



CONSOLIDATED ANNUAL REPORT  
ON THE OPERATIONS OF SAVA  
OSIGURUVANJE AD SKOPJE 2019

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## 1 ADDRESSING OF THE MANAGEMENT

*Dear shareholders, business partners, associates and friends,*

*We begin this year's address with all of you with sincere pleasure, proud of the successes and achievements so far, and with the hope of achieving even greater goals in the future.*

*In the past year, we have worked as always - with a lot of dedication, expertise and listening to our clients' needs. This is also reflected in the financial results, i.e. Sava Insurance a.d Skopje ended 2019 with a positive financial result of 15.445.785 MKD denars before taxation. Once again we have established the stable position and the rating of good rating on the Macedonian insurance market. In conditions of fierce competition, which this year, up to the third quarter, increased by 6.2% in the area of non-life insurance, Sava managed to grow its significant portfolio by 10.1% in the same period. All of this is a result of the successful team working in our company, the result of our strategic commitment and the innovative activities and projects Sava has been implementing for several years.*

*In addition to the numbers, we would like to refer to some important things that we gladly and proudly emphasize in every possible situation.*

*Through our daily work and communication, through innovative solutions for our clients, tailor-made insurance, fast and accurate payment of damages, our insurers and business associates recognize us as a serious and stable partner, with a high corporate culture based on transparency and team work. Behind all these processes lies a professional, well organized and dedicated team of more than 200 employees; a powerful network of sales channels, affiliates and agents, online sales, bank insurance; own technical inspection station, own 24/7 contact center, and own assistance organization and assistance coordination center.*

*The year was marked by implementing another new product, in which Sava is again the market leader. That is the Claims Insurance product. We have been following our and the regional market closely and carefully to formulate and provide the highest quality coverage possible.*

*We remain market leaders with the bank insurance project, which continues to operate successfully and grow.*

*We have also expanded our Warranty Insurance with Neptune on mobile and technical equipment.*

*In the family of our group Sava Re – Sava Pension Fund represents a great opportunity for new development prospects, so our two houses have entered into a strategic cooperation agreement whereby members of the fund, as well as anyone interested, can seek an authorized pension insurance agent in the subsidiaries of Sava Osiguruvanje a.d Skopje.*

*This year we opened another technical station in Brvenica, thus expanding our technical station business through our daughter company Sava Stations.*

*We have achieved socially responsible behavior to be rooted in the work ethic of our collective. Regular activities and projects related to caring for the environment in which we live and work continued: supporting marginalized groups, single parent families, blood donation activities, sports sponsorship, engaging in nature conservation activities ... we affirm our role as a positive role model in the business community.*

*Sincerely,*

General Manager

*Ilo Ristovski,*

Executive Director

*Melita Gugulovska,*



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I.

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## 2 DATA ON THE MEMBERS OF THE BOARD OF DIRECTORS

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The Board of Directors is composed of the following seven members:



**ILO RISTOVSKI**, Bachelor of Electrical Engineering, executive member of the Company's Board of Directors, born on 26.04.1969 in Veles, Republic of Macedonia, male, citizenship: Macedonian, date of first appointing: 24.07.2017 by the Company's Board of Directors with consent for his appointing provided by the Insurance Supervision Agency on 14.09.2017 and extended on 31.10.2018 year, employed in SAVA Osiguruvanje, a.d. Skopje at the job position General Manager, activity: non-life insurance, not a member of management bodies and supervisory bodies in other legal entities.



**MELITA GUGULOVSKA**, Bachelor of Civil Engineering, executive member of the Company's Board of Directors, born on 20.11.1966 in Skopje, Republic of Macedonia, female, citizenship: Macedonian, date of first appointing: 24.07.2017 by the Company's Board of Directors with consent for her appointing provided by the Insurance Supervision Agency on 14.09.2017 and extended on 31.10.2018 year,

employed in SAVA Osiguruvanje, a.d. Skopje at the job position Executive Director, activity: non-life insurance, not member of management bodies and supervisory bodies in other legal entities.

The gross annual fee of the executive members in the Company's Board of Directors for 2019, on the grounds of salary and other rights they are entitled to in accordance with the Managerial Agreements, is 15.461.880, 00 MKD denars.



**ROK MOLJK**, Bachelor of Economics, president and non-executive member of the Company's Board of Directors, born on 20.04.1968 in Postojna, Republic of Slovenia, male, without individual fee for the membership in the SAVA Osiguruvanje's Board of Directors, Citizenship: Slovenian, date of first appointing: 08.02.2012 by a Decision of the Company's Shareholders Assembly with current term until 05.09.2020, member of the Management of Zavarovalnica SAVA d.d., Republic of Slovenia and member of the supervisory bodies of Illyria Kompania e Sigurimeve sh.a. u Illyria Life Kompania e Sigurimit të Jëtës, sh.a. – Kosovo. He is employed in Zavarovalnica SAVA d.d., from Maribor, Republic of Slovenia, activity: insurance, at the job position member of Management Board



**MILAN VIRSHEK**, Bachelor of Law, non-executive member of the Company's Board of Directors, born on 05.11.1968 in Ljubljana, Republic of Slovenia, male, without individual fee for the membership in the SAVA osiguruvanje's Board of Directors, Citizenship: Slovenian, date of first appointing: 25.03.2010 by a Decision of the Company's Shareholders Assembly with current term until 05.09.2020, member of the supervisory bodies of Zavarovalnica SAVA d.d., Republic of Slovenia, SAVA Montenegro a.d. Podgorica – Montenegro and Illyria Kompania e Sigurimeve sh.a., Pristina - Kosovo. He is employed in Pozavarovalnica SAVA d.d., Ljubljana, Republic of Slovenia, activity: reinsurance, at the job position Director in the area of supervision in the Group's Support Sector – supervision of non-life insurance.





**PETER SKVARCA**, Master in European Integration (Bachelor in Political Science), executive member of the Board of Directors, born on 01.02.1975 in Kranj, Republic of Slovenia, male, Citizenship: Slovenian, date of first appointing: 22.11.2011 by a Decision of the Company's Shareholders Assembly with current term until 05.09.2020, authorized person of the Management Board of Pozavarovalnica Sava d.d Ljubljana, activity: non life insurance. He was not a member of management bodies and supervisory bodies of other legal entities. He is employed in Pozavarovalnica SAVA, d.d from Ljubljana, r. of Slovenia, activity: reinsurance.



**NENAD JOVANOVIKJ**, Bachelor of mechanical engineer, non-executive and independent member of the Board of Directors of the Company, born on 21.06.1966 in Ljubljana, R. of Slovenia, male, with individual quarterly membership fee in the Board of Directors of SAVA Osiguruvanje in amount of 550 Euros in MKD denars, citizenship: R. of North Macedonia/ R. of Slovenia, date of first appointing: 02.04.2019 by a Decision of the Company's Shareholders Assembly with current term until 05.09.2020. He is employed as Secretary General of the Board of Founders of the Company EKON ELEKTRON.



**SASHO TONEVSKI**, Master in Civil Aviation Management (Graduate Political Scientist), Non-Executive and Independent Member of the Organizing Committee for Other Changes, born on 07.06.1971 in Skopje, R. of Macedonia, male, with an individual quarterly membership fee of SAVA Board of Directors in amount of 500 Euros in MKD denars, citizenship: R. of Macedonia, date of first appointing: 27.12.2019 by a Decision of the Company's Shareholders Assembly with current term until 05.09.2020. He is

*employed and manager of Trade Company Delfino Rent a Car Dooel and Trade Company Delfino Travel Agencies Dooel.*

### 3 MANAGEMENT OFFICIALS

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- Sales department, Kristian Leshkov, Director;
- Development and Risk-Taking Department, Elena Petrovska, Director;
- Claims (Assessment and Liquidation) Department);
- Finance and Accounting Department, Mirche Marinovikj, Director;
- Department for General and Legal Affairs;
- Independent Internal Audit Service, Natasha Dzidrova, Manager;
- Independent Controlling Service, Biljana Argir, Manager;
- Independent Claim Collection Service, Jasmina Dzartova, Manager;
- Independent Actuarial Work Service, Vladimir Stojanoski, Manager;
- Independent IT Service, Aleksandar Mihajloski, Manager;
- Independent Risk Management Service.



## II. PAST AND FUTURE DEVELOPMENT OF THE COMPANY

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## 1 COMPANY BACKGROUND

### 1.1 MOST IMPORTANT EVENTS OF THE COMPANY

Year	Most important events
1993	SAVA osiguruvanje, a.d. Skopje was founded as insurance joint stock company TABAK – Skopje, on the Founding Assembly held on 24.12.1993, with initial capital of 1 million German marks or 1000 common stocks with a value of DEM 1,000 per share. After the successfully implemented second issue of stocks, an additional capital was provided during 1994 and 1995 and the total principal amounted DEM 2,530,000 or EUR 1,265,000. By reserving 66.9% of the generated profit in 2001 and by conducting third issuance of stocks in 2002, the shareholders' equity was increased by 3,010 stocks or by additional EUR 1,505,000.
2006	In 2006, the ownership structure was allocated to 21 shareholders, and 10 of them controlled 81% of the total number of stocks.
2007	At the beginning of 2007, SAVA RE Ljubljana purchased the majority of stocks, and in November 2007 the Company changed its name into Insurance Joint Stock Company SAVA TABAK.
2008	In January, 2008 was performed the fourth issuance of stocks in the amount of EUR 230,000 where 460 common stocks were issued in order to comply with the new amendments and supplements of the Law on Insurance Supervision. With these amendments the Company's initial capital amounts EUR 3,000,000.
2011	On November 10th, 2001, the Company rebranded and changed its name in SAVA osiguruvanje a.d. Skopje. Thus, the Company unified its corporate identity and logo with other associated companies of the SAVA Re Group.
2013	In August, 2013, SAVA RE Group became 100% owner of the Zavarovalnica Maribor insurance company from Slovenia thereby experiencing a significant transformation and became second largest insurance group in the region. This represents achievement of important strategic aim – to strengthen the position on the developed insurance market and to establish a business model that is well balanced in connection to the local and world trends on the insurance market. These are the two segments in which the group will expect the largest inflow, mainly because of the Western Balkan's insurance market premium growth – whose potential is precisely in its underdevelopment, and which should provide strengthening of the group and support to its dividend policy.
2014	On 22.12.2014, as full investment of the Company, was founded the Sava Station technical inspection station which represents a success story for the Slovenian and Macedonian partnership and an economic cooperation. Sava Station is new Sava Re Group member and represents a project of Sava osiguruvanje a.d. Skopje. The station was put into operation in 2015 and with its first results has already strengthened the excellent position of Sava osiguruvanje on the Macedonian insurance market, but it provides its contribution in the economic development of the Ilinden municipality as well, where it is situated.
2015	By including the new member – Zavarovalnica Maribor, in 2015 the group plans a significant increase in the premium mainly on the insurance markets outside Slovenia. Indeed, the main goals of the group in the following three years will be integration on the insurance market in Slovenia and growth beyond its borders, due to which Sava Re will be searching for new developmental possibilities in the region.
2016	In the process of merging four insurance companies (Zavarovalnica Maribor, Zavarovalnica Tilija, Velebit osiguruvanje and Velebit Zhivotno Osiguruvanje – Velebit Life Insurance), all members of the Sava Re Group joined and established new insurance company under the name Zavarovalnica Sava, d.d.
2017	On 24.07.2017, the Company's Shareholders Assembly voted amendments to the Company's Statute which increased the number of members in the Company's Board of Directors from the existing 5 to 7 members, 3 of which are executive members, 3 –on-executive and 1 non-executive and independent member. On 12.12.2017, Sava Re d.d. Ljubljana signed an agreement for purchasing of 100% of the stocks of NLB New Pension Fund AD Skopje. Parent company of SAVA osiguruvanje a.d. Skopje invests in development of the pension insurance as part of the group's strategy.
2018	In March 2018, the parent company of the Sava Re d.d. Group received the approval from the Macedonian Agency for Supervision of Fully Funded Pension Insurance (MAPAS), as well as all other approvals from the competent institutions

	<p>for acquisition of the company NLB New Pension Fund AD Skopje. This fulfilled all the necessary conditions for the realization of the sale and purchase agreement on December 12th, 2017.</p> <p>On March 13th, 2018, Sava Re d.d. Ljubljana performed purchase on the Macedonian Stock Exchange acquiring 21200 stocks i.e. 100% of the shareholder's equity in NLB New Pension Fund AD Skopje. With the entry on the pension insurance market in Republic of Macedonia, Sava Re d.d. has realized its strategy for expanding its activity and strengthening its position in the Western Balkans.</p> <p>The Macedonian members of the Sava Re Group – Sava osiguruvanje a.d. Skopje and Sava penzisko drushtvo a.d. Skopje – concluded an important strategic cooperation agreement in the part of performing works of pension funds marketing in the selling network of Sava osiguruvanje a.d. Skopje.</p>
2019	<p>In May 2019 the Group whose member is SAVA osiguruvanje a.d Skopje – the brand SAVA osiguruvanje a.d Skopje – the brand Sava Re has changed into Sava Insurance Group in English.</p> <p>At the 53rd meeting of the Additional Shareholders Assembly held on 03.01.2019 it is adopted the Amendments to the SAVA Insurance Statute, ad. Skopje. These amendments to the Statute of SAVA Insurance, ad. Skopje is designed to introduce a new class - Credit insurance.</p> <p>At the Annual Shareholders Assembly of the Company at its 54th meeting held on 02.04.2019, the Assembly adopted a Decision amending the SAVA Insurance Statute, ad. Skopje. These amendments to the Statute change or increase the number of members of the Board of Directors of the Company. Thereafter, the Statute is harmonized with the corporate requirements of the Group to which the Company is a member. All the text of the Statute is amended in order to simplify the content of the Statute of Internal Audit recommendation of the Company, in accordance with local laws and bylaws. In addition to the above, all the text of the Statute is harmonized with the Constitutional Amendments which changed the Constitutional name of the state.</p> <p>Also, at the 56th meeting of the Additional Shareholders Assembly of the Company, held on 27.12.2019, the Assembly of the Company adopted a Decision on Amendments to the SAVA Insurance Statute, ad. Skopje. These amendments to the Statute of SAVA Insurance, ad. Skopje is designed to reduce the number of Executive Board members from existing 3 (three) to 2 (two) executive members, which reduces the total number of Board members from existing 8 (eight) members of 7 (seven) members. The reduction in the number of executive members is due to the resignation of one of the executive members of the Board of Directors.</p>

## 1.2 MOST IMPORTANT EVENTS IN 2019

March	May	December
<ul style="list-style-type: none"> <li>Excellent achievements for Sava Re Group, new profit growth of Sava Re - published unaudited financial statements for 2018</li> </ul>	<ul style="list-style-type: none"> <li>Our group has new name – Sava Insurance Group</li> <li>Sava osiguruvanje is part of the manifestation “Days of financial literacy”</li> </ul>	<ul style="list-style-type: none"> <li>Sava Insurance Group with a premium increase and goals achieved for the first 9 months fro, 2019; results are published from January till September 2019: The nine months of the year were marked by high premium growth and expected results</li> <li>Insurance of mobile and technical equipment - “Secured products, safe purchase”</li> </ul>

## 2 DEVELOPMENT IN 2019 AND EXPECTED DEVELOPMENT IN 2020

### 2.1 VISION, MISSION AND VALUES



**MISSION**

- We provide continuity in security, we follow in step all innovations and needs of the insurance market in order to operate the Company more successfully and more efficiently.



**VISION**

- To be an insurance company which will be recognized on the domestic market as serious partner offering highest quality and security services.



**VALUES**

- We are committed to the clients, innovative, professional and ethical, we are successful into the operation, environmentally responsible, we are connected and satisfied employees and together we build the Company's reputation..

### 2.2 COMPANY PROFILE

SAVA osiguruvanje a.d based in Skopje is a subsidiary of Pozavarovalnica SAVA d.d Ljubljana which has a dominant share of 92,57% in its share capital.

<b>Name:</b>	<i>SAVA osiguruvanje, a.d Skopje</i>
<b>Address:</b>	<i>Street Zagrebska N..28 A, 1000 Skopje</i>
<b>Telephone:</b>	<i>+389 (2) 5101 500</i>
<b>Fax:</b>	<i>+389 (2) 5101 502</i>
<b>Web page:</b>	<i><a href="http://www.sava.mk">www.sava.mk</a></i>
<b>Company ID Number:</b>	<i>4778529</i>
<b>Principal activity:</b>	<i>Non-life insurance</i>
<b>Year of establishment:</b>	<i>1993</i>
<b>Equity:</b>	<i>234.072.672 MKD (3.805.905 EUR)</i>
<b>Number of ordinary shares</b>	<i>18.326</i>
<b>Share in capital:</b>	<i>Pozavarovalnica Sava, d.d Ljubljana: 92,57%</i>
<b>Management bodies:</b>	
<b>CEO:</b>	<i>Ilo Ristovski</i>
<b>COO:</b>	<i>Melita Gugulovska</i>

<b>Board of Directors:</b>	
<b>President:</b>	<i>Rok Moljk</i>
<b>Members:</b>	<i>Milan Virshek</i> <i>Peter Skvarca</i> <i>Nenad Jovanovikj</i> <i>Sasho Tonevski</i> <i>Ilo Ristovski</i> <i>Melita Gugulovska</i>
<b>Management connection:</b>	<i>Subordinate company</i>

On January 2nd, 2015, the Company invested MKD 12,300,000 as initial investment in a new entity, Sava Station DOOEL Skopje ("subsidiary"). The main activity of the new subsidiary is technical examination and analysis of motor vehicles.

<b>Name:</b>	<b>SAVA STATION DOOEL Skopje</b>
<b>Seat:</b>	Str. Zagrebska No.28 A, local 002 1000 Skopje
<b>Telephone:</b>	+389 (2) 5101 500
<b>Telefax:</b>	+389 (2) 5101 502
<b>Web-site:</b>	/
<b>Company Reg. No.:</b>	7005350
<b>Main activity:</b>	Technical inspection of vehicles
<b>Year of establishment:</b>	2014
<b>Equity:</b>	MKD 12,300,000
<b>Share in capital:</b>	SAVA osiguruvanje a.d. Skopje – 100%
<b>Management bodies:</b>	
<b>Manager:</b>	Ilija Nikolovski

## 2.3 ACTIVITY OF THE COMPANY

SAVA osiguruvanje, a.d. Skopje performs the activity of non-life insurance which provides safety to the clients, economic protection of property, vehicles and persons against risks and guarantees a good capital operation.

