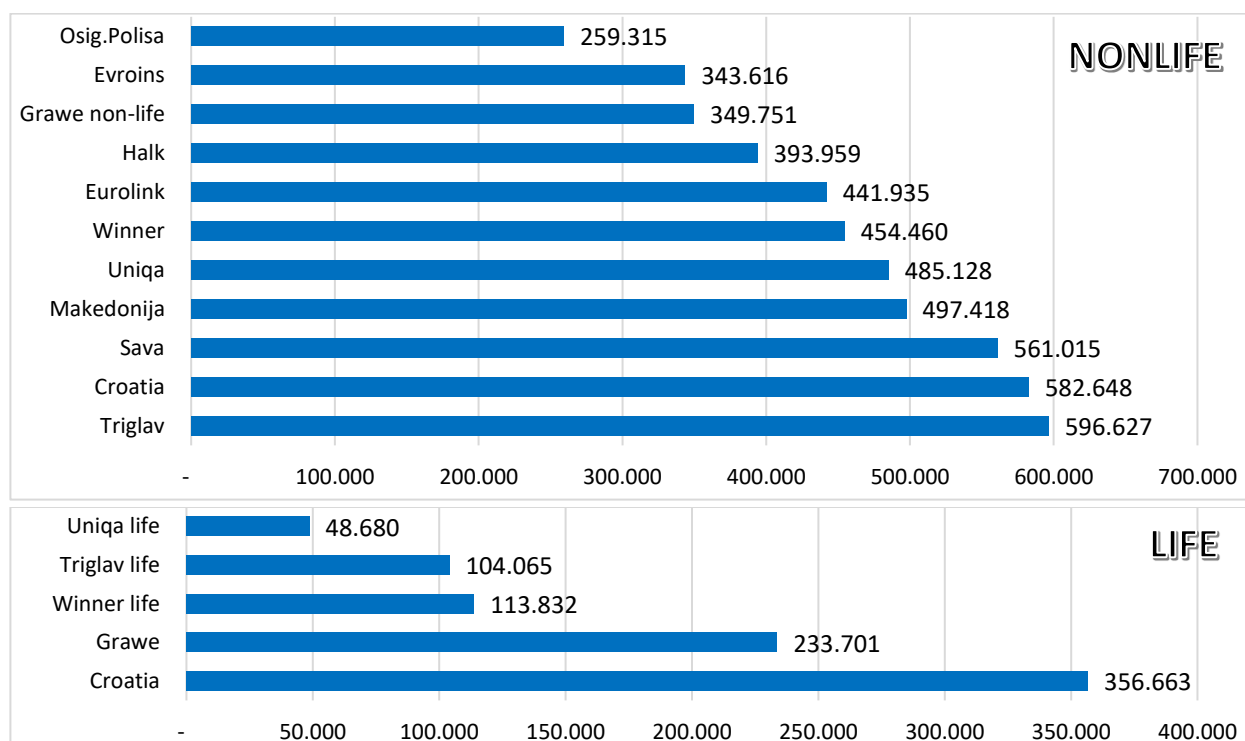
Claims paid from MTPL insurance	2022	2023	Change in %	2022	2023
Compulsory MTPL insurance	1,754,917	1,837,299	4.69%	79.45%	77.60%
Green card	417,990	502,815	20.29%	18.92%	21.24%
Border insurance	7,767	3,908	-49.68%	0.35%	0.17%
Liability insurance of the driver for received goods	28,050	23,695	-15.52%	1.27%	1.00%
Total	2,208,724	2,367,718	7.20%	100.00%	100.00%

Source: ISA

Out of a total of MKD thousand 760,351 denars paid in claims on the basis of property insurance, MKD thousand 194,664 or 25.6% were paid on the grounds of agricultural insurance of crops, fruits and livestock. In 2022, a total amount of MKD thousand 283,131 was paid on this basis, which represented 37% of the total annual amount paid out for property insurance claims.

Chart no. 7 shows the individual share of insurance companies in the total amount of claims paid for 2023.

Chart no. 7: Share of insurance companies in gross paid claims in 2023 (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 2023, just like in the previous year, most of the claims paid are based on voluntary health insurance. The high frequency of claims in this class of insurance suggests a relatively low amount of claims paid per individual request. On average¹³, the insurance companies paid about MKD 9,600 per individual request in compensation for these policies. As a comparison, the average claim paid on the grounds of motor TPL insurance in 2023 was MKD 79,459 (Table no. 11).

Table no. 13: Number of claims paid

Class	Q4 2023	Q4 2022	Change
Health insurance	68,255	46,119	48.00%
Motor TPL	29,978	28,600	4.19%
Motor vehicles (casco)	8,446	7,617	10.88%
Property	8,329	7,870	5.83%
Property	7,133	9,085	-21.49%
Travel insurance	4,669	3,370	38.55%
Life	4,513	4,126	9.38%
Life (inv. shares)	425	359	18.38%
General liability	378	384	-1.56%
Other classes	93	85	9.41%
Total Non-life	127,101	103,130	23.24%
Total Life	4,938	4,485	10.10%
Total	132,039	107,615	22.70%

Source: ISA

4.1.5.1. Complaints by insurance policyholders and other claimants

In the event that the insurance policyholder, i.e. the beneficiary, believes that the insurance company does not comply with the provisions of the insurance contract, it is possible to 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 2023, 5,989 complaints were submitted to insurance companies, which is almost 9.1% more compared to 2022 (2022: 5,490 submitted complaints). Of the total submitted complaints, 25.58% (2022: 25.63%) were resolved positively, i.e. in favor of the insured/beneficiary of the insurance, and 60.31% (2022: 59.29%) were resolved negatively.

Table no. 14 presents data on the number and outcome of submitted and resolved complaints by an insurance company.

¹³ The average amount paid per claim, per individual class of insurance, is calculated as a ratio between the paid amounts of claims from table no. 11 and the number of paid damages from table no. 13.

Table no. 14: Complaints submitted to the insurance companies in 2023

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
Winner	700	215	357	0	128	572
Winner Life	19	4	13	0	2	17
Grawe	46	20	26	0	0	46
Grawe Non-life	288	66	202	0	20	268
Evroins	228	1	184	43	0	228
Eurolink	383	47	271	34	31	352
Croatia Non- Life	475	74	371	25	5	470
Croatia Life	62	24	37	0	1	61
Makedonija insurance VIG	325	104	217	0	4	
Osiguritelna Polisa	370	174	172	0	24	321
Prva Life	0	0	0	0	0	346
Sava	543	209	287	22	25	0
Triglav	1,070	3	692	375	0	518
Triglav Life	16	11	5	0	0	1,070
Uniq	811	326	458	0	27	16
Uniq Life	9	2	6	0	1	784
Halk	644	252	314	0	78	8
Total Non-life	5,837	1,471	3,525	499	342	5,495
Total Life	152	61	87	0	4	148
Total	5,989	1,532	3,612	499	346	5,643

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 2023, 285 complaints were submitted to the ISA, which represents an increase of 11.3% compared to 2022 when 256 complaints were submitted. 12.8% (2022: 24.22%) of the total submitted complaints to ISA were decided in favor of the petitioner, and 61.6% (2022: 55.47%) were decided upon negatively. Of the total submitted complaints, 41.7% refer to procedures for motor TPL insurance contracts, 16.16% to accident insurance, 16.16% to property insurance and the rest are related to insurance contracts from other classes of insurance.

