STOCK COMPANY FOR INSURANCE AND

REINSURANCE MAKEDONIJA – VIENNA INSURANCE GROUP

ANNUAL REPORT

2020

Skopje, 2021

1. Management Board President's Report

Insurance Makedonija s.c. Skopje - Vienna Insurance Group also produced a positive financial result in 2020 and achieved a profit before tax of MKD 62.5 million or a profit after tax of MKD 54.6 million, in a challenging environment due to COVID-19 declared pandemic, the extraordinary measures imposed for the period from March to July 2020, the crisis that our country faced with, and the expected decrease of GNP by 5.4 % that MMF projected as well.

Key financial factors

For 2020 the gross written premium of non-life businesses decreases by 5.9% or MKD 53.3 million, comparing with the previous year, out of which we state decrease in MTPL of MKD 39.2 million, travel insurance of MKD 10.6 million, accident insurance of MKD 7.0 million and goods in transit insurance of MKD 2.7 million. Working in a challenging condition due to COVID-19 pandemic, the extraordinary measures that were imposed for the period from March to July 2020, and the ongoing crisis in our country, it was normal to expect that the green card and travel insurance would be the most affected businesses and they reported significant decrease in gross written premium. However, regarding property businesses, we state increase of MKD 4.9 million which anchored this line of business as predominant among other ones in the Company insurance portfolio.

We record decrease in incurred claims of 3.1 % or MKD 6.1 million.

The operating costs, as the single biggest business expense in our industry, retained the last year level in an aggregate value or they decreased by 0.3 % or for the total amount of MKD 1.1 million. While acquisition costs movement generally follows gross written premium developments, however, during 2020, these costs reported increase due to a new accounting method for calculating deferred operating costs applicable pursuant to a Rulebook issued by the Insurance Supervision Agency. This is the main reason for this deviation from decreased operating costs resulting from the gross written premium decline in 2020.

For the Company insurance portfolio, the property businesses take the largest share of 45.4 %, and then follows the motor vehicle insurance (MTPL) of 28.3 %, the accident insurance of 9.9 % and Casco motor insurance of 7.7 %. All other classes of business take the share below 8 % respectively and the share of each and every class of business does not exceed 5 %.

For 2020, the combined ratio is positive, reaching 98 % (92 % in 2019). The combined ratio is the key indicator that the Company is making underwriting profit and every ratio below 100 % proves the profitable operation for the Company.

During 2020, the Company received 313 complaints in terms of claims indemnities which record a decrease by 4.3 % if compared to last year, which is a very good result showing that the Company has in place excellent claims management processes. All complaints, with no exceptions, were handled within statutory stipulated terms.

For 2020, net investment income demonstrates increase by 2.1 % or the total effect of the investment income shows increase in the amount of MKD 1.4 million.

Since they have not been publicly announced yet, the unofficial data on the Macedonian insurance market key figures movement report a decrease in the gross written premium in terms of non-life insurance lines which amounts at about MKD 427 million or 5 % if compared to 2019.

Following the 2021 Business Plan, we forecast increase in the gross written premium by 2.6 % in comparison to obtained result for 2020, whereas we estimate the profit after tax to exceed MKD 20 million, from obtained in 2020.

As we do every year, we shall keep repeating that the operating activities of our Company always target the same objectives, which are keeping the good clients, on one hand, and targeting prospects which shall further increase the number of clients, on the other, for those types of insurance products which bring profitable results.

The interest rates on deposits and other securities (government bonds) are expected to go slightly below the level reached in 2020.

We wish to thank the management team and all staff for their work and engagement and for their contribution in accomplishing the strategic goals of the Company. In a challenging condition due to COVID-19 pandemic, all our staff and our business partners, together with our clients managed to keep high level proficiency and prompt and regular service delivery, which additionally contributed to maintaining required solvency and liquidity margins of the Company.

Certainly, we also want to thank the two insurance representative companies, all their staff and their clients. Without them and without our successful cooperation with brokerage companies under business agreements we could have not achieved these results and had successful business year.

Having in mind the fact that the COVID-19 pandemic will not disappear soon in 2021, we will certainly keep on the same track and avoid any possible problems with liquidity and solvency of the Company and will continue to meet all our liabilities in a timely manner. We do wish and believe that we will have prosperous and successful 2021 year and therefore we invite all our staff and business partners to take professional approach in achieving the set targets.

2. General Economic Environment

The latest vintage of macroeconomic forecasts assumes longer-lasting and extended effects of the COVID-19 pandemic on both the global and domestic economies. According to current estimates, the consequences of the crisis will likely be felt in 2021, while a full recovery and the compensation of economic losses is expected in 2022. The macroeconomic scenario and the surrounding risks are largely conditioned by the development of the health crisis on a global scale, or by the pandemic management and its consequences on the behaviour and expectations of the economic agents. For now, given its uneconomic nature, the corona virus shock is not expected to significantly affect the potential of the economic growth in the long run.

Within this framework and a less favourable external environment, and even a weaker performance in the first half of this year, the latest forecast indicates economic contraction range between 4.9 % and 5.4 % in 2020 and a gradual recovery by 3.9 % and 3.6 % in the next two years. Real gross domestic product (GDP) including the third quarter of 2020 decreased by 3.3 percent. This decrease is somehow lower than the projected rate due to the measures adopted by the Government to mitigate the socio-economic effects of Covid-19 pandemic, reaching their highest influence in the third quarter. This is also evidenced by the growth rate of public consumption which equalled 13.5 % in this quarter under the circumstances where the households continued to refrain from consumption (decline in private consumption by 4.1%), and difficult trading conditions continued (decline in exports and imports by 8.4 % and 2.4 %, respectively). For the third quarter, the production experienced a relative consolidation, which is significantly shown among the most affected industries: manufacturing, trade, transport and tourist accommodations, although they continued to face a decline.

During 2021-2022, it is expected that the economic recovery will be supported even by the domestic demand under the conditions of stabilising the labour market, continuing credit flows, increasing reliability and trustworthiness, and giving further monetary support to consumption, especially to investments. Furthermore, export is also expected to stimulate growth, which is recovering relatively quickly as a result of a rapid reactivation of production chains on a global level, and by foreign demand recovery in the coming period.

For 2020, the inflation rate is 2.2 %. These deviations from the projection largely reflect the impact on the supply chain due to the pandemic, but also show the effect of the pandemic on the demand structure. The current forecasts for 2021 and 2022 remain unchanged, indicating an average inflation of 1.5 % and 2 %, in the economic environment of a gradual demand recovery and moderate rise of import prices. High uncertainty about the future dynamics of stock prices of primary commodities remains a major risk factor to the forecast.

In the third quarter of 2020, the unemployment rate slightly decreased to 16.5 % from the previous rate of 16.7 %, whereas the employment rate decreased from 47.1 % to 46.6 %. These movements incurred due to a significant increase in a number of passive labour force: namely, about 26,500 people ceased their search for active employment during Covid-19 crisis. In the third quarter, most of the layoffs occurred in trade, administrative and support services, and manufacturing industries, whereas the transport and accommodation regained some of the jobs they lost in the previous quarter.

By the end of 2020, the government budget deficit was 51 %, whereas the total public debt report 59.5 %.

The credit activity of the banking system even in times of crisis is one of the important factors that support economic growth. In the first nine months of this year, credit flows were higher than expected, given the faster deposit growth and further relaxation of credit standards. The measures of the National Bank from the beginning of the crisis aimed at easing monetary policy and enabling regulatory flexibility and they contributed to this situation. At the end of 2020, credit support is expected to increase by 5.3 % annually, and by the end of the forecast horizon this rate would accelerate to close to 8 %. These forecasts are based on the expectations for further deposit growth, as the main source of financing, amid accelerated economic growth and additional foreign exchange inflows. Moreover, there are expectations for improved bank risk management, as well and greater propensity for borrowing as well, in the condition of expected stabilisation of flows.

The performance of macroeconomic forecasts goes together with the health crisis endurance and consequences related risks, the severity of impacts on the economy and the results of economic measures to mitigate it. In addition, there are risks related to European integration processes and maintaining political stability in the country, which are the key preconditions for achieving the projected economic growth.

Macedonian Insurance Market

The insurance industry in the Republic of North Macedonia recorded a decrease in the gross written premium (GWP) by 5.0 % for non-life insurance lines due to COVID-19 pandemics. As the number of all travels has drastically dropped due to pandemic, the mostly affected were the motor insurance green card line of business and travel insurance.

The number of insurers operating on the Macedonian market remains unchanged, so in 2020 all 16 insurance companies continued their business activities, out of which 11 are registered as non-life insurers whereas 1 insurance undertaking has changed the owners, and 5 as life insurers. Our Company, Insurance Makedonija a.d. Skopje - Vienna Insurance Group is the only insurer licensed to underwrite reinsurance.

The analysis of the ownership structure has shown that most of the insurance companies are controlled by the foreign entities of the financial industry.

The number of insurance brokerage companies operating in the insurance market has increased to 39 in 2020. There are 10 actively engaged insurance representatives and 7 banks which function as distribution channels operating on the Macedonian market.

In 2020 as many years before, the largest market share in terms of GWP underwritten for non-life insurance business is taken by Motor Third Party Liability at 49.7 %, due to a decline in the number of green card policies, followed by Property insurance (22.3 %) and Casco insurance

(9.9 %). It is worth mentioning that the motor vehicle insurance still takes almost 60.0 % of the total gross written premium for non-life businesses for 2020.

The Health insurance has shown the largest growth of a gross written premium for non-life classes of business which is 45.0 % for 2020 as well.

For 2020, there were significant reforms of regulations governing the insurance industry, starting from the temporary changes due to COVID-19 pandemics, to mention hereto loosening the index of unearned premium reserve (UPR), covering mandatory technical reserves by unearned premium and other reforms. Moreover, new Rulebook on technical reserves and Rulebook on the minimum standards of IT systems were adopted in order to ensure that certain changes would be applied in the way the insurance undertakings operate generally, and also to the value of the technical reserve. Furthermore, the Rulebook on methodology for calculating deferred operating costs became effective as of 01.01.2021 as did the cessation of the temporary measures that were imposed due to COVID-19 pandemic, which significantly affected the business environment.

3. Company Profile

3.1 Legal Status, Headquarters and Registration of the Company

Company name: Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje - Vienna Insurance Group

Short name: Osiguruvanje Makedonija a.d. Skopje - Vienna Insurance Group

Registered seat: 11 Oktomvri Street 25, 1000 Skopje

WEB page: www.insumak.mk

Company Core Business Description

The Company underwrites insurance and reinsurance businesses including all classes of non-life insurance. The comprehensive diversity of products embraces different types of property insurance, motor insurance, personal accident, liability insurance and travel insurance covers.

Our Company provides a stable support to major economic industrial entities as well as small and medium enterprises by delivering extensive range of products and services which reasonably satisfy the insurance market needs.

The insurance policies we sell provide perfect and secure protection against risks including individual and family packages to persons and property covers for their tangible and intangible assets.

Size of the Company
Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje - Vienna Insurance Group is considered large business.

3.2. Classes of Business

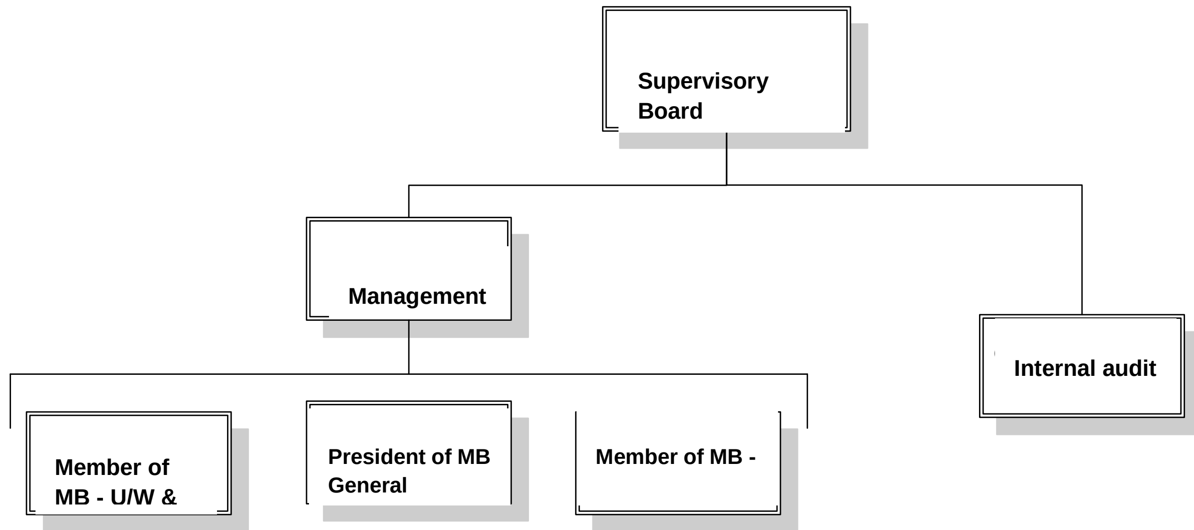
1) Accident Insurance
2) Health Insurance
3) Motor Vehicle Insurance (Casco)
4) Insurance of Railway Vehicles (Casco)
5) Aircraft Insurance (Casco)
6) Vessel Insurance (Casco)
7) Goods in Transit Insurance (Cargo)
8) Property Insurance Against Risk of Fire and Natural Catastrophes
9) Other Property Insurance
10) Motor Third Party Liability Insurance
11) Aircraft Liability Insurance
12) Vessel Liability Insurance
13) General Liability
14) Credit Insurance
15) Warranty Insurance
16) Financial Loss Insurance
17) Legal Protection Insurance
18) Travel Assistance Insurance
19)

List of insurance agreements for 2020

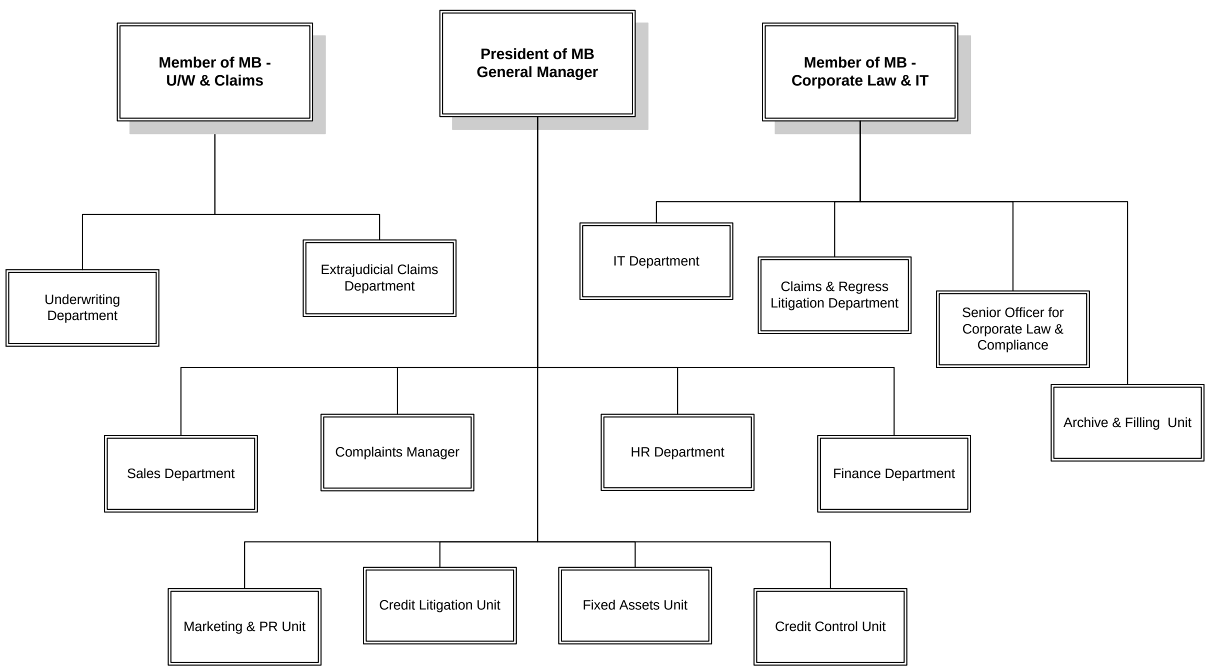
List of insurance agreements	Class
Group personal accident insurance	01
Personal accident insurance	01
Managers accident insurance	01
Sports accident insurance	01
Compulsory personal accident insurance of passengers in the public transport	01
Drivers and passengers and workers accident insurance during operating and driving motor and other vehicles	01
Voluntary personal accident insurance of passengers in the public transport	01
Personal accident insurance for guests in hotels, motels, camps, bungalows, resorts	01
Personal accident insurance for spectators of cultural and sports and other events	01
Personal accident insurance for pupils and students	01
Voluntary group health insurance in the event of critical illness	02
Voluntary group health insurance in the event of surgical interventions/operative procedures	02
Motor vehicle insurance (Casco)	01,03
Passenger motor vehicle insurance (Casco)	01,03
Carrier third party liability insurance international and inland road transport	10
Carrier third party liability insurance international and inland road transport by transport organizer	10
Domestic cargo	07