Pursuant to Decision No. 18-23977/8-02 dated 28.03.2003, the Company owns a license for performing insurance matters within the following insurance classes:

- Insurance against consequences of an accident;
- Health Insurance which is not covered by the mandatory health insurance;
- Insurance of motor vehicles (Casco);

- Insurance of railway rolling stock (Casco);
- Insurance of aircrafts (Casco);
- Insurance of vessels (Casco);
- Insurance of goods in transportation (freight);
- Property insurance against fire and natural disasters;
- Other property insurance;
- Motor vehicle liability insurance;
- Aircraft liability insurance;
- Vessel third party liability insurance;
- General liability insurance;
- Credit insurance;
- Insurance of guaranties;
- Insurance against financial losses;
- Legal aid insurance;
- Tourist assistance insurance for people who are experiencing problems while traveling.

The Main activity of the company is related to:

- concluding and executing non-life insurance contracts;
- concluding and executing co-insurance contracts.

The operations are performed through:

- Development and Risk Taking Department;
- Sales Department;
- Claims Department;
- Finance and Accounting Department;
- General and Legal Affairs Department;
- Independent Internal Audit Service;
- Independent Claim Collection Service;
- Independent Controlling Service;
- Independent Actuarial Work Service,
- Independent Risk Management Service and
- Independent IT Service.

According to the scope and type of operation, the Departments have an optimal capacity for quality performance of the work and have staff with experience and knowledge, confirmed expertise and competence to perform activities in the field of insurance.



Strategic goal of the Company is to improve the quality and performances in insurance and to increase the share in the insurance market.

Company's activity is in accordance with the principles of corporate management through which security, trust, transparency and rating are expressed. Recognition of the successful operation is the achievements so far in the domestic market and the high position in the insurance activity in the country.

## 2.4 MORE SIGNIFICANT EVENTS IN 2019

- Throughout 2019, the Board of Directors reviewed the reports on amendments in the legal regulations in Republic of North Macedonia, as well as the Reports on the review of the compliance of the Company with the regulations and monitored the implementation of the recommendations given by the General and Legal Department (compliance);
- New acts of the business policy were adopted or amendment and supplement of the existing ones was performed;
- New internal acts of the Company were adopted or the existing ones were harmonized with the amendments in the legal regulation and the amendments in the operational procedures,
- On 02.04.2019 the Shareholders Assembly of the Company adopted decisions on revocation of one non-executive member of the Board of Directors, Mrs. Polona Pirsh Zupancic due to her resignation and Decision for election of new non-executive members of the Board of Directors, Peter Skvarca, non-executive member and Nenad Jovanovikj, non- executive and independent member of the Board of Directors. At the same meeting of the Shareholders Assembly with a Decision on amending the Articles of the Company Statute, the number of non-executive members of the Board of Directors was increased from the existing four to five members, thus increasing the total number of seven members to eight members of the Board of Directors.
- From 08.11.2019 the Company has new General Manager – Mr. Ilo Ristovski who was appointed from the existing executive members of the Board of Directors. The change is due to the resignation of the CEO and executive member of the Board of Directors, Mr. Sasho Drakulevski.
- On 27.12.2019 The Shareholders Assembly of the Company adopted a Decision on Dismissal of a Non-Executive and Independent Member of the Board of Directors- Mr. Janez Jenikar, due to his resignation and a new non-executive and independent member of the Board of Directors of the Company was elected in his place – Mr. Sasho Tonevski. At the same meeting of the Company's Shareholders Assembly, a Decision was adopted to amend the Articles of the Company Statute, by which the number of members of the Board of Directors was reduced to one executive member, making the total number of eight to seven members now.

That is the case due to the resignation of the executive member of the Board of Directors and the CEO of the Company, Mr. Sasho Drakulevski.

## 2.5 DEVELOPMENT IN 2019

In order to maintain the acquired position, we establish stable relations in the Company and we adjust to the increasing requirements of the contemporary market. We continuously follow the modern European and world trends in our operation and we introduce innovation in accordance with the world standards. Insured people remain always in the focus of our operation as well as the contribution to the development of the economy in the country. Investment in quality, knowledge and skills is a comparable advantage and benefit for the customer/insured persons, shareholders and employees.

In its operation, the Company is based on the following values:

- Trust and integrity;
- Customer satisfaction;
- Custom made products;
- Care for the reputation and progress of the Company;
- Using all abilities and capacities to develop and achieve good results in the operation;
- Employee satisfaction and loyalty;
- Competence and responsibility in the operation;
- Transparency in operation;
- Teamwork and success.

## 2.6 EXPECTED FUTURE DEVELOPMENT IN 2019

As in previous years, in 2020 it is planned to develop the existing products and to introduce new products that will enhance the competitive advantage of the company, while the quality of the offered coverage remains a driving element of the development. Modern business methods will be implemented in the technology of operation and we will invest in the knowledge and skills of our employees. This will ensure a secure future for our customers, shareholders and employees.

The quality of services and needs of insurers will always be at the forefront of the Company's operations, and our clients (insured persons) will be provided with the best services, comprehensive service in terms of insurance and risk management. It is a strategy of our Company and a guarantee for future development.

Development of the sales channels is planned in 2020, such as:

1. Personal sales network – In 2020 we will continue to pursue our key goal - to improve the quality of our and Company's sales network by implementing a new training system in all levels together with

monitoring. Improving the work of our Contact Centre with new bases, with high quality reception and maximum utilization of existing bases of own production, in order to increase the number of new insurers and to strengthen the insurance portfolio.

2. Bank Insurance - Selling shares and new credit insurance products.

3. Internet sales - expanding products with platforms that provide fast service and satisfied customers.

The platforms will need to provide insurer data that can be used in the future by their own sales network.

4. Bidding - in 2020 it is expected to be an increase in participation and there is a real opportunity to participate in accordance with the terms and conditions as well as tariffs of the company.

5. NPS Survey - recording the data on the insured persons on the basis of which the survey will be developed and used for the new Cocos program.

6. Implementation of an electronic signature application - e-agent

7. Advocacy agencies as new sales channels specializing in specific tariffs – using the existing potential to drive and raise sales of a particular product.

8. Creating and implementing sales packages for corporate+ retail.

9. Sava Pension Company - synergy between the two companies, mutual campaigns and actions, licensing own agents in all offices for a possibility of cross-selling.

10. Sava Station - investments in opening of other own technical stations – Sava Station and one outside Skopje. Within these technical stations the Company will establish its own sales points and its own claim centers.

In dealing with clients we will strive to increase the insurance culture by offering quality services and fast service in order to increase sales..

## 2.7 DESCRIPTION OF MAIN RISKS AND UNCERTAINTIES FACED BY THE COMPANY

In 2019 on the Macedonian insurance market, which still falls into the category of underdeveloped insurance markets, the strong competition and market competition is increasingly felt . Besides the strong competition, SAVA osiguruvanje successfully fights the market, makes progress and holds the fourth place in the total gross insurance in the Republic of Macedonia with 9,9% market share as of the third quarter of 2019.

The competition in the following period will be strong, relentless and more aggressive, due to which it will be necessary to largely invest in the development, quality and marketing.

Main operational risks in 2019 were:

- unfair competition;

- low purchasing power;
- small financial market;
- low liquidity of economic entities;
- general downward trend in premium rates, especially for participation in tenders which violate the economic logic and viability of operations;
- general upward trend of average commission rate on the market.

### 3 CORPORATE MANAGEMENT

#### 3.1 STRATEGIC GUIDELINES OF THE COMPANY

In 2019 active work has been done on introducing modern methods and organization of operations and on improving the quality of insurance. The process of establishing reliable and trustworthy customer relationships has also been dynamically developing. The project of directly and systematically connecting with the insured persons and satisfying their interests, i.e. shaping the process of working towards the needs and interests of the clients, is successfully implemented.

The development of sales points, including regional offices, insurance representatives and agents, is also an important project of the Company, which yields good results. By the end of 2019, 49 offices have been opened and equipped outside the Company's headquarters.

Tradition and the high rating, along with the staff, are the basis for further successful development of SAVA osiguruvanje.

Long-term development goals of the Company:

- Constant development and growth of the Company as an acknowledged insurance company, which is strongly established on the Macedonian market;
- Protecting the interests of shareholders, insurers and employees, maintaining and enhancing stability and financial power;
- More efficient and dynamic operation and complete customer and market orientation;
- Increase in the quality and financial power of the Company;
- Increase in the trust and rating of the Company and improvement of the Company's performance;
- Greater dispersion of the insurance portfolio and greater participation of small and medium-sized companies and citizens in the portfolio of the Company;
- Establishment of fundamental processes in the new information system;

- Promoting performance and developing a corporate governance model.

### 3.2 MEETING THE BUSINESS GOALS

The defined strategy of the Company regarding the realization of the premium for 2019 is above the planned values by 3.5%, while regarding the claim liquidation, the plan of liquidation is underachieved for 4,0%.

Great efforts were made, and the main activities were directed towards achieving the following principles in the insurance operation:

- Quality services that will meet the needs of insurers;
- Continuous liquidity in the operation;
- Maintaining the existing scope of work and increasing the insurance portfolio by acquiring new insurers;
- Acknowledging the operation, providing more favorable insurance conditions and more favorable conjuncture, operation according to the market conditions and the existing competition;
- Maximum security in the payment of claims to insurers and their more realistic assessment, in order to protect and satisfy the interests of insurers;
- Increasing the engagement, professionalism and loyalty of employees in providing insurance services;
- Adjustment of conditions and tariffs according to the technical result;
- Developing and strengthening software support;
- Maintaining financial stability and providing profit to shareholders and the Company.

### 3.3 CERTIFIED AUDITORS

The Company's Shareholders Assembly made a decision that the Company for Auditing KPMG MACEDONIA DOO Skopje shall audit the Annual Account and the financial statements of the Company for the 2019 business year. Based on the Decision, the Company requested and received consent from ISA for the Company for Auditing KPMG MACEDONIA DOO Skopje to perform audit for 2019 business year.

### 3.4 MATERIAL RISK FACTORS

SAVA osiguruvanje creates the risk management policy in accordance with the risk management regulations, pursuant to the Law on Insurance Supervision, taking care of the necessary level of capital, margin of solvency, the amount of technical reserves, asset value, investments and localization of assets covering the technical reserves.

Risk Management Service identifies, measures and assesses the risks to which the Company in its operation is exposed i.e. it manages with the same enabling continuous maintenance of the risk exposure degree without jeopardizing the Company's capital and operation. At the same time, it provides an appropriate protection of the insurers, insurance beneficiaries, third damaged persons and other Company's trustees' interests, in accordance with the Law, other regulations and the adopted acts.

In 2019 the Company transferred part of its risks to reinsurance of liabilities arising from the insurance contracts that exceed the amount of maximum coverage in the reinsurance, pursuant to Article 99 of the Law on Insurance Supervision.

Procedures, instructions and activities by which the Company manages the risk cover quality and quantity manner of management with that risk.

Risk management is in accordance with the regulations, rules of the profession, good business practices and business ethics.

During its operation, the Company is exposed to the following risks:

- Risk of failure to fulfill obligations by contracting parties
- Insurance risk
- Market risk
- Operational risk
- Liquidity risk
- Strategic risk

Independent Risk Management Service along with the Company's Management Body undertakes measures to remove the stated risks and to manage them in the following manner:

- **Insurance risk** - Company eliminates and reduces the insurance risks by performing an adequate risk assessment undertaken in the insurance. Simultaneously, the Company takes care to adequately determine the premium, both regarding its amount and its structure.

SAVA osiguruvanje adequately determines the level of franchise as well, where the excess of risk above the franchise is transferred in reinsurance. Company seeks to select the optimal reinsurance and by doing that it takes into account the rating of reinsurer.

The Company also adequately determines the technical provisions, and, as before, this risk is handled with great care. This is provided by using adjusted and customized actuarial methods and analysis.

- **Market risk** - In adjusting, according to the requests of the insurance beneficiaries, the Company takes into account their adequacy. At the same time, the Company confronts the unfair competition, in accordance with the regulations that regulate this area. SAVA osiguruvanje undertakes all possible measures to provide an appropriate management with the property and liabilities. In addition, a special attention is taken to ensure an appropriate protection against change in the interest rates, change in the price of the securities, change in the price of real estate etc.

- **Operational risk** - The Company continuously reviews the internal procedures and regulations, which removes and reduces the possibilities of omissions in the operation. At the same time, it insists on good organizational setup and systematization of the job positions.

- **Liquidity risk** - The Company permanently monitors the solvency and liquidity of the company in its operations, properly manages its assets and liabilities. Performs proper valuation, recording, presentation and transparency in disclosing the value of assets, sources of funds, as well as income, expenses and operating expenses

- **Risk of failure to fulfill obligations by contracting parties** - The Company continuously monitors the risk of failure to fulfill obligations – a risk that the bond issuer will not be able to completely fulfill the obligation, or risk to fail to fulfill obligations based on reinsurance contracts etc. It also continuously monitors the risk of lowering the counterparties' credit rating.

- **Strategic risk** - The Company controls and manages the strategic risk by monitoring and removing the likelihood of risk occurred as a result of unexpected value reduction of the company due to negative effect of managerial decision, changes in the business environment and change in the market economy development.

The existing information system is continuously upgraded and adjusted to the Company's needs.

### 3.5 TRANSACTIONS WITH STAKEHOLDERS

In 2019 the Company selected a reinsurance company with the purpose to provide reinsurance coverage for the business year of 2020 where several reinsurance contracts will be concluded with Pozavarovalnica SAVA d.d., referring to 2020, and by which reinsurance of the SAVA osiguruvanje's risks that exceed the maximum coverage of the company will be performed, such as:

- Property and Technical branches surplus treaty reinsurance agreement- Proportional agreement for property reinsurance of excess risk,

- Property & Engineering Risk XL Treaty- Disproportionate excess of loss, property insurance agreement
- General Third Party Liability surplus treaty reinsurance agreement- Proportional agreement for reinsurance of excess risk liability to third parties
- Earthquake Quota Share Treaty- Proportional Property Insurance Agreement for Earthquake Risk,
- Catastrophe Excess of loss- Disproportionate surplus damages contract for reinsurance of catastrophic damages,
- Personal Accident Catastrophe Excess of loss – Disproportionate excess of loss, catastrophe damage reinsurance agreement in case of accident,
- Crops Quota Share Quota Share Treaty- Proportionate agreement for property insurance of crops and fruits ,
- Domestic and Green card XL MTPL - Disproportionate excess of claims, third party liability insurance agreement (in 2019 the agreement will be expanded for CMR and Casco insurance).
- GTPL surplus treaty – Proportional agreement for reinsurance of general liability.
- Stop Loss Extended Warranty – Stop loss agreement for reinsurance of extended guarantee.
- Stop Loss Mobile devices – Stop loss agreement for reinsurance of mobile and technical equipment .

### 3.6 LARGE TRANSACTIONS

In 2020 the Company has not concluded big deals.

### 3.7 CHANGES IN THE PRINCIPLE AND IN THE RESULTS FOR THE REPORTING PERIOD

In 2019 no changes occurred in the Company's principle, and accordingly there was no impact of such nature on the Company's results.

### 3.8 CHANGE IN THE OWNERSHIP STRUCTURE

In 2019 a change in the shareholder structure of SAVA osiguruvanje a.d. Skopje ("the Company") is made by the Decision for interim measure of the Basic Court Stip, 550 shares to the Company for trade and services Premium Invest DOOEL export-import Skopje, 83 shares to the Company for trade and services FMG Group DOOEL Skopje and 287 shares to Gjorgji Trajkovski from Skopje are transferred to the Company for Services MT DOO Shtip - in bankruptcy.



Pozavarovalnica SAVA D.D. Ljubljana as of the end of 2018 and now owns 16,964 or 92.57% of the total number of issued shares.

### 3.9 SHAREHOLDERS' EQUITY AND OWNERSHIP STRUCTURE

On 31.12.2019 the shareholders' equity of SAVA osiguranje a.d. Skopje is 3.805.905 EUR. The shareholders' equity of SAVA osiguranje is divided on 18.326 ordinary shares with nominal value of 207,6779 EUR per share. 1 ordinary share gives right to 1 vote in the Shareholders Assembly of SAVA osiguranje a.d. Skopje. Shareholders - holders of ordinary shares in SAVA osiguranje a.d. Skopje have the following rights arising out of the ordinary shares, such as:

1. Right to vote in the Company's Assembly,
2. Right to payment of part of the profit (dividend) and
3. Right to payment of part of the rest of the liquidation, that is, the bankruptcy estate of the Company.

#### Shareholder structure

Shareholder	Number of shares	Nominal value of shares (EUR)	Structure %
Pozavarovalnica SAVA D.D. Slovenija, Ljubljana	16,964	3,523,048	92,60%
Društvo za trgovija i usluga MT DOO STIP-VO STECAJ	920	191,064	5,02%
Eurostandard Banka Skopje	237	49,220	1,29%
Krste Tanevski	135	28,037	0,74%
Premium Invest Dooel Uvoz-Izvoz Skopje	46	9,553	0,25%
Jugotutun AD Skopje	13	2,700	0,07%
Gjorgji Jovanov	11	2,284	0,06%
<b>Total</b>	<b>18,326</b>	<b>3,805,905</b>	<b>100,00%</b>

The members of the Board of Directors do not hold shares in the shareholders' equity of SAVA osiguranje.

#### Participation of individuals and legal entities in stockholder structure

Shareholders	Number of shares	% in all issued shares
Legal entities	18,180	99,2%
Individuals	146	0,8%
Finds	-	/
<b>TOTAL</b>	<b>18,326</b>	<b>100,0%</b>

Today SAVA osiguranje is part of the Group Pozavarovalnica SAVA D.D. Slovenia, Ljubljana which is one of the largest reinsurance companies in Central Europe. The privilege to be part of such group is multiple. Besides the security the customers have, here are the many years of experience in the insurance field, and the perspective to introduce new developmental manners of selling on our insurance market as well.

Past periods reminded us of the risk management complexity which, in essence, represents a never completed task. It also turned out that the globalization actually contains positive and negative implications on almost any economy and company.