Table no. 15 presents data on the number and outcome of complaints submitted to ISA.

Table no. 15: Complaints submitted to the ISA in 2023

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	22	6	13	0	3	19
Euroins	24	1	14	1	8	
Grawe Non-life	8	1	3	2	2	
Makedonija	10	1	7	2	0	
Uniqa Non-life	36	8	25	3	0	
Osiguritelna polisa	15	1	11	3	0	
Winner Non-life	17	2	13	2	0	
Triglav	30	1	25	4	0	
Eurolink	17	4	12	1	0	
Sava	28	4	19	3	2	
Croatia Non-life	26	2	21	3	0	
Croatia Life	6	1	4	1	0	
Grawe	3	0	3	0	0	
Uniqa Life	1	0	1	0	0	
Winner Life	2	0	2	0	0	
Triglav Life	2	1	1	0	0	
National Insurance Bureau	1	0	1	0	0	
SN Broker	21	3	3	1	14	
WVP Broker	1	1	0	0	0	
Total	270	37	178	26	29	19

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 claims reporting template for motor vehicles traffic accidents, 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, and through additional supervision, and preventive educational announcements and performances for a simplified presentation to the public about the content of insurance contracts.

4.1.6. Assets, liabilities and capital

4.1.6.1. Assets structure

The total assets of the insurance companies on 31.12.2023 amounted to MKD thousand 33,935,269 and is higher by 11.65% compared to the situation at the end of 2022 (31.12.2022: MKD thousand 30,393,398).

If we analyze the structure of assets by insurance companies, it can be concluded that the main category of life insurance companies are investments in government debt securities and deposits in banks. On the other hand, non-life insurance companies have a more diverse asset structure, where investments in government debt securities and deposits in banks represent half of the total value of assets, while the other half is represented by receivables, reinsurance share of the gross technical provisions, real estate and other tangible and intangible assets, investments in shares in open investment funds, prepaid expenses and other deferrals, 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 2023 and 2022, for the non-life insurance and life insurance segment are shown in tables no. 16 and 17 respectively.

Table no. 16: Asset structure of non-life insurance companies (thousand MKD)

Assets category	31.12.2022	31.12.2023	Share 2022	Share 2023	Change 23/22
Government bonds (MKD)	5,273,631	6,261,931	28.00%	30.03%	18.74%
Bank deposits and cash	5,025,874	4,970,688	26.68%	23.84%	-1.10%
Receivables	2,947,578	3,222,348	15.65%	15.46%	9.32%
Reinsurance share of gross technical provisions	1,801,769	2,013,071	9.56%	9.66%	11.73%
Deferrals/pre-paid expenses	1,171,506	1,387,127	6.22%	6.65%	18.41%
Real estate, intangible and tangible assets	1,158,184	1,410,059	6.15%	6.76%	21.75%
Units of open investment funds	884,525	1,031,078	4.70%	4.95%	16.57%
Stocks	284,750	258,102	1.51%	1.24%	-9.36%
Participations in Green Card Bureau	185,140	185,760	0.98%	0.89%	0.33%
Other assets	79,951	86,861	0.42%	0.42%	8.64%
Corporate bonds	24,657	22,421	0.13%	0.11%	-9.07%
Total assets	18,837,565	20,849,447	100.0%	100.0%	10.68%