Cargo under general policy	07
Goods in international transport	07
Money and other valuables in domestic transport insurance	07
Fire and allied perils	08,09
Machinery breakdown and allied perils	09
Robbery and burglary insurance	08, 09
Glass breakage insurance	08, 09
Household insurance	08, 09, 13
Construction all risks insurance	08, 09, 13
Erection all risks insurance	08, 09, 13
Low voltage electronic equipment, computers, processors and other devices	08, 09
Property insurance – master policy	08, 09, 16
Property insurance for electric power company	08, 09
Combined household insurance – family package	01, 03, 08, 09
Combined insurance for shops and service providers	07, 08, 09, 13
Commercial combined business insurance	07, 08, 09, 13, 16
Motor third party liability insurance	01, 03, 10
Ship and motor boat owners third party liability insurance	12
General liability	13
Notary public liability	13
Trustee Liability Insurance	13
Medical malpractice insurance	13
TIR Carnet insurance	15
Fraudulent foreign currency risk insurance	16
Business interruption due to fire and allied perils	16
Travel insurance and additional accident and sports accident insurance	18

3.3. Company organisation



Stock Company for Insurance & Reinsurance MAKEDONIJA Skopje - Vienna Insurance Group



3.4 Share Capital and Shareholders

Company:	Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje - Vienna Insurance Group
CRN:	4067037
VAT No:	4030974258740

Number of shares	717462
Nominal value	20,08 Euro
Nominal capital	14 409 506,81 Euro
Type of shares	Ordinary shares
Quotation of shares:	Compulsory quotation / Macedonian Stock Exchange AD Skopje

OWNERSHIP STRUCTURE				
Shareholders		**Number of shares**	**Number of shareholders**	**Percentage**
Domestic	**Legal entity**	16 660	48	2.32%
	Person	22 965	378	3.20%
Foreign	**Legal entity**	676 410	4	94.28%
	Person	1 427	19	0.20%
Total		717 462	449	100.0%

MAJOR SHAREHOLDER	
Name of shareholder	VIENNA INSURANCE GROUP AG WIENER VERSICHERUNG GRUPPE
Registered seat	Vienna, Republic of Austria
Address	Schottenring 30, 1010 Wien, Republic of Austria
CRN	FN 75687 f
Number of shares	676270
Total nominal shares	13 582 206.68 Euro
% shareholder equity	94.26%
SECOND SHAREHOLDER	
Name of shareholder	MAKEDONSKI TELEKOM AD SKOPJE
Registered seat	Skopje, R Macedonia
Address	Kej „13 Noemvri “ no. 6
CRN	5168660
VAT No:	4030997339640
Number of shares	2 994
Total nominal shares	60 131.5 Euro
% shareholder equity	0.42%
THIRD SHAREHOLDER	
Name of shareholder	TIM INZINERING DOOEL Skopje
Registered seat	Skopje, R Macedonia
Address	Mile Pop Jordanov Street 72/45
CRN	4638948
VAT No:	4030993159515
Number of shares	2 800
Total nominal shares	56 235.2 Euro
% shareholder equity	0.39%

We focus on providing our customers in Austria and CEE with custom products and services tailored to their needs. Our strategy is geared towards long-term profitability and steady earnings growth, making us a reliable partner in rapidly changing times.

Over 25,000 employees work for Vienna Insurance Group, at around 50 companies in 30 countries. We develop insurance solutions in line with personal and local needs, which has made us the leader in the insurance industry in Austria and Central and Eastern Europe (CEE).

EXPERTISE AND STABILITY

Vienna Insurance Group is an international insurance group headquartered in the Austrian capital. After the fall of the Iron Curtain in 1989, the Group expanded rapidly from a purely Austrian business into an international group. Vienna Insurance Group is synonymous with stability and expertise in providing financial protection against risks. Experience coupled with a focus on our core competence of providing insurance coverage, forms a solid and secure basis for the Group’s 22 million-plus customers.

FOCUS ON CENTRAL AND EASTERN EUROPE

Besides Austria, Vienna Insurance Group places a clear emphasis on Central and Eastern Europe as its home market. The Group generates more than half of its premium income in CEE. The Group’s operations are also focused on this region. This primarily reflects the forecasts for economic growth in CEE, which is predicted to be twice as high as in Western Europe, as well as the current level of insurance density, which is still well below the EU average.

LOCAL MARKET PRESENCE

For Vienna Insurance Group, protecting customers financially against risk is a responsibility. The Group pursues a multi-brand strategy based on established local brands as well as local management. Ultimately, the Group’s success and closeness to its customers is down to the strengths of each individual brand and local know-how.

STRONG FINANCES AND CREDIT RATING

Vienna Insurance Group has an A+ rating with stable outlook from the well-known rating agency Standard & Poor’s, meaning that it remains the top-rated company on the Vienna Stock Exchange’s index of leading shares, the ATX. The Vienna Insurance Group is listed in both Vienna and Prague. Wiener Städtische Versicherungsverein – a stable core shareholder with a long-term focus – owns around 70% of VIG’s shares. The remaining shares are in free float.

3.7 Organisation Structure

The Company operates through its units including the Head Office and 14 branches across the whole territory of the Republic of Macedonia.

Branches	Address
1. Skopje	11 Oktomvri 25
2. Bitola	1 Maj 268
3. Stip	Plostad Toso Arsov 56
4. Veles	Dimitar Vlahov 27
5. Tetovo	Ilirija 36
6. Kavadarci	Ilindenska 11
7. Ohrid	Dimitar Vlahov 14
8. Gostivar	Boris Kidric 115
9. Kumanovo	Dimitar Vlahov 52/3
10. Sv.Nikole	Plostad Ilinden 19
11. Kocani	VMRO 47 vlez 24b
12. Gevgelija	Dimitar Vlahov 7
13. Resen	Tase Milosevski 6
14. Prilep	Marsal Tito 36

The offices have different departments and units which carry out key functions and the regular operations of the Company.

4. Risk Management

The Company undertakes continuous activities for identification, assessment and evaluation and control of risks that the Company is exposed to in the course of its operation and manages those risks in such a manner that permanent sustainability of exposure level is obtained to avoid any risk to Company's capital and its operation and continue its responsibility for protecting and managing the shareholders' interests and protect policy holders, third party claimants and other creditors of the Company in compliance with the statutory regulations and legal requirements. The risk management process has been defined by a special program which is reviewed and approved by the managing body and the supervisory body of the Company once a year.

The Program is regularly delivered to the regulating body. The risk management program is prepared in line with the principles set out in Pillar 2 (Solvency II) and follows the guidelines made available by Vienna Insurance Group (VIG) to non-EU member companies.

Because of its activities, the Company is exposed to a large number of risks. These includes traditional underwriting risks, non-life risk and health risk, and risks due to investments (market risk), and a number of general risks such as credit risk and operational risk. Besides these, the Company is also exposed to many other common risks that other trading companies have been exposed to, like reputational risk and strategic risk.

The Company operates in a way which ensures that the risks the Company has been exposed to in the course of its operation shall not exceed the level of risk tolerance limited by the Law on insurance supervision.

The risk management organisation is firmly anchored in the management culture of the Company and is based on a clearly defined risk policy and extensive risk expertise. The proper risk awareness throughout the Company with clear definitions of roles and responsibilities are of great importance. Every employee should understand the need and necessity of risk management, primarily being actively engaged into the process. The effective risk management system comprised of strategies and processes shall ensure the undisturbed flow of information from the Management Board to the operating executive level and back.

The Company has put in place the risk management system which embraces the organisational units and risk management processes.

The risk management organisational units encompass all Company departments and offices and the decision-making bodies that have been involved in the risk management system. The Management Board is fully responsible for the efficiency and effectiveness of the risk management system.

Furthermore, for the purpose that the risk management culture of the Company is strengthened and the risk owners further integrated into the risk management processes, the Risk Management Committee has been established upon decision approved by the Management Board. The risk management processes have been embedded into the risk management organisational units.

The risk management processes are composed of 6 important steps or phases:

- Risk identification
- Risk assessment
- Risk treatment analysis
- Risk decision and execution
- Risk monitoring
- Reporting

During 2020 the Company carried out three processes based on the risk management system of the Group, such are internal control system, risk inventory and own risk and solvency assessment.

The internal control system is a continuous process of managing operational risks and it provides effective controls not only in terms of compliance with the statutory regulations and legal requirements, but it is also an important tool for proper business decision-making.

The Risk Inventory process is established to support the Company in the task to completely identify and assess the risks adequately and provide information on the complete risk profile of the Company and risk owners and thus supports the management to adopt an optimal course of action with respect to the Company’s risk strategy.

The Own Risk and Solvency Assessment is an internal process based on the results achieved in the course of the overall risk management process. Following the aforementioned, this process is performed relying on the risk inventory, internal control system, all risk management related continuous processes of the Company, business plan, strategic policies and all relevant solvency calculations, current as well as foreseen.

Qualitatively evaluated risks are assessed by expert judgement or by determining frequency and severity according to a given classification.

Based on the risk evaluation process the internal control system has identified 280 risks and the effectiveness and efficiency of the control reached the level of 98.3%.

All relevant risks that the Company is exposed to are identified and the risk catalogue is created which is composed of 9 risk categories including their sub risks.

1. **Market risk**
    1.1. Interest rate risk
    1.2. Equity risk (risk involved in the changing prices of stock investments)
    1.3. Property risk
    1.4. Spread risk
    1.5. Concentration risk
    1.6. Currency risk

2. **Non-life underwriting risk**
    2.1. Non-life premium and reserve risk
    2.2. Non-life lapse risk
    2.3. Non-life catastrophe risk
    2.4. Non-life concentration risk

3. **Health underwriting risk**
    3.1. Health premium and reserve risk
    3.2. Health lapse risk
    3.3. Health catastrophe risk

4. **Intangible asset risk**

5. **Counterparty default risk**
    5.1. **Type 1-** Counterparty default risk reflects possible losses due to unexpected default of the counterparty not covered against spread risk
        5.1.1. Reinsurer default risk
        5.1.2. Financial institutions default risk
        5.1.3. Third Party default risk
    5.2. **Type 2** – Counterparty default risk where exposure is diversified and not covered under type 1 and against spread risk

6. **Liquidity risk**

7. **Operational risk**
    7.1. Business disruption risk

7.2. Know-how concentration risk
7.3. Insufficient human resources
7.4. Hardware and infrastructure risk
7.5. IT software and security risk
7.6. Model and data quality risk
7.7. IT development risk
7.8. Project risk
7.9. Insurance related legal and compliance risk
7.10. Other legal and compliance risk
7.11. Process and organisation risk
7.12. Human error

8. Strategic risk

9. Reputational risk

Market risk

Market risk is the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices of trading financial instruments (interest rates fluctuation, foreign exchange rates, property market price, stock price and etc.).

The Company shall be capable to promptly and thoroughly meet its liabilities to third parties arising from the insurance contracts in a suitable manner. Therefore, the investments shall be placed in compliance with the investment terms and the maturity of liabilities. When placing investments, the Company shall pay considerate attention to diversity of subjects and financial instruments that the funds have been invested in for the purpose of obtaining appropriate return on investment. Considering the insurance assets, the interest rates for investing insurance funds shall be adjusted to the money market rates movement and capital market rates movement for the purpose that the actual value of the invested funds is retained and increased thereafter. Most of the insurance contracts concluded by the Company are mainly short-term insurance contracts and the interest risk is mitigated by matching the insurance liabilities with a portfolio of debt securities. Moreover, the market for securities is closely monitored and following any movement thereof the value of securities invested is calculated accordingly. The movements in market prices of trading financial instruments portfolio and of real property portfolio are analysed.

Considering the insurance contracts made in foreign currency, the foreign exchange rate fluctuation should be monitored as well. The Company manages the foreign exchange rate risk primarily through adjusting the receivables in foreign currency and liabilities in foreign currency. Moreover, this relation of receivables and liabilities in foreign currency is maintained in terms of maturity of the liabilities and receivables. Measuring foreign exchange rate risk exposure applies different methods: follow up and analysis of FX risk by separate positions and in aggregate, foreign currency structure in the balance sheet, foreign currency funds structure, stress-test and other methods. The mostly used currency is Euro. The foreign exchange rate of the Macedonian currency and its stability, foreign exchange reserves in the Central Bank and any actions within its capacity and the monetary policy of the Central Bank are factors which directly or indirectly affect and determine the level of risk exposure of the Company.

The allowed groups of investment funds and how they are placed are more closely described in the articles of Insurance Supervision Law.

The Company regularly adjusts its investments in terms of funds covering technical reserves being exposed to risks of potential loss due to interest rates movement, foreign exchange rate fluctuation, credit risk and other market risks to its obligations and responsibilities imposed by the insurance contracts that are affected by all these changes.

The funds covering technical reserves may be invested in accordance with provisions of the Insurance Supervision Law.

The Company keeps bookkeeping and operation records whereby the access is allowed to any investment assets recorded by beneficiaries and investment terms.

Non-life underwriting risk

Non-life underwriting risk that the Company is exposed to when meeting its liabilities arising from non-life insurance contracts and reinsurance treaties in terms of assumed risks and operating processes is seriously analysed. The exposure to this risk means that the Company may not pay future claims out of the premium income fund or that the technical reserve volume is not sufficient, because the actual forthcoming expenses and claims differ in value from the anticipated amounts considered in the forecast for the technical reserves.

A proper management and a comprehensive and sound understanding of this risk are crucial for the Company as its risk profile includes almost all classes of non-life insurance businesses.

This risk may be controlled by establishing appropriate underwriting procedures and policies. Moreover, underwriting authorities have been delegated to all underwriters, internal sales agents and insurance representatives. The profitability of any particular class of business has been monitored regularly as are the segments that may affect the results in terms of their deterioration. The detection thereof is performed on a regular basis. The integrated system of evidence and data processing ensure access to any particular client considering their results whereas good clients are selected and separate insurance product portfolios are established which may generate satisfying results. Within its current activities the Company analyses the present terms and conditions for insurance and introduces amendments and supplements thereto and prepares new products to launch in the market.

The Company continuously reviews current terms and conditions and the insurance tariffs and introduces amendments and alternations thereof, and designs new products.

The Company provides many different reinsurance contracts including the catastrophe excess of loss reinsurance treaty whereby the Company transfers a portion of the risk to the reinsurer in order to limit the potential net loss, thus diversifying the risk.

For the purpose of ensuring permanent meeting of liabilities arising from the insurance agreements, the Company shall set up technical provisions. Quarterly reports are submitted to the regulator on the amount of technical reserves, accompanied by the authorised actuary's opinion and the current analysis of the applied assumptions and testing the adequacy of the reserves.

Counterparty default risk

This risk is defined as potential loss or unfavourable change in market prices of financial instruments or value arising from aggravated financial condition of the clients and their incapacity to pay the debt or the respective amount within agreed terms.

Insurance MAKEDONIJA manages this risk primarily through underwriting process by client's statement of accounts code analysis and client's solvency analysis. The receivables are monitored on a monthly basis and the percentage likelihood of collecting the receivables is determined. On the basis of the assessed position the internal rating is defined in terms of the number of receivables falling due and respective premium receivables provision and it is the Credit Control that ensures collection of receivables.

In compliance with the Insurance Supervision Law or more precisely considering the limits imposed on investment of funds covering technical reserves and the capital itself, the Company in order to disperse the risk place investments in deposits with several large banks and securities issued by the Government or the National Bank of RM.

The Company holds quoted securities and debt securities reserved up to their maturity date, i.e. treasury bills issued by the Government.

In order to ensure that the possible risk of any failure of reinsurers to meet their liabilities is mitigated, the Company has put in place an internal process whereby the selection of a reinsurer/broker is based on their ratings provided by official rating agencies (S&P, AM Best, Moody's) as well as VIG Group strategy.

The Company has entered into business agreements with local brokerage companies and insurance representative agencies which fully comply with the operating requirements governed by the Law on Insurance Supervision and in terms of their business activities they are granted licenses by the Insurance Supervision Agency. Prior to signing off any business agreements, the Company ensures that the respective channel of distribution is financially stable and has put in place adequate business and sales processes and procedures that comply with the operation and business policy of the Company.

Liquidity risk

The Liquidity risk is the potential that the Company will be unable to acquire the cash required to meet short-term obligations on maturity date or the cash or cash equivalents required will be acquired at higher cost.

The liquidity risk management will ensure that the assets and liabilities are properly managed in a way that the liabilities are met in a promptly manner under any normal operating circumstances or in an emergency. Planning the expected inflow and outflow ensures regular control over liquidity position and establishes preventive or eliminating measures against any possible liquidity risk. As of 31.12.2020 the liquidity ratio is 12.25. For 2020 despite the pandemic circumstances, the Company sustained stable current liquidity position and maintained the liquidity above the minimum requirement in line with determined internal limits.

Operational risk

The operation risk is the risk of potential loss related to inadequate or failed internal processes and controls caused by employees, the system or unfavourable external events. The operational risk includes the legal risk bur excludes the strategic and reputational risk.

All risk owners are involved in the assessment and control of the respective risk due to the fact that the risk may affect any segment of the operation. Qualitative assessment method is performed and all sub-risks (specified in the Risk Catalogue) together with the risk owners, evaluation methods, results, implemented controls and the applicability are to be documented into the matrix of the internal control system, and the aggregate result of the operational risk assessment is documented into the matrix of the Risk Catalogue.

The Company manages this risk by establishing a significant number of controls for every sub-risk respectively and implementing security controls, written policies, rulebooks and guidelines.

This risk control ensures continuous adequate employees performance management, education, delegation of duties and assignments, and measures of their performances so that the Company may reach its strategic goals and operate in compliance with legal requirements and financial regulations.

The Company has in place Business Continuity Plan (BCP). The selected management team hold rights, obligations and responsibilities to ensure business continuity of the Company in situations, circumstances and incidents that may not be predicted but may have significant adverse effect on its operation. Particular responsibility of BCP is to ensure safety and security of IT system of the Company with respect to data and information security that are crucial for its business.

In order to support main activities of the Company with reference to prompt and correct data delivery highly effective operating IT systems have been developed in terms of underwriting, reinsurance and claims. Along with aforementioned systems there are systems supporting human resource, financing and other businesses of the Company. The security of the foregoing operating systems is ensured by adequately installed hardware equipment, by following the IT security policies and procedures and by remarkably skilled personnel.