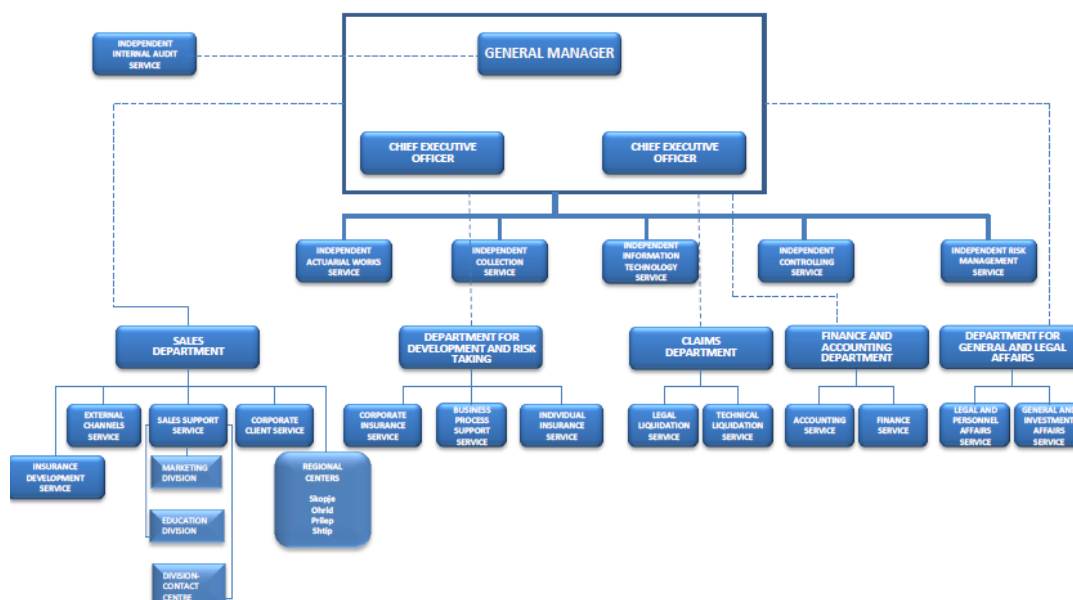
SAVA insurance group keep its credit rating in A with a "stable" forecast according to Standard & Poor's rating in July 2019, and according to the A.M. Best with rating A from October 2019.

#### SAVA Re Group



### 3.10 ORGANIZATIONAL CHART

Chart 3.10 – Organizational structure



### 3.11 SUBSIDIARIES OF THE COMPANY

At the end of 2019, SAVA osiguruvanje a.d. Skopje had 49 subsidiaries throughout Republic of North Macedonia, on the following locations:

1. SAVA osiguruvanje a.d. Skopje – Subsidiary *Avtokomanda*, headquartered in Skopje on Str. 624 No. 1, Skopje
2. SAVA osiguruvanje a.d. Skopje – Subsidiary *Avtokomanda 1*, headquartered in Skopje on Str. 16 Makedonska Brigada N.2/3-6 Skopje
3. SAVA osiguruvanje a.d. Skopje - Subsidiary *Bus Station*, headquartered in Skopje on str. Nikola Karev N. 20, Skopje
4. SAVA osiguruvanje a.d. Skopje - Subsidiary *Berovo*, headquartered in Berovo , str.23 Avgust nn, Berovo
5. SAVA osiguruvanje a.d. Skopje - Subsidiary *Bitola*, headquartered in Bitola, str. Josif Hristovski N.1, Building Grozd, Bitola
6. SAVA osiguruvanje a.d. Skopje – Subsidiary *Bitola 1*, headquartered in Bitola, str. Nikola Tesla N. 42, Bitola
7. SAVA osiguruvanje a.d. Skopje – Subsidiary *Bogorodica*, headquartered in Gevgelija , at the Border Crossing Point Bogorodica N.1/1
8. SAVA osiguruvanje a.d. Skopje – Subsidiary *Brvenica*, headquartered in Brvenica, str. Marshal Tito N.163 Brvenica
9. SAVA osiguruvanje a.d. Skopje - Subsidiary *Veles*, headquartered in Veles, str. Vladimir Nazor N.2 Veles
10. SAVA osiguruvanje a.d. Skopje - Subsidiary *Vinica*, headquartered in Vinica, str. Kiril I Metodij N. 23, Vinica,
11. SAVA osiguruvanje a.d. Skopje - Subsidiary *Gjevgelija*, headquartered in Gjevgelija, str. Marshal Tito N.55 Gjevgelija
12. SAVA osiguruvanje a.d. Skopje - Subsidiary *Gostivar*, headquartered in Gostivar, str. Nikola Parapunov N.104, Gostivar,
13. SAVA osiguruvanje a.d. Skopje - Subsidiary *Gostivar 1*, headquartered in Gostivar, str. Boris Kidric nn, Gostivar,
14. SAVA osiguruvanje a.d. Skopje - Subsidiary *Gracija*, headquartered in Skopje, str. Maksim Gorki N.19 Skopje
15. SAVA osiguruvanje a.d. Skopje - Subsidiary *Debar*, headquartered in Debar, str. Bratstvo Edinstvo N.1, Debar

16. SAVA osiguruvanje a.d. Skopje - Subsidiary *Delchevo*, headquartered in Delchevo, str. Bulevar Makedonija nn, Delchevo
17. SAVA osiguruvanje a.d. Skopje – Subsidiary Heqd Office, headquartered in Skopje, str. Zagrebska 28A, Skopje
18. SAVA osiguruvanje a.d. Skopje - Subsidiary *Ilinden*, headquartered in Skopje, str. Trnica N.1, Skopje
19. SAVA osiguruvanje a.d. Skopje - Subsidiary *Karposh*, headquartered in Skopje, str. Bulevar Partizanski Odredi N. 62/2-13 Skopje
20. SAVA osiguruvanje a.d. Skopje - Subsidiary *Kavadarci*, headquartered in Kavadarci, str. Mito Hadzivasilev Jasmin N.21, Kavadarci
21. SAVA osiguruvanje a.d. Skopje - Subsidiary *Kavadarci 1*, headquartered in Kavadarci, str. C. Pop-Ristov N. 7 1/1-1, Kavadarci
22. SAVA osiguruvanje a.d. Skopje - Subsidiary *Kichevo*, headquartered in Kichevo, str. Bul. Osloboduvanje N. .81 Kichevo
23. SAVA osiguruvanje a.d. Skopje - Subsidiary *Kocani*, headquartered in Kocani, str. Marshal Tito N.47, Kocani
24. SAVA osiguruvanje a.d. Skopje - Subsidiary *Kriva Palanka*, headquartered in Kriva Palanka, str. Marshal Tito N. 1/7 Kriva Palanka
25. SAVA osiguruvanje a.d. Skopje- Subsidiary *Kumanovo*, headquartered in Kumanovo, str. Leninova N.2 loc. 4, Kumanovo
26. SAVA osiguruvanje a.d. Skopje - Subsidiary *Kumanovo 1*, headquartered in Kumanovo, str. Kozjacka N.7, Kumanovo
27. SAVA osiguruvanje a.d. Skopje - Subsidiary *Kumanovo 2*, headquartered in Kumanovo, str. 110ti Oktomvri N.1/3 Kumanovo
28. SAVA osiguruvanje a.d. Skopje – Subsidiary *Krivogashtani*, headquartered in Krivogashtani, str. Filip Vtori N. 90B, Krivogashtani
29. SAVA osiguruvanje a.d. Skopje - Subsidiary *Negotino*, headquartered in Negotino, str. Jane Sandanski N.23, Negotino
30. SAVA osiguruvanje a.d. Skopje - Subsidiary *Ohrid*, headquartered in Ohrid, str. Bulevar Turisticka N.36a, Ohrid
31. SAVA osiguruvanje a.d. Skopje - Subsidiary *Ohrid 1*, headquartered in Ohrid, str. Jane Sandanski N.49, Ohrid
32. SAVA osiguruvanje a.d. Skopje - Subsidiary *Ohrid 2*, headquartered in Ohrid, str. 15-ti Korpus N.93, Ohrid

33. SAVA osiguruvanje a.d. Skopje - Subsidiary *Ohrid 3*, headquartered in Ohrid, str. Lazo Trposki N.1, Ohrid
34. SAVA osiguruvanje a.d. Skopje - Subsidiary *Prilep*, headquartered in Prilep, str. 11-ti Oktomvri N.80, Prilep
35. SAVA osiguruvanje a.d. Skopje - Subsidiary *Probishtip*, headquartered in Probishtip, str. Miro Baraga N.1, Probishtip
36. SAVA osiguruvanje a.d. Skopje - Subsidiary *Radovish*, headquartered in Radovish, str. Bulevar Aleksandar Makedonski nn, Radovish
37. SAVA osiguruvanje a.d. Skopje - Subsidiary *Resen*, headquartered in Resen, str. 29-ti Noemvri N. 30/GTC, Resen
38. SAVA osiguruvanje a.d. Skopje - Subsidiary *Sveti Nikole*, headquartered in Sveti Nikole, str. Kumanovska nn, Sveti Nikole
39. SAVA osiguruvanje a.d. Skopje - Subsidiary *Struga*, headquartered in Struga, str. JNA N. 26A, Struga
40. SAVA osiguruvanje a.d. Skopje - Subsidiary *Strumica*, headquartered in Strumica, str. 24-ti Oktomvri N.46, Strumica
41. SAVA osiguruvanje a.d. Skopje - Subsidiary *Strumica 1*, headquartered in Strumica, str. Leninova N.96, Strumica
42. SAVA osiguruvanje a.d. Skopje - Subsidiary *Strumica 2*, headquartered in Strumica, str. Kliment Ohridski nn, Strumica
43. SAVA osiguruvanje a.d. Skopje - Subsidiary *Strumica 3*, headquartered in Strumica, str. Settlement without street system N.246 v. Turnovo, Strumica
44. SAVA osiguruvanje a.d. Skopje - Subsidiary *Tetovo*, headquartered in Tetovo, str. Jane Sandanski N.101, Tetovo
45. SAVA osiguruvanje a.d. Skopje - Subsidiary *Tetovo 1*, headquartered in Tetovo, str. 29-ti Noemvri N.108, Tetovo
46. SAVA osiguruvanje a.d. Skopje - Subsidiary *Tri Biseri Skopje*, headquartered in Skopje, str. Boulevard Jane Sandanski N.7 – TC- Tri Biseri, Skopje
47. SAVA osiguruvanje a.d. Skopje - Subsidiary *Kjafasan*, headquartered in Struga, at the Border Crossing Point Kjafasan. Struga
48. SAVA osiguruvanje a.d. Skopje - Subsidiary *Cair*, headquartered in Skopje, str. Dzon Kenedi N.5/1-3, Skopje
49. SAVA osiguruvanje a.d. Skopje - Subsidiary *Shtip*, headquartered in Shtip, str. Kej Marshal Tito nn.

### 3.12 DATA ON THE SALES NETWORK

In the Sales Department SAVA osiguruvanje has a well-developed network of agents in 49 subsidiaries in Skopje and the towns throughout the country. The road to the achieved results was difficult, but there is a young and ambitious team that had confidence in themselves and in the responsible persons who were with them.

Agent network in Skopje started the sales emphasizing the individuals and small and medium enterprises, such as: property insurance, insurance of vehicles, in case of accident and employee property insurance. We established good relations with the insurers and in the forthcoming period and no problems are expected in terms of sales, policy renewal and sales dissemination.

Sales network i.e. the sales of insurance is performed in the Sales Department in Skopje and in the subsidiaries in bigger towns in the country and the sales points – front desks in the smaller towns, such as:

- 57 full-time employed agents;
- 58 external agents;
- 32 brokerage companies;
- 3 banks;
- 98 tourist agencies,
- 1 vehicle importer;
- 2 agencies for insurance representation;
- And other sales channels.

The agents continued the good practice – one employee with one client and an opportunity to provide full service of all types of insurance. The employees in the Sales Department are enabled to completely focus on the sales and the work with the clients. Their results are recorded in programs and they are rewarded on the basis of results.

This way of selling has noticeable results and a number of advantages including: unified operation in all sales centers - affiliates, increased quality of service, fast, quality and timely offer preparation and electronically calculations, efficient control over drafted policies: increased control over the payment of the premium and, above all, good customer relationships. The established business cooperation is quite successful and results in increased number of agreements and policies.

## 4 DESCRIPTION OF THE ECONOMIC SITUATION

### 4.1 MACROECONOMIC DEVELOPMENT IN 2019 AND EXPECTATIONS FOR 2020<sup>1</sup>

**International economic environment** - The growth of the global economy continued in the second quarter of 2019 but slower than in the previous quarter, as a result of the movement in developed and in most of the emerging economies. In pursuance with the lower accomplishments, as well as the expectations, the new assessment of the IMF from October 2019 is fully revised compared to the April projections. It is expected slowdown of the world economic growth of 3.6 in 2018 to 3% in 2019 (lowest rate after the global financial crisis) and afterwards, gradual speed up to 3.4% in 2020. Compared to the April projections, an audit of the expected growth for the global economy is made in 2019 and 2020 by 0.3 p.p and 0.2 p.p. respectively. On short and medium term, there are significant descending risks for the global economic growth and one of the more significant are escalation of the trading tensions and the accompanying uncertainties of the policies, as well as the deterioration of the conditions on the financial markets which might be caused by the deterioration of the trading and geo-political tensions, “Brexit” without an agreement, as well as continued slowing down of the global economic growth.

Following the newest projections of the IMF made in October 2019, it is expected that the global economic growth will slow down by reaching 3% in 2019 (growth of 3.6% in 2019) whereas in 2020 gradual speed up of the global economic activity is expected with a growth rate of 3.4%. From the aspect of global inflation in the course of 2019 the inflation rate are stable, relatively low and without expectations for significant price pressures, and in the developed countries there are above the target level. The expectations for 2020 do not point to more significant changes in the price trends on global level.

With regard to the macroeconomic achievements in the regional economies, in most of the countries a slowdown of the economic activity was marked in the second quarter of 2019.

**Macedonian economy** – Pursuant to the published GDP estimated data, the domestic economic activity is growing in the second quarter of 2019 with a real annual growth rate of 3.1% (4.1% in the previous quarter). The value added growth is dispersed, and the most positive contribution is given cumulative by the activities: “trade, transport and hospitality services”, accompanied by the contribution of the activities “public

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<sup>1</sup> Retrieved from NBRMS Quarterly Report - November 2019 ([http://nbrm.mk/content/MPI%20publikacii/Istrazuvanje\\_Kvartalen\\_izvestaj\\_noemvri\\_2019.pdf](http://nbrm.mk/content/MPI%20publikacii/Istrazuvanje_Kvartalen_izvestaj_noemvri_2019.pdf))

management and defense; education and health and social protection”, “agriculture” and “construction”. The greatest part of the disposable data for the period July – August, mainly point to further growth of the activity in the domestic economy. Also, the expectations of the managers of the companies in retail, construction and processing industry for the forthcoming period favorable.

**Employment and salaries** – The labor market indicators in the second quarter of 2019 show further growth of the number of employed persons with similar dynamics compared to the previous quarter. The growth of the employment mainly arises from the growth of employees in the processing industry, from activities related to “art, entertainment and recreation” and “administrative and auxiliary hospitality services”. At the same time, the unemployment rate is 17.5% which is a new historic minimum. The surveys for the business projections mainly show increased optimism with regard to employment in the forthcoming three-month period. From aspect of the offer, the annual growth of active population continues – this is a trend that started in the last quarter of 2016. Regarding the competitiveness indicators in terms of growth of employment, the gradual decrease of productiveness of the labor continues, while the costs for labor per unit product are still growing.

**Inflation** – The third quarter of 2019 led to slow down of the annual growth of domestic prices and the annual inflation rate was brought down to 0.6%. Regarding the structure of the key components the slow annual price growth reflects slower annual growth of prices and food component of the inflation and the slower movement of basic inflation, as well as the deepening of the fall of energy prices, in pursuance with the movements of the prices of oil and oil derivatives on the world markets. With regard to the future short-term dynamics of the consumption prices, the current movements of imported inflation and production prices of the domestic manufacturers, point out to lack of significant upward pressures over the general price level. However, with the costs for labor per unit product there is a gradual speed up of the growth in the second quarter of the year. With regards to the inflation rate in the forthcoming period, according the survey of the National Bank, the economic analysts expect that the inflation rate will be 1.4% in 2019 while in 2020 and 2021 they point out to average inflation of 1.8% and 1.9%, respectively. These expectations are similar to the projection of the National Bank, as well as to the expectations of the international institutions. The expectations for the future period do not point out to significant changes from the aspect of the dynamics and movement of the inflation rate. So, according to the economic analysts, a slow speed up of the inflation rate is expected in the next two years. According to the research from the Survey on inflation expectations and the expectations for the movement of the real GDP 39 conducted in September, the analysts expect that the inflation rate will be 1.4% in 2019 whereas, for the forthcoming period, the inflation rate will gradually speed up and will amount 1.8% and 1.9% in 2020 and 2021, respectively.



**Balance of Payments** – In the second quarter of 2019, the current account of the balance of payments registered a deficit, unlike the same period in the previous year when a small surplus in the balance of current transactions was marked. These movements in the current balance, mostly reflected at the higher deficit within the balance of goods and services. The financial statement shows higher net incomes compared to the second trimester of 2019 caused by the improved accomplishments with the currencies and deposits of the banks and trade loans, while the incomes based on foreign direct investments are lower on annual base. The accomplished financial flows in the second trimester of 2019 enabled full financing of the deficit in the current balance and additional growth of foreign currency reserves in the course of the quarter.

**Monetary policy** – In the course of the third quarter of the year, the National Bank did not change the position of the monetary policy and the basic interest rate was on the level of 2.25%. In terms of further assessments for healthy economic bases and lack of misbalance in the economy, the movements on the foreign currency market are still favorable and the National Bank still intervenes by purchasing foreign currencies from the banks. The foreign currency reserves in the third trimester of the year made growth and according to all indicators for their adequacy they were still in the safe zone. The total deposits and total loans further grow on annual base, without large deviations compared to the expectations. The dynamics and the foreign currency structure of savings of the households show stable expectations. The newest data do not show great deviations compared to the projections in segment which are of key importance for monetary policy. The national bank will further carefully monitor the trends and potential risks of domestic and external surroundings due to appropriate adjustment to the positioning of the monetary politics.

