



INSURANCE
SUPERVISION
AGENCY

R e p u b l i c o f M a c e d o n i a

AZORS AND COFUS 4TH INSURANCE CONFERENCE

"Insurance companies in Macedonia - Investment regulation, supervision and practice"

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Content:

1. Macedonian Insurance Market Overview
2. Investments Regulation
3. Reporting and Supervision
4. Final Remarks and Further Challenges

Market profile

- Insurance penetration - **1.45%** in 2014 (2013:1.44%);
- Insurance density - **60 EUR/capita** in 2014 (2013: 57 EUR)
- **11** Nonlife insurance undertakings (10 with foreign shareholders)
- **4** Life insurance undertakings (4 with foreign shareholders)

Gross written premium

2014: 124.11 million EUR (**109.66** nonlife; **14.45** life) **2013: 116.95** million EUR (**105.09** nonlife; **11.86** life)

↑ GWP- total	14/13: (6.13%)	14/10: (4.17%)*	14/10: (17.74%)**
↑ Non life insurance	14/13: (4.36%)	14/10: (2.42%)	14/10: (10.05%)
↑ Life insurance	14/13: (21.84%)	14/10: (25.82%)	14/10: (150.58%)

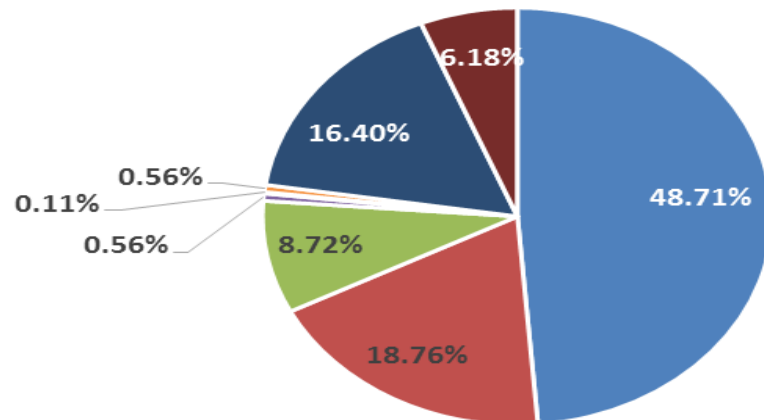
* average growth rate 2010 - 2014

** cumulative growth rate 2010 - 2014

Market profile

- **30** Insurance brokerage companies
- **11** Insurance agencies
- **3** Banks which acts as insurance agency
- **950** Insurance agents
- **412** Licenses brokers

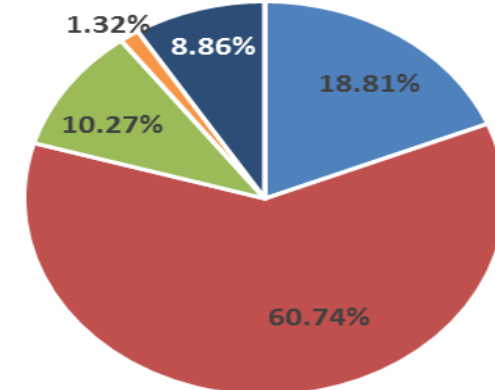
Nonlife insurance



GWP sales channels

- Direct sales
- Insurance brokerage companies
- Insurance agencies
- Travel Agencies
- Car Dealers Stores
- Banks
- Insurance agents
- Other distribution channels

Life insurance



Financial result and Technical Ratios

	2010	2011	2012	2013	2014
Profit/ Loss for the financial year after tax (in EUR)					
Total	1,219,576	-1,193,256	-2,173,214	3,438,931	5,565,585
Non-life	516,568	-1,281,398	-1,046,697	2,689,377	5,536,668
Life	703,008	88,142	-1,126,516	749,554	28,917
Financial indicators					
ROA	0.6%	-0.6%	-1.0%	1.5%	2.1%
ROE	1.8%	-1.8%	-2.9%	4.2%	6.3%
ROI	8.1%	5.4%	4.8%	3.7%	4.1%