The control is achieved by implementing particular IT security policies and procedures, holding licenses on IT operating systems and ensuring secure backup copies. The high-level control over the access to IT system shall ensure safeguard to unauthorised access to information and data on business activities of the Company.

The Company has created and implemented special compliance policies and procedures and the risk control ensures that the Company operates in compliance with statutory regulations and legal requirements and fulfils its obligation to manage risks that may arise out of legislative requirements, or risks with legal consequences. The control is carried out through implementation of working tasks defined with compliance function policy and procedure act. Through appropriate and timely support, it is ensured that all employees may carry out their duties in compliance with legal requirements and bylaws.

The employees are informed on time about any significant changes to regulatory environment that may affect their tasks and performances. The correct business cooperation and communication with governmental bodies and regulatory authorities being part thereof may ensure that all legislative and regulatory requirements are met by the Company and any sanctions by authorities avoided.

In 2020, the Company implemented the identification of compliance risk process (Compliance Risk Inventory Process). This process was carried out alongside the general risk identification processes and internal risk controls. During this process, 63 compliance risks were identified.

The following legal areas were subject to special consideration and inspection:

- anti-money laundry and financing terrorism,
- anti-trust,
- securities,
- data protection and privacy,
- economic sanctions and embargoes,
- financial crimes,
- insurance,
- labour relations and social protection rights,
- consumer protection,
- taxes.

The result from the risk inventory related to the compliance risk carried out in 2020 has confirmed that the Company has established adequate risk control mechanisms. The Company appropriately controls all compliance risks. The risk profile is low.
Regarding the identification of compliance risks, the professional teams of the Company prepare reports to the managing body and to relevant units of the majority shareholder.

Among others, there are two more risks:

Strategic risk – is the risk of adverse business development related to poor business and investment decisions, or to inadequate communication and implementation of goals, or to a lack of adjustment capacity to changes in the economic environment.

The control of this risk principally undertakes the preparation and implementation of the business plan and business strategy that covers multiple years and the business plan is approved by the Supervisory Board. The Company is devoted to business plan and strategy prepared following the actual results of the current year, new products development and improvement of the channels of distribution and acquisitions by taking into consideration the particular impacts of the local environment. Generally, the business strategies are set to direct the activities towards profitable outcomes and avoid any financial loss and towards optimisation of the function processes.

The established business strategy is being continuously monitored by issuing reports on the actual versus planned activities including the results on achieved premium level, premium rates changes, technical results, expenses and the overall profitability of any class of business. The circle of insurance market has been closely monitored on a regular basis in relation to changes in premium rates followed by changes of premium, deductibles and insurance terms and conditions. The approach of the competition to market conditions is also monitored in order to avoid their attempt to disturb the established business strategy in relation to new products and sales network.

The main goal of the Company is to maintain its image of a trusted insurance company with optimised risk/profit ratio.

Reputational risk is the risk of adverse business development associated with damage to the Company's reputation. A loss of reputation can disrupt the confidence of customers, investors, or employees in the Company, and thus may lead to financial damage.

In the course of its operation the Company always strives to maintain a good business culture, transparency, offer products whereto the insurance terms and tariffs are precisely defined, and remain customer oriented and focused and increase the quality service delivery and be socially active corporation engaged in many different social projects affecting the community.

During the year, the Company conducted the internal ad hoc process of the Own Risk and Solvency Assessment in order to identify the potential risks that might affect the overall business processes and the capital market due to a rapid spread of the COVID-19 virus. The assessment specially considered the operational risk and every sub-risks. The process was conducted by the Risk Management Committee together with the risk owners of the respective organisational functions of the Company following the guidelines and documents delegated by the Group and in accordance with the decision issued by the Management Board.

With this and all other risk management processes implemented during 2020, the overall business activities of the Company in the challenging condition of COVID-19 pandemic were analysed and assessed, and the generated results declared that the Company implemented the processes without any interruption, by taking appropriate safety and security measures and activities to protect its staff and the community. The Company successfully manages the current risks and the emerging risks related to a new business environment, and retains the required level of stability in terms of its solvency and liquidity.

Capital risk

The Company determines the capital volume and the minimum capital requirement in compliance with the minimum capital requirement regulation stipulated by the Insurance

Supervision Agency. The Company is required to hold a certain amount of funds in relation to the scope of business and the classes of business in order to meet its liabilities arising from the insurance agreements and control and manage the risks the Company has been exposed to in the course of its operation.

The Company calculates the solvency margin in accordance with the article 75 paragraph 1 (Solvency I Directive requirement) and the guarantee fund is defined in line with the article 77 of the Law on Insurance Supervision.

MKD 1K	**2020**	**2019**
Solvency margin	100 211	114 643
Guarantee capital	277 623	276 685

5. Corporate Governance

The corporate governance assumes the continuous compliance of the operating activities of the Company with statutory regulations and legal requirements in Republic of North Macedonia. Pursuant to regulations and provisions laid down by the Law on Trade Companies and the requirements set by the Law on Insurance Supervision and the Statute of the Stock Company for Insurance and Reinsurance MAKEDONIJA, Skopje - Vienna Insurance Group, the Company has established two-tier government system. The Management Board comprises three (3) members whereas the Supervisory Board comprises four (4) members.

The main characteristic of the corporate governance of the Company as an insurance company is the interaction established with the local regulator in compliance with the provisions laid down by the Law on Insurance Supervision. The managing and supervisory activities of the Company are regulated by special rulebooks where the detailed distribution of responsibilities and assignment of duties and functions to the members of the managing board are determined.

The corporate governance function of the Company specially relies on transparency. Therefore, the members of the Management Board are committed to ensure adequate and timely information to all interested parties. Through the electronic system of the Macedonian Stock Exchange SC Skopje which assists the listed companies, the Company provides all relevant information about its operation and many useful information can also be found on the web site of the Company.

The corporate governance function of the Company specially relies on transparency and prevention of conflict of interest. Therefore, the members of the Management Board are committed to ensure adequate and timely information to all interested parties. Through the electronic system of the Macedonian Stock Exchange S.C. Skopje which assists the listed companies, the Company provides all relevant information about its operation and many useful information can also be found on the official website of the Company.

The procedure for appointment and termination of functions, setting their qualifications and criteria for their independence, and defining the material interest and the business relations of the members of the managing body and the members of the supervisory body with the Company are defined by the statutory regulations applied in the Republic of Macedonia, and are particularly set out by the provisions of the Law on trade Companies, Law on Insurance Supervision and bylaws enacted by the Insurance Supervision Agency.

5.1 Supervisory Board

The responsibilities and duties of the Supervisory Board of the Company are determined by the statutory regulations applicable in the Republic of North Macedonia and by the rulebooks of the Company. Additionally, certain rulebooks of the Company also detail the duties and responsibilities of the supervisory board members.

As of 31.12.2020, the members of the Supervisory Board of the Company are:
Mr. Gabor Lehel, Chairman of the Supervisory Board;
Mr. Andreja Josifovski, independent member of the Supervisory Board;
Mr. Reinhard Gojer, independent member of the Supervisory Board;
Mr. Phillip Bardas, member of the Supervisory Board.

During 2020 the Supervisory Board of the Company held four (6) sessions in total whereat the Board undertook all activities relating to the supervision function, approval of certain decisions submitted by the Management Board in terms of business policy and financial plans, representing the Company to the members of the Management Board, maintaining and improving the objectivity and professional functioning of the internal audit, reviewing certain findings and decisions of the regulatory body and protecting shareholders wealth.

By analysing relevant reports, approving special rulebooks submitted and activities performed by the Management Board, the Supervisory Board has fully achieved its control function. The meetings of the Supervisory Board were conducted in compliance with the positive regulations of the Republic of Northern Macedonia and acts of the Company. All decisions adopted by the Supervisory Board at the sessions held in 2020 are recorded in apposite reports. The adopted decisions have been properly implemented during the operation of the Company and carried out following the instructions of the competent authorities.

5.2 Management Board

The Management Board manage the Company, ensure that the Company operates in compliance with the risk management principles and Law on Insurance Supervision, control the business risks, ensure the Company keep business records and other accounting documentation, evaluate the items in the balance sheets and prepare periodic and annual reports. The organisational structure and the Management Board function fully comply with the applicable regulations.

In accordance with the provisions of the Statute, the Management Board of the Company consists of three (3) members, one of whom is elected president. As of 31.12.2019, the members of the Management Board of the Company are:

Mr. Bosko Andov, President of the Management Board;
Ms. Vesna Gjorceva, member of the Management Board;
Mr. Risto Sekulovski, member of the Management Board.

In order to maintain and improve the market share and keep the competing position of the Company, during 2020 the Management Board has been following the insurance industry market movements and thoroughly reviewing the operating reports of other insurance companies presented by the insurance regulatory authority and the National Insurance Bureau. The Management Board constantly monitors the liquidity and solvency margin of the Company, the volume of reserves determent by the Law on Insurance Supervision, underwriting and claim handling processes, which are the key elements for successful operation of the Company. For the Management Board it is of great importance that the EU Directives related to insurance market regulations are followed.

During 2020 the Management Board within its authority took a number of activities including adoptions of decisions and rulebooks and issuance of documents which regulate and govern the business policies and strategies. Rrespectively a large number of board decisions are related by reducing the adverse effects of the corona virus-induced pandemic.

All decisions were adopted in line with the provisions of the applicable regulations. The Management Board undertook all necessary and required preparatory actions related to the functioning of the internal audit and the supervisory board. The prompt notification to the Supervisory Board ensured operational functionality and effectiveness of the supervision. In the reporting period the Management Board provided unconditional support to all organisational units and employees of the Company participating in various projects and procedures and maintaining communication with government bodies (state administration) and local municipalities.

In the period from 01.01.2020 to 31.12.2020, the Management Board of the Company held 57 sessions in total. ? (from session no.276 to session no.333). All members of the Board gave adequate and significant contribution to the functioning of the board.

All decisions of the board are adopted in a transparent procedure and supported by necessary documentation. The minutes were issued for any meeting and signed by all members of the Management Board as required under local law. The activities of the Board contributed to the Company operating successfully and profitably in 2020.

5.3 Management

Management Team

Mrs. Jasminka Ilieva, Underwriting Manager
Mrs. Tatjana Dimov, Disputed Claims and Recourses Manager
Mrs. Margareta Popovska-Goseva, Financial Manager

Ms. Vesna Bogdanovska, HR Manager
Mrs. Kevser Lalicic, IT Manager
Mrs. Tatjana Ansarova - Jovanovska, Internal Audit Manager
Mr. Zoran Todorovski, Out-of-Court Claims Settlement Manager
Mr. Zoran Aleksovski, Regional Sales Manager
Mr. Marjan Orucoski, Regional Sales Manager
Mr. Filip Meskov, Non-Agent Sales Manager

5.4 Corporate Governance Code Enforcement Statement

Pursuant to the Article 1 of the Law amending the Law on Trade Companies (Official Gazette of RNM issue no. 290/2020) it is stated therein that the supervisory body of the stock company which is listed on the stock exchange, is required to ensure that the managing body of the company states in a special section of the annual report that the company has fully implemented the corporate governance code. Moreover, it is stipulated by this Law that the Corporate Governance Enforcement Statement is an integral part of the Annual Report of the joint stock company which is listed on the stock exchange.

Mr. Bosko Andov, the President of the Management Board, Mrs. Vesna Gjorceva, a member of the Management Board, and Mr. Risto Sekulovski, a member of the Management Board state hereto the following:

1. The Management Board of the Company implement the Corporate Governance Code, which has been proposed to the Management Board, approved by the Supervisory Board and adopted by the shareholders of the Company.
2. The Corporate Governance Code can be found on the official website of the Company (www.insumak.mk).
3. The management of the Company was conducted with no deviations from the rules of the Corporate Governance Code, or from the statutory regulations governing corporate governance with insurance companies operating in the Republic of North Macedonia.

President of the Management Board	Member of the Management Board	Member of the Management Board
Mr. Bosko Andov	Mrs. Vesna Gjorceva	Mr. Risto Sekulovski

6. Internal and External Audit

6.1 Internal Audit

During 2020, the Internal Audit of the Company in accordance with the Annual Plan, carried out 8 internal audits covering all key operational functions of the Company.

The Internal Audit report states 3 findings which are ranged as **low risk**. There were some non-material incompliance's detected during the audits, and they were immediately corrected or shortly after the completion of the audits within determined deadline.

The opinion of the Internal Audit was “Excellent” for reviewed functions of the Company, which means that the functioning of the implemented internal controls over the reviewed functions was assessed effective and efficient from all material aspects.

Working in a challenging condition due to COVID-19 pandemic, some activities within certain audits were not executed, however, they will be covered by the next respective audits planned in 2021. Since the former audits did not detect faults or reported findings in relation to those activities, they were left out and this did not affect the opinion of the Internal Audit.

The activities agreed with the managing body to eliminate the determined faults were completed in defined manner and within set deadlines.

6.2 External Audit

The external audit for 2019 is the audit company PricewaterhouseCoopers (PwC) Skopje, with CRN: 6333370, VAT: 4030008022586 and registered seat at the 8th September Boulevard, DC Hiperium 16, 1000 Skopje.

This Audit Company has been appointed by the Company Assembly of Shareholders under the Decision 02-3562/7 issued at their regular meeting held on 23/04/2019.

In accordance with the Law on Insurance Supervision the Insurance Supervision Agency has issued an official Decision **no. 19-2-526 as of 27.05.2019** approving that the Audit Company PRICEWATERHOUSECOOPERS REVIZIJA DOO Skopje may review and audit the financial statements of the Company for 2019.

Actuarial Certificate

The final opinion on the financial situation of the Company as stated in the financial statements and the annual business report is

a) positive opinion b) qualified opinion c) negative opinion

The positive opinion on the financial situation of the Company as stated in the financial statements and the annual report of the Company has been supported by the following arguments:

- The Company has only carried out the registered activities during the reporting period.
- The Company applies the adopted insurance terms and conditions and premium tariffs.
- The Company capital exceeds the required level of solvency margin and the guarantee capital in compliance with the statutory regulations and Company business policy.
- The estimated technical reserves satisfy the requirements set by the provisions of the adopted book of regulations and the recognised actuarial standards.
- The Company delivers prompt and regular claims handling services and effect prompt and regular payments of already settled claims.
- For 2020 the Company produced positive financial result.

The Company has calculated the premiums and the technical reserves in accordance with the Insurance Supervision Law and the Rule Book on minimum standards for calculation of technical reserves and the recognised actuarial standards.

Having considered the Company capital volume, and the technical reserves policy, we may conclude that the Company has full capacity to meet its liabilities arising out of insurance agreements and any possible loss consequential to operating risks on a regular and long term basis.

Gordana Minoska Jasminka Ilieva

8. Business Policy and Objectives

8.1 Objectives

Main objectives of the Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje – Vienna Insurance Group (hereinafter The Company) is to ensure achievement of net insurance profit and gains from investment assets and meet its liabilities arising from insurance contracts with clients and manage successful governance, provide education and improvement to the employees and other representatives of the Company.

The main activities of the Company to achieve the targeted objectives will be:

- Maximum presence on the insurance, stock exchange and capital markets;
- Diversify insurance portfolio and quality development of the portfolio;
- Improvement of quality service delivery;
- Relative decrease in the operating expenses;
- Optimised excess of risk placement for co-insurance and reinsurance to retain portfolio stability;
- Optimally secured and effective collection, utilisation and investment of financial funds and keeping adequate records thereof;
- Sustain required liquidity and solvency level;
- Achieve complete business organisation and technology development and improvement.

8.2 Strategic Development Streams

Continuous, dynamic and stable development by increasing the economic strength of the Company based on a permanently positive financial result.
Maintain consistent solvency and liquidity above the average local insurance market level.
Persistent improvement for effective and reasonable utilisation of insurance funds, improvement of working processes and procedures,
Mitigate and gradually eliminate subjective obstacles and mitigate the dependence on the objective difficulties that affect the growth and insurance development of the Company.
Permanent improvement and development of the professional knowledge and competence, working habits and creativity of staff in the Company to ensure quality work.

8.3 Business efficiency

Based on the objectives and strategic development streams stated above, particular concern shall be made to achieve the following business efficiency criteria:

- Optimal positive financial results with reference to total income and especially to insurance premium.
- Achieve low combined operating ratio providing positive financial result or profitable underwriting result as stimulating profit for shareholders.
- Effective claim handling process, that is the number of settled claims in relation to reported claims.
- Relative decrease of operating cost in reference to total income.
- Premium increase per employee of the Company.

- Increase the interest yield of available investment funds.

8.4 Stable Solvency and Liquidity

The Company shall ensure that at any time it may operate and meet its liabilities to third parties which prove the high liquidity ratio of the Company. The Company shall ensure that it follows statutory regulations and requirements regarding approved funds for covering technical reserves. In the course of its business the Company shall comply with all economic, insurance and actuary principles to sustain profitable operation and with all statutory regulations and legal requirements (operating instruments) which govern the insurance industry.

9. Operating Performance

9.1 Underwriting

9.1 Underwriting

The Underwriting Department includes the Underwriting Office and Sales Support Centre.

In its operation the Underwriting function assume risks and applies measures and activities to ensure stable and profitable portfolios and achievement of positive underwriting results in general. The COVID-19 pandemic had a significant impact on the performance of the Company for 2020, however, despite this challenging condition, the level of the technical reserve remained stable, resulting in the positive financial achievements. The COVID-19 pandemic mostly affected the MTPL lines of business, especially in terms of green card and border insurances, and also the travel assistance class of business, so the decrease in the gross written premium is inevitably expected.