**Movement on financial markets** – In the third quarter of 2019 the inter-banking interest rate on the foreign currency market was low and stable. With unchanged basic interest rate of the National Bank changes were not noticed in the indicative interest rates for inter-banking trade with deposits (SKIBOR). On the primary market for state securities, the new emissions were mostly on longer deadlines and in domestic currency. Treasury bills and government bonds were traded on the secondary market. The contributions of the Macedonia Euro-bonds are still decreasing and this resulted in binding the gaps compared to the contributions of the German state bonds which were also decreasing. On the Macedonia Stock Exchange the value of MBI-10 is further increasing and positive movement was noticed in most of the stock exchanges in the countries of the region. On the international financial markets the indexes for variability of the financial conditions moved in different directions thus pointing out to a slight increase of the uncertainty in the segment of trading with bonds.

**Public finances** – In the third trimester of 2019 the budget incomes and expenditures marked growth on annual base. The greatest contribution in the growth of budget incomes is provided by non-taxation incomes and contributions, whereas the growth of budget expenditures comes not only from the ongoing costs, but also from the capital costs. The budget deficit is 0.6% of the GDP and is slightly higher compared to

the accomplishment made in the same quarter of last year (.02% of the GDP). For the first eight months of the year, the budget deficit is 1.3% of the GDP which is 51.% of the plan of the Budget for 2019. The funding of the budget deficit in the period January – August was done by withdrawing funds from the deposit account of the country within the National Bank and a smaller part through net-emission of state securities on the domestic financial markets. The total public debt towards the end of the second quarter of 2019 was 46.9% of the GDP and is higher by 0.5 p.p. of the GDP compared to the previous quarter.

Table 4.1 – Macroeconomic Indicators

	2015	2016	2017	2018	III2019	Π2020
GDP real growth rate (in %)	3.9	2.9	0.0	3.1	3.6	4.0
GDP (in million denars)	558,954	598,881	619,788	663,250	510,625	741,810
GDP (in million euro)	9,072	9,723	10,081	10,786	8,304	12,039
Unemployment rate (average, in %)	26.1	23.7	22.4	21.6	17.1	17.5
Inflation (average, in %)	-0.3	-0.2	1.4	1.7	2	2
Population (million)	2.1	2.1	2.1	2.1	2.1	2.1
GDP/resident (in euro)	4,320	4,630	4,800	5,136	3,954	5,733
<b>Insurance premium (in million euro)</b>	<b>134.5</b>	<b>141.5</b>	<b>146.3</b>	<b>161.5</b>	<b>129</b>	<b>185.1</b>
- insurance premium growth / decline	8.60%	5.30%	3.40%	10.39%	-20.12%	7.10%
<i>Insurance premium - non-life insurance (in millions of euros)</i>	<i>116.7</i>	<i>120.6</i>	<i>122.7</i>	<i>134.3</i>	<i>108.9</i>	<i>149.3</i>
- insurance premium growth / decline – non-life	6.70%	3.30%	1.80%	9.45%	-18.91%	5.50%
<i>Insurance premium - life insurance (in millions of euros)</i>	<i>17.8</i>	<i>21</i>	<i>23.5</i>	<i>27.2</i>	<i>20.1</i>	<i>35.8</i>
- insurance premium growth / decline -life	23.20%	17.90%	12.00%	15.74%	-26.10%	14.50%
<b>Premium/resident (in euro)</b>	<b>64.0</b>	<b>67.4</b>	<b>69.6</b>	<b>38.0</b>	<b>51.9</b>	<b>88.1</b>
<i>Premium/resident (in euro) non-life</i>	<i>55.6</i>	<i>57.4</i>	<i>58.4</i>	<i>32.4</i>	<i>51.9</i>	<i>71.1</i>
<i>Premium/resident (in euro) life</i>	<i>8.5</i>	<i>10</i>	<i>11.2</i>	<i>5.6</i>	<i>9.6</i>	<i>17</i>
<b>Premium/GDP (in %)</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>0.7</b>	<b>0.0</b>	<b>1.5</b>
<i>Premium/GDP(in %) non-life</i>	<i>1.3</i>	<i>1.2</i>	<i>1.2</i>	<i>0.6</i>	<i>0.0</i>	<i>1.2</i>
<i>Premium/GDP(in %) life</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.1</i>	<i>0.0</i>	<i>0.3</i>
Average monthly net salary (in euro)	345	351	388	394	419	488
Middle exchange rate (MKD/EUR)	61.61	61.6	61.48	61.49	61.49	61.49

Source: NBRM and estimations of SAVA osiguruvanje a.d. Skopje

## 4.2 INSURANCE MARKET<sup>2</sup>

Insurance market in Republic of North Macedonia in the recent years recorded an upward trend, growth in gross written premium and the number of employees. This trend, above all, is due to the increased supply of new products, improvement of the insurance companies' sales service, on one hand, and the increased awareness of the individuals and legal entities for the needs of insurance, on the other.

<sup>2</sup> Data retrieved from reports from ISA to RSM

The insurance industry in Republic of North Macedonia, as of the third quarter of 2019, registered moderate growth in all segments of its operations, despite the highlighted influence of risks of non-economic nature and conditions of moderate growth of the overall economy.

In the insurance market in 2019, 16 insurance companies were active, 11 of which are non-life insurance companies, while the other 5 insurance companies are working on life insurance. Insurance companies are predominantly owned by foreign legal entities from the financial sector, which are partially or wholly owned by 14 out of 16 market insurance companies.

There are 37 insurance brokerage companies operating on the insurance market (3K2018: 34), 10 companies for representation in insurance operating (3K2018: 11) and 6 business banks perform representation in insurance (3K2018: 5). The Law on Insurance Supervision, the Law on Compulsory Insurance in the Traffic and the Law on Voluntary Health Insurance represent the basic legal framework that regulates the conditions and the manner of performing insurance and reinsurance activities, the manner and the conditions of performing insurance brokerage and conducting supervision on the operation of insurance companies, insurance brokers and insurance agencies.

The insurance market according to the latest calculated indicators, Penetration rate (share of gross written premiums in GDP) which is 1,55% and Degree of density (gross written premiums per capita) which is 3.778 MKD denars., is characterized as underdeveloped, but given that in recent years the importance of insurance companies as part of the financial sector has increased significantly, there is great potential for its development.

For the period 01.01.30.09.2019 all companies wrote a total gross premium of 7.93 bil MKD (3Q2018: 7.40 million MKD) out of which 6.69 billion MKD (3Q2018: 6.30 billion MKD) are through non-life insurance policies while 1.23 billion MKD (3Q:2018: 1.09 billion MKD) in the part of life insurance. The market is growing by 7.19% compared to the BPP last year: in non-life insurance the premium increased by 6.21% and in life-insurance by 12.82%.

In the period 01.01.2018 – 30.09.2019 SAVA Osiguruvanje a.d. Skopje participates with 9.9% (3Q2018: 8.2%) in the total gross written premium. SAVA Osiguruvanje a.d. Skopje in the same period made gross written premium in the amount of 665,706 million MKD (3Q2018: 604,884 million MKD) i.e. it marks growth of the gross written premium of significant 10.06% compared to the same period last year.

Table 4.1 – BPP on the Insurance Market of Republic of North Macedonia

Insurance companies - non-life insurance		IIIQ2018	IIIQ2019	IIIQ2018-IIIQ2019	% decline/rise	Market share 2018	Market share 2019
1	Triglav	1,141,470	<b>1,115,119</b>	-26,351	-2.3%	18.1%	16.6%
2	Eurolink	837,262	<b>816,283</b>	-20,979	-2.5%	13.3%	12.2%
3	Makedonija	733,600	<b>767,351</b>	33,751	4.6%	11.6%	11.5%
4	Sava	604,884	<b>665,704</b>	60,820	10.1%	9.6%	9.9%
5	Euroins	499,728	<b>629,127</b>	129,399	25.9%	7.9%	9.4%
6	Winner	576,319	<b>614,868</b>	38,549	6.7%	9.1%	9.2%
7	Uniqua	556,757	<b>575,581</b>	18,824	3.4%	8.8%	8.6%
8	Os.Polisa	513,374	<b>523,898</b>	10,524	2.0%	8.1%	7.8%
9	Halk	268,738	<b>365,974</b>	97,236	36.2%	4.3%	5.5%
10	Croatia	318,875	<b>349,763</b>	30,888	9.7%	5.1%	5.2%
11	Eurosig	255,562	<b>274,311</b>	18,749	7.3%	4.1%	4.1%
Total		6,306,569	6,697,979	391,410	6.2%	85.2%	84.4%
Insurance companies - life insurance		IIIQ2018	IIIQ2019	IIIQ2019-IIIQ2018	% decline/rise	Market share 2018	Market share 2019
1	Croatia	502,820	<b>554,899</b>	52,079	10.4%	45.9%	44.9%
2	Grawe	338,332	<b>367,467</b>	29,135	8.6%	30.9%	29.7%
3	Winner	177,968	<b>200,757</b>	22,789	12.8%	16.2%	16.2%
4	Uniqua	61,066	<b>91,036</b>	29,970	49.1%	5.6%	7.4%
5	Triglav	15,512	<b>22,009</b>	6,497	41.9%	1.4%	1.8%
Total		1,095,698	1,236,168	140,470	12.8%	14.8%	15.6%
Total Market		7,402,267	7,934,147	531,880	7.2%	100.0%	100.0%

The gross liquidated claims on 30.09.2019 on the market were 2.97 billion MKD and compared to 3Q2018 the gross liquidated claims mark growth by 8.64% (3Q2018: 2.7 billion MKD). The non-life insurance companies paid 2.71 billion MKD and compared to 3Q2018 the gross paid claims mark growth by 7.05% (3Q2018: 2.53 billion MKD), the life insurance companies paid 253.6 million MKD and compared 3Q2018 mark growth of 29.18% (3Q2018: 196.3 million MKD).

Table 4.2 – Gross liquidated claims on the insurance market of Republic of North Macedonia

Insurance companies - non-life insurance		IIIQ2018	IIIQ2019	IIIQ2018-IIIQ2019	% decline/rise	Market share 2018	Market share 2019
1	Triglav	449,583	<b>425,797</b>	-23,786	-5.3%	17.7%	15.7%
2	Eurolink	269,956	<b>296,642</b>	26,686	9.9%	10.6%	10.9%
3	Makedonija	210,090	<b>292,734</b>	82,644	39.3%	8.3%	10.8%
4	Sava	239,454	<b>279,173</b>	39,719	16.6%	9.4%	10.3%
5	Euroins	242,022	<b>260,463</b>	18,441	7.6%	9.5%	9.6%
6	Winner	291,627	<b>241,797</b>	-49,830	-17.1%	11.5%	8.9%
7	Uniqua	253,258	<b>223,070</b>	-30,188	-11.9%	10.0%	8.2%
8	Os.Polisa	217,475	<b>214,144</b>	-3,331	-1.5%	8.6%	7.9%
9	Halk	131,548	<b>194,069</b>	62,521	47.5%	5.2%	7.1%
10	Croatia	150,501	<b>150,723</b>	222	0.1%	5.9%	5.5%
11	Eurosig	81,937	<b>137,807</b>	55,870	68.2%	3.2%	5.1%
Total		2,537,451	2,716,419	178,968	7.1%	92.8%	91.5%
Insurance companies - life insurance		IIIQ2018	IIIQ2019	IIIQ2019-IIIQ2018	% decline/rise	Market share 2018	Market share 2019
1	Croatia	92,056	<b>121,267</b>	29,211	31.7%	46.9%	47.8%
2	Grawe	78,247	<b>93,045</b>	14,798	18.9%	39.9%	36.7%
3	Winner	20,800	<b>28,219</b>	7,419	35.7%	10.6%	11.1%
4	Uniqua	5,230	<b>9,746</b>	4,516	86.3%	2.7%	3.8%
5	Triglav	0	<b>1,354</b>	1,354	n/a	0.0%	0.5%
Total		196,333	253,631	57,298	29.2%	7.2%	8.5%
Total market		2,733,784	2,970,050	236,266	8.6%	100.0%	100.0%

The structure of sales channels of non-life insurance the greatest share falls to direct sales of 53.31%, followed by sales through insurance brokerage companies with 26.23%, sales through agents (individuals) with 10.14%, sales through insurance representation companies with 8.45%, banks 1.19% and 0.68% through other distribution channels. In the structure of sales channels of life insurance the greatest share falls to insurance brokerage companies with 41.03%, followed by banks with 24.42%, direct sales with 15.39%, sales through companies for insurance representation with 11.75% and 7.42% sales through agents (individuals).



### III. ANALYSIS OF THE OPERATIONS OF SAVA OSIGURUVANJE AD SKOPJE

## 1 KEY INDICATORS OF THE COMPANY'S OPERATIONS

### 1.1 MOST IMPORTANT FINANCIAL INDICATORS FOR 2019

Table 1.1 – Financial indicators for 2019

SAVA Osiguranje a.d. Skopje	1.1.- 31.12.2018	1.1.- 31.12.2019	Plan 1.1.- 31.12.2019	2019 - 2018	2019 - P2019	2019 / 2018	2019 / P2019
Gross written premium	802,983,154	886,425,349	856,206,683	83,442,194	30,218,666	10.39%	3.53%
Net income from premium	702,246,971	759,331,030	742,566,343	57,084,059	16,764,687	8.13%	2.26%
Gross liquidated claims	375,171,191	375,389,834	390,916,771	218,642	-15,526,937	0.06%	-3.97%
Net expenditures for claims	319,698,197	346,207,418	348,933,558	26,509,221	-2,726,140	8.29%	-0.78%
Gross operating expenses	326,794,700	374,682,213	321,902,610	47,887,513	52,779,602	14.65%	16.40%
Simple claim quotient	46.72%	42.35%	45.66%	-4.37%	-3.31%	-9.36%	-7.25%
Gross relevant	41.71%	45.37%	45.20%	3.65%	0.16%	8.76%	0.36%
Net relevant ratio	45.53%	45.59%	46.99%	0.07%	-1.40%	0.15%	-2.97%
Gross expense ratio	41.29%	42.53%	38.00%	1.24%	4.54%	3.00%	11.94%
Net expense ratio	45.40%	48.24%	42.33%	2.84%	5.91%	6.25%	13.96%
Net combined ratio S&P	98.78%	100.72%	97.98%	1.94%	2.74%	1.97%	2.80%
% of net premium in gross written premium	29.57%	28.33%	28.25%	-1.24%	0.08%	-4.20%	0.28%
% of other expenses in premium	11.72%	11.77%	9.25%	0.05%	2.52%	0.40%	27.24%
% of net premium in gross written premium	87.45%	85.66%	86.73%	-1.79%	-1.07%	-2.05%	-1.23%
Retention of claim expenses (relevant indicator)	98.34%	98.34%	91.09%	0.00%	7.26%	0.00%	7.97%
Insurance-technical result	2,006,775	-11,165,001	8,654,896	-13,171,777	-19,819,897	-656.37%	-229.00%
Result of financial placements	18,326,639	21,182,260	22,131,409	2,855,621	-949,150	15.58%	-4.29%
Result other	6,989,115	5,428,527	6,785,296	-1,560,588	-1,356,769	-22.33%	-20.00%
Result before taxation	27,322,529	15,445,785	37,571,601	-11,876,744	-22,125,816	-43.47%	-58.89%
Result after taxation	24,098,085	12,428,177	33,814,441	-11,669,908	-21,386,264	-48.43%	-63.25%
Net insurance and technical provisions	725,320,643	779,646,543	773,361,641	54,325,900	6,284,902	7.49%	0.81%
Assets	1,331,021,295	1,397,878,475	1,376,421,901	66,857,179	21,456,574	5.02%	1.56%
Equity	363,119,489	375,884,394	370,085,055	12,764,906	5,799,339	3.52%	1.57%
ROA	1.76%	0.91%	2.22%	-0.85%	-1.31%	-48.39%	-58.94%
ROE	6.89%	3.36%	8.19%	-3.53%	-4.83%	-51.19%	-58.94%
ROR	3.43%	1.64%	4.04%	-1.79%	-2.41%	-52.30%	-59.53%
	0	0	0				
Gross insurance and technical provisions	776,498,272	831,271,637	798,884,364	54,773,365	32,387,273	7.05%	4.05%
Investment portfolio	866,927,300	940,500,858	905,736,746	73,573,558	34,764,112	8.49%	3.84%
Employees (ETF)	196.75	224.75	216.00	28.00	8.75	14.23%	4.05%
written premium per employee	4,081,236	3,944,050	3,963,920	-137,185	-19,869	-3.36%	-0.50%

\*The data are in accordance with the notification to the parent company Sava Re Ljubljana

## 2 PREMIUM

### 2.1 NUMBER OF EXECUTED INSURANCE CONTRACTS

In the period between 01.01. and 31.12.2019 SAVA osiguruvanje executed 318,194 policies (2018: 289,534), which indicates an increase in the number of policies by 28.660 compared to the previous year or an increase by 9.9% compared to 2018. Number of policies is increased due to the fact that the Company successfully accomplished cooperation with several internal and external sales channels and completed significant projects in the past 2019. The Company continued the multiannual trend of risk diversification in its portfolio and developed its own sales network. This contributed to increased workload and thus, an increased number of executed insurance premiums.

Table No. 2.1 – Number of Executed Insurance Contracts

Classes of Insurance	Number of executed insurance contracts		Index	Difference between
	2018	2019	2019/2018	2019 & 2018
01 Insurance against consequences of an accident	115,041	128,654	111.8	13.613
02 Health insurance	1,464	2,324	158.7	860
03 Insurance of motor vehicles (Casco)	6,875	7,342	106.8	467
06 Insurance of vessels (Casco)	5	7	140.0	2
07 Insurance of goods in transportation (freight)	285	299	104.9	14
08 Property insurance against fire and natural disasters	10,343	9,572	92.5	-771
09 Other property insurance	20,375	24,799	121.7	4,424
10 Motor third party liability insurance	68,551	74,376	108.5	5,825
12 Vessel third party liability insurance	242	193	79.8	-49
13 General liability insurance	499	503	100.8	4
14 Loans	0	3	0.0	3
15 Insurance of guaranties	5,312	4,477	84.3	-835
16 Financial losses	63	153	242.9	90
18 Tourist assistance insurance	60,479	65,492	108.3	5.013
<b>Total</b>	<b>289,534</b>	<b>318,194</b>	<b>109.9</b>	<b>28,660</b>

Chart No.2.1- Number of Executed Insurance Contracts

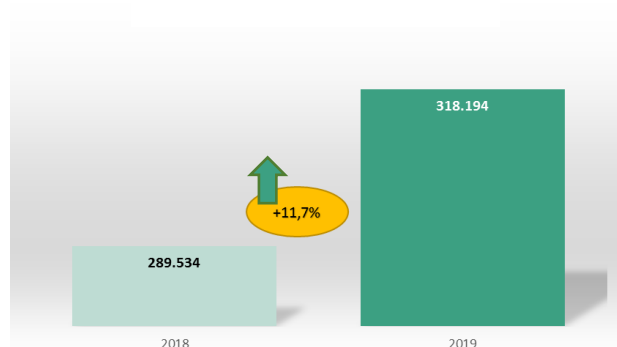
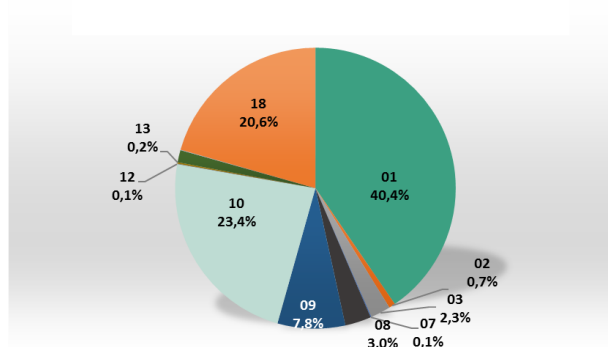


Chart 6p.2.2- Structure of Number of Executed Insurance Contracts in 2019





The Company succeeded, through its own sales network to secure diversified portfolio and organic growth of the premium in most of its products. Increase in all classes of insurance is marked, with the exception of the Property Insurance against fire and natural disasters, Vessel third party liability insurance and Insurance of guarantees.