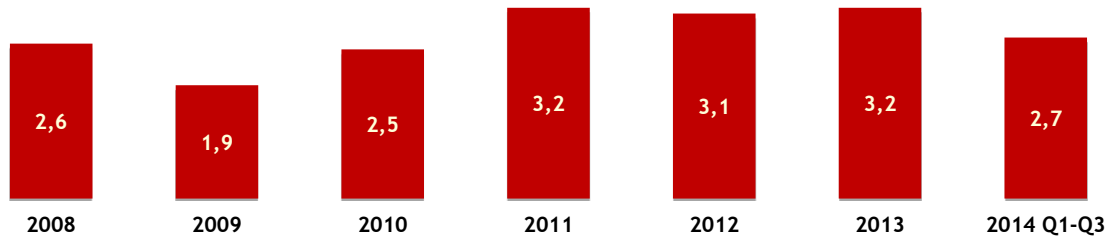
	2010	2011	2012	2013	2014
Claims ratio	57.4%	56.5%	52.3%	49.7%	49.9%
Expense ratio	42.6%	51.3%	52.8%	53.1%	56.9%
Combined ratio	100.0%	107.8%	105.1%	102.8%	106.8%

Economic Indicators

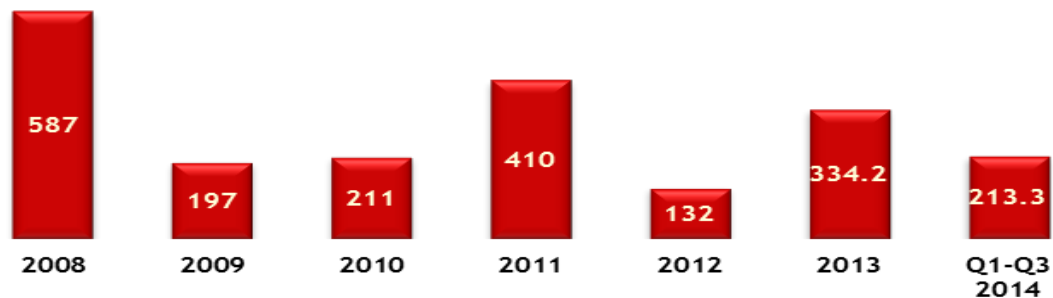
GDP GROWTH(%)



EXPORT (billion €)



FDI BY YEAR (million €)



INFLATION

Low inflation: <2% annually over the last 13 years
2013: 2.8%; 2014 : - 0.3%

CURRENCY

Macedonian Denar pegged to the DM/€
for the last 20 years (€1= MKD 61.6)

INTEREST RATES (APRIL 2015)

Loans: 6.9 p.a. Deposits: 2.2 p.a.
12 months T-bills: 1.7 p.a.

CREDIT RATINGS 2014

Standard & Poor's: BB- (Stable)
Fitch: BB+ (Stable)

BUDGET DEFICIT & STATE DEBT

Budget Deficit, 2014: 3.9 % of GDP
State Debt, 2014: 35.7 % of GDP

2. INVESTMENT REGULATION

Investment regulation

- Law on Insurance Supervision (“Official Gazette of the Republic of Macedonia” nos. 27/2002, 98/2002, 79/2007, 88/2008, 67/2010, 44/2011, 112/2011, 188/2013, 30/2014, 43/2014, 112/2014 and 153/2015).
- Rulebook on the types and characteristics of the assets covering technical provisions and mathematical provision - detailed placement, limitations and reporting (“Official Gazette of the Republic of Macedonia” no. 61/2011)

Reporting regulation

- Rules on the form and content of financial statements and detailed content of the annual report of the insurance and / or reinsurance (“Official Gazette of the Republic of Macedonia” nos. 5/2011, 41/2011, 64/ 2011, 187/2013);
- Rules on the form and content of the supplementary financial statements of insurance companies and / or reinsurance (“Official Gazette of the Republic of Macedonia” no.30/2012);

Insurance Company Own Assets Investment

- Law on Insurance Supervision - Article 73
- Investments only in the Republic of Macedonia.
- 60% of the capital for investments in real estates, as well as for capital investments in other insurance companies, financial institutions and other legal entities.
- 15% of the capital for investments in advance payments and loans by presenting its policies for which the premium has been paid on time.
- Bank Deposits - max 25% in one bank.
- Other types of companies – max 10% in company's capital structure.
- Short term loans only when covered with bank guarantee.