Property insurance takes the largest share of the Company insurance portfolio. For 2020, we kept the trend of keeping positive technical result for property insurance and providing high quality protection to the property of our clients, which allowed us to keep our leading role on the market for these classes of business.

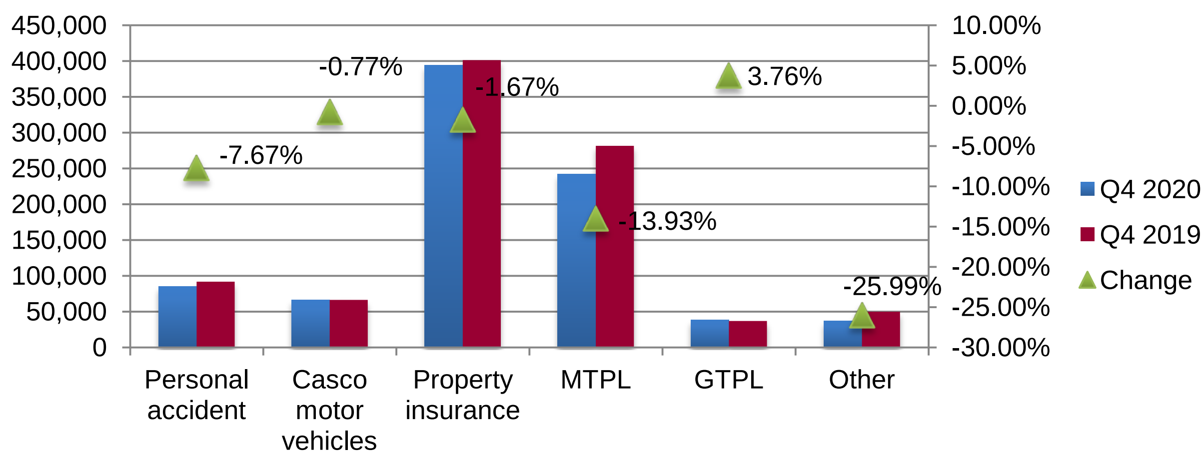
The analysis of the reported results achieved in motor vehicle insurances show the retention of the same underwriting result which allows us to continue our strategy of conservative and profitable growth. Considering other classes of business, we continued the trend of keeping our clients satisfied by offering underwriting solutions to different categories of clients to ensure profitable business and fulfilment of clients' needs.

During 2020, in order to develop and improve the current insurance products, we introduced many amendments and alternations in certain insurance terms and conditions and premium tariffs for many different products as a reply to rapidly changing market demands. The significant portion of their activities the underwriters devoted to create and develop new products and offer products tailor-made to satisfy needs of specific clients. Furthermore, underwriters monitor and analyse the technical results by different clients, different risks and by the portfolio in total.

For 2020, the Sales Support Centre continues to perform its activities for the purpose of ensuring complete and prompt administration of insurance policies and provides full support to sales force by operating under applicable system solutions and processes. During 2020, the SSC managed to process more than 68,732 cases and most of these cases referred to motor vehicle policies and policies issued to persons. On the other hand, a number of complex insurance policies have been created and issued in relation to property insurance and liability and transport insurances. The tariff control as the final stage of policy creation process is another responsibility of the SSC which actually finalises the whole underwriting process.

The Underwriting Department is very well organised and underwrites are committed to their effective and efficient performance and satisfaction of the clients' demands for different classes of business which ensure positive technical result and contribute to profitable operation of our Company.

Written Premium by Classes of Business 2019/2020



9.2 Sales

The sales force network of the Company is organised in a way that it provides availability of the insurance products to clients through various distribution channels for the purpose that the market needs will always be met. Our sales agent network for direct sale is organised in West and East Region teams within Sales Agents Unit and the insurance representative agencies which are external ales network. The sales force network is composed of well experienced and trained sales agents and also functions as another source for recruiting new insurance representatives, which will result in increase of our market share.

Non-Agent sales cover the market need of clients which request comparative insurance covers offered by insurance brokers, banks, travel agencies and other partners.

Sales Agents and Sales Agencies and Representatives

The East Sales Region

The challenging circumstances we faced last year were extremely specific and largely unpredictable and restrictive.

Obviously, in times of pandemic and restrictions, retailing is one of the most affected activity, and this is partly reflected in the outcomes, especially for insurance products that are directly related to travel and transport.

Green card insurance, travel insurance, and border insurance suffered the biggest blow, but the sales network and we as the Company unit, took activities that aimed to mitigate these consequences.

Some of those activities were increased and directed to offering other insurance products, and also to premium collection, although the latter was one of the major challenges.

For 2020 the East Region reported written premium of MKD 222.2 million.

The MTPL result that the East Sales Region achieved for 2020 took 32.5 % of the total written premium.

For the set goals and plans we did certain adjustments during the year, however, we managed to keep the right direction, which means:

- regular communication with the sales network, provide assistance and support for their daily activities,
- frequent visits to key clients and maintain creative approach in meeting their needs, knowing that the crisis have affects them as well,
- apply sales methods and resources for more efficient and effective operation.

The collection of the premium was within the expected limits and we do hope that as soon as the crisis caused by the pandemic finishes, it will be repeated and improved next year.

The West Sales Region

The Annual Report presents the activities and results achieved in 2020. The overall situation in the Country and the economic activity as a whole, and the COVID-19 pandemic that had an impact on the insurance market, resulted in a relatively successful year, and we failed to achieve the planned business results.

The main strategic goals of the Western Region were:

- Achievement of 2020 sales plan;

- Premium collection;
- Develop and increase sales network;
- Open new points of sale following the market needs and Company strategy;
- Market analysis and satisfaction of client's needs.

For 2020 the West Region reported the gross written premium of MKD 301.6 million.

During 2020, the West Region could not manage to reach budgeted business targets, and this is consequential to many reasons which affected the outcomes. The main reason was obviously COVID-19 pandemic which caused a significant drop in sale of certain classes of business, mostly with green card policies, travel and MTPL policies.

Furthermore, the negative trend was influenced by other factors and affected the final result:

- Unfair competition prices of insurance products;
- Un renewed insurance contracts due to negative technical result and uncollected premium;
- Unrenewed insurance contracts due to poor financial situation of our clients affected by the COVID-19 pandemic outbreak at the beginning of the year and it is still present;
- Public tenders;
- Reduced purchasing power of our customers as a result of the overall situation in the Country, working in a challenging environment;
- Decreased sales of new vehicles (sales are at the lowest level).

In the highly competitive insurance market, the Team covering the Western region takes a number of measures and activities to lessen the negative impact of the adverse economic developments:

- strengthen the sales network, develop and enlarge it;
- sign insurance contracts with new clients;
- open new points of sale - offices in Prilep and Krivogastani.

We try to bring the brand of Insurance Macedonia closer to our clients and become partners.
We endeavour to be proactive and focused on relationships with our customers, to provide them with good insurance coverage, prevention and assistance and offer products and services tailor-made to satisfy their needs.

In 2020 we continued our efforts in building our own external sales network and improving our potentials through:

- Open new points of sale;
- Continue the educational processes;
- Mentorship for the external insurance representatives under direct supervision of the internal coordinators.

Three teams and one insurance representative company worked together to achieve the budget.
The share of the insurance representative company in the portfolio is significant (over 85%).

Despite the fact that the market has become more and more competitive, it should be noted that in 2020 we kept all major clients in our portfolio, and a new 3-year contract was signed with a large client.

We do hope that the situation with the COVID-19 pandemic will be resolved, and believe that properly set targets for 2021 business strategy will generate success.

Non-Agent Sales

For 2020 Non-Agent Sales obtained the gross written premium of MKD 261 million which is a 9 % increase compared to 2019 covering 30 % of the Company portfolio.

This high percentage of participation in the total product portfolio of the Company is attributable to writing insurance businesses through the insurance intermediary of Komercijalna Bank and partly through insurance brokerage companies.

Insurance business is written through several distribution channels:

- Insurance brokerage companies;
- Banks (insurance intermediary of Komercijalna Bank AD Skopje);
- Travel agencies.

The successful business cooperation with brokers and brokerage companies continued in 2020. It is the Promoter who is responsible to cooperate with the brokerage companies. Starting from this year, two Promoters were involved in the cooperation with the brokers. The Promoters offer them insurance proposals and policies with the most convenient insurance covers for the clients for all lines of business underwritten by the Osiguruvanje Makedonija.

The sales of insurance policies through brokerage companies intensified which resulted in the increased sales of policies in terms of MTPL insurance, whereas the well-known problems caused by COVID-19 pandemic crisis resulted in a fall of sales of green card and border insurances. The sales of MTPL policies increased in the Q3 and Q4, whereas the increase in Green card policies was reported only in Q1, just before the COVID-19 pandemic outbreak. We also reported increase in the sales of property policies, general liability and personal accident insurance policies mostly due to intensified cooperation with the channel of distribution of Komercijalna Bank and with several brokerage companies.

The total premium invoiced by brokerage companies for 2020 reached MKD 211 million which is a decrease by 4.0 % in comparison to 2019 result. The decrease in sales of Green Card policies and Border policies amounted almost to MKD 11 million.

The sales of property and general liability policies amounted at about MKD 8.0 million. Decrease was reported for group accident insurance and transport insurance at the total amount of MKD 9.1 million.

Home and property loan insurance policies and Casco insurance policies are sold by the banks intervened by the Promoter. Our Company entered into agreements with two banks and one brokerage company for underwriting these businesses, which are:

- Komercijalna Bank
- Procredit Bank (since 2017 through brokerage company IN-Broker)
- Ohridska Bank

During 2020, the sales through the channel of distribution of Komercijalna Banka A.D. Skopje increased by almost 200 % or at the amount of MKD 33 million and if we add the last year achievement of MKD 16 million we will end up at the total amount of MKD 49 million.

Businesses written by Prokredit Bank (through the brokerage company IN-Broker) shows almost the same development as in 2019 and amounted at MKD 2.9 million in 2020.
The businesses written by Ohridska Bank was insignificant.

The established cooperation between Travel Insurance Promoter and travel agencies continued to function in 2020, and the Promoter was also responsible for selling travel insurance policies through brokers, and by the end of the year the Promoter was responsible partly for the sales through brokerage companies.

Due to the known travel restrictions in 2020 caused by the COVID-19 pandemic, the sales of travel insurance policies report decrease by 78 % and amounted at MKD 667,000.

9.3 Out-of-Court Claims Settlement

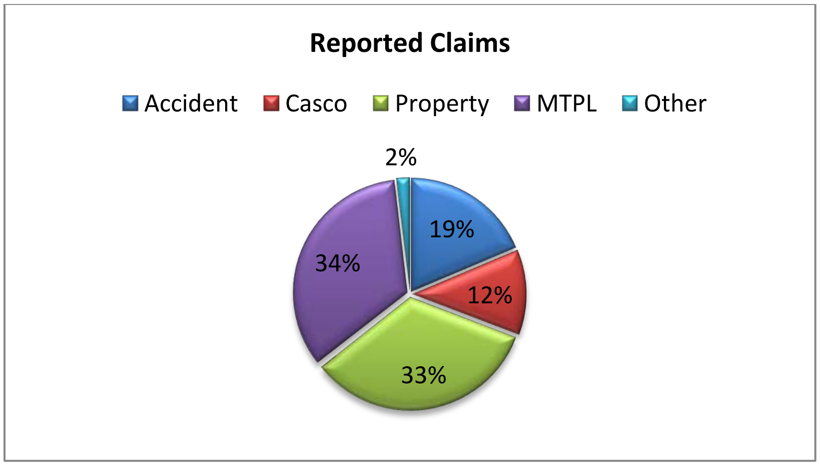
Underwriting Results

The 2020 net underwriting result is 34.63 % which is a slight increase of 2.94 % compared to 2019 result of 33.64 %.

Reported Claims

Number of reported claims by classes of business

Accident	Casco	Property	MTPL	Other
864	563	1558	1654	85

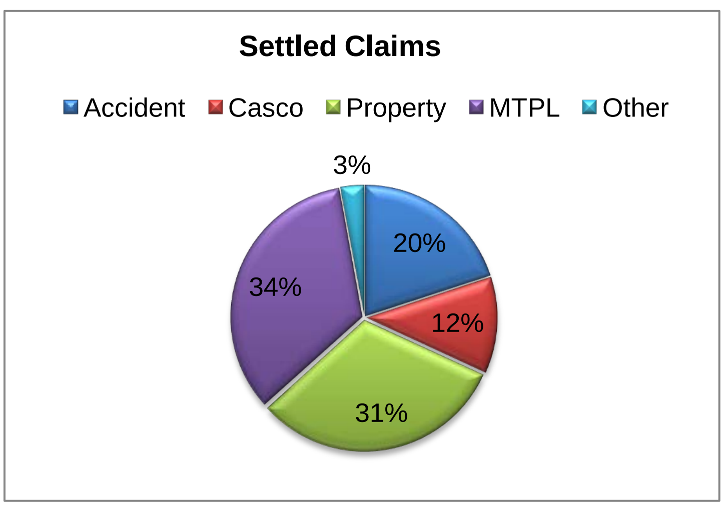


Globally, our position in the insurance market is slightly moving downwards and this trend has been reflected in the number of claims reported this year. The comparison of reported claims in the preceding year to 2020 shows decrease in the number of reported claims by 12 % and most of the decreased reported claims refer to other claims of 81 %, accident claims of 14 %, then MTPL claims of 10 % and Casco motor claims of 4 %, whereas an increase in reported claims refer to property claims by 5 %.

Settled Claims

Number of Settled Claims

Accident	Casco	Property	MTPL	Other
1009	599	1590	1710	123

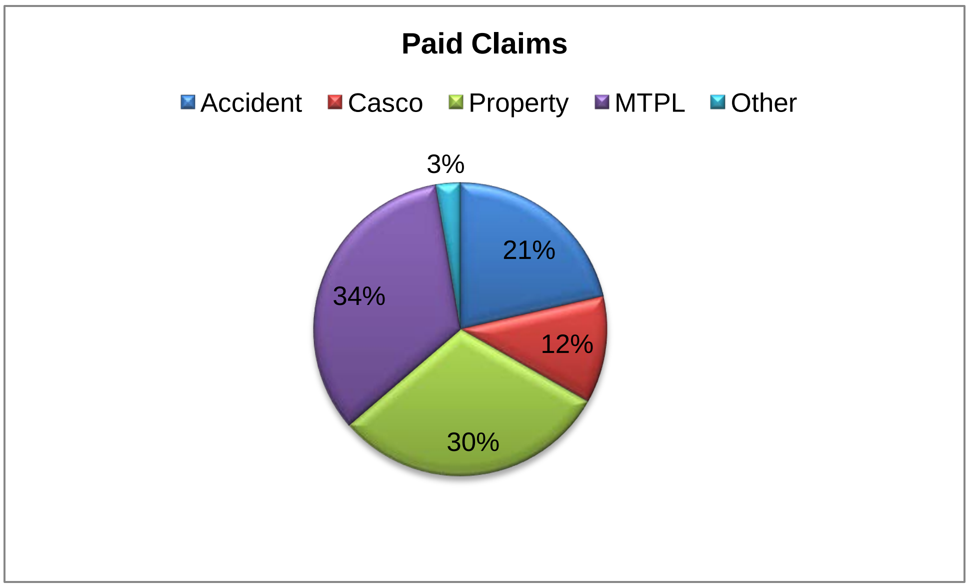


The same trend is evidenced for the settled claims in their number of cases which is by 4 % lower than the last year, and this decline is mostly attributable to other settled claims (travel claims).

Paid Claims

Number of paid claims

Accident	Casco	Property	MTPL	Other
1009	560	1440	1587	127



For 2020, the number of paid claims is decreased by 11 %, compared with the last year.

For 2020, the largest settled and paid claim in the amount of MKD 23,544,956 relates to loss caused by material fault.

For the following year we will continue to develop the professional competence and capacity of the claims staff and enrol young professionals in various fields to ensure that all needs of our clients are successfully met. We will also continue to develop the already established digitalisation processes for electronic claims submission online through a computer or a mobile phone on our website. We will also introduce a computer-based tools to support the early detection and subsequent investigation of potentially fraudulent property claims.

Reported Claims

9.4 Disputed Claims and Recoveries for 2020

The Department for disputed claims and recoveries is responsible for litigations involving claims related disputes of any classes of insurance or claims for breach of contract, or disputes concerning collection of recourse receivables, employment related lawsuits or other lawsuits in which the Company may be the party that is being sued (the defendant) or the plaintiff. The Department for disputed claims and recoveries manages the litigations by virtue of the proxies which are delegated authorities by the legal representative. The Department employs internal lawyers and outsources external lawyers. The Department employs 4 people and outsources 12 external lawyers. They represent the Company in the courts and any other legal institutions throughout the Country.

The Department also supervises and coordinates the lawsuits brought in the courts in other countries which are run by the corresponding agencies. The Department also controls and approves any agreement where the Company acts as a contracting party to third parties. The control in fact will ensure that the agreements have been made in compliance with the statutory regulations and applicable legislation in the Republic of Macedonia and in line with the business policy of the Company.

The proxies are obliged to protect the interests of the Company during legal proceedings and avoid any unnecessary exposure of the Company to legal costs and levies and act within legally determined terms and periods of time. They should work in a professional and conscientious manner when representing the interests of the Company before the competent courts and treat colleagues of the opposite party fairly and act lawfully and with honesty in courts and other government institutions in the country. The external lawyers of the Department for disputed claims and recoveries act on behalf of the Company and represent its interests before the competent legal institutions so they should avoid any conflict of interest, any unethical conduct or any behaviour which may threat the reputation of the Company.