This decrease owes to non-extended policies that have been occurred last business year and due to the slow realization of the project Insurance of guarantees compared to the expectations. The biggest increase of number of policies has been realized in the class Accidents (13,613 policies exceeding the last year realization or an increase by 11.8%). This increase mostly owes to the development of bank insurance.

Significant increase in number of policies is marked in the classes Health insurance and Property insurance due to new i.e. amended products of these insurance classes. Moreover, there is significant grown in Insurance of tourist assistance and Motor third party liability insurance which point to expansion in the client base of the company.

Efforts to increase the Company's scope of work will be invested in the following periods and the Company will strive to build a dispersed risk portfolio and more quality insurances.

## 2.2 WRITTEN PREMIUM

### 2.2.1 Gross written premium per insurance classes

In 2019 SAVA osiguruvanje generated gross premium in the amount of 886,425,349 denars (2018: 802,983,154 denars) and recorded an increase compared to the previous year of significant 83,442,194 denars or an increase of 2.5% compared to the written premium in 2018. Annual premium plan is exceeded by 3.5% i.e. the realized premium is higher than the planned one amounting 30,218,666 denars.

Table No. 2 – Gross written premium

Classes of insurance	Gross premium			Index		Difference between	
	2018	2019	Plan 2019	2019/ 2018	2019/ P 2019	2019 & 2018	2019 & P 2019
01 Insurance against consequences of an accident	75,565,051	87,535,063	80,228,328	115.8	109.1	11,970,012	7,306,735
02 Health insurance	5,460,122	8,926,979	11,208,831	163.5	79.6	3,466,857	-2,281,852
03 Insurance of motor vehicles (Casco)	126,721,234	136,848,623	130,075,756	108.0	105.2	10,127,389	6,772,866
06 Insurance of vessels (Casco)	66,817	148,145	95,165	221.7	155.7	81,328	52,980
07 Insurance of goods in transportation (freight)	4,057,183	4,931,313	3,745,639	121.5	131.7	874,130	1,185,674
08 Property insurance against fire and natural disasters	57,365,325	53,663,672	57,699,410	93.5	93.0	-3,701,653	-4,035,738
09 Other property insurance	90,827,614	106,700,856	98,677,212	117.5	108.1	15,873,242	8,023,644
10 Motor third party liability insurance	395,132,233	433,669,097	423,383,189	109.8	102.4	38,536,864	10,285,907
12 Vessel third party liability insurance	839,787	633,203	682,612	75.4	92.8	-206,584	-49,409
13 General liability insurance	8,854,668	9,414,073	7,569,832	106.3	124.4	559,405	1,844,241
14 Loans		38,776	403,000	0.0	9.6	38,776	-364,224
15 Insurance of guaranties	4,735,666	4,944,902	5,091,317	104.4	97.1	209,236	-146,415
16 Financial losses	2,860,843	3,424,815	2,498,993	119.7	137.0	563,973	925,822
18 Tourist assistance insurance	30,496,612	35,545,833	34,847,398	116.6	102.0	5,049,221	698,434
<b>Total</b>	<b>802,983,154</b>	<b>886,425,349</b>	<b>856,206,683</b>	<b>110.4</b>	<b>103.5</b>	<b>83,442,194</b>	<b>30,218,666</b>

In the past 2019 the increase per insurance classes is most evident in the Motor third party liability insurance, Insurance of passenger vehicles (Casco), Accident Insurance and Property insurances. Significant increase is marked in Health Insurance and Tourist Assistance insurance. This is result of the great effort and successfully implemented projects the Company realized in the past business year.

The average accomplished premium of the Company, per average number of employee, in 2019 was 3,944,050 denars (2018: 4,081,236 denars) and is lower compared to the past 2018 by 137,185 denars or by 3.4% due to expansion of its own sales network and great number of new sellers.

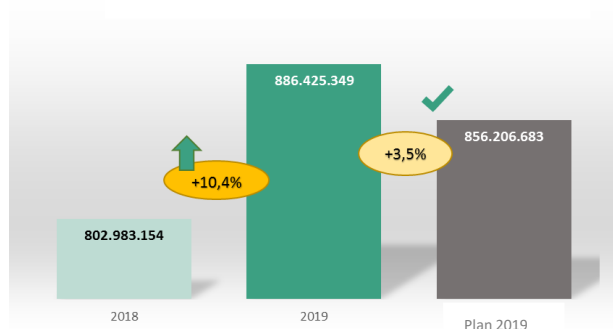
### 2.2.2 Gross Written Premium Structure

The Company's insurance portfolio is stably profiled and dispersed in all types of insurance. A slight decrease is noticeable in the share of Motor third party liability insurance premium which this year participated with 48.9% (2018: 49.2%) in the total insurance and as Motor vehicle insurance (Casco) which has a share of 15.4% this year (2018: 15.8%). The greatest change in the share in total premium is marked in Other Property Insurances (increase by 0.7 pp) which is, in fact, our strategic determination.

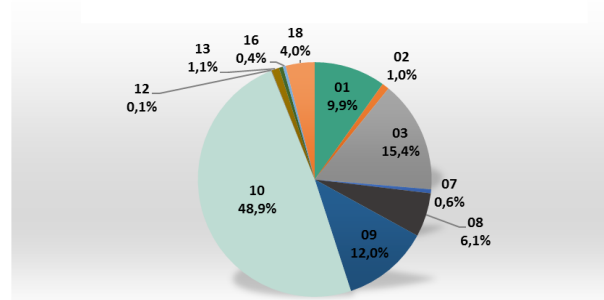
Table No. 2.2.2 – Structure of Gross Written Premium

Classes of insurance	Gross premium			Difference between	
	2018	2019	Plan 2019	2019 & 2018	2019 & P 2019
01 Insurance against consequences of an accident	9.4%	9.9%	9.4%	0.5%	0.5%
02 Health insurance	0.7%	1.0%	1.3%	0.3%	-0.3%
03 Insurance of motor vehicles (Casco)	15.8%	15.4%	15.2%	-0.3%	0.2%
07 Insurance of goods in transportation (freight)	0.5%	0.6%	0.4%	0.1%	0.1%
08 Property insurance against fire and natural disasters	7.1%	6.1%	6.7%	-1.1%	-0.7%
09 Other property insurance	11.3%	12.0%	11.5%	0.7%	0.5%
10 Motor third party liability insurance	49.2%	48.9%	49.4%	-0.3%	-0.5%
12 Vessel third party liability insurance	0.1%	0.1%	0.1%	0.0%	0.0%
13 General liability insurance	1.1%	1.1%	0.9%	0.0%	0.2%
14 Loans	0.0%	0.0%	0.0%	0.0%	0.0%
15 Insurance of guaranties	0.6%	0.6%	0.6%	0.0%	0.0%
16 Financial losses	0.4%	0.4%	0.3%	0.0%	0.1%
18 Tourist assistance insurance	3.8%	4.0%	4.1%	0.2%	-0.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>

Graph No.2.2.1- Gross Written Premium



Graph No. 2.2.2-Gross Written Premium Structure



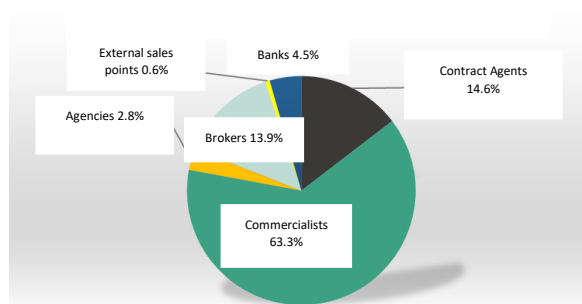
### 2.2.3 Written Premium per Distribution Channels

Premium structure against the sales channels shows that 81.0% (2018: 82.2%) of the total premium is earned from our own sales network (Salesmen, Agents, Agencies and Internet Sales), and the remaining 19.0% of the external sales network that compared to the past year indicates a decrease of sales through own sales channels by 1.2 p.p.

Table No. 2.2.3 – Gross written premium per distribution channels

Distribution channels	2018	2019	Plan 2019	2019 / 2018	2019/P 2019	Structure % 2019
Contract Agents	116,222,383	129,556,246	143,088,654	111.5	90.5	14.6%
Commercialists	507,310,315	561,122,922	539,458,778	110.6	104.0	63.3%
Agencies	35,099,690	25,031,661	11,302,869	71.3	221.5	2.8%
Internet sales	1,202,452	2,096,594	2,287,556	174.4	91.7	0.2%
Total internal sales network	627,629,644	717,807,423	696,137,857	114.4	103.1	81.0%
Brokers	101,872,180	123,597,570	123,469,497	121.3	100.1	13.9%
External sales points	5,165,037	5,346,386	1,096,107	103.5	487.8	0.6%
Banks	36,111,097	39,673,970	35,503,222	109.9	111.7	4.5%
Total external sales network	123,904,711	168,617,926	160,068,825	136.1	105.3	19.0%
<b>Total</b>	<b>802,983,154</b>	<b>886,425,349</b>	<b>856,206,683</b>	<b>110.4</b>	<b>103.5</b>	<b>100.0%</b>

Chart No. 2.2.3-Structure of gross written premium per distribution channels



### 3 CLAIMS

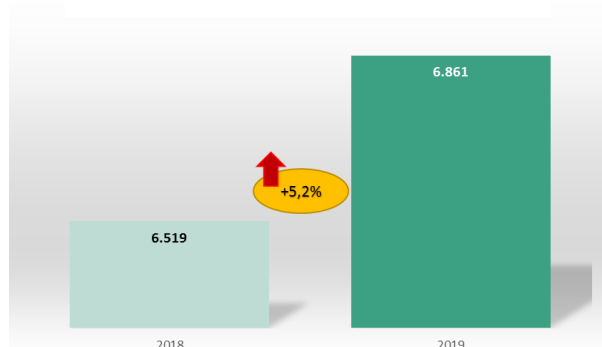
#### 3.1 NUMBER OF LIQUIDATED CLAIMS

In 2019 6,861 claims (2018: 6,519) were liquidated which resulted in increase in the number of liquidated claims by 5.2% or 342 claims more than 2018.

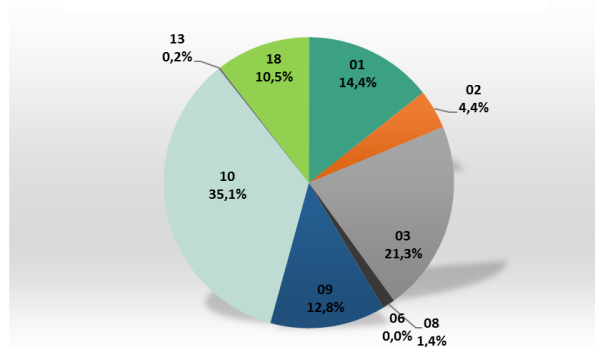
Table No. 3.1 – Number of liquidated claims

Classes of insurances	Number of claims		Index	Difference between
	2018	2019	2019 / 2018	2019 & 2018
01 Insurance against consequences of an accident	676	986	145.9	310
02 Health insurance	64	300	468.8	236
03 Insurance of motor vehicles (Casco)	1,479	1,460	98.7	-19
06 Insurance of vessels (Casco)	1	0	0.0	-1
07 Insurance of goods in transportation (freight)	5	1	20.0	-4
08 Property insurance against fire and natural disasters	99	96	97.0	-3
09 Other property insurance	914	881	96.4	-33
10 Motor third party liability insurance	2,577	2,406	93.4	-171
13 General liability insurance	8	12	150.0	4
16 Financial losses	4	0	0.0	-4
18 Tourist assistance insurance	692	719	103.9	27
<b>Total</b>	<b>6,519</b>	<b>6,861</b>	<b>105.2</b>	<b>342</b>

Graph No. 3.1- Number of liquidated claims



Graph No. 3.2 - Structure of number of liquidated claims



In the past year there was not large number of adverse events compared to the previous year.

In 2019 in the class of Insurance of crops and fruits we have decreased number of reported claims compared to 2018. Also, the liquidated amount is lower.

There is a significant growth in the class of Health Insurance that correlates to the new products which were introduced in this insurance class. However, the liquidation is within frames of the planned.

The insurance class Insurance of property against fire and other hazards compared to 2018 when we had liquidate of object that caught fire with a greater amount in 2019, the liquidated amount is much lower.

However in 2019 we would distinguish the reported and liquidated claims for base stations that were 100% reinsured, as well as reported and liquidated claims of equipment in small hydro power plants.

In 2019 we marked increase of liquidated amount in class Insurance of accident by 32% where the planned amount of claims is exceeded. Following the number of cases in 2019 we have 986 liquidated cases while in 2018 we have 679 liquidated cases. The growth owes to increased premium in 2019 in this insurance class.

A decrease in liquidated claims compared to the estimations can be seen in the insurance class General Liability Insurance, and it owes to the reserved claims that are in court procedure and the completion of the cases depends on the ongoing procedures.

In 2019 a total of 95 court cases are initiated (in 2019 we had a total of 76) which is low compared to 2018. With regards to regress procedures (balance) in 2019 we executed 106 cases – regresses. In 2018 we execute 47 cases. The greater number of resolved cases per regress owes to the new HR and organizational solution in this part of the work of the Department Claims which gives results.

A total in 2019 there was income based on regresses of 13,073,801 denars while in 2018 we marked 4,741,497 denars.

## 3.2 AMOUNT OF LIQUIDATED CLAIMS

### 3.2.1 Liquidated claims per insurance classes

In the reporting period there were liquidated claims in the amount of 375,389,834 denars (2018: 375,171,191 denars) which is on the same level compared to the same period last year i.e. the liquidations mark insignificant growth by 218,642 denars or 0.1% compared to last year.

The planned amount of liquidations deviates from the realization of the liquidated amount by 15,526,937 denars or 0.4 less realized liquidations compared to the planned ones for 2019.

Table No. 3.2.1 – Gross liquidated claims

Insurance Classes	Gross liquidated claims			Index		Difference between	
	2018	2019	Plan 2019	2019 / 2018	2019/P 2019	2019 & 2018	2019 & P 2019
01 Insurance against consequences of an accident	20,835,656	27,546,502	22,134,552	132.2	124.5	6,710,846	5,411,950
02 Health insurance	1,120,290	4,462,498	4,333,811	398.3	103.0	3,342,208	128,687
03 Insurance of motor vehicles (Casco)	87,213,525	90,345,111	83,185,033	103.6	108.6	3,131,586	7,160,078
06 Insurance of vessels (Casco)	972,929	0	926,548	0.0	0.0	-972,929	-926,548
07 Insurance of goods in transportation (freight)	942,590	11,757	1,108,243	1.2	1.1	-930,833	-1,096,486
08 Property insurance against fire and natural disasters	31,871,355	13,443,381	20,543,308	42.2	65.4	-18,427,974	-7,099,927
09 Other property insurance	48,921,936	47,806,603	45,343,972	97.7	105.4	-1,115,333	2,462,631
10 Motor third party liability insurance	165,268,228	166,574,212	177,557,360	100.8	93.8	1,305,984	-10,983,148
13 General liability insurance	5,286,086	13,048,594	21,124,429	246.8	61.8	7,762,508	-8,075,835
15 Guarantee insurance	0	0		0.0	0.0	0	0
16 Financial losses	1,087,354	0	966,929	0.0	0.0	-1,087,354	-966,929
18 Tourist assistance insurance	11,651,241	12,151,175	13,692,586	104.3	88.7	499,934	-1,541,411
<b>Total</b>	<b>375,171,191</b>	<b>375,389,834</b>	<b>390,916,771</b>	<b>100.1</b>	<b>96.0</b>	<b>218,642</b>	<b>-15,526,937</b>

### 3.2.2 Structure of claims

Company's liquidation structure in 2019 mostly consisted of the class of Motor third party liability insurance 44.4% (2018: 44.1%) and Insurance of motor vehicles (Casco) with 24.1% (2018: 23.2%), followed by the Other property insurance with 12.7% (2018: 8.5%) marks drastic decrease due to liquidation of large claim in 2018.