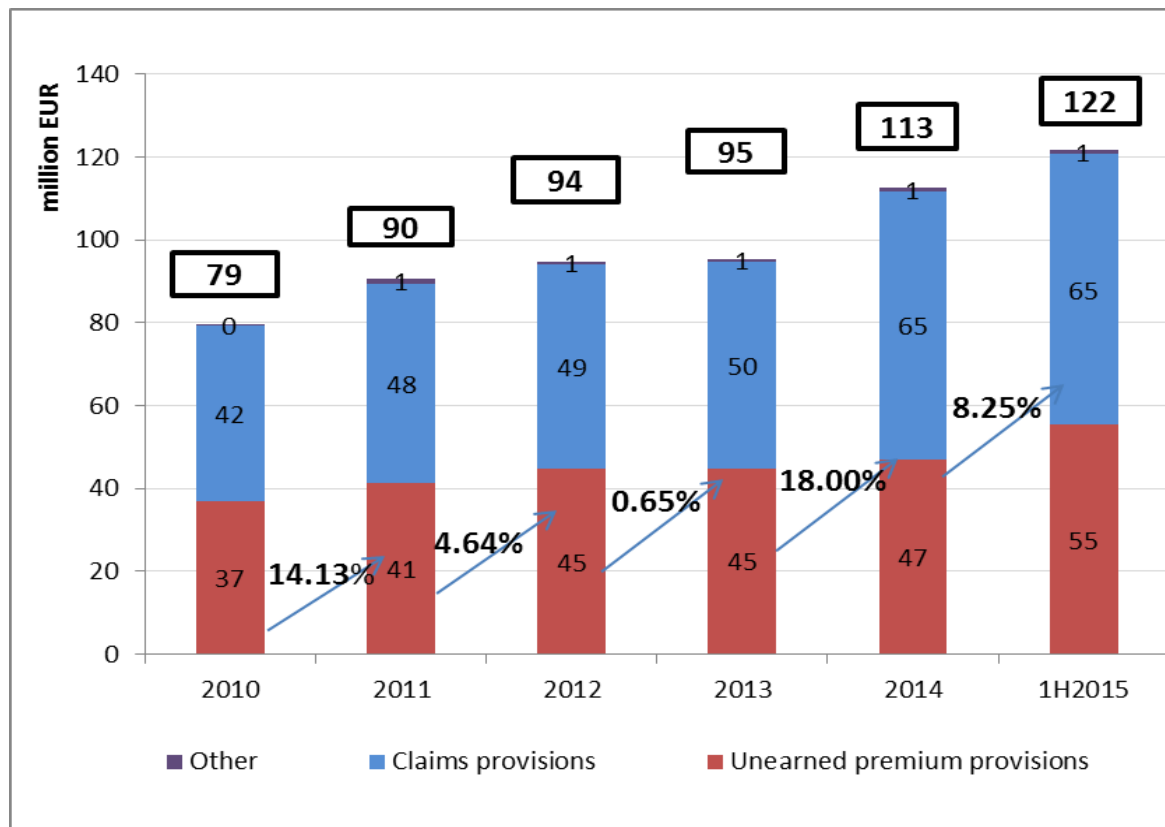
Assets covering the TP and MP

Types of investments allowed	ISL	Investment's bylaw
	Allowed %	Allowed % or qualitative characteristics
Cash at bank's account or in the company's registry	3%	
Bank deposits	60%	25% pre bank
Securities issued by the NBRM	80%	
Debt securities issued or guaranteed for by the Republic of Macedonia(RM) at the domestic market	80%	
Debt securities issued or guaranteed by local government of the RM	10%	
Debt securities traded on a regulated market for securities of the RM	35%	Issued by domestic company Listed on MSE Unqualified Audit Report
Debt securities not traded on a regulated market for securities in the RM, if their issuer is a legal entity established in RM	5%	Unqualified Audit Report
Shares traded on a regulated market for securities in the RM	25%	Issued by domestic company Listed on MSE Unqualified Audit Report
Shares not traded on a regulated market for securities in the RM, if their issuer is a legal entity established in the RM	5%	Unqualified Audit Report
Units/Shares issued by companies in the RM	5%	Only in Ltd companies Not related entities