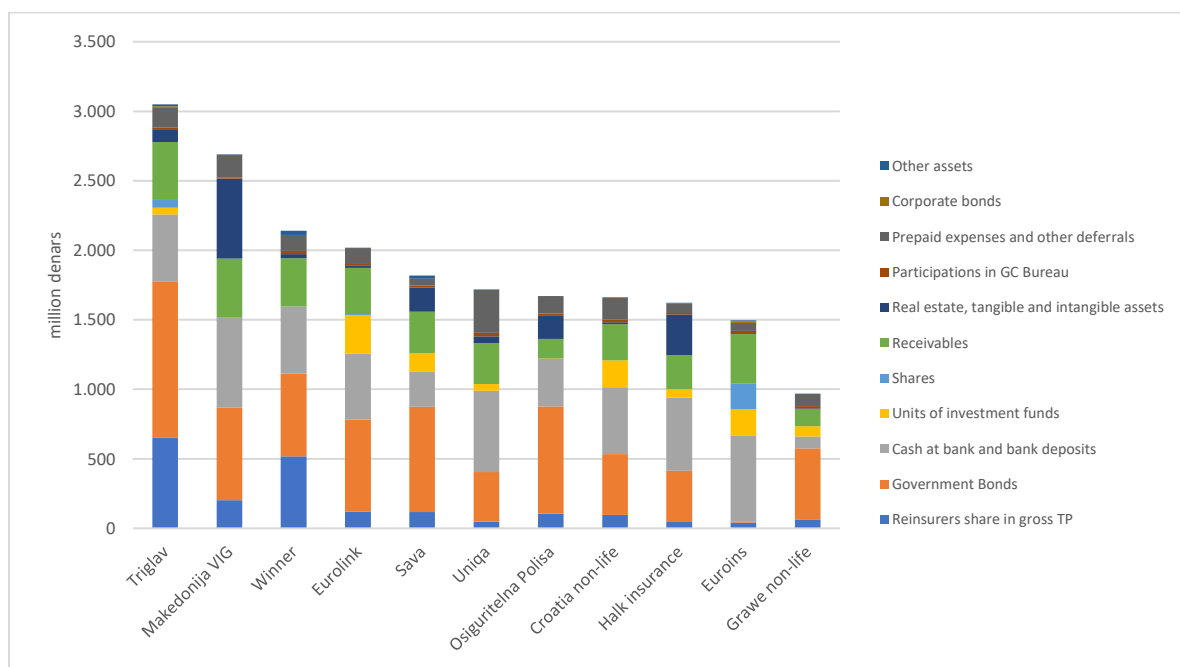
Source: ISA

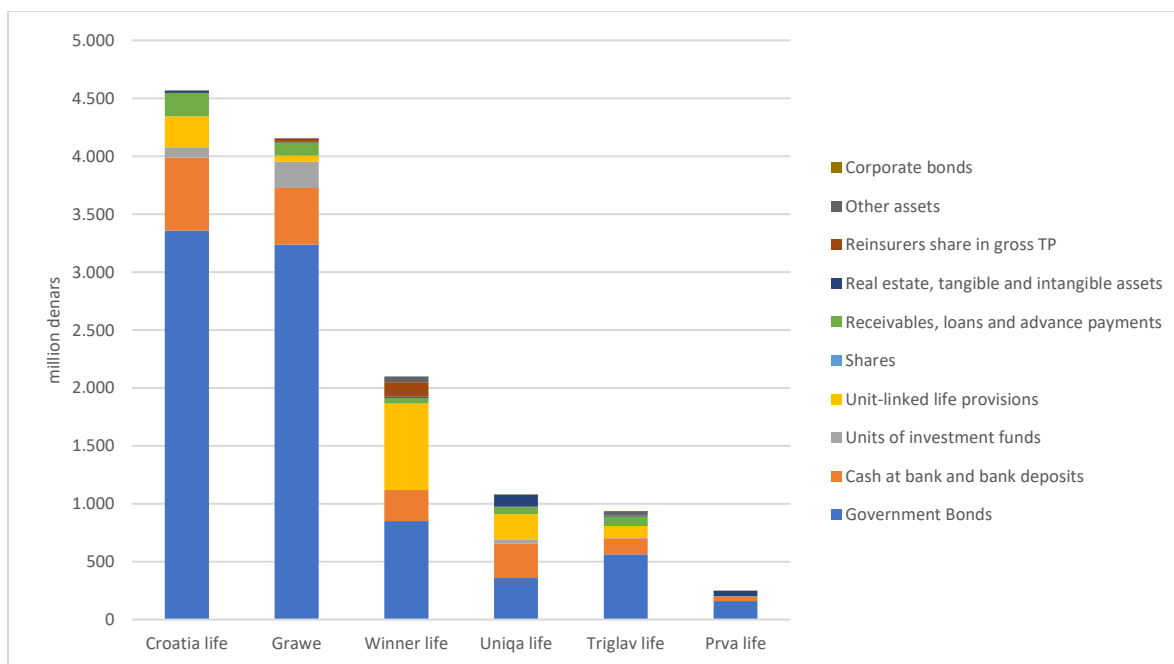
Table no. 17: Asset structure of life insurance companies (thousand MKD)

Assets category	31.12.2022	31.12.2023	Share 2022	Share 2023	Change 23/22
Government bonds (MKD)	7,701,297	8,529,026	66.64%	65.18%	10.75%
Bank deposits and cash	2,016,526	1,858,996	17.45%	14.21%	-7.81%
Investments of assets from special reserve from unit-linked life-insurance contracts	913,258	1,391,946	7.90%	10.64%	52.42%
Receivables, loans and advance payments	424,408	507,800	3.67%	3.88%	19.65%
Units in open investment funds	177,388	352,606	1.54%	2.69%	98.78%
Reinsurance share of gross technical provisions	146,504	153,384	1.27%	1.17%	4.70%
Real estate, intangible and tangible assets	123,230	191,844	1.07%	1.47%	55.68%
Other assets	45,290	92,194	0.39%	0.70%	103.56%
Corporate bonds	6,211	6,211	0.05%	0.05%	0.01%
Stocks	1,720	1,816	0.01%	0.01%	5.59%
Total assets	11,555,832	13,085,822	100.0%	100.0%	13.24%

Source: ISA

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

Chart no. 8: Asset structure of insurance companies on 31.12.2023, separately for Non-life and Life



Source: ISA

4.1.6.2. Structure of liabilities and capital

The largest share, or 59.15% of the total sources of assets of insurance companies, is the gross technical provisions (2022: 60.81%). Compared to the situation at the end of the previous year, they have an annual increase of 8.6%.

The following two tables show, separately for non-life and life, the structure of sources of assets on 31.12.2023 and on 31.12.2022 respectively.

Table no. 18: Structure of liabilities and capital of non-life insurance companies (in thousand MKD)

Sources of assets	31.12.2022	31.12.2023	Share 2022	Share 2023	Change 23/22
Gross technical provisions	10,424,013	11,478,223	55.34%	55.05%	10.11%
Core capital	5,777,307	6,618,391	30.67%	31.75%	14.57%
Liabilities to reinsurers	880,130	553,854	4.67%	2.66%	-37.07%
Insurance liabilities	781,820	673,502	4.15%	3.23%	-13.85%
Accrued costs and deferred revenues	437,557	995,170	2.32%	4.77%	127.44%
Additional capital (revaluation reserve and subordinated debt)	297,102	300,312	1.58%	1.44%	1.08%
Other liabilities	140,168	138,707	0.74%	0.67%	-1.04%
Liabilities based on financial investments	99,467	90,688	0.53%	0.43%	-8.83%
Total	18,837,564	20,849,447	100.0%	100.0%	10.68%

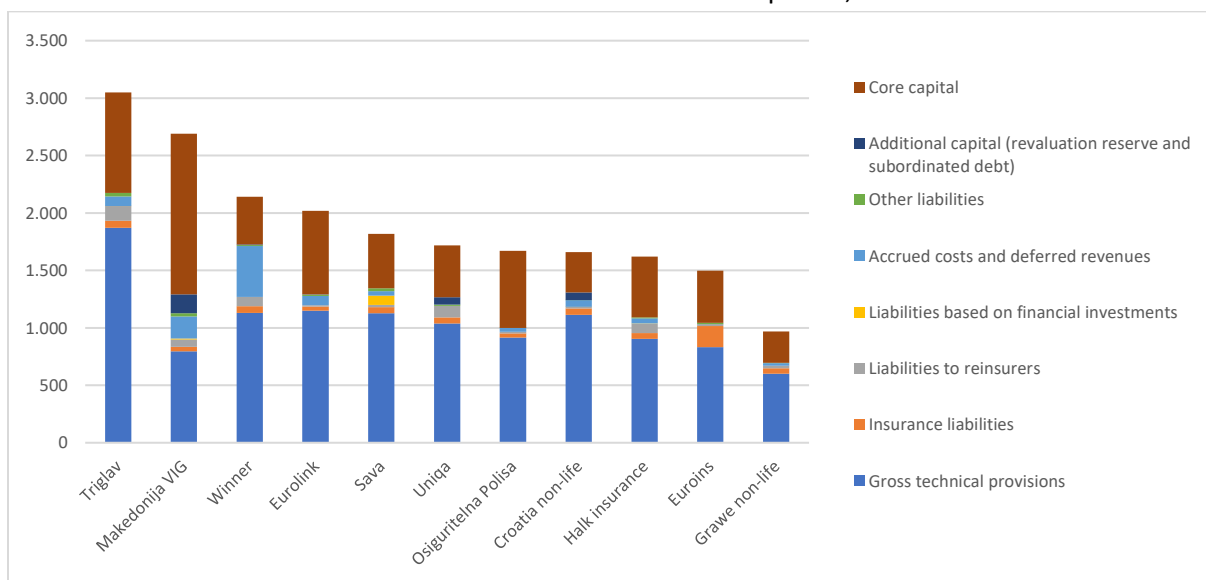
Source: ISA

Table no. 19: Structure of liabilities and capital of life insurance companies (in thousand MKD)

Sources of assets	31.12.2022	31.12.2023	Share 2022	Share 2023	Change 23/22
Gross technical provisions	8,059,091	8,593,808	69,74%	69,67%	6.63%
Core capital	2,184,698	2,611,453	18,91%	19.96%	19.53%
Special reserve for unit-linked contracts	919,081	1,401,851	7,95%	10.71%	52.53%
Insurance liabilities	214,090	235,109	1,85%	1,80%	9.82%
Liabilities arising from deposits of reinsurance companies with cedents, based on reinsurance contracts	114,604	110,288	0,99%	0.84%	-3.77%
Liabilities to reinsurers	28,730	70,906	0,25%	0.54%	146.80%
Accrued costs and deferred revenues	22,169	33,468	0,19%	0,26%	50.97%
Other liabilities	10,042	11,328	0,09%	0,09%	12.80%
Additional capital (revaluation reserve and subordinated debt)	3,326	17,611	0,03%	0,13%	429.48%
Total	11,555,832	13,085,822	100,0%	100,0%	13,24%