Table No. 3.2.2 – Structure of gross liquidated claims

Classes of insurance	Gross liquidated claims			Difference between	
	2018	2019	Plan 2019	2019 & 2018	2019 & P 2019
01 Insurance against consequences of an accident	5.6%	7.3%	5.7%	1.8%	1.7%
02 Health insurance	0.3%	1.2%	1.1%	0.9%	0.1%
03 Insurance of motor vehicles (Casco)	23.2%	24.1%	21.3%	0.8%	2.8%
06 Insurance of vessels (Casco)	0.3%	0.0%	0.2%	-0.3%	-0.2%
07 Insurance of goods in transportation (freight)	0.3%	0.0%	0.3%	-0.2%	-0.3%
08 Property insurance against fire and natural disasters	8.5%	3.6%	5.3%	-4.9%	-1.7%
09 Other property insurance	13.0%	12.7%	11.6%	-0.3%	1.1%
10 Motor third party liability insurance	44.1%	44.4%	45.4%	0.3%	-1.0%
13 General liability insurance	1.4%	3.5%	5.4%	2.1%	-1.9%
16 Financial claims	0.3%	0.0%	0.2%	-0.3%	-0.2%
18 Insurance of tourist assistance	3.1%	3.2%	3.5%	0.1%	-0.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		

Chart No. 3.3.1- Gross liquidated claims

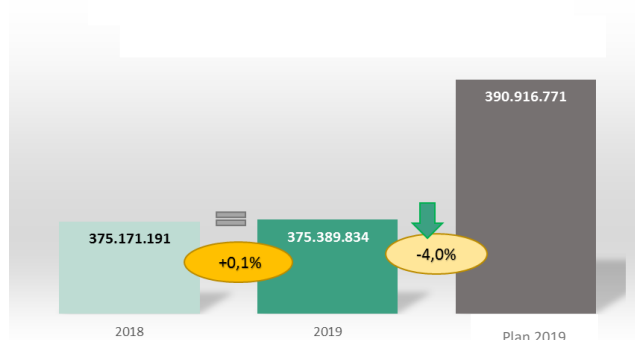
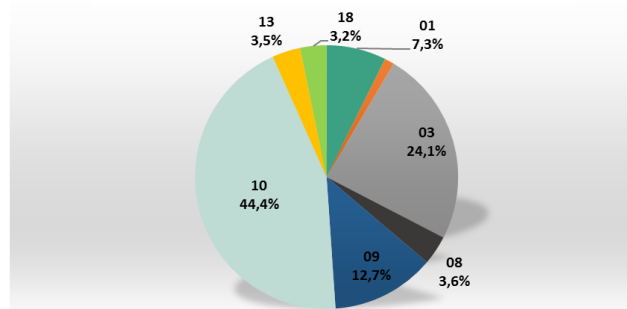


Chart No.3.3.2- Structure of gross liquidated claims



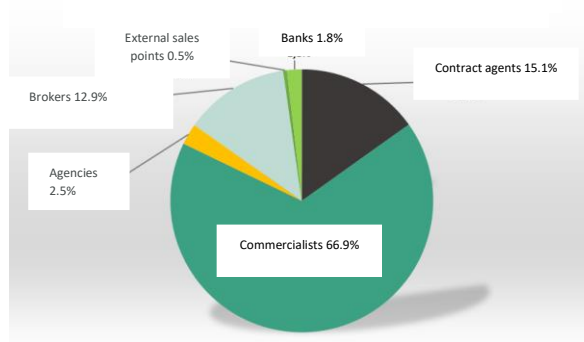
### 3.2.3 Liquidated Claims by Distribution Channels

On the basis of the premium on the internal sales network, the Company liquidated 84.8% (2018: 85.2%) of the total liquidated claims, while the rest is from the external sales network 15.2% (2018: 14.8%), with Brokers 12.9% (2018: 12.9%), Banks 1.8% and insignificant 0.5% at Other Sellers.

Table No. 3.2.3 – Gross liquidated claims per distribution channels (not included regress and direct claim costs)

Distribution channels	2018	2019	2019 / 2018	Structure % 2019
Agents	64,909,919	58,130,836	89.6	15.1%
Commercialists	238,434,462	256,978,006	107.8	66.9%
Agencies	9,688,868	9,751,292	100.6	2.5%
Internet sales	234,856	311,607	132.7	0.1%
Own sales points	7,214,280	765,573	10.6	0.2%
<b>Total internal sales network</b>	<b>320,482,385</b>	<b>325,937,314</b>	<b>101.7</b>	<b>84.8%</b>
Brokers	48,567,072	49,572,579	102.1	12.9%
External sales points	2,339,278	1,854,848	79.3	0.5%
Banks	4,562,107	6,875,696	150.7	1.8%
<b>Total external sales network</b>	<b>55,468,457</b>	<b>58,303,123</b>	<b>105.1</b>	<b>15.2%</b>
<b>Total</b>	<b>375,950,842</b>	<b>384,240,437</b>	<b>102.2</b>	<b>100.0%</b>

Chart No. 3.2.3-Structure of gross liquidated claims per distribution channels



### 3.2.4 Claims / Premium (loss ratio)

Total share of the gross liquidated claims in the gross premium written in 2019 amounts 42.3% (2018: 46.7%) and the same has decreased by 4.4 p.p. compared to the previous year. Due to the lower number and amount of liquidated claims, the Company completed the last year within the planned ratio of 45.7%.

Loss amount is 511,035,515 denars (2018: 426,064,716 denars) and compared to 2018 it has recorded an increase of 82,223,552 denars or 19.5%.

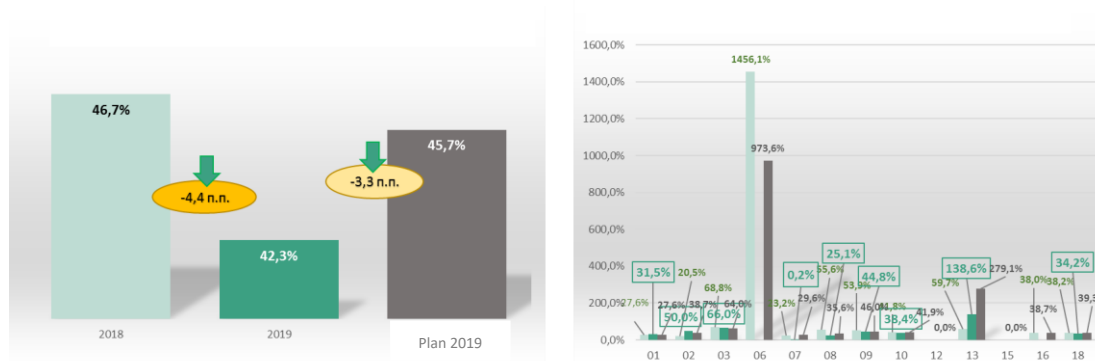
Internal sales network has a share in the total loss amount of 78.0% (2018: 79.8%) i.e. participates with 391,870,109 denars, while the remaining part is realized from the external sales network in the amount of

110,314,803 denars (2018: 20.2%). Loss ratio in the Internal sales network amounts 45.4%, while the External network has a loss ratio of 34.6 (2018: 44.8%).

Table No. 3.2.4 – Simple loss ratio by classes of insurance

Classes of insurance	Simple loss ratio			Difference between	
	2018	2019	Plan 2019	2019 & 2018	2019 & P 2019
01 Insurance against consequences of an accident	27.6%	31.5%	27.6%	3.9%	3.9%
02 Health insurance	20.5%	50.0%	38.7%	29.5%	11.3%
03 Insurance of motor vehicles (Casco)	68.8%	66.0%	64.0%	-2.8%	2.1%
06 Insurance of goods in transportation (freight)	1,456.1%	0.0%	973.6%	1,456.1%	-973.6%
07 Property insurance against fire and natural disasters	23.2%	0.2%	29.6%	-23.0%	-29.3%
08 Other property insurance	55.6%	25.1%	35.6%	-30.5%	-10.6%
09 Motor third party liability insurance	53.9%	44.8%	46.0%	-9.1%	-1.1%
10 Motor third party liability insurance	41.8%	38.4%	41.9%	-3.4%	-3.5%
12 Third party liability insurance of vessels	0.0%	0.0%	0.0%	0.0%	0.0%
13 General liability insurance	59.7%	138.6%	279.1%	78.9%	-140.5%
15 Guarantee insurance	0.0%	0.0%	0.0%	0.0%	0.0%
16 Financial losses	38.0%	0.0%	38.7%	-38.0%	-38.7%
18 Tourist assistance insurance	38.2%	34.2%	39.3%	-4.0%	-5.1%
<b>Total</b>	<b>46.7%</b>	<b>42.3%</b>	<b>45.7%</b>	<b>-4.4%</b>	<b>-3.3%</b>

Chart No. 3.2.4-Simple loss ration per insurance classes



## 4 RESERVED CLAIMS

### 4.1 NUMBER OF RESERVED CLAIMS

At the end of the reporting period (December 31<sup>st</sup>, 2019), 2,020 claims have been reserved (2018: 2,080) or 90 claims less compared to the same period in the last year. That indicates an decrease in the number of reserved claims by 2.9% compared to 2018. A more dynamic increase in the number of claims is

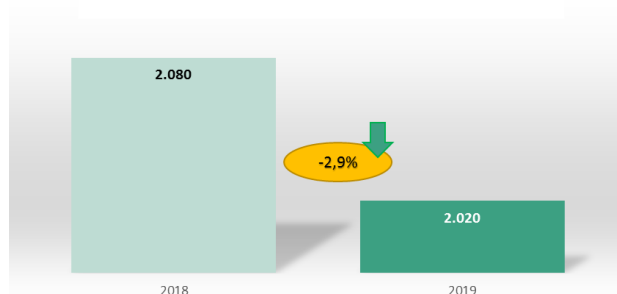


recorded in the Insurance of motor vehicles (Casco) and Health insurance that correlates to the number of executed contracts for these insurance classes.

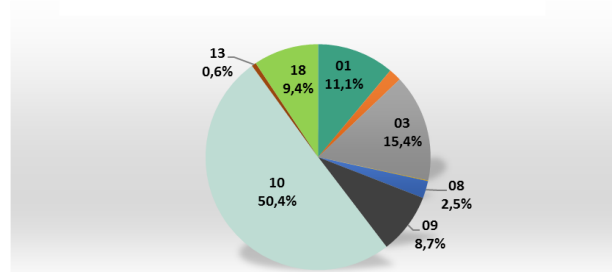
Table No. 4.1 – Number of reserved claims

Classes of insurance	Number of reserved claims		Index	Difference between
	2018	2019	2019 / 2018	2019 & 2018
01 Insurance against consequences of an accident	267	224	83.9	-43
02 Health insurance	16	37	231.3	21
03 Insurance of motor vehicles (Casco)	270	311	115.2	41
07 Insurance of goods in transportation (freight)	0	2	0.0	2
08 Property insurance against fire and natural disasters	63	50	79.4	-13
09 Other property insurance	195	176	90.3	-19
10 Motor third party liability insurance	1,057	1,018	96.3	-39
13 General liability insurance	21	13	61.9	-8
18 Tourist assistance insurance	191	189	99.0	-2
<b>Total</b>	<b>2,080</b>	<b>2,020</b>	<b>97.1</b>	<b>-60</b>

Chart No. 4.1- Number of reserved claims



Graph No. 4.2- Structure of number of reserved claims



## 4.2 AMOUNT OF RESERVED CLAIMS

### 4.2.1 Gross reserved claims

Standing of the reserved claims on December 31<sup>st</sup>, 2019 were 259,035,884 denars (2018: 248,371,313 denars) and has increased by 4.3% compared to the standing on the same day in 2018 i.e. the reservation is higher by 10,664,571 denars.

Regarding the annual plan, the reservations record higher amount by 29,841,710 denars or by 13.0% more reservations. Part of the reasons for this deviation is the projected liquidation of claims reserved in the class of General liability insurance, and that were not liquidated in this business year. Besides this, the motor vehicle liability shows difference compared to the plan where, on one hand we have greater increase of the

scope of operations compared to the planned, and at the same time, for the account of the smaller plan realization of liquidated claims, this class shows higher amounts than the planned ones in reservation.

Table No. 4.2.1 – Gross reserved claims

Classes of insurance	Gross Reserved Claims			Index		Difference between	
	2018	2019	Plan 2019	2019 / 2018	2019 / P 2019	2019 & 2018	2019 & P 2019
01 Insurance against consequences of an accident	4,930,951	6,018,653	5,922,281	122.1	101.6	1,087,702	96,372
02 Health insurance	223,171	393,600	950,000	176.4	41.4	170,429	-556,400
03 Insurance of motor vehicles (Casco)	20,320,314	19,549,310	24,958,795	96.2	78.3	-771,004	-5,409,485
07 Insurance of goods in transportation (freight)	0	79,377	0	0.0	0.0	79,377	79,377
08 Property insurance against fire and natural disasters	9,579,627	8,252,465	8,294,202	86.1	99.5	-1,327,162	-41,737
09 Other property insurance	5,537,564	8,040,776	12,727,545	145.2	63.2	2,503,212	-4,686,769
10 Motor third party liability insurance	179,568,341	194,959,861	172,721,751	108.6	112.9	15,391,520	22,238,110
13 General liability insurance	25,064,310	18,172,016	1,183,352	72.5	1.535.6	-6,892,294	16,988,664
18 Tourist assistance insurance	3,147,035	3,569,826	2,436,248	113.4	146.5	422,791	1,133,578
<b>Total</b>	<b>248,371,313</b>	<b>259,035,884</b>	<b>229,194,174</b>	<b>104.3</b>	<b>113.0</b>	<b>10,664,571</b>	<b>29,841,710</b>

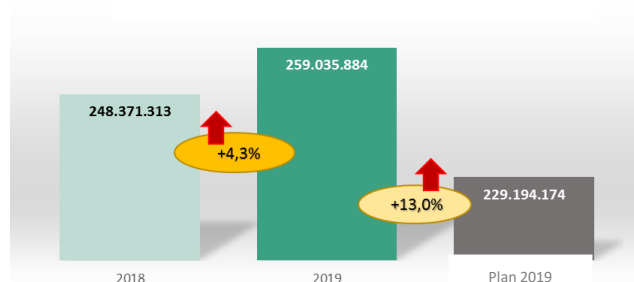
#### 4.2.2 Structure of Gross Reserved Claims

In the structure of amount of reserved claims, greatest share have the reservations of Motor third party liability insurance with 75.3% (2018: 72.3%) while the General liability insurance with 7.0% (2018: 10.1%).

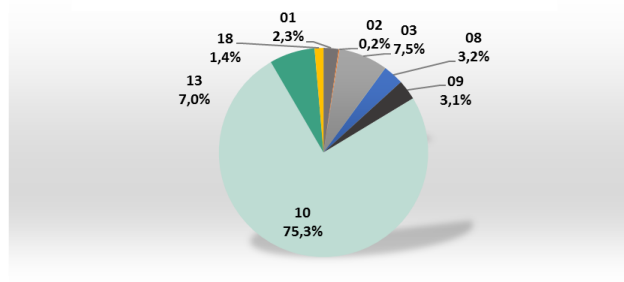
Table No. 4.2.2 – Structure of gross reserved claims

Classes of insurance	Gross Reserved Claims			Difference between	
	2018	2019	Plan 2019	2019 & 2018	2019 & P 2019
01 Insurance against consequences of an accident	2.0%	2.3%	2.6%	0.3%	-0.3%
02 Health insurance	0.1%	0.2%	0.4%	0.1%	-0.3%
03 Insurance of motor vehicles (Casco)	8.2%	7.5%	10.9%	-0.6%	-3.3%
08 Property insurance against fire and natural disasters	3.9%	3.2%	3.6%	-0.7%	-0.4%
09 Other property insurance	2.2%	3.1%	5.6%	0.9%	-2.4%
10 Motor third party liability insurance	72.3%	75.3%	75.4%	3.0%	-0.1%
13 General liability insurance	10.1%	7.0%	0.5%	-3.1%	6.5%
18 Tourist assistance insurance	1.3%	1.4%	1.1%	0.1%	0.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		

Chart No. 4.2.1- Gross reserved claims



Graph No. 4.2.2- Structure of gross reserved claims



## 5 REINSURANCE

In 2019 the Company executed several different reinsurance contracts, as it follows:

1. Disproportionate Excess of loss for property insurance agreement with the capacity of EUR 500,000 and retention of EUR 100,000;
2. Proportional agreement for property insurance of Excess of loss based on Maximum possible loss exceeding EUR 500,000 with the capacity of EUR 16,500,000;
3. Proportional agreement for Property reinsurance against earthquake with the capacity of EUR 7,000,000;
4. Proportional agreement for Property reinsurance of crops and fruits with the capacity of EUR 1,500,000;
5. Disproportionate agreement for Excess of loss for reinsurance of catastrophic risks (flood, storm and earthquake) with the capacity of EUR 1,000,000;
6. Disproportionate agreement for Excess of loss for reinsurance of catastrophic risks (accident) with the capacity of EUR 1,500,000;
7. Disproportionate Excess of loss for agreement for reinsurance of domestic motor third party liability and green card, with the capacity up to the legally determined limits;

In addition to these agreements, the company also provides facultative reinsurance of risks above its maximum coverage.

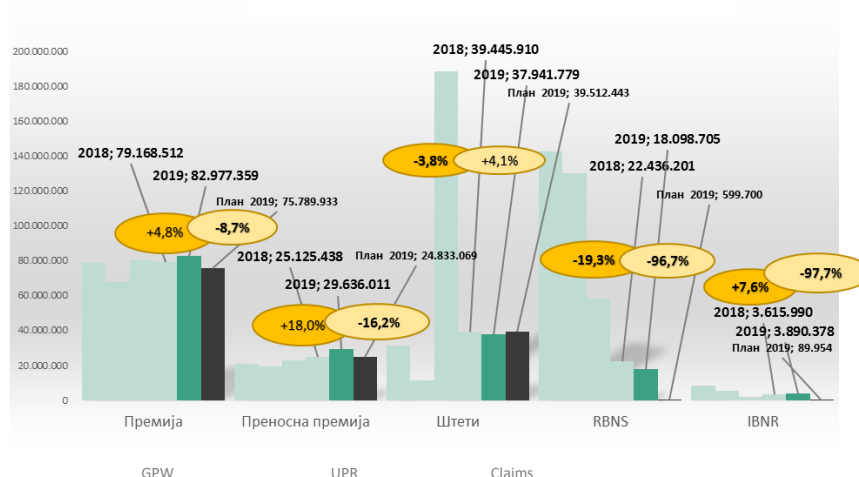
The increase in the ceded premium compared of 2019 compared to 2018 is due to organic growth of the company's portfolio.

In 2019 the claims in reinsurance reached 37,941,779 denars.

In terms of reservations:

- the premium reserve marks increase compared to 2018 due to the organic growth of the ceded reinsurance premium
- reserved claims have been reduced due to resolution for part of the liability claims of EVN Macedonia, as well as the claims for crops and fruits,
- the reserves for incurred, but not reported claims are on similar level compared to last year.

Chart No. 6 - Reinsurance 2019



## 6 TECHNICAL RESERVES

### 6.1 GROSS TECHNICAL RESERVES

#### 6.1.1 Gross technical reserves per insurance classes

At the end of 2019 the technical reserves are calculated and separated in accordance with the provisions of the Law on Insurance Supervision and the Rulebook on Minimum Standards for Calculation of Technical Reserves and the same allow long-term fulfillment of the obligations under the insurance agreements.