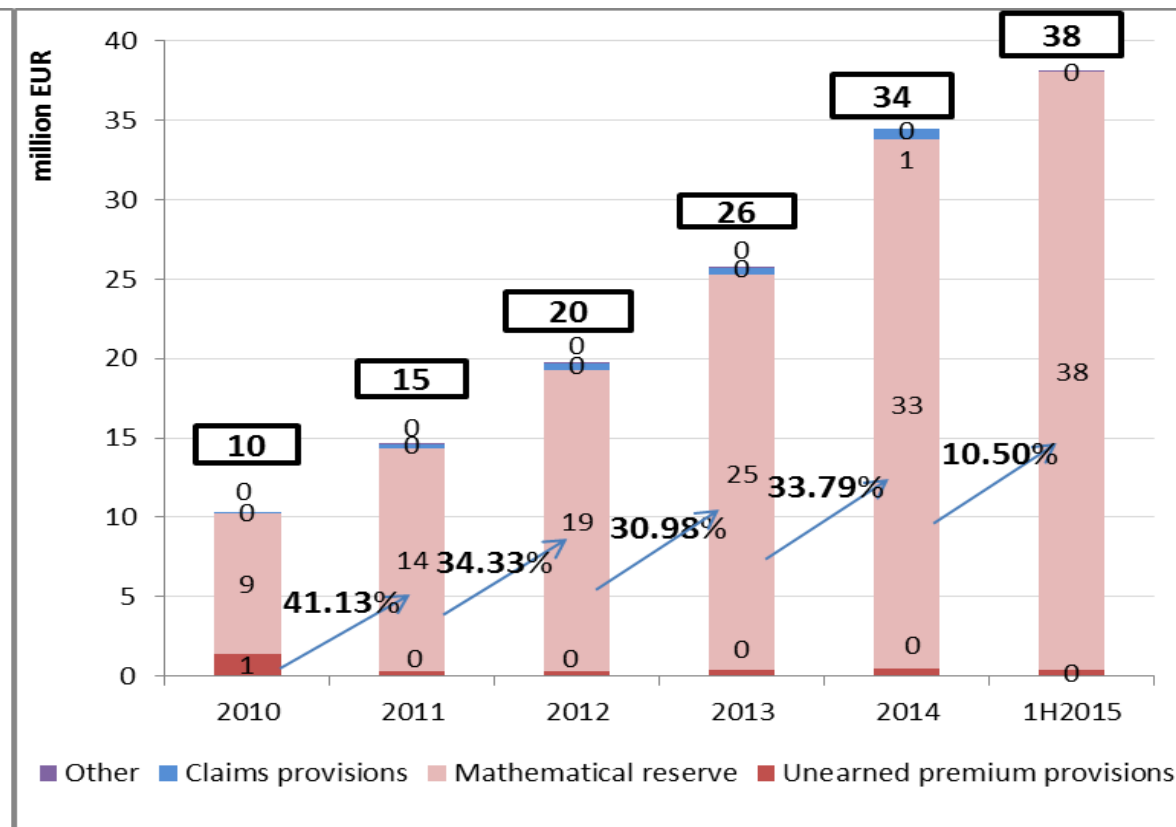
Assets covering the TP and MP

	ISL	Investment's bylaw
	Allowed %	Allowed % or qualitative characteristics
Units/Shares issued by investment funds registered in the RM	20%	Max 10% on open-ended or close-ended funds managed by one investment fund company Max 1,5% on private investment funds, 0,5% in each
Long-term debt securities issued by a EU member state or a OECD member state	20%	Country credit rating minimum BBB+, Baa1
Long-term debt securities issued by a foreign legal entity from a EU member state or a OECD member state		Issuer and country credit rating minimum BBB+, Baa1
Shares issued by a foreign shareholders company that are traded on a regulated securities market in EU member states or OECD member states		Issuer and country credit rating minimum BBB+, Baa1
Shares/Units issued by investment funds that are traded on a regulated securities market in a EU member state or a OECD member state		The managing company can't reside in off-shore zone (IMF list) The fund should be registered in a country with credit rating minimum BBB+, Baa1 Can't be a hedge fund
Other type of investment allowed by ISA		There are no other types allowed by ISA at present

Technical and mathematical provisions



Nonlife insurance










Life insurance

Assets covering technical and mathematical reserves








nonlife

in 000 EUR

	2012	2013	2014	1H2015	Trend	Share 1H2015
Bank accounts and deposits	37.789	37.698	42.874	45.631		46,31%
Government securities	40.881	47.086	46.597	45.975		46,65%
Shares	1.924	1.055	926	804		0,82%
Corporate bond	935	0	1.056	2.154		2,19%
Investment funds	186	1.646	3.253	3.980		4,04%
Other	3.386	0	1.109	0		0,00%
Total	85.102	87.485	95.815	98.543		100,00%

life



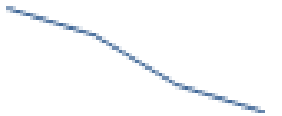






in 000 EUR

	2012	2013	2014	1H2015	Trend	Share 1H2015
Bank accounts and deposits	5.430	6.086	7.913	7.778		20,89%
Government securities	14.864	19.436	26.637	29.357		78,85%
Shares	0	381	0	0		0,00%
Corporate bond	0	0	0	0		0,00%
Investment funds	0	0	0	0		0,00%
Other	105	49	73	97		0,26%
Total	20.399	25.952	34.623	37.232		100,00%