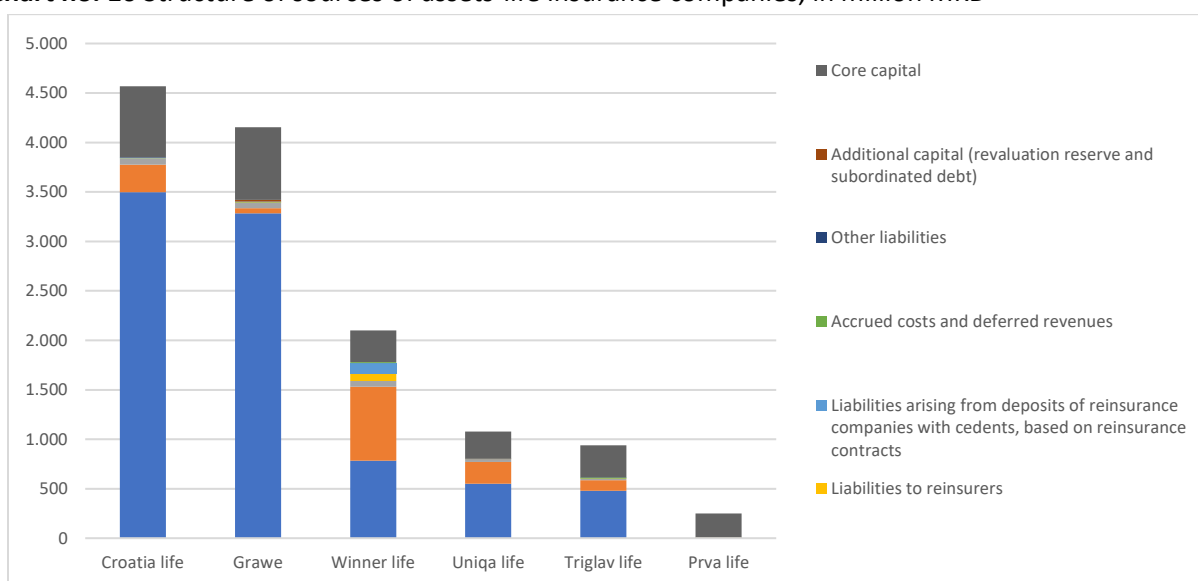
Source: ISA

The following two charts show the structure of sources of assets, by insurance companies on 31.12.2023.

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

Source: ISA

Chart no. 10 Structure of sources of assets-life insurance companies, in million MKD



Source: ISA

4.1.7. Technical provisions

The total amount of technical provisions (gross) of insurance companies that perform non-life insurance operations at the end of 2023 is MKD thousand 11,478,223, and they have grown by 10.11% compared to the situation at the end of the previous year (2022: MKD thousand 10.424.013).

The total amount of technical provisions (gross) of the insurance companies that perform life insurance operations is MKD thousand 8,593,808, which represents an annual growth of 6.63% (31.12.2022: MKD thousand 8,059,091).

In the segment of non-life insurances, the largest share are the claims provisions and the unearned premium provision, while in life insurances, the mathematical provision¹⁴ occupies the most significant place.

4.1.8. Assets covering technical provisions

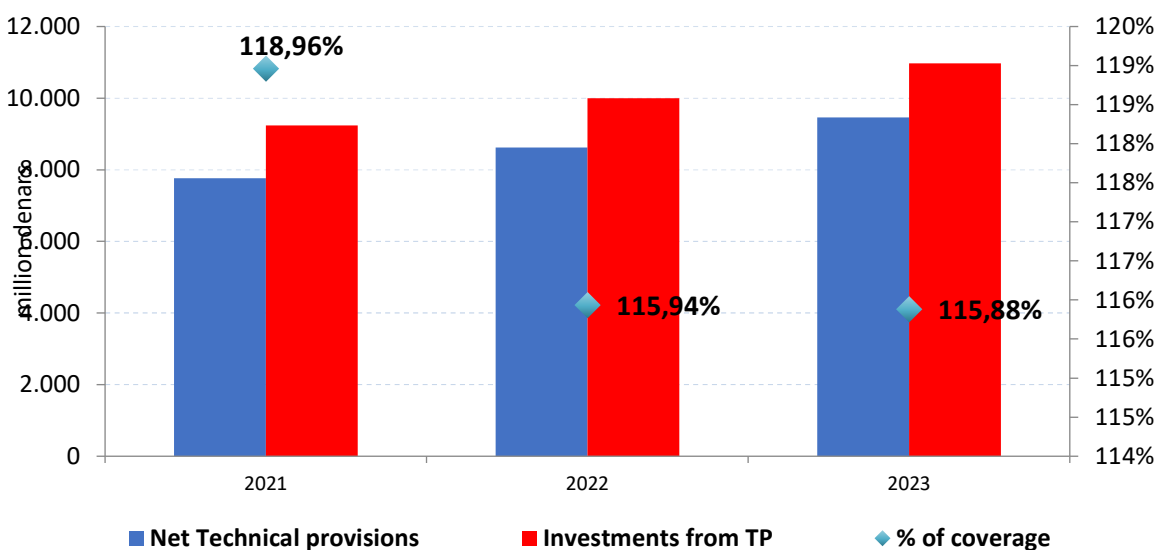
The assets that cover the technical provisions are those assets of the insurance company that serve to cover future liabilities arising from insurance contracts, as well as to cover possible losses in relation to those risks related to the performance of insurance operations. The insurance company is obliged to invest funds in an amount at least equal to the value of the technical provisions, net of reinsurance, in accordance with the requirements of the Insurance Supervision Law and in accordance with the Rulebook on the types and characteristics of the funds that cover the technical provisions and funds which cover the mathematical reserve, as well as detailed placement and limitation of those investments

¹⁴ More data on the structure of gross technical reserves by individual classes of insurance is shown on the website of ASO: <https://aso.mk/izveshtaj-za-rabotanjeto-na-drushtvata-za-osiguruvanje-vo-periodot-1-1-2023-31-12-2023-godina/> in the corresponding tables from the aggregated forms for the period 1.1.2023 – 31.12.2023.

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 provisions of the non-life insurance companies, at the end of 2023, amounted to MKD thousand 10,968,344 and cover 116% of the total net technical provisions (31.12.2022: MKD thousand 9,996,370). The trend of growth of net technical provisions has been maintained, but also of investments in categories of instruments which, according to the law, are acceptable coverage of technical provisions.