The basic code of behaviour for proxies includes professionalism, honesty and integrity, team work and quality work improvement and development and professional education.

During 2020, the total number of 122 litigations including claims related disputes brought against the Company by classes of business refers to the following:

- 61 disputes refer to MTPL;
- 17 disputes refer to uninsured vehicles;
- 19 disputes refer to foreign vehicles under Green Card policy;
- 9 disputes refer to personal accident claims;
- 6 disputes refer to property claims;
- 9 disputes refer to Casco claims;
- 1 dispute refers to ownership claims.

During 2020 no lawsuits involving breach of contacts were brought against the Company. The Department has still been running one (1) case initiated in the previous years, pending the court decision.

During 2020 the Department brought 72 lawsuits against recourse debtors.

9.5 Human Resources

The previous 2020 was a year in which the world had to face a challenge that hasn't appeared for decades before: the Covid-19 pandemic changed the way we communicate, we perform our work; The pandemic completely changed the way that countries and national economies function.

In such conditions, the Company's main aim and HR Department's task was to establish health protection measurements for all employees, associates and clients, and in the same time to maintain normal flow of the working processes.

Health protection always comes firs, but the new virus threat imposed the following actions to be taken:

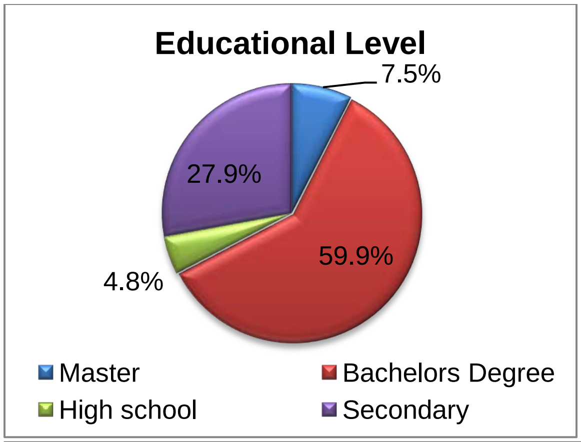
- organizing and establishing proper measurements and activities to stop spreading Covid-19 in Company premises;
- defining conduct protocols for Company premises; and
- establishing new working procedures, by introduction of many new digital tools and locally developed software.

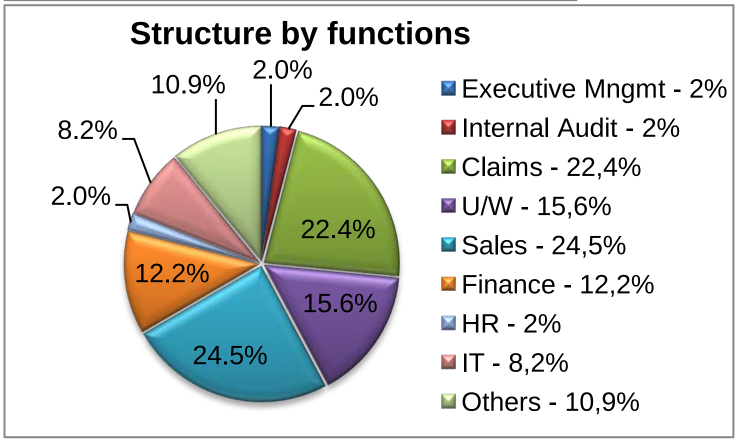
All these measurement proved to be very efficient.

The working force fluctuation rate in 2020 was in the range of the planned percentile of 10%.

The total number of Company employees as per 31st December 2020 was reduced to 147, out of which 36 in sales function and 111 in other Company functions.

The structure of the employees by educational level and function allocation is as follows:





9.6 Information Technology

The main function of the IT Department of Insurance Makedonija a.d. Skopje - Vienna Insurance Group is supporting the Company business and ensuring effective and efficient operation:

- provide and participate in the achievement of targets set by the Company business plan and strategy,
- carry out corporate and local processes and procedures, and
- ensure reliable and available information and integrity of data.

The IT Department of Insurance Makedonija a.d. Skopje - Vienna Insurance Group is designed in accordance with the necessities of business processes to ensure prompt and complete data processing and availability of documented information used in their operation.

The IT Department is awarded ISO 27001:2013 certificate confirming the compliance with the international standards for IT information security. Recertification is issued in 2020.

IT Department employs 13 professionals with excellent business knowledge, good range of technology competence and computer skills and they constantly improve their knowledge following the latest developments in the field of information and communication technology.

IT function actively operates in many different fields:

- Access to IT services of 100% for 2020;
- Development and maintenance of application software;

- DB administration, development and maintenance of system software, hardware, email and network;
- Application of IT Security Strategy following the standards of the VIG IT Strategy and Security Policy;
- IT management including monitoring of IT projects and resources and functioning of Steering Committee;
- Compliance of the IT activities with the local statutory regulations and requirements;
- IT cost savings by 17.11 % or 82.89 % of the targeted IT cost savings for 2020;
- Achieve IT capital procurement by 81.0 %.

Some of the more important IT projects in 2020 are:

- **Development of a first phase of the project – implementation of MBA software solution for VIG Sigma Kosovo;**
- Additional development of WEB applications for online claims notification including green card;
- Health Insurance Inpatient and Outpatient cover;
- Validity check of CMR policy and certificate issuance;
- SAP implementation;
- DMC implementation by many organisational units;
- Oracle application servers v.12 migration;
- Web application for online payment;
- Web application for online travel insurance policies;
- Web application for MTPL policies;
- Reinsurance – processing of excess of loss and quota share;
- Saleforce implementation for several products.

10. Financial Results

For 2020 the Joint Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje – Vienna Insurance Group operated according to the strategic business goals and priority targets defined by the financial plan and the business policy. As of December 31, 2020, inclusive, the Company achieved the targeted goals in terms of the profit and the profitability in general, operating in the challenging business environment.

In the reporting year the Company demonstrates positive financial result reaching the amount of MKD 62.5 million.

Summary income statement and detailed description of the income items and expenses recognised in the income statement which incurred during the reporting period are given below.

Earned premium income for non-life insurance is MKD 558.8 million which is by 8.1 % less than the outcome reported for 2019. The total written premium for non-life insurance is MKD 862.9 million which is by 7.0 % less than the result reported in 2019. It was corrected by the amount of unearned premium for 2019 reported as the asset and the amount of unearned premium for 2020 reported as liability. Additionally, the gross premium income is decreased for the earned premium placed in reinsurance.

The earned premium, investment income and other income amount to total value of income of the Joint Stock Company at MKD 777.1 million. Total income achieved by the Company in 2020 shows a decrease of 6.1 % in comparison with 2019.

Total expenses show decrease by 2.2 % or in figure at MKD 16.1 million. Claims expenses of MKD 193.5 million and the underwriting expenses of MKD 428.4 million account for almost 86% of the total expenses. The investment expenses of MKD 20.9 million and other operating costs compose the total operating expenses at the amount of MKD 714.6 million.

The determined income and expenses as stated above show that the Company report positive financial result of MKD 62.5 million.

2020 income tax calculated on the achieved profit increased for the amount of non-deductible expenses and understated revenues for 2020 and additionally decreased for tax deduction, amounts to MKD 7.9 million.

President of the Management Board

Bosko Andov

____

Member of the Management Board

Vesna Gjorceva

____

Member of the Management Board

Risto Sekulovski

____

JOINT STOCK COMPANY FOR INSURANCE AND REINSURANCE MAKEDONIJA SKOPJE AD - VIENNA INSURANCE GROUP

Financial statements

With Report of the Auditors thereon

For the year ended 31 December 2020

Content

Independent auditor's report

To the Supervisory Board and Shareholders of Insurance MAKEDONIJA AD Skopje – Vienna Insurance Group

Report on the financial statements

We have audited the accompanying financial statements of Insurance MAKEDONIJA AD Skopje – Vienna Insurance Group, which comprise the balance sheet as of 31 December 2020 and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with legislation of the Insurance Supervision Agency and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on auditing applicable in the Republic of North Macedonia (the "Standards"). The Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Insurance Makedonija AD Skopje – Vienna Insurance Group as of 31 December 2020, and of its financial performance and its cash flows for the year than ended in accordance with the legislation of the Insurance Supervision Agency.

Report on other legal and regulatory requirements

Annual report prepared by the Management in accordance with the requirement of the article 384 of the Company Law.

Management is also responsible for the preparation of the Annual accounts and Annual Report of Insurance Makedonija AD Skopje – Vienna Insurance Group, which were approved by the Supervisory Board of Insurance Makedonija AD Skopje – Vienna Insurance Group.

As required by the Audit Law, we report that the historical information presented in the Annual Report prepared by Management of Insurance Makedonija AD Skopje – Vienna Insurance Group in accordance with article 384 of the Company Law, is consistent, in all material respects, with the financial information presented in the Annual Accounts and audited financial statements of Insurance Makedonija AD Skopje – Vienna Insurance Group as of 31 December 2020 and for the year then ended.

Dragan Davitkov
General Manager

Sime Jovanovski
Certified Auditor

PricewaterhouseCoopers Revizija DOO

2 April 2021

Skopje, Republic of North Macedonia

Income statement

Description	Note	Amount in MKD thousands 2020	2019
A. OPERATING INCOME		**777,124**	**827,312**
I. NET INSURANCE PREMIUM REVENUE	6	**558,858**	**607,868**
1. Gross written premium from insurance		857,471	910,808
2. Gross written premium from co-insurance		5,388	17,171
3. Gross written premium for reinsurance / retrocession		-	-
4. Gross written premium delivered in co-insurance		-	-
5. Written premium ceded to reinsurers		(309,815)	(325,885)
6. Change in the gross provision from unearned premium		26,448	(5,386)
7. Change in the gross provision from unearned premium – co-insurance share		-	-
8. Change in gross reserve for unearned premium – reinsurance share		(20,634)	11,160
II. Investment income		**67,755**	**66,349**
1. Income from subsidiaries. associates and jointly controlled entities		-	-
2. Income from investments in land and buildings		**34,840**	**36,716**
2.1 Rent income		33,766	36,716
2.2 Income from increasing of the land and buildings value		-	-
2.3 Income from sale of land and buildings		1,074	-
3. Interest income		**26,346**	**24,285**
4. Positive foreign exchange differences		**1,619**	**1,568**
5. Impairment (unrealised gains. measurement of fair value)		-	-
6. Realised gains from sale of financial assets – capital gain		-	-
6.1 Financial assets available for sale		-	-
6.2 Financial assets held for trading (with fair value)		-	-
6.3 Other financial asset		-	
7. Other investment income		**4,950**	**3,780**
III. REINSURANCE COMMISSION RECOVERIS INCOME		**110,774**	**113,491**
IV. OTHER INSURANCE TECHNICAL INCOME. NET OF REINSURANCE	7	**26,373**	**30,769**
V. OTHER INCOME	8	**13,364**	**8,835**

Income statement (continued)

Description	Note	Amount in MKD thousands 2020	2019
B. OPERATING EXPENSES		**714,578**	**730,640**
I. NET INSURANCE CLAIMS AND BENEFITS INCURRED	9	**193,495**	**199,588**
1. Gross claims paid		355,667	283,583
2. Decrease for the income from gross realized recourse receivables		(36)	(4,884)
3. Gross claims paid – co-insurance share		-	-
4. Gross claims paid – reinsurance share		(118,682)	(81,368)
5. Change in gross reserves for claims		13,835	(4,377)
6. Change in gross reserves for claims - part for co-insurance		-	-
7. Change in gross reserves for claims – part for reinsurance		(57,289)	6,634
II. CHANGES IN OTHER TECHNICAL RESERVES. NET OF REINSURANCE		-	-
1. Changes in the mathematical reserve. net of reinsurance		-	-
1.1 Change in gross mathematical reserve		-	-
1.2 Change in gross mathematical reserve – part for co-insurance/ reinsurance		-	-
2. Changes in equalization reserve. net of reinsurance		-	-
2.1. Changes in gross equalization reserve		-	-
2.2 Changes in gross equalization reserve – part for co-insurance/reinsurance		-	-
3. Changes in other technical reserves. net of reinsurance		-	-
3.1 Changes in other gross technical reserves		-	-
3.2 Changes in other gross technical reserves – part for co-insurance and reinsurance		-	-
III. CHANGE IN GROSS MATHEMATICAL RESERVE FOR LIFE INSURANCE WHERE INVESTMENT RISK IS BORNE BY INSURED. NET OF REINSURANCE		-	-
1. Changes in gross mathematical reserve for life insurance where the investment risk is borne by insured. net of reinsurance		-	-
2. Changes in gross mathematical reserve for life insurance where the investment risk is borne by insured. net of reinsurance – part for co-insurance and reinsurance		-	-
IV. EXPENSES FOR BONUSES AND DISCOUNTS. NET OF REINSURANCE		**48,837**	**33,976**
1. Expenses for bonuses (depending from the profit)		30,113	16,154
2. Expenses for discounts (not depending from profit)		18,724	17,822
V. NET EXPENSES FOR INSURANCE EXPENSES	10	**428,421**	**429,556**
1. Acquisition costs		**236,884**	**231,119**
1.1 Commission		226,855	161,687
1.2 Gross salary for sale network		53,372	56,497
1.3 Other acquisition costs		10,259	14,840
1.4 Movement in DAC		(53,602)	(1,905)
2. Administrative expenses		**191,537**	**198,437**
2.1 Depreciation of tangible assets used for operating purposes		22,084	20,630
2.2 Staff costs		**98,104**	**101,048**
2.2.1 Salaries and contributions		59,280	58,985
2.2.2 Salary taxes		11,736	5,928
2.2.3 Contributions for obligatory social insurance		18,165	23,902
2.2.4 Expenses for pension insurance		330	443
2.2.5 Other expenses for employees		8,593	11,790
2.3 Expenses for services from individuals		5,349	5,336
2.4 Other administrative expenses		**66,000**	**71,423**
2.4.1 Other administrative expenses		42,036	40,698
2.4.2 Material expenses		17,517	19,743
2.4.3 Provisioning expenses and other expenses		6,447	10,982

Income statement (continued)

Description	Note	Amount in MKD thousands 2020	2019
VI. INVESTMENT COSTS		20,992	24,201
1. Depreciation and impairment for tangible assets not used for operating purposes		20,196	22,300
2. Interest expenses		-	-
3. Negative foreign exchange differences		796	1,676
4. Value adjustment (non-realised loss. measurement with fair value)		-	-
5. Realized loss from sale of financial assets – capital loss		-	-
5.1 Financial assets available for sale		-	-
5.2 Financial assets held for trading (fair value)		-	-
5.3 Other financial assets		-	-
6. Other investment costs		-	225
VII. OTHER INSURANCE TECHNICAL EXPENSES. NET OF REINSURANCE	11	30,276	38,327
1. Prevention costs		-	-
2. Other insurance technical expenses. net of reinsurance		30,276	38,327
VIII. IMPAIRMENT OF INSURANCE PREMIUM RECEIVABLES		(12,060)	1,017
IX. OTHER EXPENSES INCLUDING OTHER IMPAIRMENT	12	4,636	3,975
X. PROFIT BEFORE TAX		62,546	96,672
XI. LOSS BEFORE TAX		-	-
XII. INCOME TAX	13	7,976	11,829
XIII. DEFERRED TAX		-	-
XIV. PROFIT FOR THE YEAR		54,570	84,843
XV. LOSS FOR THE YEAR		-	-

Balance Sheet

Description	Note	Amount in MKD thousands 2020	2019
ASSETS			
A. INTANGIBLE ASSETS	14	7,939	8,045
1. Goodwill			
2. Other intangible assets		7,939	8,045
B. INVESTMENTS		1,811,349	1,827,083
I. LAND. BUILDINGS AND OTHER TANGIBLE ASSETS		665,536	690,353
1. Land and buildings for operating activities		252,726	261,576
1.1 Land		6,083	6,186
1.2 Buildings	16	246,643	255,390
2. Land and buildings not for operating activities	15	412,810	428,777
2.1 Land		967	967
2.2 Buildings		411,843	427,810
2.3 Other tangible assets		-	-
II. FINANCIAL INVESTMENTS IN GROUP ENTITIES. SUBSIDIARIES. ASSOCIATES AND JOINTLY CONTROLLED ENTITIES		10,608	11,078
1. Stocks. shares and other equities securities in companies in a group – subsidiaries		-	-
2. Debt securities issued from group entities. subsidiaries and loans of group entities - subsidiaries		-	-
3. Stocks. shares and other equities in associates		-	-
4. Debt securities issued from associates and loans of associates		-	-
5. Other financial investments in group entities - subsidiaries		-	-
6. Other financial investments in associates		-	-
7. Investments in National Insurance Bureau		10,608	11,078
III. OTHER FINANCIAL INVESTMENTS	17	1,135,205	1,125,652
1. Financial assets held to maturity		-	-
1.1 Debt securities with maturity less than one year		-	-
1.2 Debt securities with maturity more than one year		-	-
2. Financial assets available for sale		456,903	397,751
2.1 Debt securities with maturity less than one year		-	-
2.2 Debt securities with maturity more than one year		389,816	335,913
2.3 Stocks. shares and other equities		67,087	61,838
2.4 Stocks and shares in investment funds		-	-
3. Financial assets held for trading		-	-
3.1 Debt securities with maturity less than one year		-	-
3.2 Debt securities with maturity more than one year		-	-
3.3 Stocks. shares and other equities		-	-
3.4 Stocks and shares in investment funds		-	-
4. Deposits loans and other placements		678,302	727,901
4.1 Deposits		678,302	727,901
4.2 Collateralized loans		-	-
4.3 Other loans		-	-
4.4 Other placements		-	-
5. Derivative financial instruments		-	-