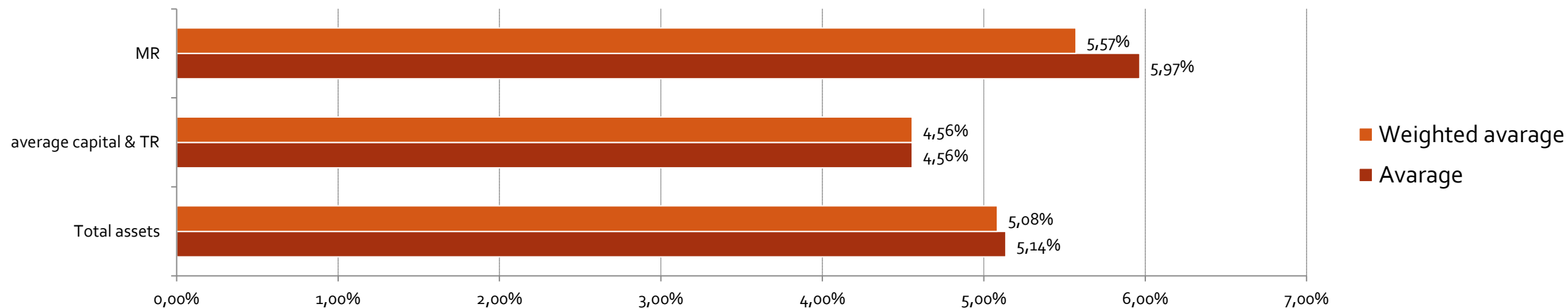
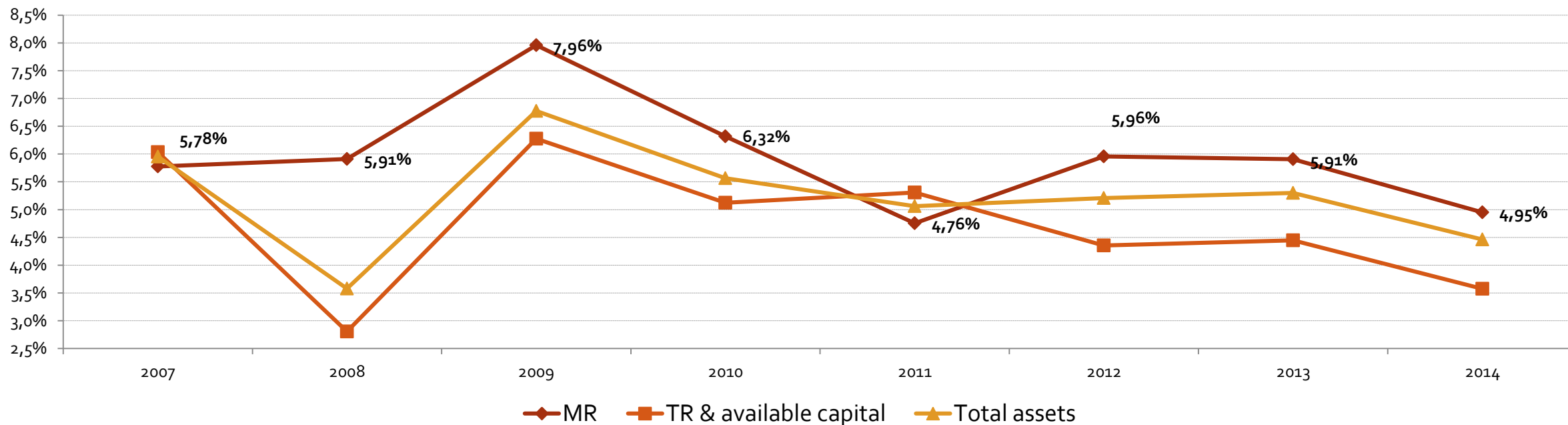
Own funds investments

own funds

in 000 EUR

	2012	2013	2014	1H2015	Trend	Share 1H2015
Land and buildings	22.883	24.267	23.247	22.879		36,97%
Equities in companies in a group - subsidiaries	0	0	0	199		0,32%
Investments in jointly controlled entities	3.042	3.031	3.011	3.000		4,85%
Government securities HTM	5.320	2.194	1.157	3.163		5,11%
Government securities AFS	1.767	1.614	4.183	6.013		9,72%
Shares AFS	55	0	0	0		0,00%
Investment funds HFT	0	0	55	0		0,00%
Deposits and loans	20.598	26.688	30.016	26.631		43,03%
Total	53.697	57.827	61.702	61.886		100,00%

Yield trends



3. REPORTING AND SUPERVISION

Reporting and Supervision

Companies report quarterly for their investments paper based and through Off-site and reporting system (VIZOR)

Relevant reports:

Financial reports	Balance Sheet and P&L
VTR	Technical Provisions
MTR	Mathematical provisions
PiRodV	Statement of revenues and expenses from financial investments
RD(Z)odV	Report of realized gains (losses) from sale
neRD(Z)odV	Value adjustment report
VK	Investments of the assets that do not cover the TP/MP
SVI	Investment Structure

These reporting and analytical reports from the improved capacity of the off-site supervision and decreased the frequency and need for on-site supervision of the investments

4. FINAL REMARKS AND FURTHER CHALLENGES

Final Remarks

- Conservative investment strategy
- Insufficient usage of the allowed investments with the investment regulation
- Main instruments – domestic government securities and bank deposits
- Suboptimal capacity of the investment departments in terms of formal qualifications and number of employees
- High dependence from the investment strategies of the mother companies

Further Challenges

Unit-link insurance - first time on the market couple of months ago

Concerns

- that the policyholders will be informed properly about the risk
- that the general public understands the complexity of the product
- Because the investment fund that the life insurance policy is connected with is owned by the biggest brokerage company for life insurance

THANK YOU!

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