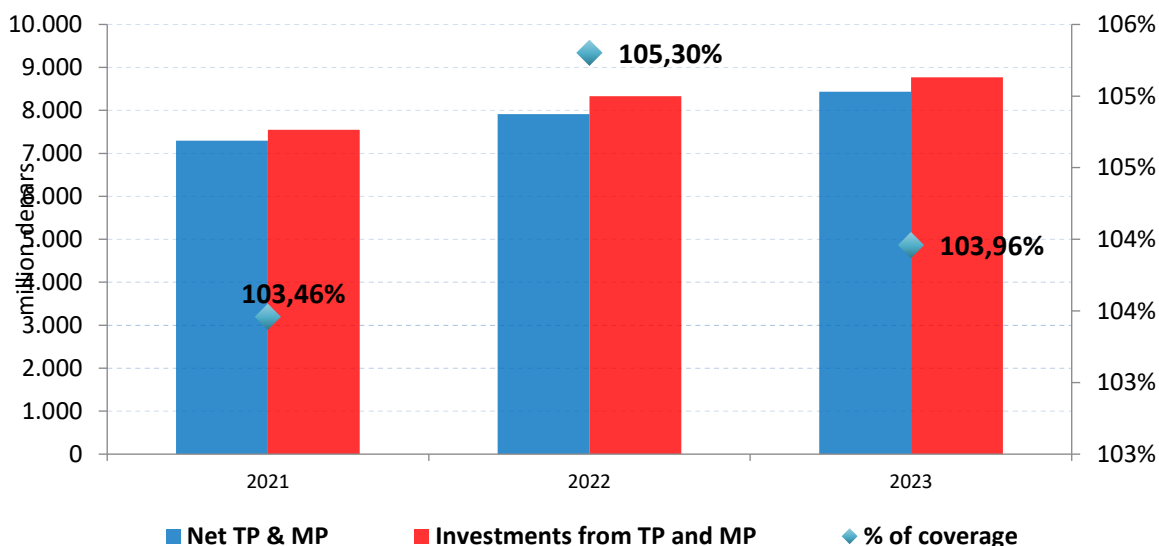
Chart no. 11: Coverage of net technical provisions of non-life insurance companies



Source: ISA

In the case of life insurance companies, investments of funds from technical provisions and mathematical reserves amounted to MKD thousand 8,771,979 (31.12.2022: MKD thousand 8,332,240) and have a coverage of net technical reserves of 104% (Chart no. 12). In this segment, too, the positive growth trend of net technical provisions (mainly composed of the mathematical reserve from life insurance contracts) has been maintained, as well as of investments in acceptable categories of financial instruments of the assets covering the technical provisions.

Chart no. 12: Coverage of net technical provisions of life insurance companies



Source: ISA

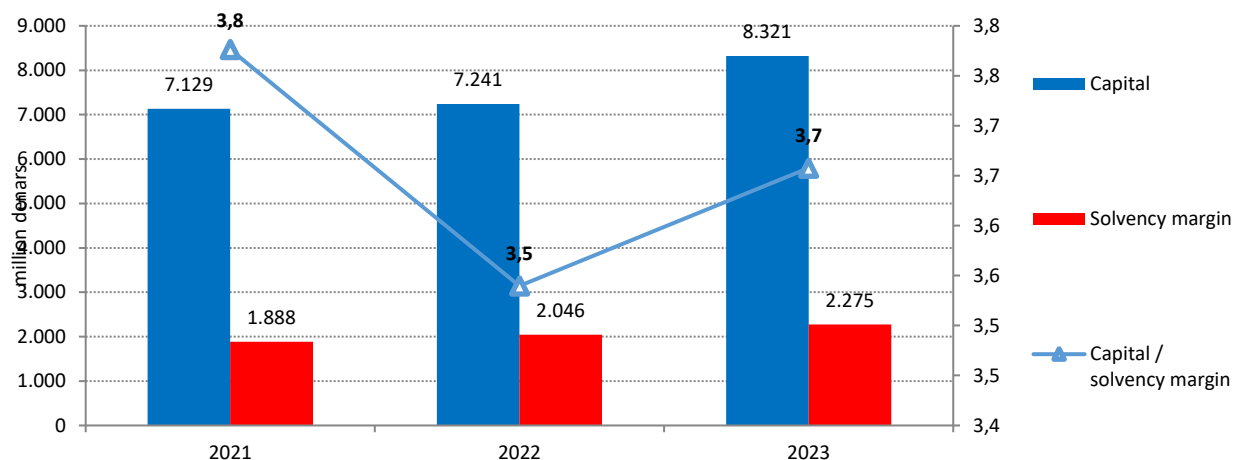
4.1.9. Capital adequacy of insurance companies

In accordance with Articles 75 and 76 of the Insurance Supervision Law, insurance companies should maintain the capital value at least at the required level of the solvency margin. According to the data submitted to ISA, at the end of 2023 the total calculated capital of insurance companies¹⁵ amounts to MKD thousand 8,320,949 (31.12.2022: MKD thousand 7,241,199). The capital calculation on 31.12.2023 does not include the profits made in 2023. Analyzed by insurance groups, the capital of non-life insurance companies amounts to MKD thousand 5,990,473 (31.12.2022: MKD thousand 5,246,946), and of life insurance companies to MKD thousand 2,330,476 (31.12.2022: MKD thousand 1,994,254).

The required level of solvency margin, as the main indicator of the minimum required capital that the insurance sector must have, aggregated amounts to MKD thousand 2.274.968 (for non-life insurance MKD thousand 1,661,639, and for life insurance MKD thousand 613,329), with that the capital of the insurance sector is 3.66 times above the required level of solvency margin. The movement of capital and the required margin of solvency among insurance companies are shown in Chart no. 13.

¹⁵Rulebook 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)

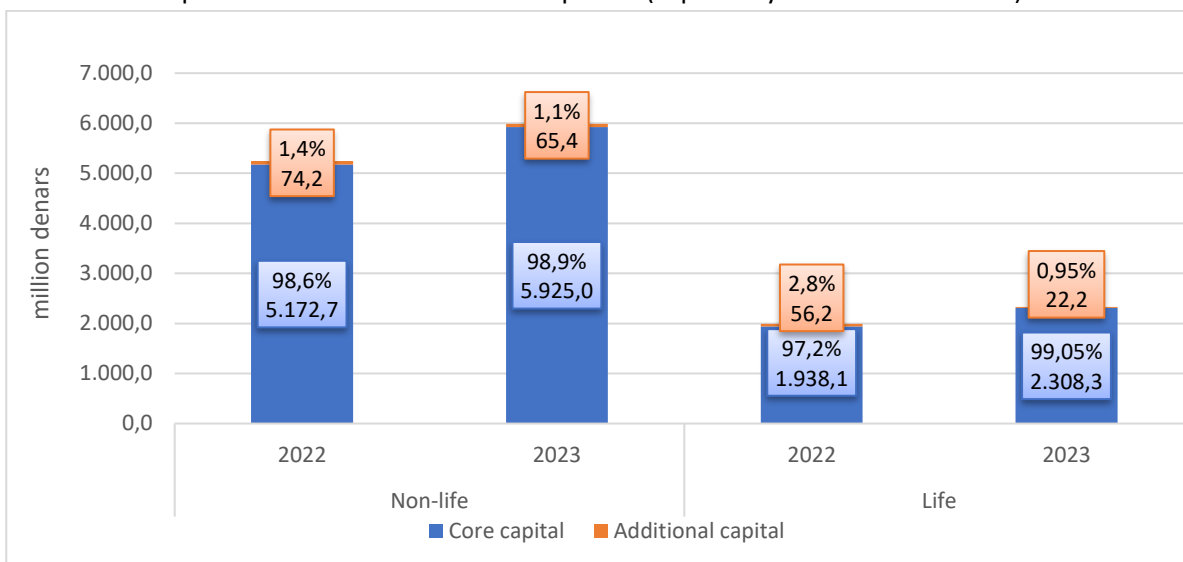
Chart no. 13: Movement of capital and the required solvency margin for insurance companies



Source: ISA

In the structure of capital sources of insurance companies, the basic capital dominates. That is, it originates from the highest quality categories of sources of funds: from paid-in share capital from issued ordinary shares; legal (statutory) reserves; as well as accumulated retained earnings. The share of additional capital in the total capital of the insurance sector is negligible. This creates confidence that the financial condition and solvency of the insurance sector is good.