Balance Sheet (continued)

Description	Note	Amount in MKD thousands 2020	2019
IV. DEPOSITS IN ASSIGNORS OF REINSURANCE ENTITIES. BASED ON REINSURANCE CONTRACTS	5.2.1		
C. CO-INSURANCE AND REINSURANCE SHARE IN GROSS TECHNICAL RESERVES	5.2.2.2	195,969	152,259
1. Co-insurance and reinsurance share in the gross reserve of unearned premium	5.2.4	17,794	31,373
2. Co-insurance and reinsurance share in the gross mathematical reserve	5.2.7	-	
3. Co-insurance and reinsurance share in gross claims reserves		178,175	120,886
4. Co-insurance and reinsurance share in gross reserves for bonus and discounts		-	-
5. Co-insurance and reinsurance share in gross equalization reserve		-	-
6. Co-insurance and reinsurance share in other technical reserve		-	-
7. Co-insurance and reinsurance share in gross technical reserve for life insurance where the investment risk is borne by the insured		-	-
D. FINANCIAL INVESTMENT IN WHICH INSURED ASSUMES THE INVESTMENT RISK (INSURANCE CONTRACT)		-	-
E. DEFERRED AND CURRENT TAX ASSETS		1,884	-
1. Deferred tax assets			-
2. Current tax assets		1,884	-
F. RECEIVABLES		285,556	280,755
I. RECEIVABLES FROM DIRECT INSURANCE	18	253,569	239,974
1. Insurance receivables		236,660	228,284
2. Receivables from brokers		-	-
3. Other receivables from insurance		16,909	11,690
II. REINSURANCE AND CO-INSURANCE RECEIVABLES		5,063	14,989
1. Premium receivables from co-insurance and reinsurance		718	14,989
2. Receivables from claims paid for co-insurance and reinsurance	28	4,345	-
3. Other receivables for co-insurance and reinsurance		-	-
III. OTHER RECEIVABLES		26,924	25,796
1. Other receivables from direct insurance	19	17,614	16,466
2. Receivables from financial investments	20	8,090	7,955
3. Other receivables	21	1,220	1,375
IV. RECEIVABLES FROM CALLED NOT PAID CAPITAL		-	-
G. OTHER ASSETS		107,675	112,235
I. TANGIBLE ASSETS FOR OPERATIONS		27,204	27,664
1. Equipment	16	24,596	25,056
2. Other tangible assets	16	2,608	2,608
II. CASH AND CASH EQUIVALENTS	22	79,791	83,951
1. Cash at banks		79,750	83,916
2. Cash on hand		41	35
3. Cash for mathematical reserve coverage		-	-
4. Other cash and cash equivalents		-	-
III. INVENTORIES		680	620

Balance Sheet (continued)

Description	Note	Amount in MKD thousands 2020	2019
H. ACCRUALS AND PREPAID EXPENSES		105,068	72,950
1. Accrued interest income and rents		-	-
2. Deferred acquisition costs		75,475	43,857
3. Other prepayments and deferrals		29,593	29,093
3. NON CURRENT ASSETS AVAILABLE FOR SALE AND DISCONTINUING OPERATIONS		-	-
I. TOTAL ASSETS		2,515,440	2,453,331
J. OFF BALANCE SHEET ITEMS - ASSETS	27	46,423	53,268
LIABILITIES AND EQUITY		-	-
A. EQUITY AND RESERVES	26	1,599,432	1,556,023
I. SHARED CAPITAL		888,308	888,308
1. Shared capital from ordinary shares		888,308	888,308
2. Shared capital from preference shares		-	-
3. Called but not paid capital		-	-
II. PREMIUM FOR ISSUED SHARES		-	-
III. REVALORISATION RESERVE		199,404	210,566
1. Tangible assets		159,861	177,623
2. Financial investments		39,495	32,860
3. Other revalorization reserves		48	83
IV. RESERVES		281,842	253,561
1. Legal reserves		273,155	244,874
2. Statutory reserves		-	-
3. Reserves for equity shares		-	-
4. Repurchased equity shares		-	-
5. Other reserves		8,687	8,687
V. UNDISTRIBUTED NET PROFIT		175,308	118,745
VI. ACCUMULATED LOSS		-	-
VII. PROFIT FROM THE YEAR		54,570	84,843
VIII. LOSS FROM THE YEAR		-	-
B. SUBORDINATED LIABILITIES		-	-
C. GROSS TECHNICAL RESERVES	23	668,532	681,146
I. Gross reserves for unearned premium	5.2.2.1	308,646	335,095
II. Gross mathematical reserve	5.2.2.2	-	-
III. Gross claims reserve	5.2.7	356,857	310,131
IV. Gross reserve for bonus and discounts	5.2.4	3,029	35,920
V. Gross equalization reserve		-	-
VI. Gross other technical reserves		-	-
D. GROSS TECHNICAL RESERVES FOR CONTRACTS IN WHICH THE INSURED BORNE THE INVESTMENT RISK		-	-
E. OTHER RESERVES		4,550	4,230
1. Employment benefits		4,550	4,230
2. Other reserves			-
F. DEFERRED AND CURRENT TAX LIABILITIES		22,151	13,089
1. Deferred tax liabilities		22,151	3,651
2. Current tax liabilities		-	9,438
G. LIABILITIES FROM REINSURANCE ENTITY DEPOSITS IN ASSIGNOR. BASED ON REINSURANCE CONTRACTS		-	-

Balance Sheet (continued)

Description	Note	Amount in MKD thousands	
		2020	2019
H. LIABILITIES		**94,034**	**89,417**
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS		-	-
1. Claims payable		-	-
2. Liabilities to agents and dealers		-	-
3. Other liabilities from direct insurance operations		-	-
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE		**50,180**	**38,870**
1. Reinsurance premium payable		49,680	36,587
2. Liabilities for participation in claims paid		-	-
3. Other liabilities from co-insurance and reinsurance		500	2,283
III. OTHER LIABILITIES	**24**	**43,854**	**50,547**
1. Other liabilities from direct insurance operations	**5.2.2.2**	18,596	24,859
2. Liabilities from financial investments	**5.2.7**	6,995	7,022
3. Other liabilities	**5.2.4**	18,263	18,666
3. ACCRUALS AND PREPAID REVENUES	**25**	**126,741**	**109,426**
S. NON CURRENT LIABILITIES FOR NON CURRENT ASSETS AVAILABLE FOR SALE AND DISCONTINUING OPERATIONS		-	-
K. TOTAL LIABILITIES AND EQUITY		**2,515,440**	**2,453,331**
L. OFF BALANCE SHEET ITEMS – LIABILITIES AND EQUITY	**30**	**46,423**	**53,268**

Statement of changes in equity

Description	Note	Share capital	Share premium	Reserves: Legal reserves	Reserves: Statutory reserves	Reserves: Reserves for treasury shares	Reserves: Other reserves	Reserves: Total reserves	Treasury shares	Revaluation reserves	Accumulated/ profit/ loss	Profit for the year	Total capital and reserves
Balance as at 1 January 2019		888,308	-	216,044	-	-	35,101	251,145	-	316,451	31,870	86,489	1,574,263
Balance as at 1 January previous year corrected		888,308	-	216,044	-	-	35,101	251,145	-	316,451	31,870	86,489	1,574,263
Profit or loss for previous year corrected		-	-	-	-	-	-	-	-	-	-	84,843	84,843
Profit or loss for current year		-	-	-	-	-	-	-	-	-	-	84,843	84,843
Non ownership changes in equity		-	-	-	-	-	-	-	-	(105,884)	47,284	-	(58,600)
Un-realized gains/losses from tangible assets		-	-	-	-	-	-	-	-	(116,135)	47,284	-	(68,851)
Un-realized gains/losses from Available for sale financial assets		-	-	-	-	-	-	-	-	10,299	-	-	10,299
Realized gains/losses from Available for sale financial assets		-	-	-	-	-	-	-	-	-	-	-	-
Other non ownership changes in equity		-	-	-	-	-	-	-	-	(48)	-	-	(48)
Changes in equity		-	-	28,830	-	-	(26,415)	2,415	-	-	39,591	(86,489)	(44,483)
Increase/Decrease of share capital		-	-	-	-	-	-	-	-	-	-	-	-
Other payment by shareholders		-	-	-	-	-	-	-	-	-	-	-	-
Paid dividends		-	-	-	-	-	-	-	-	-	-	(44,483)	(44,483)
Other payment by shareholders		-	-	28,830	-	-	(26,415)	2,415	-	-	39,591	(42,006)	-
Balance as at 31 December 2019		888,308	-	244,874	-	-	8,686	253,560	-	210,567	118,745	84,843	1,556,023

Statement of changes in equity (continued)

Description	Note	Share capital	Share premium	Reserves: Legal reserves	Reserves: Statutory reserves	Reserves: Reserves for treasury shares	Reserves: Other reserves	Reserves: Total reserves	Treasury shares	Revaluation reserves	Accumulated/ profit/ loss	Profit for the year	Total capital and reserves
Balance as at 1 January 2020		**888,308**	-	**244,874**	-	-	**8,686**	**253,561**	-	**210,567**	**118,745**	**84,843**	**1,556,024**
Balance as at 1 January current year corrected		888,308	-	244,874	-	-	8,686	253,561	-	210,567	118,745	84,843	1,556,024
Profit or loss for current year		-	-	-	-	-	-	-	-	-	-	**54,570**	**54,570**
Profit or loss for 2020		-	-	-	-	-	-	-	-	-	-	54,570	54,570
Non ownership changes in equity		-	-	-	-	-	-	-	-	(11,163)	-	-	(11,163)
Un-realized gains/losses from tangible assets		-	-	-	-	-	-	-	-	(17,762)	-	-	(17,762)
Un-realized gains/losses from Available for sale financial assets		-	-	-	-	-	-	-	-	6,634	-	-	6,634
Realized gains/losses from Available for sale financial assets		-	-	-	-	-	-	-	-	(35)	-	-	(35)
Other non ownership changes in equity	15/16	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity		-	-	**28,281**	-	-	-	**28,281**	-	-	**56,562**	**(84,843)**	-
Increase/Decrease of share capital		-	-	-	-	-	-	-	-	-	-	-	-
Other payment by shareholders		-	-	-	-	-	-	-	-	-	-	-	-
Paid dividends		-	-	-	-	-	-	-	-	-	-	-	-
Other transfers by shareholders		-	-	28,281	-	-	-	28,281	-	-	56,562	(84,843)	-
Balance as at 31 December 2020		**888,308**	-	**273,155**	-	-	**8,686**	**281,842**	-	**199,404**	**175,308**	**54,570**	**1,599,432**

Cash flow statement

Description	Note	Amount *in MKD thousands*	
		2020	2019
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. CASH INFLOWS FROM OPERATING ACTIVITIES		1,109,603	1,179,203
1. Insurance and co-insurance premium and prepayments received		834,907	898,503
2. Re-insurance premium and retrocession		-	-
3. Inflows from share in paid claims		115,081	83,523
4. Received interest from insurance operations		-	-
5. Other inflows from operating activities		159,615	197,177
II. CASH OUTFLOWS FROM OPERATING ACTIVITIES		1,177,493	1,122,371
1. Claims paid. contractual insurance amounts. share in paid claims from co-insurance and prepayments		348,928	274,174
2. Claims paid and share in share in claims paid from reinsurance and retrocession		-	-
3. Co-insurance. reinsurance and retrocession premiums		282,287	288,791
4. Other personal expenses		147,508	151,807
5. Other insurance expenses		196,582	177,506
6. Interest paid		-	-
7. Income tax and other tax payables		33,432	32,522
8. Other outflows from operating activities		168,756	197,571
III. NET CASH INFLOWS FROM OPERATING ACTIVITIES		-	56,832
IV. NET CASH OUTFLOWS FROM OPERATING ACTIVITIES		67,890	-
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. CASH INFLOWS FROM INVESTING ACTIVITIES		378,014	371,284
1. Inflows from intangible assets		-	-
2. Inflows from material assets		6,500	2,599
3. Inflows from material assets not used for main activities (Investment property)		46,860	49,016
4. Inflows from investments in associates. subsidiaries and joint ventures		-	-
5. Inflows from Investments held to maturity (HTM)		-	-
6. Inflows from other financial investments		293,358	284,115
7. Dividends received and other share in profit		4,950	3,780
8. Interest received		26,346	31,774

Cash flow statement (continued)

Description	Note	Amount in MKD thousands 2020	Amount in MKD thousands 2019
II. CASH OUTFLOWS FROM INVESTING ACTIVITIES		314,258	399,682
1. Outflow from intangible assets		-	-
2. Outflow from material assets		7,083	15,980
3. Outflows from material assets not used for main activities (Investment property)		7,456	32,691
4. Outflows from investments in associates. subsidiaries and joint ventures		-	-
5. Outflows from Investments held to maturity (HTM)		-	-
6. Outflows from other financial investments		299,719	351,011
7. Dividends paid and other share in profit		-	-
8. Interest paid		-	-
III. NET CASH INFLOWS FROM INVESTING ACTIVITIES		63,757	-
IV. NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		-	28,398
C. CASH FLOWS FROM FINANCING ACTIVITIES			-
I. CASH INFLOWS FROM FINANCING ACTIVITIES		-	-
1. Inflows from increase in share capital		-	-
2. Inflows from received long term and short term borrowed funds		-	-
3. Inflows from other long term and short term liabilities		-	-
II. CASH OUTFLOWS FROM FINANCING ACTIVITIES		27	43,897
1. Outflows from repayment of short term and long term borrowed funds and other liabilities		-	-
2. Outflows from repurchase of own shares		-	-
3. Dividends paid		27	43,897
III. NET CASH INFLOWS FORM FINANCING ACTIVITIES		-	-
IV. NET CASH OUTFLOWS FROM FINANCING ACTIVITIES		27	43,897
D. TOTAL CASH INFLOWS		1,487,617	1,550,487
E. TOTAL CASH OUTFLOWS		1,491,778	1,565,949
F. NET CASH INFLOWS		-	-
G. NET CASH OUTFLOWS		4,161	15,463
H. CASH AND CASH EQUIVALENTS AT 1 JANUARY		83,952	99,414
I. EFFECT ON CASH AND CASH EQUIVALENTS FROM CHANGES IN FOREIGN EXCHANGE RATES		-	-
J. CASH AND CASH EQUIVALENTS AT 31 DECEMBER	22	79,791	83,951

Financial statements are approved by the Management board on 25 February 2021 and adopted by the Supervisory Board on 11 March 2021.

Signed on behalf of Insurance Makedonija AD Skopje – Vienna Insurance Group:

Mr. Bosko Andov
General Manger

Ms Margareta Popovska - Goseva
Financial Manager / Certified Accountant

1. General Information

Insurance MAKEDONIJA S.C. Skopje- Vienna Insurance Group (thereon the Company) is Joint Stock Company incorporated in Republic of Macedonia Operating activities of the Company include:

- Personal Accident Insurance;
- Medical Insurance;
- Land vehicle Casco insurance;
- Rail vehicle insurance;
- Aircraft insurance;
- Sea. Lake & river shipping insurance;
- Transport insurance;
- Fire explosion & other natural risks insurance;
- Other property insurance;
- Land vehicle MTPL insurance;
- Aircraft liability insurance;
- Sea. Lake & river shipping liability insurance;
- General liability insurance;
- Credit insurance;
- Guarantee insurance;
- Several financial losses insurance;
- Legal expenses insurance and Assistance insurance and
- Travel health insurance.

The Company operates in one Head office and 14 representative offices within the country. As of 31 December 2020 the Company performs its activities with 111 administrative employees and 36 sales agents (2019: 118 administrative employees and 39 sales agents).

The address of its registered office is as follows:

Str.11 Oktomvri No. 25
1000 – Skopje
Republic of Macedonia

2. Basis of preparations

(a) Statement of compliance

These financial statements are prepared in accordance with the Company Law (Official Gazzette in the Republic of Macedonia 28/2004 and the changes 84/2005, 25/2007, 87/2008, 42/2010, 48/2010. 24/2011. 162/2012. 70/2013. 119/2013.120/2013. 187/2013. 38/2014. 41/2014. 138/2014, 88/2015, 192/2015, 6/2016, 30/2016 and 61/2016, 64/18, 120/18, 239/18). Law on Insurance Supervision (Official Gazzette 27/02, 84/02, 98/02, 33/04, 88/05, 79/07, 8/08, 88/08, 56/09, 67/10 и 44/11, 112/11, 7/12, 30/12, 45/12, 60/12, 64/12, 23/13 , 188/13, 43/14, 112/14, 153/15, 192/15, 23/16, 83/18, 198/18, 101/19). Accounting standard applicable in the Republic of Macedonia published in the Rule Book for Accounting (Official Gazette 159/2009, 164/2010 и 107/2011 effective from 1 January 2012). Rule Book for Method of recording and valuation of accounting items and preparation of financial statements (Official Gazette 169/2010, 141/2013, 61/2016 and 36/2019) and are presented in accordance with the Rulebook on the form and content of the layout and the operation of the annual report on the operation of the insurance and/or reinsurance (Official Gazzette 5/2011, 41/2011 64/2011, 187/2013, 61/2016 and 170/2019).