Technical reserves include:

- **Unearned premium reserve**, calculated using the principles *pro rata temporis*;
- **Bonuses and discounts reserves**; and
- **Reserves for claims**, that include the reserves for reported, but yet not-liquidated claims, reserves for incurred, but unreported claims and reserves for costs for claims.

Table No. 6.1.1 – Gross technical reservations

Classes of insurance	Gross Technical Reservations			Index		Difference between	
	2018	2019	Plan 2019	2019 / 2018	2019/P 2019	2019 & 2018	2019 & P 2019
01 Insurance against consequences of an accident	39,753,294	46,297,162	43,790,474	116.5	105.7	6,543,868	2,506,688
02 Health insurance	2,488,686	4,404,049	6,801,538	177.0	64.8	1,915,363	-2,397,489
03 Insurance of motor vehicles (Casco)	93,824,383	100,028,459	93,798,831	106.6	106.6	6,204,076	6,229,628
06 Insurance of vessels (Casco)	26,872	67,621	67,586	251.6	100.1	40,749	35
07 Insurance of goods in transportation (freight)	912,695	1,067,815	941,912	117.0	113.4	155,120	125,903
08 Property insurance against fire and natural disasters	39,829,991	38,242,722	37,844,830	96.0	101.1	-1,587,269	397,892
09 Other property insurance	51,039,299	71,703,692	67,610,710	140.5	106.1	20,664,393	4,092,982
10 Motor third party liability insurance	500,203,669	530,277,135	520,596,045	106.0	101.9	30,073,466	9,681,090
12 Vessel third party liability insurance	435,804	328,555	342,858	75.4	95.8	-107,249	-14,303
13 General liability insurance	33,398,569	27,041,451	5,473,383	81.0	494.1	-6,357,118	21,568,068
14 Loans	0	12,888	0	0.0	0.0	12,888	12,888
15 Guarantee insurance	4,822,300	4,151	9,932,117	0.1	0.0	-4,818,149	-9,927,966
16 Financial losses	1,524,676	2,008,497	1,363,775	131.7	147.3	483,821	644,722
18 Tourist assistance insurance	8,238,034	9,787,440	10,320,305	118.8	94.8	1,549,406	-532,865
<b>Total</b>	<b>776,498,272</b>	<b>831,271,637</b>	<b>798,884,364</b>	<b>107.1</b>	<b>104.1</b>	<b>54,773,365</b>	<b>32,387,273</b>

Gross technical reserves of the Company on 31.12.2019 amounted 831,271,637 denars (2018: 776,498,272 denars), which is by 7.1 p.p higher compared to the previous year.

Regarding the plan for 2019, gross technical reserves recorded lower amount of 32,387,273 denars, i.e. they are higher than the planned 4.1%.

The significant growth of the portfolio in 2019 consequently leads to increase of the technical reserves. Here we would mention the claims in the class of General Liability Insurance which were estimated to be fully resolved in 2019, but at the end of the year about 17.5 million denars are in reservation.

## 6.1.2 Structure of gross technical reservations

Table No. 6.1.2 – Structure of gross technical reservations

Insurance Classes	Gross Technical Reservations			Difference between	
	2018	2019	Plan 2019	2019 & 2018	2019 & P 2019
01 Insurance against consequences of an accident	5.1%	5.6%	5.5%	0.4%	0.1%
02 Health insurance	0.3%	0.5%	0.9%	0.2%	-0.3%
03 Insurance of motor vehicles (Casco)	12.1%	12.0%	11.7%	0.0%	0.3%
07 Insurance of goods in transportation (freight)	0.1%	0.1%	0.1%	0.0%	0.0%
08 Property insurance against fire and natural disasters	5.1%	4.6%	4.7%	-0.5%	-0.1%
09 Other property insurance	6.6%	8.6%	8.5%	2.1%	0.2%
10 Motor third party liability insurance	64.4%	63.8%	65.2%	-0.6%	-1.4%
12 Vessel third party liability insurance	0.1%	0.0%	0.0%	0.0%	0.0%
13 General liability insurance	4.3%	3.3%	0.7%	-1.0%	2.6%
15 Guarantee insurance	0.6%	0.0%	1.2%	-0.6%	-1.2%
16 Financial losses	0.2%	0.2%	0.2%	0.0%	0.1%
18 Tourist assistance insurance	1.1%	1.2%	1.3%	0.1%	-0.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		

Chart No. 6.1.1- Gross technical reservations

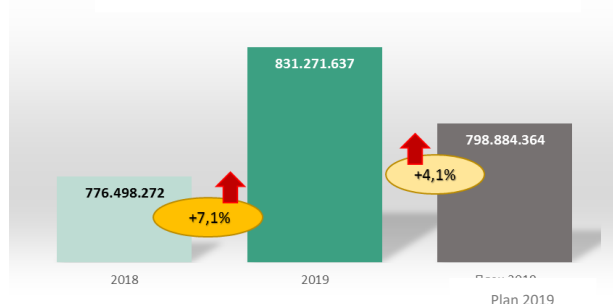
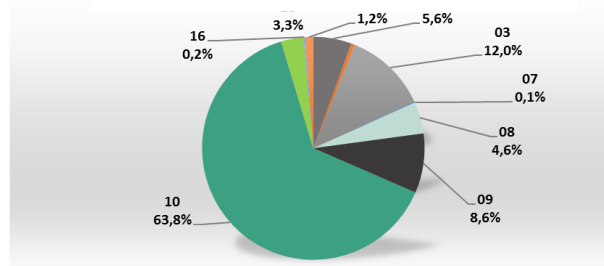


Chart No. 6.1.2- Structure of gross technical reservations



## 6.2 NET TECHNICAL RESERVES

### 6.2.1 Net technical reserves per insurance classes

Net technical reserves (gross technical reserves reduced by the amount ceded to reinsurance) are higher by 7.5% or 54,325,900 denars compared to the previous year.

Changes in the total net technical reservations to some extent correspond to the increase in the portfolio of the Company.

The difference with regarding to the planned amounts is insignificant. The difference in the amounts that appears with insurance of guarantees is a consequence of the fact that the insurance product of extended guarantee towards the end of 2019 is included in the framework of the classes of Other property insurance.

The changes in the total net technical reservations compared to last year to some extent correspond to the growth of the Company's portfolio.

Table No. 6.2.1 – Net technical reservations

Classes of insurance	Net Technical Reservations			Index		Difference between	
	2018	2019	Plan 2019	2019 / 2018	2019/P 2019	2019 & 2018	2019 & P 2019
1 Insurance against consequences of an accident	39,753,294	46,279,905	43,790,474	116.4	105.7	6,526,611	2,489,431
2 Health insurance	2,488,686	4,542,493	6,801,538	182.5	66.8	2,053,807	-2,259,045
3 Insurance of motor vehicles (Casco)	93,824,383	99,890,015	93,798,831	106.5	106.5	6,065,632	6,091,184
6 Insurance of vessels (Casco)	26,872	67,621	67,586	251.6	100.1	40,749	35
7 Insurance of goods in transportation (freight)	684,405	758,239	836,587	110.8	90.6	73,834	-78,348
8 Property insurance against fire and natural disasters	30,103,101	29,411,178	31,157,647	97.7	94.4	-691,923	-1,746,469
9 Other property insurance	34,341,163	47,769,288	49,255,459	139.1	97.0	13,428,125	-1,486,171
10 Motor third party liability insurance	498,245,907	528,601,860	520,596,045	106.1	101.5	30,355,953	8,005,815
12 Vessel third party liability insurance	435,804	328,555	342,858	75.4	95.8	-107,249	-14,303
13 General liability insurance	10,860,401	10,184,410	5,098,419	93.8	199.8	-675,991	5,085,991
14 Loans	0	12,888	0	0	0.0	12,888	12,888
15 Guarantee insurance	4,793,917	4,151	9,932,117	0.1	0.0	-4,789,766	-9,927,966
16 Financial losses	1,524,676	2,008,497	1,363,775	131.7	147.3	483,821	644,722
18 Tourist assistance insurance	8,238,034	9,787,440	10,320,305	118.8	94.8	1,549,406	-532,865
<b>Total</b>	<b>725,320,643</b>	<b>779,646,541</b>	<b>773,361,641</b>	<b>107.5</b>	<b>100.8</b>	<b>54,325,898</b>	<b>6,284,900</b>

Table No. 6.2.1.1 – Gross and net technical reservation

	Net technical reservations			Index	
	2018	2019	Plan 2019	2019/2018	2019/P 2019
UPR	375,193,971	420,672,303	409,521,535	112.1	102.7
UPR in RE	25,125,438	29,636,011	24,833,069	118.0	119.3
<b>NET PREMIUM RESERVED</b>	<b>350,068,533</b>	<b>391,036,292</b>	<b>384,688,466</b>	<b>111.7</b>	<b>101.7</b>
RBNR	248,371,313	259,035,884	229,194,174	104.3	113.0
RBNR in RE	22,436,201	18,098,705	599,700	80.7	3,018.0
<b>NET RBNR</b>	<b>225,935,112</b>	<b>240,937,179</b>	<b>228,594,474</b>	<b>106.6</b>	<b>105.4</b>
RBNS	132,395,948	125,165,150	144,403,480	94.5	86.7
RBNS in RE	3,615,990	3,890,378	89,954	107.6	4,324.9
<b>NET RBNS</b>	<b>128,779,958</b>	<b>121,274,772</b>	<b>144,313,526</b>	<b>94.2</b>	<b>84.0</b>
Reserves for bonuses and discounts	2,491,362	3,940,937	2,689,257	158.2	146.5
Reserves for direct and indirect costs	12,184,552	13,447,035	13,075,918	110.4	102.8
Net reserves for risks that have not expired	5,861,126	9,010,328		153.7	0.0
<b>OTHER RESERVATIONS</b>	<b>20,537,040</b>	<b>26,398,300</b>	<b>15,765,175</b>	<b>128.5</b>	<b>167.4</b>
<b>NET TECHNICAL RESERVES</b>	<b>725,320,643</b>	<b>779,646,543</b>	<b>773,361,641</b>	<b>107.5</b>	<b>100.8</b>

## 6.2.2 Structure of net technical reservations

Table No. 6.2.2 – Structure of net technical reservations

Classes of insurance		Net technical reservations			Difference between	
		2018	2019	Plan 2019	2019 & 2018	2019 & P 2019
01	Insurance against consequences of an accident	5.5%	5.9%	5.7%	0.5%	0.3%
02	Health insurance	0.3%	0.6%	0.9%	0.2%	-0.3%
03	Insurance of motor vehicles (Casco)	12.9%	12.8%	12.1%	-0.1%	0.7%
07	Insurance of goods in transportation (freight)	0.1%	0.1%	0.1%	0.0%	0.0%
08	Property insurance against fire and natural disasters	4.2%	3.8%	4.0%	-0.4%	-0.3%
09	Other property insurance	4.7%	6.1%	6.4%	1.4%	-0.2%
10	Motor third party liability insurance	68.7%	67.8%	67.3%	-0.9%	0.5%
12	Vessel third party liability insurance	0.1%	0.0%	0.0%	0.0%	0.0%
13	General liability insurance	1.5%	1.3%	0.7%	-0.2%	0.6%
14	Loans	0.0%	0.0%	0.0%	0.0%	0.0%
15	Guarantee insurance	0.7%	0.0%	1.3%	-0.7%	-1.3%
16	Financial losses	0.2%	0.3%	0.2%	0.0%	0.1%
18	Tourist assistance insurance	1.1%	1.3%	1.3%	0.1%	-0.1%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		

Chart No. 6.2.1 – Net technical reservations

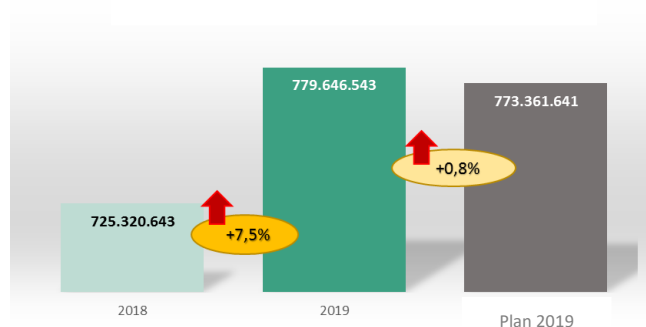
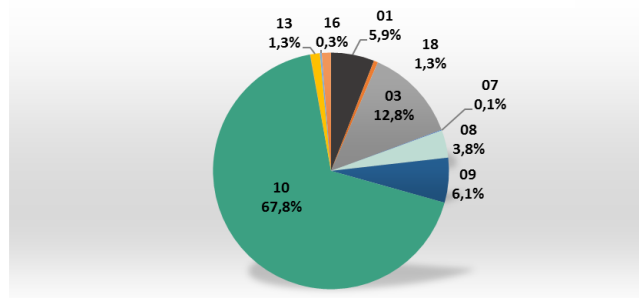


Chart No. 6.2.2 – Structure of net technical reservations



## 7 PRODUCTION OF TECHNICAL STATION

Table No. 7.1 – Production of TS Sava Station according to number of cases and vehicles

Type of vehicle	2018		2019		Index 2019/2018		Difference 2019 & 2018	
	Number of cases	Number of vehicles	Number of cases	Number of vehicles	Number of cases	Number of vehicles	Number of cases	Number of vehicles
Passengers	3,768	3,768	3,248	3,248	86.20	86.20	-520	-520
Freight	953	953	910	910	95.49	95.49	-43	-43
Other services	520	0	447	0	85.96	0.00	-73	0
Power of attorney	511	0	528	0	103.33	0.00	17	0
Tug vehicle	364	364	227	227	62.36	62.36	-137	-137
Semi trailer	372	372	249	249	66.94	66.94	-123	-123
Trial plates	74	0	56	0	75.68	0.00	-18	0
Bus	26	26	33	33	126.92	126.92	7	7
International driver's license	162	0	83	0	51.23	0.00	-79	0
Special freight vehicle	35	35	41	41	117.14	117.14	6	6
Freight connective vehicle	17	17	19	19	111.76	111.76	2	2
Work vehicle	1	1	0	0	0.00	0.00	-1	-1
Special passenger vehicle	8	8	6	6	75.00	75.00	-2	-2
Special connective vehicle	4	4	1	1	25.00	25.00	-3	-3
<b>Total</b>	<b>6,815</b>	<b>5,548</b>	<b>5,848</b>	<b>4,734</b>	<b>85.81</b>	<b>85.33</b>	<b>-967</b>	<b>-814</b>

In the production part of Sava Station, including the new STP Brvenica, we mark realization that the realization is below last year's and below planned values.

Part of the reasons for this standing are the new open stations for technical inspection stations and the more strict norms regarding vehicle inspection.

Table 7.2 – Production of TS Sava Station according to number of cases and vehicles

Summary Report for 2019										
Type of vehicle	Number of cases	Number of vehicles	Test drive certificate including VAT	Endorsement including VAT	International Driving License including VAT	Test certificate for test drive including VAT	Temporary Registration Plates including VAT	Completing documentation including VAT	Forms and materials including VAT	Total
Bus	33	33	32,426	0	0	0	0	9,440	1,204	43,070
International driver's license	83	0	0	0	58,764	0	0	0	0	58,764
Other services	447	0	0	0	0	0	0	158,167	17,823	175,990
Passenger	3,248	3,248	2,980,376	0	0	0	0	1,889,829	129,111	4,999,315
Power of attorney	528	0	0	280,315	0	0	0	0	0	280,315
Semi trailer	249	249	130,98	0	0	0	0	112,100	8,487	251,567
Trial plates	56	0	0	0	0	13,216	36,344	19,824	0	69,384
Special passenger vehicle	6	6	5,192	0	0	0	0	3,540	241	8,973
Special connective vehicle	1	1	1,298	0	0	0	0	590	40	1,928
Special freight	41	41	43,743	0	0	0	0	24,072	1,633	69,448
Tug vehicle	227	227	293,749	0	0	0	0	106,318	8,125	408,193
Freight	910	910	1,171,180	0	0	0	0	476,130	33,177	1,680,486
Freight connective	19	19	12,166	0	0	0	0	10,620	762	23,548
<b>Вкупно</b>	<b>5,848</b>	<b>4,734</b>	<b>4,671,109</b>	<b>280,315</b>	<b>58,764</b>	<b>13,216</b>	<b>36,344</b>	<b>2,810,630</b>	<b>200,602</b>	<b>8,070,981</b>

The total number on all bases of Sava Station for 2019 is 8,070,981 denars (2018: 9,709,873 denars) which means that Sava Station marks decline in profits of 16.9% or a decile in total of 1,638,892 denars. In 2019 compared to 2018 the total incomes are decreased by 11.3% or by 1,115,405 denars. On the other hand, the total expenditures are increased by 33.9% or by 2,617,978 denars.





## IV. CONSOLIDATED RESULTS

## 8 CONSOLIDATED FINANCIAL RESULTS

### 8.1 CONSOLIDATED RESULTS OF OPERATIONS

In 2019, SAVA osiguranje generated positive financial result of its operations in the amount of 10,830,322 denars (2018: 29,456,587 denars) after taxation, and 10,830,322 denars (2018: 25,932,012 denars) profit before taxation.

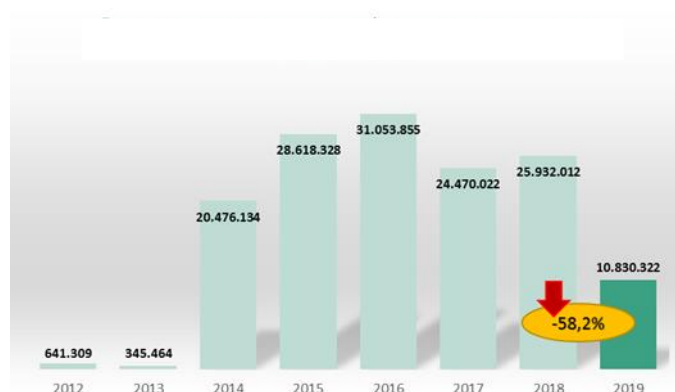
*Total operating income* amounted 813,168,473 denars (2018: 753,344,096 denars), which represents a decrease by 7.9% or 59,824,377 denars less income compared to the past business year.

*Total operating expenses* in 2019 amounted 799,320,543 denars (2018: 723,887,509 denars), which is 10.4% or 75,433,034 denars less than the last year of 2018.