Chart no. 14: Capital structure of insurance companies (separately for non-life and life)



Source: ISA

4.1.10. Financial performance

Insurance companies record solid results of operations in 2023.

Compared to the previous year, in 2023 the insurance sector recorded significantly better financial results, in both market segments. The total aggregated profit after taxation, at the sector level, in 2023 amounts to MKD thousand 671.558. As for comparison, for 2022 it amounted to MKD thousand 531.128 (Chart no. 15).

The aggregate result of non-life insurance companies is positive and amounts to MKD thousand 420,548, unlike the previous year, 2022, when it amounted to MKD thousand 307,222.

The aggregate result of the life insurance companies for 2023 is also positive, and amounts to MKD thousand 251,010 (2022: profit of MKD thousand 223,906).

The growth in the volume of operations of non-life insurance companies expressed through the increase in gross written premiums is the main reason for the significant improvement in profitability in the non-life insurance sector in 2023 compared with 2022. The total annual amount of incurred damages has increased slightly, while a more significant relative annual growth has been recorded on the side of operational, administrative and acquisition costs.

The total income from premiums, net of reinsurance, in 2023 in the non-life insurance segment amounts to MKD thousand 8,652,510 (2022: MKD thousand 7,641,793).

The total amount of incurred losses, net of reinsurance, in 2023 amounts to MKD thousand 4,321,597 (2022: MKD thousand 4,069,465); while, on the other hand, the total amount of operating expenses, reduced by commissions from reinsurers, MKD thousand 4,254,843 (2022: MKD thousand 3,560,785).

The return on investments calculated as the difference between income and expenses from investments from the aggregated income statement for 2023 of non-life insurance companies amounts to MKD thousand 365,061 (2022: MKD thousand 338,988).

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

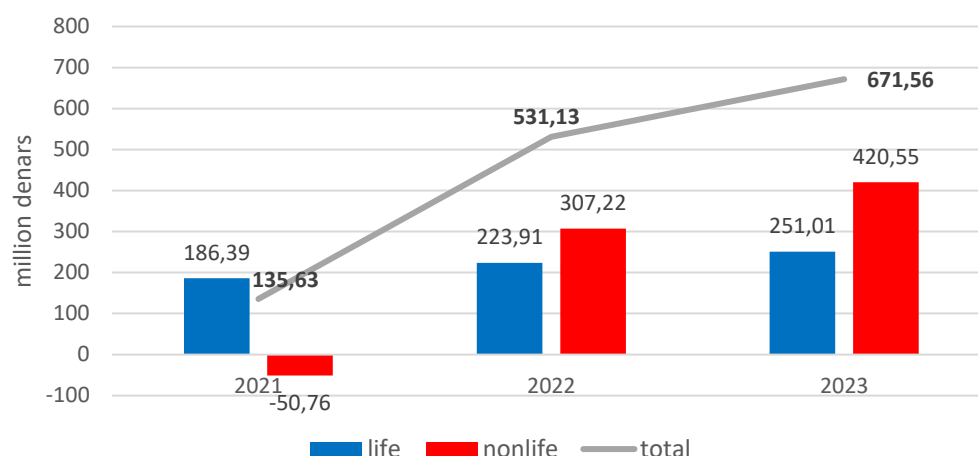
In life insurance, the main reason for the improvement of general profitability in 2023 compared to 2022 is due to significantly better achieved returns on investments. On the other hand life insurance segment recorded higher growth of costs due to incurred risks and operating costs, compared to the growth of operational income.

The total income from premiums, net of reinsurance, in 2023 in the life insurance segment amounts to MKD thousand 2,422,941 (2022: MKD thousand 2,204,867).

The total amount of incurred losses, net of reinsurance, in 2023 amounts to MKD thousand 1,847,973 (2022: MKD thousand 1,491,998); while, on the other hand, the total amount of operating expenses, reduced by commissions from reinsurers, MKD thousand 761,521 (2022: MKD thousand 696,762).

The return on investments calculated as the difference between income and expenses from investments from the aggregated income statement for 2023 of the life insurance companies amounts to MKD thousand 535.223 (2022: MKD thousand 235,685).

Chart no. 15: Financial result of the operations of the insurance companies



Source: ISA

4.1.11. Insurance sector risks

Similar to the previous year, in 2023 the economy dealt with the consequences of global conflicts and uncertainties, which were mainly manifested by unusually high inflation rates, above all on energy and food 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.

Taking into account the simple structure of established business models, insurance products, distribution channels and territorial distribution of insured and insured risks, it can be said that 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.

A significant part of the risks that can be insured remains uninsured. This especially applies to the occurred risks arising from unfavorable weather conditions, 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 bonds and term 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, and their valuation at fair (market) value, affects the general financial result of insurance companies, in conditions of increased volatility of the interest rates at which these instruments are issued.

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 endowment life insurance policies, with guaranteed return upon expiration, life insurance companies changed their business policies, making endowment life insurance policies significantly less desirable to potential buyers. The strongly expressed interest of banks to appear in the distribution of insurances as representatives of insurance companies, but also as beneficiaries of life insurances in case of premature death of the borrower, has contributed to the strong growth trend of the so-called risk insurances, which provide insurance coverage only in case of loss of life of the policyholder, but do not provide a refund of the paid premiums at the expiration of the insurance. Growth is also recorded by the so-called unit-linked life insurance linked to investments in investment funds where the insured assumes the risk of the investments. These products do not have any significant impact on the solvency of the insurance companies, because the insurance companies assume a significantly lower insurance risk.

In the above-mentioned insurance products, a significant part of the paid premiums is used for the payment of current costs by the insurance companies. Hence, it is desirable that these products are offered in a transparent and understandable manner in order for potential policyholders to make reasonable decisions about the invested funds, which would increase confidence in insurance and enable further growth and development of the market.

4.1.12. Insurance sector indicators

Below is a short analysis of the key indicators used in the insurance business for better monitoring and comparison.

The **loss ratio** is calculated as the ratio between the incurred losses and the earned premium in the period, and the **cost ratio** represents the ratio between the incurred operational costs and the earned premium. The sum of these two coefficients gives the **combined coefficient**. Table no. 20 presents the coefficients in more detail, by groups of insurance on both a gross and net of reinsurance basis.

Table no. 20: Technical coefficients

	2023			2022		
	Loss ratio	Cost ratio	Combined coefficient	Loss ratio	Cost ratio	Combined coefficient
Net coefficient						
Non-life	49.95%	49.17%	99.12%	53.25%	46.60%	99.85%
Life	76.27%	31.43%	107.70%	67.67%	31.60%	99.27%
Total	55.70%	45.29%	101.00%	56.48%	43.24%	99.72%
Gross coefficient						
Non-life	49.20%	43.60%	92.81%	46.18%	41.76%	87.94%
Life	75.51%	31.19%	106.70%	67.23%	31.23%	98.46%
Total	54.02%	41.33%	95.35%	50.13%	39.79%	89.91%

Source: ISA

Reinsurance has an important role in managing the risks assumed in insurance. 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.