The Rule Book of Accounting comprise International Financial Reporting Standards (IFRS) - IFRS 1 to IFRS 8. International Accounting Standards (IAS) - IAS 1 to IAS 41. International Financial Reporting Interpretations Committee (IFRIC) - IFRIC 1 to IFRIC 17 and Standing Interpretations Committee (SIC) Interpretations comprising SIC 7 to SIC 32, IFRS 9, IFRS 10, IFRS 11, IFRS 12, IFRS 13, IFRS 14, IFRS 15, IFRS 16, IFRIC 18, IFRIC 19, IFRIC 20 and IFRIC 21, IFRIC 22 and IFRIC 23 are not included in the Rule Book for Accounting and are not applied by the Company. IFRC (including IFRS 1) were initially published in the Official Gazette in 1997 and since then several updates have followed. The last update was in December 2010. The Company applies all relevant standards and the amendments and interpretations which were published in the Official Gazette.

On the 22 April 2020 the Agency for Supervision issued a Rule book for changing and expanding the Rule Book for Method of recording and valuation of accounting items and preparation of financial statements where the insurance companies are obligated to perform a classification of the receivables in the following categories depending on the time delay in fulfilling the obligations by the debtor, calculated from the last day of the deadline. Please see note 3.14.2 for more detail explanation.

On the 16th of August the Agency for Supervision issued changes to the Rule book for the form and contents of the financial statements and the detailed contents of the annual report, that changes should be made to the recognition, subsequent measurement and presentation deferred acquisition cost (DAC) effective ot later than 1 January 2021. The Company implemented the new method for DAC as at 31 December 2020. The details of the DAC accounting policy is presented in Note .

Financial statements for year end 31 December 2020 were approved for publishing by Company's Management Board on 25 February 2021 and are adopted by the Supervisory Board on 11 March 2021.

2. Basis of preparations (continued)

(b) Operating Environment of the Company

The Republic of North Macedonia displays certain characteristics of an emerging market. On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Macedonian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. The above measures were gradualy relaxed during 2020 and 2021. These measures have, among other things, severely restricted economic activity in Macedonia and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Bank, as well as the Macedonian and global economy for an unknown period of time.

It is estimated that the total economic activity in the Republic of North Macedonia in 2020, measured by the real movement of gross domestic product (GDP), recorded a decline of 7% compared to 2019. The annual inflation rate is 1,2%

The Managemet Board in accordance with the recommendations of the Government of the Republic of Macedonia during the month of March adopted measures and recommendations for protection against the spread of corona virus. The company has adjusted its operations in times of health crisis, with rotations and work from home, to ensure the smooth running of the process.

The future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

As a response on the COVID 19 pandemic the Government of R. Macedonia enacted several set of measures. One of the most important measures are as follows:

- Recommendation for enabling employees to work from home depending on the type of work, as well as providing security protocols on public places
- Subsidizing the salaries of employees from the COVID-19 affected industries
- Price freeze of basic products
- Freezing of forced collection by the end of June 2020,
- Prohibition of opening bankruptcy procedures during the crisis and 6 months after the crisis
- Deferred tax payment obligations until March 2021 for companies that have a revenue decrease of more than 40%
- Recognition of the cost of private health insurance and testing costs for COVID-19 as tax recognized expense
- Exemption from profit tax and personal income tax for staff costs related to training and team buildings.
- Various forms of grants, vouchers for targeted segments affected by the crisis

2. Basis of preparations (continued)

(b) Operating Environment of the Company (continued)

Insurance Agency for Supervision (ISA) also enacted a set of measurement as summarized below:

- Rulebook for impairment of receivables which allowed the Insurance Companies to postpone the maturities of the receivables for additional 60 days from the original issued period. The effects of this Rulebook was effective up to 31 December 2020. After that the companies will continue to calculate the impairment of the receivables according to the previously applied Rulebook,
- Rulebook on the Types and descriptions of Items to be considered when calculating the Capital of the Insurance and/or Reinsurance Undertaking,
- Rulebook on the minimum content of the record and the manner of reporting, booking and liquidation of claim by insurance companies,
- Rulebook on types and characteristics of the asset for covering the technical and mathematical reserves as well as detailed placement and limitation of those investments and their limitation,
- Rulebook on minimum requirements of receipt, processing, reservation and payments of claims in order to protects the rights of policyholders,
- Rulebook for minimum standards of information systems of the insurance companies and brokers

Apart of the Rulebook for impairment of receivables the Company did not use any other measurements or subsidies during the business processes in 2020.

During 2020 the Gross Written Premium (GWP) of the whole insurance market decreased by 5% which was mostly in line with the decrease of GWP at the Company level. As disclosed in Note 6 the largest decline in GWP was MTPL. As at 31 December 2020 the Company had sufficient level for covering the technical provision with a coverage technical reserve of 257% or surplus in amount of 472,563 MKD thousands (See note 5.2.7). As at 31 December 2020 the Company maintained its required solvency margin with surplus from Guarantee Fund of 1,256,513 MKD thousand and surplus of capital in terms of required solvency margin of MKD 1,433,926 MKD thousand.

The Management expects improvement of the situation in 2021 however this would highly depend on the development of the health situation, length and extent of the safety measures imposed by the Government authorities and the progress of the vaccination process. Consqequently the Management expects improvement of the sales in 2021 in all line of business although this is highly dependant on the length of the travel restrictions.

The above explained results shows that the Company has reasonable surplus over the solvency margin and will be able to solve its due obligations on time. As the current situation is still evolving, the Management of the Company would continue to have proactive monitoring approach in relation to liquidity, maintaining continuous analysis of its business processes and preventing any side effects.

2. Basis of preparations (continued)

(c) Basis for measurement

The financial statements have been prepared on the historical cost basis, except for the asset classified as available for sale- which are measured by its fair value.

(d) Functional and reporting currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in MKD, which is the Company's functional and presentation currency, rounded to the nearest thousand.

(e) Use of estimates and judgement

The preparation of financial statement requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. They are used in determination of accounting value of assets and liabilities when it can't be determined otherwise.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognised in the period in which the estimate is changed, if the change affects only that year, or in the year of the change and future years, if the change affects both current and future periods.

Judgment made by Management in the application of accounting policies that have significant effect on the financial statement and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

(g) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates valid at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in MKD at the beginning of the period, adjusted for effective interest and payments during the period and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated into Macedonian MKD at the exchange rate at the date that the fair value was determined.

(g) Foreign currency transactions (continued)

Foreign currency differences arising on retranslation are recognised in profit or loss for the differences arising on the retranslation of available-for-sale equity instruments, which are recognised directly in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translates by using the exchange rate at the date of the transaction.

Foreign currency that Company deals with is predominantly Euro (EUR) based. The exchange rates used for translation as at 31 December 2020 and 2019 were as follows:

	2020 MKD	2019 MKD
USD	50.23	54.95
EUR	61.69	61.49
GBP	68.31	72.16

Significant accounting policies used for preparation of the financial statements for the year ended 31 December 2020 are used consistently for all periods and are presented below:

3. Significant accounting policies

3.1 Contracts for insurance and reinsurance

(i) *Insurance*

Contracts under which the insurer (company) accepts material insurance risk from third party or other beneficiary (insured) to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In the Financial statements are presented information that identifies and explains the amounts that arise from insurance contracts.

On the reporting date it will be assessed whether the recognised insurance liabilities are adequate.

On the date of acquisition of the insurance assets and liabilities the Company will measure them at fair value.
In the Financial statements are disclosed information which will enable:

- To assess the nature and extent of risk arising from insurance contracts, goals, policies and processes for risk management arising from insurance contracts and methods used for management of those risks, like credit risk, liquidity and market risk.

The Insurer presents information through sensitivity analysis which shows the impact on the profit/loss and equity if there is a significant risk change.

(ii) *Reinsurance*

Reinsurance contract is a contract for insurance issued by one Insurer (Reinsurer) to offset the losses of another Insurer (Cedent) occurred on a basis of a one or more contracts issued by the cedent. Reinsurer is a party with an obligation according to the reinsurance contract to compensate the cedent if an insured event takes place. Reinsurance premiums are recognised as an expense in the income statement on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. Reinsurance recoveries are recognised as an income in the profit and loss statement. An asset is impaired if there is objective evidence, that the Company may not recover all amounts under the contract for reinsurance.
Because the Company carries out international transactions related to reinsurance it is exposed to market risk arising from fluctuations in exchange rates. The Company does not use financial instruments to reduce these risks.

3. Significant accounting policies (continued)

3.1 Contracts for insurance and reinsurance (continued)

3.1.1 Recognition and measurements

Premiums

Gross premiums written reflect businesses written during the year and exclude any taxes or premium payables.
The earned part of premiums is recognised as revenue. Premiums are earned from the inception date, over the indemnity period, based on the pattern of the risks underwritten. The share from written premium which matures in the year that follows is allocated in the following accounting periods as unearned premium.

Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received in the same accounting period as the premiums for the related direct insurance business. A portion of outward reinsurance premium is treated as an expense and it reduces the premium income.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following financial year, calculated separately for each insurance contract using the daily pro rate method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Claims

Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising from events occurred during the financial year together with adjustments to prior year claims provisions, but do not includes the expenses for appraisal of claims made by employed appraisers within the Company.
Claims paid are recorded in the moment of processing the claim and are recognised (determined) as the amount to be paid to settle the claim. Claims paid in non-life business are increased by claims handling costs.
Collected claims recoverable from third parties and claims recoverable from third parties that are anticipated to be collected are deducted from claims settled.

Claims outstanding comprise provision for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date whether reported or not. and related internal handling expenses and appropriate prudential margin.

Liability adequacy test

Liability adequacy test is performed to determine if the unearned premium provisions, less deferred acquisition cost and any related intangible assets, such as those acquired in a business combination or portfolio transfer are adequate.

If a shortfall is identified, unexpired risk provision is established. The deficiency is recognised in profit or loss for the year.

At each balance sheet date, an assumption is made that claims development in the remaining term of portfolio at the balance sheet date will be the same as the claims development during the respective year or as the historical experience on this portfolio.

3. Significant accounting policies (continued)

3.1 Contracts for insurance and reinsurance (continued)

3.1.1 Recognition and measurements (continued)

Insurance receivables and payables

Amounts due to and from policyholders, agents and other receivables are financial instruments and are included in insurance receivables and payables.

3.2 Revenue

Revenues are measured at fair value of the consideration received or are required. Revenue is recognised if assets are increased or liabilities are decreased.
Revenue is recognised only when it is probable that economic benefits from a transaction will represent an inflow for the Company. When there is uncertainty referred to the collection of an amount already included in revenue, the uncollectible amount or amount for which the compensation is unlikely is recognised as an expense, and not as an adjustment to the amount already recognised as inflow.

3.2.1 Underwriting result

The underwriting result of the non-life insurance is determined on an annual basis.
Written premiums are stated as income for the year when incurred. The share of the premium income that matures in the following year deferred in the forthcoming periods through the provision from unearned premium.
If at the time of the event it is assessed that the collection is not probable, revenue is deferred. Provisioning of receivables is performed for previous accounting periods while for current accounting period expenses are increased.

3.2.2 Investment income

Interest income and expense for all interest-bearing financial instruments, except for those classified as available for sale or designated at fair value through profit or loss are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

3.2.3 Fees and commission income

Fees and commission income includes fees received on the basis of passive reinsurance as well as on the basis of assessed and paid out claims.

3. Significant accounting policies (continued)

3.3 Deferred acquisition cost

Based on the changes of the Bylaw published in Official Gazette 170/2019 the Insurance Agency Supervision prescribed a new method for calculation of DAC which should be applied prospectively not later than 1 January 2021. The new method includes clarification of types of costs that can be used in the DAC calculation. As per the new method the Company needs to recognise commission on a contractual basis in line with the contracted Gross Written premium and subsequently adjusted for the amounts that it would not be collected as per the agreements that the Company has with its intermediary (agents, brokers and etc.) where commission is paid on a collected premium basis. Previously the commission was paid based on the collected premium. The Company implemented the new method prospectively in the profit or loss for the year and as at 31 December 2020, as of 31 December 2020 recognized additional DAC of 31,618 MKD thousands as well as recognized liabilities of 44,621 MKD thousands related to commission liability which was determined based on the contracted amount of GWP from the agreements concluded with Company's intermediaries.

Costs incurred in acquiring general insurance contracts are deferred to the extent that they are recoverable out of future margins. Acquisition costs include direct costs such as commission to brokers and other direct costs.

Deferred acquisition costs are amortised over the period in which the costs are expected to be recoverable out of future margins in the revenue from the related contracts. The rate of amortisation is consistent with the pattern of emergence of such margins.

3. Significant accounting policies (continued)

3.4 Employee benefits

(i) Pension plans

The Company is obliged to calculate pension contributions for the pension funds in accordance with the Macedonian law. Pension contributions that are individually determined with the employees' salaries are paid to the pension funds that further are responsible for pension payments.
The Company has no additional obligation for payment regarding these pension plans. Liabilities that arise from these pension plan payments are recognized as expense in the Income Statement. Beside pension contributions they are furthermore contributions that are paid: health contributions, professional additional contributions, employment contribution in case of unemployment, contribution to seniority insurance with increased duration.

(ii) Employee benefits

Short-term employee benefits are measured on an undiscounted basis and are recognized when the relevant service is received. Short-term employee benefits include: salaries, compulsory social security contributions, short-term paid absences (paid annual leave, paid sick leave) and non-monetary benefits (health care).

(iii) Other long-term employee benefits

In accordance with the Macedonian legislation regarding retiring employees, the Company is paying two average monthly net salaries paid in general in RM during the last three months of the retiree employment. Jubilee awards are being paid also in accordance with the general collective agreement.

In accordance with ISA 19 pensions are defined defined benefits after meeting certain criteria. Booked value of all employee benefits liabilities are calculated at the end of the reporting period. The balances of these liabilities at the end of the reporting period are representing the discounted payment that will be done in future.

3. Significant accounting policies (continued)

3.5 Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. According to the provisions of the Income tax law, the tax base is the profit generated during the fiscal year increased for non-deductible expenses and reduced for deductible revenue (i.e. dividends already taxed at the payer) and the income tax rate is 10%. In line with this law, income tax for the year was calculated and recorded in the Statement of comprehensive income.

The Income tax law has been amended effective from 1 January 2019, valid for the fiscal year 2019. Mainly changes relate to broadening of expenses which were included in the non- tax deductible category, changes on the tax treatment of the depreciation and changes in the transfer pricing provisions. The depreciation expense is treated as tax deductible, only if the expense is calculated within the statutory prescribed depreciation rates and rules. These rates and rules are defined in the Guidelines for depreciation which was enacted the end of 2019 with application as of 1 January 2019. Calculated depreciation expense above tax allowable amount is treated as non-deductible amount in the Annual Profit Tax Return.

Deferred income tax

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3. Significant accounting policies (continued)

3.6 Intangible assets

a) Classification

Intangible assets include software licences.

b) Initial recognition

Intangible assets are recognized only if it is probable that future economic benefits, attributable to the asset will flow to the company and if the cost of the asset can be measured reliably. If an intangible asset does not meet the criteria for recognition, the expense incurred should be recognized as an expense when incurred.

Research expenses cannot be recognised as an asset.

Costs incurred in acquiring a license for software as well as other long-term rights are amortized by straight-line method over the expected or contractual life, but not longer than 5 years.

Cost that significantly improves and extends the benefits of the software in terms of their original value is recognized as an additional investment and increase the initial cost of the software. Smaller improvements are regarded as costs of maintenance and are considered expenses in the current period.

The basis for recognition of intangible assets includes: 1) manner of acquisition, 2) the expected period of economic benefit and 3) ability to be sold, Intangible asset are initially measured by cost. Book value includes purchase costs and other necessary costs needed intangible asset to be in function.

c) Measurement after initial recognition

After initial recognition the asset is measured by cost less accumulated amortization and impairment loss, if any.

d) Useful life

Intangible assets are amortized according to their expected useful life, but no longer than 5 years. Intangible assets are written off at the moment of sale or when they are no longer in use and no economic benefits are expected.
Gains or losses resulting from the withdrawal from use of the assets is determined as the difference between the estimated net gain/loss from sale of the asset and its carrying amount and is recognised as income or expense for the period in which it incurred.

3.7 Property, plant and equipment

a) Classification

Land and buildings are stated at historical cost. After initial recognition the Company does not perform valuation of the land and land is not depreciated.
Tangible assets are consisted out of property, plant and equipment, furniture, vehicles, construction in progress and other tangible assets.
Tangible assets are assets that:

- Are kept for providing products and services, for rental to others or for administrative purposes;
- Are expected to be used for more than one year period.

c) Initial recognition and useful life

Due to the change of the regulation in August 2019, at the date of acquisition, PPE is recognised at the lower of the purchase cost and estimated fair value, if it is probable that the future economic benefits from use of the assets will be cash inflow to the company and if can be reliably measured. The purchase value of the asset, is the amount of paid cash or cash equivalents, to acquire the tangible asset at the time of its acquisition or construction. Cost of the assets includes the purchase price, including import duties and non-refundable taxes and all expenses that can be directly attributed to bringing the asset in condition to be use. All trade discounts and rebates are deducted to calculate the purchase price.

Maintaining expenses of the assets are not recognised in the carrying amount of the asset. but as an expense in the income statement.

d) Subsequent measurement

Based on the new Rulebook enacted by the Insurance Agency for Supervision and based on the received clarification in this respect the Company starting from 2019 recognized its previous revaluated amount of PPE as its new cost (i.e. it becomes the new gross carrying amount). Subsequently, the Company recognizes PPE at the gross carrying amount less accumulated depreciation and accumulated impairment loss.

The Company shall at the end of each period determine whether there is any indication of impairment. If there is any indication of impairment, an estimate of the recoverable amount shall be made.

The Company recognizes an impairment loss in case the estimated fair value obtained from the independent valuation specialist is lower than its carrying amount. To the extent that the Company have positive revaluation reserve arising from its previous revaluation model, the impairment loss is recognized in other comprehensive income. Any sbusuquent impairment is recognized in the income statement.