Table No. 7.1 – Consolidated Profit and Loss Account 2019

Description of Position	Amount		Index
	Current business year	Previous business year	2019/2018
<b>A. OPERATING INCOME</b>	<b>813,168,473</b>	<b>753,344,096</b>	<b>107.9</b>
I. EARNED PREMIUM (NET INCOME FROM PREMIUM	759,301,359	702,226,453	108.1
II. INCOME FROM INVESTMENTS	22,555,261	19,031,369	118.5
III. INCOME BASED ON COMMISSIONS FROM REINSURANCE	9,126,149	8,321,011	109.7
IV. OTHER INSURANCE TECHNICAL INCOME, REDUCED BY REINSURANCE	8,300,160	5,785,289	143.5
V. OTHER INCOME	13,885,545	17,979,974	77.2
<b>B. OPERATING EXPENDITURES</b>	<b>799,320,543</b>	<b>723,887,509</b>	<b>110.4</b>
I. INCURRED CLAIMS (NET COSTS FOR CLAIMS)	346,207,418	319,698,197	108.3
II. CHANGES IN OTHER TECHNICAL RESERVES, NET FROM REINSURANCE	1,449,575	-197,083	-735.5
IV. COSTS FOR BONUSES AND REBATES, NET FROM REINSURANCE	28,438,542	27,283,456	104.2
V. NET COSTS FOR INSURANCE IMPLEMENTATION	379,780,294	328,632,179	115.6
VI. COSTS FROM INVESTMENTS	1,373,012	703,482	195.2
VII. OTHER INSURANCE TECHNICAL EXPENDITURES, REDUCED BY REINSURANCE	41,140,292	40,534,168	101.5
VIII. PREMIUM-BASED IMPAIRMENT OF RECEIVABLES	-13,390	4,993,532	-0.3
IX. OTHER EXPENDITURES, INCLUDING IMPAIRMENTS	944,800	2,239,579	42.2
X. PROFIT FOR THE BUSINESS YEAR BEFORE TAXATION	13,847,930	29,456,587	47.0
XII. INCOME TAX I.E. LOSS	3,017,608	3,524,575	85.6
<b>XIV. PROFIT AFTER TAXATION FOR THE BUSINESS YEAR</b>	<b>10,830,322</b>	<b>25,932,012</b>	<b>41.8</b>

Chart No. 7.1.1 – Movement of the consolidated results of operation in the period 2012-2019



## 9 CONSOLIDATED FINANCIAL POSITION

### 9.1 CONSOLIDATED ASSETS AND LIABILITIES

In 2019 SAVA osiguruvanje a.d. operated with stable portfolio and adequate equity structure in 2019.

**Total assets** of the Company amount 1,401,484,886 denars (2018: 1,337,123,889 denars), which is less than the previous year by 64,360,997 denars or less by 4.8%.

Most significant items in the Company's balance sheet for 2019 are the following:

- **Investments** are in the amount of 1,059,793,680 denars (2018: 991,490,048 denars). Investments, compared to the previous business year, are increased by 6.9% or 68,303,632 denars. The greatest impact on the increase in investments is due to the significant increase of realization of gross premium, and thus, the positive impact of collection of receivables and cash flow. The share in the investments in total assets of the Company amounts 75.0% (2018: 73.5%).
- **Receivables** this business year were reduced by 1.9% or 4,253,391 denars and amount 216,049,882 denars (2018: 220,303,272 denars). The difference is mainly result of the receivables in 2018 on the grounds of share in compensation of claims from co-insurance and reinsurance in the amount of 144.021.518 denars, which are the result of the reinsurance contract intended for payment of the claims to NLB Bank AD. Skopje, reduced by the receivables in the current year on the grounds of claim compensation from reinsurance.
- **Gross technical reserves** amount 831,271,637denars (2018: 776,498,272 denars) and are increased by 54,773,365 denars or 7.1% compared to the end of 2018, which is due to the greater reduction in claim reservations incurred this year in connection to the increase in the unearned premium as a result of the higher written premium in the period. Their share in the total assets of the Company covers 58.5% (2018: 57.5%). The significant growth of the portfolio in 2019 consequently led to growth of the technical reserves. Here we would also mention the claims in the class General Liability insurance which was estimated to be fully resolved in the course of 2019, however at the end of the year this class still has in reserves about 17.5 million denars. Their share in the total liabilities of the company is 59.6% (2018: 58.5%).
- **Liabilities** of the Company are in the amount of 166,321,403 denars (2018: 175,608,284 denars) and have decreased compared to the last year by 9,286,881 denars i.e. mark growth by 5.3%. The difference in the reduction of the liabilities towards the insured persons is mainly due to the settlement of the large claim at the end of 2018.

Table 7.2 – Consolidated Balance sheet for 2019

Description of position	Amount		Index 2019/2018
	Current business year	Previous business year	
<b>ASSETS</b>	<b>1,401,484,886</b>	<b>1,337,123,889</b>	<b>104.8</b>
A. INTANGIBLE ASSETS	4,279,766	6,082,618	70.4
B. INVESTMENTS	1,050,766,507	982,508,063	106.9
C. PART FOR CO-INSURANCE AND REINSURANCE IN GROSS TECHNICAL RESERVES	51,625,096	51,177,629	100.9
D. DEFERRED AND CURRENT TAX ASSETS	467,543	39,651	1,179.1
E. RECEIVABLES	217,547,427	221,609,743	98.2
F. OTHER ASSETS	44,285,805	45,737,072	96.8
G. DEFERRED EXPENSE	32,512,741	29,969,111	108.5
H. OFF-BALANCE RECORDS – ASSETS	45,166,746	44,910,307	100.6
<b>LIABILITIES</b>	<b>1,401,484,886</b>	<b>1,337,123,889</b>	<b>104.8</b>
A. CAPITAL AND RESERVES	381,642,401	370,475,351	103.0
B. GROSS TECHNICAL RESERVES	831,271,637	776,498,272	107.1
E. OTHER RESERVES	20,293,236	12,205,757	166.3
F. DEFERRED AND CURRENT TAX LIABILITIES	748,489	1,442,918	51.9
H. LIABILITIES	166,321,403	175,608,284	94.7
I. ACCRUED EXPENSE	1,207,720	893,307	135.2
Y. OFF-BALANCE RECORDS - LIABILITIES	45,166,746	44,910,307	100.6

## 9.2 CONSOLIDATED EQUITY AND RESERVES

According to the applicable Legislation (Official Gazette 79/2007), all insurance companies that perform non-life insurance should provide minimum equity in the amount of EUR 3 million in the guarantee fund by the end of the year.

During 2019, SAVA osiguranje a.d. recorded an increase in the total consolidated equity of the Company by 3.5% compared to 2018, due to the generated positive financial results at the end of 2019. The Company also recorded an increase in the other parts of the Equity, such as in the Revalorization Reserves, Reserves of Equity and the Undistributed Profit.

Chart No.26 – Movement of company's assets in the period 2012-2019

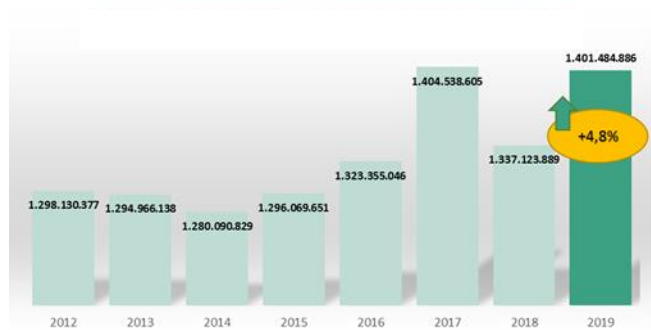
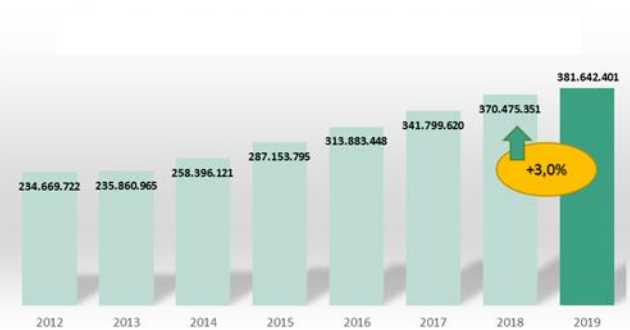


Chart No.27 – Movement of company's 2019 equity in the period 2012-2019





## V. OTHER DATA IMPORTANT FOR THE OPERATION

## 10 HUMAN RESOURCES MANAGEMENT

### 10.1 STRATEGIC DIRECTIONS IN THE AREA OF HUMAN RESOURCES MANAGEMENT

In SAVA osiguruvanje a.d. Skopje, we follow the following strategic directions in the area of human resources management:

- Development of the HR position in the Company,
- Organizational culture development,
- Development and training of employees on all levels in the organization,
- Care for the safety and health of employees, and
- Compliance with the employees' rights in accordance with the Law on Labor Relations and the general collective agreement.

### 10.2 KEY ACTIVITIES IN THE AREA OF STAFF MANAGEMENT IN 2019

In 2019, in the area of human resources management, we focused on the following activities:

- New employments, extension of existing employment contracts and termination of existing employments,
- Training of the employees on all levels in the Company,
- Introductory and additional trainings for all new employees in the Company (the introductory trainings are carried out by the Department for General and Legal Affairs, and the additional trainings are carried out by the Claims Department, the Finance and Accounting Department, the Independent Collection Service and Independent Controlling Service),
- Different models of motivating and rewarding the employees (increase of the employee's salary, promotion in the job position, cash rewards, attendance of trainings, team building, awards for collegiality etc.).

### 10.3 EMPLOYMENT AND EMPLOYEE STRUCTURE

During 2019, employments mainly referred to new employments for the needs of sales pursuing the Company's policy for development of the sales network, and a smaller part referred to the transformation of already employed persons, no matter whether for indefinite or definite time period. Termination of employments mainly referred to persons who have not achieved satisfactory results in their operation by not extending their employment agreement in the Company, and a smaller part referred to voluntarily leaving from the Company. Most of the fluctuation of employees occurs in the sales department, in the agency network specifically.

### 10.3.1 Total Number of Employees in the Company

#### -Sava osiguruvanje AD Skopje

On 31.12.2019 the total number of employees in the Company amounted 238, which represents 28 employees more compared to the previous year and 15 employees more compared to the plan for 2019. Employment policy in 2019 was immediately connected to the needs of the work, i.e. it was related to the scope of activities in the area of sales and adequate support that the Company should receive from the other departments, while the main goal was motivation, training and optimal use of the employees' potential.

In SAVA osiguruvanje, in all departments and independent services was recorded the following number of employees during 2019:

1. **Claims Department** on 31.12.2019 had 19 employees, 2 more compared to 31.12.2018 and 2 more compared to the 2018 Plan,
2. In **Sales Department** on 31.12.2019 the number of employees was 173 employees, 1 less compared to 31.12.2017 and 27 more compared 31.12.2019,
3. **Development and Risk-Taking Department** on 31.12.2019 had 13 employees and there are no changes compared to last year,
4. **Finance and Accounting Department** on 31.12. 2019 had 6 employees, which is 1 employee less compared to 31.12.2018, compared to 31.12.2017 and the 2018 Plan, the number of employees remained unchanged,
5. **Department for General and Legal Affairs** (control of operation's compliance with the regulations, asset procurement) had 7 employees on 31.12. 2019, which is 1 employee less compared to 31.12.2018,
6. **Independent Controlling Service** on 31.12. 2019 had 2 employees and the number of employees compared to 31.12.2018 remained unchanged,
7. **Independent Receivable Collection Service** on 31.12. 2019 had 7 employees and the number of employees compared to 31.12.2018 remained unchanged,
8. **Independent IT Service** on 31.12. 2019 had 4 employees which is by 1 employee more compared to 31.12.2018,
9. The number of employees in the **Company's Administration**, on 31.12. 2019, was 5 employees, which is 2 employees less compared to 31.12.2018,
10. The number of employees in the **Independent departments for actuary operations and internal audit** on 31.12.2019 remained unchanged compared to 31.12.2019,
11. In the **Independent Risk Management Service**, on 31.12.2019, there were no employees and the situation remained unchanged compared to 31.12.2018.

**Number of employees**

Number of employees	Total number of employees			Equivalent of effective working hours		
	31.12.2019	31.12.2018	Difference 31.12.2019 & 31.12.2018	31.12.2019	31.12.2018	Difference 31.12.2019 & 31.12.2018
General Manager's office	5	7	2	5	7	-2
Sales - representatives	52	48	4	47,75	44.25	3
Development – conclusion and taking risk for complex insurances, reinsurances	2	2	0	2	2	0
Sales - management, heads of regional centers	33	27	6	32	26	6
Support of sales, administration, advertisement and other	83	65	18	76	59.75	16.25
Sales - commercialists, referents	5	4	1	5	3	2
Bookkeeping of premiums and claims	3	3	0	3	2	1
Receivable and collection management	7	7	0	7	7	0
Tariffing	0	0	0	0	0	0
Claims and recourses	19	17	2	19	16	3
IT and working processes	4	3	1	4	3	1
Finance	2	2	0	2	2	0
Accounting	4	5	-1	4	4.75	-0.75
Controlling	2	2	0	2	2	0
General and legal affairs	5	6	-1	4	6	-2
Purchase and maintenance of fixed assets	1	1	0	1	1	0
Internal audit	1	1	0	1	1	0
Actuarial	1	1	0	1	1	0
Risk management	0	0	0	0	0	0
Control of operation's compliance with the regulations	1	1	0	1	1	-0
Development	8	8	0	8	8	0
<b>Total</b>	<b>238</b>	<b>210</b>	<b>28</b>	<b>224.75</b>	<b>196.75</b>	<b>28</b>

**10.3.2 Number of Employees in the Company Based on the Employment Type (part/full-time)***Number of Employees Based on Type of Employment*

Employees by Type of Employment	Total number of employees				By equivalent of effective working hours			
	2019		2018		2019		2018	
	Number	(%)	Number	(%)	Number	(%)	Number	(%)
Part-time	17	7.1%	10	4.8%	9.75	4.3	5.75	2.9
Full-time	221	92.9%	200	95.2%	215.00	95.7	191.00	97.1
<b>Total</b>	<b>238</b>	<b>100%</b>	<b>210</b>	<b>100%</b>	<b>224.75</b>	<b>100%</b>	<b>196.75</b>	<b>100%</b>

**10.3.3 Employees in the Company Based on the Education Degree***Number of Employees by Education Degree*

Education Degree	Total number of employees				By equivalent of effective working hours			
	2019		2018		2019		2018	
	Number	(%)	Number	(%)	Number	(%)	Number	(%)
I-IV - Degree	1	0.4	0	0.0	1	0.4	0.00	0.0
V- Degree	86	36.1	61	29.0	76.5	34.0	57.50	29.2
VI- Degree	5	2.1	6	2.9	5.3	2.4	6.00	3.0
VII- Degree	127	53.4	122	58.1	122	54.3	112.25	57.1
MA's and PhD's	19	8.0	21	10.0	20	8.9	21.00	10.7
<b>Total</b>	<b>238</b>	<b>100%</b>	<b>210</b>	<b>100%</b>	<b>224.75</b>	<b>100%</b>	<b>196.75</b>	<b>100.0%</b>



### 10.3.4 Employees in the Company Based on Age

Number of Employees by Age Group

Age group	Total number of employees				Total number of employees			
	2019		2018		2019		2018	
	Number	(%)	Number	(%)	Number	(%)	Number	(%)
20-25	15	6.3	9	4.3	14	6.2	8.50	4.3
26-30	35	14.7	28	13.3	33,75	15.0	25.25	12.8
31-35	57	23.9	41	19.5	55	24.5	37.50	19.1
36-40	43	18.1	46	21.9	40	17.8	40.50	20.6
41-45	43	18.1	45	21.4	42	18.7	44.00	22.4
46-50	13	5.5	11	5.2	12	5.3	11.00	5.6
51-55	16	6.7	14	6.7	15	6.7	14.00	7.1
56+	16	6.7	16	7.6	13	5.8	16.00	8.1
<b>Total</b>	<b>238</b>	<b>100%</b>	<b>210</b>	<b>100.0%</b>	<b>224.75</b>	<b>100%</b>	<b>196.75</b>	<b>100.0%</b>

### 10.3.5 Employees in the Company Based on Gender

Number of Employees Based on Gender

Gender	Total number of employees				Total number of employees			
	2019		2018		2019		2018	
	Number	(%)	Number	(%)	Number	(%)	Number	(%)
Women	149	62.6	130	61.9	140.75	62.6	117.50	59.7
Men	89	37.4	80	38.1	84	37.4	79.25	40.3
<b>Total</b>	<b>238</b>	<b>100%</b>	<b>210</b>	<b>100.0%</b>	<b>224.75</b>	<b>100%</b>	<b>196.75</b>	<b>100.0%</b>

### -SAVA Station DOOEL Skopje

On 31.12.2019 the total number of employees in SAVA STATION DOOEL Skopje is 12 employees plus 1 transferred employee through a Private Employment Agency Dekra Arbeit Makedonija.

On 31.12.2019 in SAVA STATION DOOEL Skopje the following situation with employees was registered:

- 2 managers
- 6 controllers
- 4 administrators
- 1 bartender in the restaurant transferred through Private Employment Agency Dekra Arbeit Makedonija.

## 11 INFORMATION TECHNOLOGY

Information technology is a key factor in increasing the performance and for contemporary operation and improvement of the results in operation.

SAVA osiguruvanje continuously follows and implements the innovations in the information technology. All new software and hardware innovations are currently implemented in the existing structure.

Large part of the IT service operation is focused on system security, as well as continuous employee training.

During 2019, all existing locations were further equipped with new IT and telecommunication equipment.

### SOFTWARE:

- The ASP business application has been upgraded with new modules, a new server surrounding has been set up to maximally use the performances of the hardware;
- Extension of the agreement with Microsoft with M365 E3 and E5 licenses;
- An expansion of the Webpage with the possibility of buying more products has been performed;
- All regular system safety controls have been performed.

### HARDWARE:

- New IT equipment to further equip all existing offices,
- Replacement of old workstations with new ones was performed
  - Personal computers;
  - Multifunctional devices;
  - Portable work stations.

### TELECOMMUNICATIONS:

- Ongoing replacement of existing agreements for landlines and internet;
- Additional equipment with a new Firewall device with increased safety;
- In the subsidiaries that had technical possibilities, all links were replaced with optics.

The two-year contracts with mobile operators have been renewed, which are also included in the Internet solutions as a backup facility.

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