If we analyze the data from the published¹⁶ annual aggregated statistical forms that show the structure of revenues and expenses from technical operations by separate insurance classes, additional light can be shed on the nature of operating expenses and expenses related to the incurred damages that affect the annual technical coefficients, but also on market trends.

The aggregated income statement of non-life insurance companies for 2023, 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% (2022: 22%), or in absolute amount, the companies transferred MKD thousand 2,434,384 (2022: MKD thousand 2,195,181) of the gross realized income from premiums in the amount of MKD thousand 11,086,894 (2022: MKD thousand 9,836,974) 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 5.8% and 53.3%. Corresponding to this is the participation of reinsurance in the costs of the companies, namely the claims paid and the operating costs. The total annual share of reinsurers in claims incurred of non-life insurance companies in 2023 is MKD thousand 1,133,632 (2022: MKD thousand 473,081), which represents 20.8% (2022: 10.4%) of the realized gross claims incurred in the year, i.e., from the gross incurred claims of MKD thousand 5,455,229 (2022: thousand 4,542,546). The total annual income from commissions from their reinsurers of the non-life insurance companies amounts to MKD thousand 579,333 (2022: MKD thousand 547,072), which represents 23.4% (2022: 24.7%) of the premiums ceded to reinsurers. The net financial effect of reinsurance on the aggregated income statement for 2023 is negative and amounts to MKD thousand 721.419 (2022: MKD thousand 1,175,028).

If the share of reinsurance in the total gross technical provisions is analyzed through the aggregated balance sheet of the non-life insurance companies. At 31.12.2023 the total amount of reinsurers share in gross technical provisions is MKD thousand 2,013,071 (31.12.2022: MKD thousand 1,801,769), which represents 17.5% (2022: 17.3%) of the gross technical provisions, which amounts to MKD thousand 11,478,223 (31.12.2022: MKD thousand 10,424,013).

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 2023 is 4.1% and has increased from last year (2022: 2.85%). Separately, by groups of insurance, it is established that the rate of return on investments in non-life insurance in 2023 is 3.12% compared to the achieved 3.15% in 2022, while in life insurance in 2023 this rate is 5.22%, which is an increase compared to the previous year when it was 2.52%.

Return on assets (ROA) is calculated as the ratio of pre-tax profit/loss to total assets. At the industry level, this indicator is 2.27%, which means an increase compared to the previous year when it was 2.08%.

Separately, by insurance groups, the rate of return on assets in non-life insurance in 2023 is 2.34% compared to 2.02% in 2022, and in life insurance in 2023 it is 2.16% compared to 2.18% in 2022.

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 8.05% against 7.77% in 2022. Separately, by insurance group, the rate of return on capital for non-life insurance in 2023 is 7.04%, which is a significant improvement compared to the previous year, when it amounted 6.39%. In life insurance in 2023 it is 10.74%, which is a small decrease compared to 2022 when it was 11.5%.

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 2023, this coefficient is 71.83%, which represents a slight decrease compared to 2022, when it was 73.23%.

The overview of all these financial indicators is given in Table no. 21.

Table no. 211: Financial indicators

	2023				2022			
	ROI	ROA	ROE	Indebtedness	ROI	ROA	ROE	Indebtedness
Non-life	3.12%	2.34%	7.04%	66.80%	3.15%	2.02%	6.39%	68.43%
Life	5.22%	2.16%	10.74%	79.91%	2.52%	2.18%	11.50%	81.06%
Total	4.10%	2.27%	8.05%	71.83%	2.85%	2.08%	7.77%	73.23%

Source: ISA

4.2. INSURANCE INTERMEDIATION

The role of mediation in sales has an increasing impact in the insurance sector. During 2023, 38.4% (2022: 38.76%) of realized GWP were realized through direct sales by insurance companies, while 61.6% (2021: 61.24%) were realized through indirect channels of mediation (Table no. 22).

Table no. 22: Structure of policy sales channels by realized GWP (thousand MKD)

	Non-life				Life				Total			
	2023		2022		2023		2022		2023		2022	
	GWP	%	GWP	%	GWP	%	GWP	%	GWP	%	GWP	Share
Direct sales	4,932,346	41.60%	4,466,513	42.50%	576,549	23.17%	489,543	21.50%	5,508,896	38.40%	4,956,056	38.76%
Insurance brokerage companies	3,733,489	31.49%	3,153,068	30.00%	982,700	39.49%	911,547	40.04%	4,716,189	32.88%	4,064,615	31.79%
Insurance representation companies	897,565	7.57%	808,029	7.69%	169,443	6.81%	218,633	9.60%	1,067,008	7.44%	1,026,662	8.03%
Travel agencies	21,561	0.18%	21,618	0.21%	0	0.00%	0	0.00%	21,561	0.15%	21,618	0.17%
Car dealerships	17,811	0.15%	16,701	0.16%	0	0.00%	0	0.00%	17,811	0.12%	16,701	0.13%
Banks	437,864	3.69%	344,238	3.28%	577,936	23.23%	476,564	20.93%	1,015,800	7.08%	820,802	6.42%
Agents	1,787,418	15.08%	1,673,495	15.92%	181,597	7.30%	180,213	7.92%	1,969,015	13.73%	1,853,708	14.50%
Other distribution channels	28,409	0.24%	25,265	0.24%	0	0.00%	0	0.00%	28,409	0.20%	25,265	0.20%
Total	11,856,463	100.00%	10,508,927	100.00%	2,488,225	100.00%	2,276,500	100.00%	14,344,688	100.00%	12,785,427	100.00%

Source: ISA

In the structure of non-life insurance sales channels, the largest share is direct sales with 41.6%, followed by sales through insurance brokerage companies with 31.49%, sales through agents (individuals) with 15.08%, sales through companies for representation in insurance with 7.57%, banks with 3.69% and 0.57% through other distribution channels. In contrast, in the structure of sales channels for Life insurance, the largest share is occupied by insurance brokerage companies with 39.49%, followed by direct sales with 23.17%, banks with 23.23%, sales through insurance representation companies with 6.81% and 7.3% 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 for the account of one or more insurance companies, for insurance products that do not compete with each other. Representation 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 2023, 28.25% of GWP (2022: 28.95%), i.e. MKD thousand 4,051,822 (2022: MKD thousand 3,701,172) were realized, which represents an increase of 9.5% 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 13.74% (2022: 14.5%).

Representation in insurance through natural persons is carried out on the basis of a license from ISA, which they received after previously passing an exam for performing work of representation in insurance. In the total GWP, representation in insurance through natural persons participates with 13.73% (2022: 14.5%).

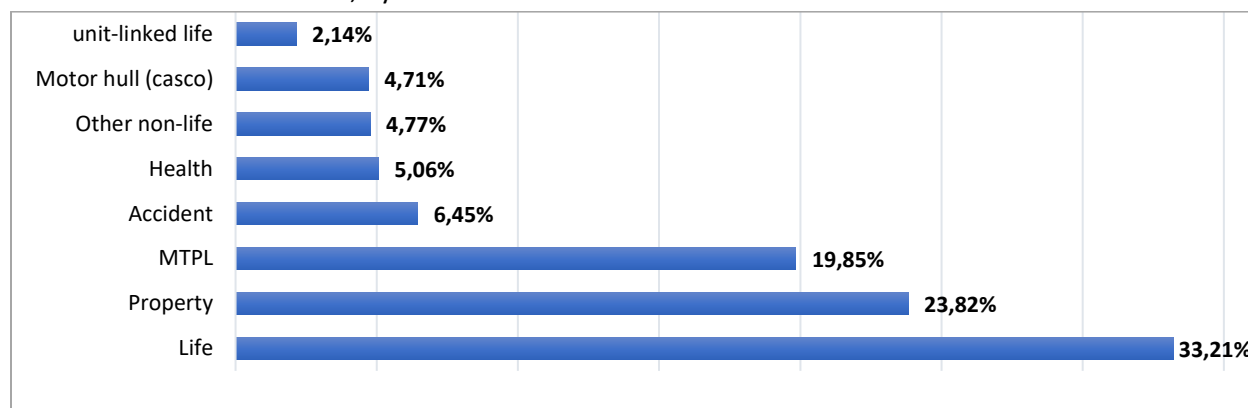
In the total GWP, insurance representation companies in 2023 participated with MKD thousand 1,067,008 or 7.44% of the total mediation, and compared to last year, an increase of 3.93% was recorded (2022: MKD thousand 1,026,662).

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 thousand 1,015,800 or 7.08% in the total GWP, which represents an increase of 23.76% compared to 2022 (2022: MKD thousand 820,802).

During 2023, 113,602 insurance contracts (policies) were concluded through insurance representation companies (2022: 98,975), which is 14.78% more than the previous year. Through banks, 207,480 insurance contracts were concluded in 2023 (2022: 203,587), which represents an increase of 1.9% 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. 16: GWP structure, by insurance classes



Source: ISA

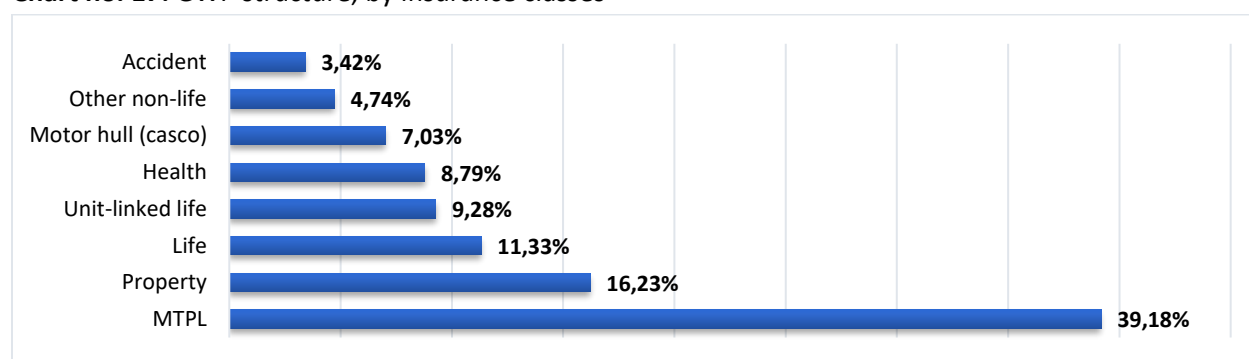
4.2.2. Insurance brokerage operations

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. Through this distribution channel, insurance companies in 2023 realized 32.88 of GWP (2022: 31.79%), i.e. MKD thousand 4.716.189 (2022: MKD thousand 4,064,615), which represents an increase of 16% compared to the previous year.

In this period, insurance brokerage companies sold 479.298 policies (2022: 459,839), which represents an increase of 4.23% compared to the previous year.

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

Chart no. 17: GWP structure, by 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 in the international insurance organizations and institutions. The NIB also issues and prints international green cards for the needs of its members, maintains statistical records and performs statistical processing of statistical data from insurance companies, establishes and maintains a central system for recording policies and damages from the use of motor vehicles.

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

At the end of 2023¹⁷ eleven insurance companies are members of the NIB, i.e., all non-life insurance companies.

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 2023.

As of 31.12.2023, the total assets of NIB amount to MKD thousand 306,126, of which MKD thousand 176,000, or 57.49% are deposits in banks, MKD thousand 94,788, or 30.96% are receivables, MKD thousand 11,285, or 3.69% 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 2.89%. In the total liabilities and capital of NIB in 2023, capital accounts for 62.15%, and liabilities for 37.85%. In 2023, NIB made a profit in the amount of MKD thousand 1,101 (2022: profit of MKD thousand 1.992).

4.3.1. Guarantee Fund of NIB

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

1. losses caused on the territory of 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 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,

17

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 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. 23: Share in the Guarantee Fund by insurance companies

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	273,330,846	4.92%	9,083,615
Triglav	473,432,021	8.53%	15,733,586
Evroins	475,764,252	8.57%	15,811,093
Sava	494,289,423	8.90%	16,426,741
Winner	736,247,703	13.26%	24,467,750
Eurolink	438,863,751	7.91%	14,584,777
Grawe Non-life	487,731,159	8.79%	16,208,790
Uniqa	781,916,963	14.09%	25,985,479
Osiguritelna polisa	508,924,362	9.17%	16,913,104
Halk	356,079,639	6.41%	11,833,609
Croatia non-life	524,672,297	9.45%	17,436,564
Total	5,551,252,416	100.00 %	184,485,000

Source: Report on the NIB operations for 2023

Insurance companies that perform compulsory third-party liability insurance in traffic are obliged to pay participations to the Guarantee Fund in an amount proportional to the premium realized by certain classes of the compulsory liability insurance in traffic 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 participation requirements 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 insurances. For 2023, the participation in the Guarantee Fund by insurance companies is shown in Table 23.

4.3.2. Reimbursement of claims from the Guarantee Fund

In accordance with Article 60 paragraph (4) of the Law on Compulsory Traffic Insurance, the insurance company that has processed and paid the claim 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 Macedonia, for which special international agreements are valid, signed by Macedonia.

Table no. 24: Reported and accepted claims to be reimbursed by the Guarantee Fund

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	30	30	21,962,272
Triglav	42	42	6,276,128
Euroins	34	32	5,295,579
Sava	40	39	7,581,900
Wiener	54	53	14,689,704
Eurolink	35	35	5,590,439
Grawe non-life	38	38	6,306,649
UNIQA	49	49	10,270,756
Osiguritelna polisa	36	36	4,248,698
Halk	56	55	7,137,323
Croatia Non-life	39	38	5,838,315
Total	453	447	95,197,663

Source: Report on the NIB operations for 2023

In 2023, 453 claims for refund were reported by the insurance companies to the NIB, all of which in amount of MKD thousand 95.198 were accepted and refunded.

Compared to the previous year, a downward trend was observed in the total number of reported and accepted claims, as well as in the total paid amount.

The number of reported and accepted claims for reimbursement from the Guarantee Fund during 2023, as well as the number of accepted claims are shown in table no. 24.

Number
Skopje, 29.6.2023

President of the Council of the experts,
Krste Shajnoski