In case the estimated value obtained from independent valuation specialist is higher than the carrying amount than Company discloses the estimated fair value amount in Note 16.

All other tangible assets (furniture, equipment, computers and vehicles) the cost model was used for subsequent valuation. The asset is recognised at cost less accumulated depreciation and accumulated loss due to impairment.

3. Significant accounting policies (continued)

3.7 Property, plant and equipment (continued)

Depreciation of other material investments is calculated with the straight line method. Constructions in progress are recognised by cost for construction including costs for expenses for third persons. For constructions in progress depreciation is not calculated. At the end of the process, all accumulated expenses are transferred to the appropriate material asset and equipment with appropriate depreciation rate.

Depreciation is calculated separately for each asset within the group according annual depreciation rates of assets until the value of assets is fully depreciated. The applied annual depreciation rates are as follows:

Buildings	2.5% (40 years)
Furniture and equipment	5-20% (5-20 years)
Computers	25% (4 years)
Vehicles	25% (4 years)

When the value of the asset used as basis for calculation of depreciation is offset, depreciation is no longer calculated even though the asset is still in use. Depreciation for property, plant and equipment terminates when they are written off or reclassified as an asset held for sale.

f) Leasehold improvements

Leasehold improvements are recognised as separate items of non-current assets and these kinds of investments are undertaken by the Company in its own name and for its own purposes in accordance with the contract for lease with the owner of the leased asset.

Depreciation of leased assets is calculated on a systematic basis over the estimated useful life of the asset, which can be equal or shorter than the contract for lease.

3. Significant accounting policies (continued)

3.8 Investment property

Investment property is property (land and buildings or part of building or both) held by the Company to earn rentals or for capital appreciation or both. Property used by the company in operational activities is not part from investment property.

Investment property is initially measured at cost and subsequently at cost less depreciation. Due to the change of the regulation starting from August 2019, at the date of acquisition, Investment property is recognised at the lower of the purchase cost and estimated fair value, if it is probable that the future economic benefits from use of the assets will be cash inflow to the company and if can be reliably measured. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Direct attributable expenditures include professional fees for legal services, property transfer taxes and other transaction costs. Subsequent to initial recognition as an asset, the Investment property is recognized at the gross carrying amount less accumulated depreciation and accumulated impairment losses.

Depreciation of investment property is calculated by using the straight line method and with the determined depreciation rates.

The useful life of building is estimated at 40 years at an annual rate of depreciation 2,5%.

Investments in property generate cash inflows independently from the other assets possessed by the Company.

An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The criteria to distinguish investment property that is used for business operations and property that is not used to perform the activity is net usable area of property according to the used space and available space for rent. Review of percentages will be performed annually.

Upon acquisition of an item of Investment Property, the Company is obliged to engage an independent valuation specialist to determine the estimated fair value amount of the Investment property.

The Company shall at the end of each period determine whether there is any indication of impairment. If there is any indication of impairment, an estimate of the recoverable amount shall be made.

The Company recognizes an impairment loss in case the estimated fair value obtained from the independent valuation specialist is lower than its carrying amount. To the extent that the Company have positive revaluation reserve arising from its previous revaluation model on the PPE, the impairment loss is recognized in other comprehensive income. Any sbusuquent impairment is recognized in the income statement.

3. Significant accounting policies (continued)

3.9 Financial investments

The Company classifies its financial investments as assets held to maturity, assets available for sale and deposits, loans and other receivables.

a) Assets held to maturity

As assets as held to maturity the Company qualifies:

- asset that has fixed or determinable payments;
- assets that has fixed date of maturity ;
- assets for which the Company has a positive intention and ability to keep them to maturity;
- assets which at initial recognition are not recognised at fair value through the profit or loss;
- assets that are not recognised as available for sale;
- assets that are not classified as loans and receivables.

Assets held to maturity include government bills issued by the Ministry of Finance.

The Company recognises the assets as held to maturity in the balance sheet on the day of acquisition. Initial recognition of held to maturity, is at its fair value plus transaction costs for acquisition of the asset.
Subsequently assets held to maturity are measured at amortised cost by using the effective interest method.
Gain or loss from subsequent measurement is recognised in profit or loss when the asset is derecognised or impaired.

b) Assets available for sale

As assets available for sale the Company classifies:

- non-derivative financial instruments that are classified as available for sale;
- assets not classified as loans and receivables, held to maturity investments or financial assets at their fair value through profit or loss;
- any other financial asset classified in this category at its initial recognition.

The Company initially recognises assets available for sale in the balance sheet at the trading date at fair value which is the cash consideration including any transaction costs. As available for sale assets the company has equity instruments.

3. Significant accounting policies (continued)

3.9 Financial instruments (continued)

b) Assets available for sale (continued)

After the initial recognition financial assets are measured at their fair value without any deduction for transaction costs that may occur when asset is sold / disposed.

Gains and losses arising from changes in the fair value of available for sale are recognised directly in equity (revaluation reserve) until their derecognising or impairment. At this time the cumulative gain or loss previously recognised in equity as well as the difference between book value and the purchased value is recognised in profit or loss. The fair values of quoted investments in active markets are based on current bid prices except instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, less impairment losses.

The Company measures investments in securities which are not quoted on an active market and whose maturity is not significant by using individual assessment of the financial position of the issuer. The financial position is determined based on the following criteria whose importance decreases subsequently:

- Solvency of the issuer;
- Liquidity of the issuer;
- Previous period cash inflow and expected future cash inflows;
- Profitability of the issuer;
- General market conditions and future perspectives of the issuer and his market position;
- Timely settlement of the due liabilities as per contract;
- Management quality and expertise.

The Company should write off the financial asset when and only when:

a) the cash flows from the financial asset and contractual rights are expired;

b) when the financial asset is allocated.

Financial assets available for sale issued by Republic of Macedonia that do not have quoted market price on active market are measured with the method of effective interest rate. Investments in security for which fair value cannot be objectively determined are carried at cost.

c) Deposits, loans and other receivables

Deposits, loans and other receivables are presented in the balance sheet in amount of not w/o principal and interest less impairment for bad and doubtful debts. Impairment of receivables is determined by Management when there is obvious evidence that the Company will not be able to collect all due amounts under previously established conditions.

d) Impairment of financial assets

i) Assets carried at amortised cost

At each balance sheet date the Company assesses whether there is objective evidence that a financial asset or group of financial assets which are not measured at fair value are impaired. A financial asset is impaired and impairment losses are incurred if and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

3. Significant accounting policies (continued)

3.9 Financial instruments (continued)

d) Impairment of financial assets (continued)

Objective evidence that financial assets are impaired may include delays in contractual payments, redefinition of receivables by the Company under conditions otherwise not considered, initiation of bankruptcy proceedings, disappearance of an active market for the financial asset, other observable data for a group of assets like adverse changes in the payment status of the owner or issuer of the financial asset, or economic conditions that leads to insolvency in the group.

The amount of loss due to impairment is measured as the difference between the asset's book value and the present value of estimated future cash flows, discounted for the effective interest rate. Losses due to impairment are recognised in the income statement and are reflected in the accounts for loans corrections, receivables corrections and other receivables.
If in future period amount of impairment loss decreases than loss is adjusted trough the income statement.

ii) Assets classified as available for sale

At each balance sheet date the Company assesses whether there is objective evidence that a financial asset or group of financial assets are impaired.

If any such evidence exists for available-for-sale financial assets than the cumulative loss (measured as a difference between acquisition cost and the fair value less any impairment loss on that financial asset) previously recognised in equity is removed from equity and recognised in income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

In the case of investments classified as available for sale, a significant or prolonged decrease in the fair value of the security below its cost is considered in determining whether the assets are impaired. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

e) Derecognition

The Company derecognizes financial assets when the contractual rights to the cash inflows from the financial asset expire, or if rights over the cash flows from the asset with a transaction in which all risks and rewards from ownership of the asset are transferred to third party. Every part from the transferred financial assets which the Company will retain is recognised as a separate asset or liability. The Company derecognizes financial liabilities when the contractual liabilities are settled, cancelled or expired.

3.10 Short term receivables

Receivables, receivables from customers, receivables from employees, receivables from government and other institutions, are booked at nominal value increased for the interest in accordance with the signed contract or payment decision.
The receivables amount is decreased for impairment of bad and doubtful receivables in accordance with their aging structure.

3. Significant accounting policies (continued)

3.11 Cash and cash equivalents

Cash and cash equivalents are highly liquid assets. Cash equivalents are short term, highly liquid investments that are readily convertible to cash and have insignificant risk of changes in their value. Cash and cash equivalents are reported at amortised cost in the balance sheet, usually nominal value.

Cash and cash equivalents of the Company comprise of:

a) Cash on giro accounts in MKD and foreign currency in domestic banks;
b) Petty cash (in MKD and foreign currency).

Cash flows are inflows and outflows of cash and cash equivalents.
The Company reports cash flows from operating activities by using direct method.

3.12 Prepaid expenses

Prepaid expenses are presented as expenses for goods or services that Company will receive in near future and are calculated as expenses for current reporting period. The reason for deferral of the expense and the amounts that refer to future periods must be appropriately accounted for.

3.13 Equity and Reserves

a) Equity

The Company's equity comprises share capital and additional capital.

Subscribed share capital is stated on a separate account in amount that is written in the central registry during the founding of the Company, or during change of the value of the shared capital.
The acquired own shares do not reduce the number of issued shares, but only decrease the number of shares in circulation.

The equity of the Company comprises:

- Share capital which is equal to the nominal value of issued shares (subscribed and paid-in capital);
- A capital increase based on realized difference between the nominal value of shares and the amounts for which they are sold (share premium);
- A capital increase based on distributed revaluation reserve (accounted for revalorisation reserve from previous years) and
- Retained earnings/losses from previous years.

An ordinary share gives the right to its owner a share in distributed dividends of the Company and voting rights at shareholders meetings (one share. one vote).

b) Reserves

According to local legislation, the Company is obliged to create statutory reserve. Statutory reserves are intended to cover the liabilities from the insurance contracts for a longer period of time. The Company is required to set aside at least 1/3 of the net profit for the year presented in the financial statement, if the profit is not used to cover losses from previous years. A Company that has set aside a safety reserve in the amount of at least 50% from the average earned insurance premium in the last two years and these insurance premiums from previous years could be increased for the consumer price index, taking into account also the year in which the profit is distributed, is not obliged to allocate amounts from the profit to the safety reserve.

3. Significant accounting policies (continued)

3.13 Equity and Reserves (continued)

For Insurance Companies article No.485 from the Trading Law. considering the mandatory reserves is not applied.

In revalorisation reserve gains and losses from changes in the fair value of assets available for sale and noncurrent assets are presented. This results in increase or decrease of equity (except for losses due to impairment and gains and losses from exchange differences. which are presented in the income statement).

(i) Transfer of revaluation reserve to retained earning as at 31 December 2019

The revaluation reserve which arises based on revaluation on properties is transferred to retained earnings in the year when the asset is written off. However the transfer of revaluation reserve to retained earnings could be made while the asset is still in use. In that case, the amount of realised revaluation reserve which is transferred to retained earnings represents difference between the amount of depreciation calculated on the revaluated amount of the asset and the depreciation that would have been calculated if the asset has been measured under the cost method.

(ii) Transfer of revaluation reserve to retained earning as at 31 December 2020

Based on the new regulation starting from August 2019 (See Note 2b) revaluation reserve is not transferred to retained earnings as the Company applies the cost model of accounting PPE and Investment Property as explained in Note 3.7 and 3.8. Any impairment loss recognised on PPE and Investment property is recognised in revaluation reserve.

c) Profit or loss

Profit or loss for the current year is determined in accordance with local legislation. The realised profit for the period is transferred and allocated in the next year in accordance with the Shareholders Assembly's decision.

(i) Recognition of retained earnings/losses

Retained earnings are presented separately from retained losses.

The loss from operational activities may be covered with the retained gains only with a decision from the Board of Directors and in accordance with the Law on trading companies.

If loss occurs it is covered from the equity. Shareholders are not bound by statute to cover losses with additional investments.

Dividend is paid out based on a decision from the Shareholders Assembly and in accordance with the Law on trading companies.

(ii) Recognition of profit or loss for the current year

Profit or loss for the current year is presented in the income statement as profit/loss before tax.

When presenting the profit or loss for the year, all items from the income and expenses must be included, with an exception of adjustments and changes in accounting policies.

Profit or loss from operational activities is presented from operational and non-operational activities.

3. Significant accounting policies (continued)

3.14 Reserves

3.14.1 Technical reserves

In order to enable permanent settlement of liabilities arising from insurance contracts, the insurance company calculates technical reserves as follows:

1) Unearned premium reserves (UPR);
2) Reserve for bonuses and discounts;
3) Claims reserve;
4) Other technical reserve.

(i) Unearned premiums reserves

Unearned premiums reserves are allocated for the portion of premium that is going to be earned in the following accounting period, in proportion between the expired insurance period and the remaining period to expiry of the insurance contract. The unearned premium is calculated based on a pro rata temporise for the calendar year with 360 days.

(ii) Reserves for bonuses and discounts

Reserves for bonuses and discounts are allocated in the amount that is equal to the amount that insurers are entitled to receive based on:

1) The rights of share of profit and other rights arising from insurance contracts (bonuses);
2) Right for partially reducing the premium (discounts);
3) Right to return a portion of the premium that refers to the unused period of insurance due to premature termination of the insurance contract (cancellation).

(iii) Claims reserves

Claim reserves are allocated in the amount of estimated liabilities that the insurance company is obliged to pay, based on insurance contracts where the insured event occurred at the end of the accounting period, whether the event is reported or not, including all costs that will result from untimely settlement of liabilities by the insurance company for the request based on a completed claim. The claim reserves, besides the estimated liabilities for reported but not settled claims (RBNS), include estimated liabilities for incurred, but not reported claims (IBNR). The reserve for claims handling costs, include reserve for direct and indirect expenses.

(iv) Other technical reserves

The Company will allocate the technical reserves for unexpired risks.
The calculation of other technical reserves is performed in accordance with the Rulebook for minimum standards for calculation of technical reserves.

3. Significant accounting policies (continued)

3.14 Reserves (continued)

3.14.2 Impairment of insurance premium receivables

Due to real assessment of the receivables based on insurance premium and interest, recourse receivables and the risk assessment of uncollectable receivables, the Company creates a special reserve. Special reserve is created based on the matured unpaid premium receivables, interest and reprogrammed receivables. Maturity refers to the last day on which the client was supposed to pay a certain amount of money, in accordance with the insurance contract. On the maturity date on outstanding premium balance special reserve is calculated.

Reprogrammed receivables in agreement with the debtor are classified according to the original due date.

Reprogrammed receivables with new debtors are classified in accordance with the due date of the new contract. For clients that are bankrupted or in a process of liquidation, a 100% of reservation is calculated. In order to mitigate the effects of the COVID 19 pandemic the Insurance Supervision Agency on 22 April 2020 enacted a change of the Rulebook for recognising impairment of premium receivables, where the Company is able to apply a longer period of maturities for calculation of impairment of receivables as presented in the table below.

During 2020 based on the amendments imposed by the Insurance Sepervison Agency the Supervisory Board of Insurance issued a Rule book for changing and expanding the Rule book for the method of valuating the positions of the balance sheet preparing the business accounts, according to which Insurance companies are obligated to perform classification of the receivables in the following categories depending on the time delay in fulfilling the obligations by the debtor, calculated from the last day of the deadline:

- A Category - Premium receivables and interest with maturity from 0 to 90 days;
- B Category - Premium receivables and interest with maturity from 91 to 120 days;
- C Category - Premium receivables and interest with maturity from 121 to 180 days;
- D Category - Premium receivables and interest with maturity from 181 to 330 days;
- E Category - Premium receivables and interest with maturity from 331 to 425 days;
- F Category - Premium receivables and interest with maturity longer than 425 days.

Special reserve for insurance premiums. interest and receivables based on recourse are formed by using the following percentages as at 31 December 2020:

Category	Days in arrears	Impairment (in % from the total value of the individual receivable)
A	up to 90 days	0%
B	from 91 to 120 days	10%-30%(20%)
C	from 121 to 180 days	31%-50%(40%)
D	from 181 to 330 days	51%-70%(60%)
E	from 331 to 425 days	71%-90%(80%)
F	longer than 425 days	100%

3. Significant accounting policies (continued)

3.14 Reserves (continued)

3.14.2 Impairment of insurance premium receivables (continued)

Special reserve for insurance premiums, interest and receivables based on recourse are formed by using the following percentages as at 31 December 2019:

Category	Days in arrears	Impairment (in % from the total value of the individual receivable)
A	up to 30 days	0%
B	from 31 to 60 days	10%-30%(10%)
C	from 61 to 120 days	31%-50%(35%)
D	from 121 to 270 days	51%-70%(55%)
E	from 271 to 365 days	71%-90%(75%)
F	longer than 365 days	100%

The calculated special reserve which is formed due to outstanding receivables for insurance premium and interest is being recognised through the income statement and is presented in the balance sheet on a special account.

For all other receivables a reserve is determined based on the Rulebook for valuation of assets from the balance sheet and preparation of the business accounts. The determined amounts of reserve are recognised in the income statement.

Write off of receivables

The company in accordance with corporate policies writes off receivables older than 36 months (previously those receivables were 100% provided and all legal measures were undertaken).

Written off receivables will be recorded as off balance sheet items in balance sheet and all started activities related to their collection will remain.

3.15 Accrued expenses

In the current accounting period accrued expenses are calculated as expenses for which appropriate supporting documentation does not exist so that they could be recognised as a liability and for which with certainty can be determined that they refer to the current accounting period. When documents will be obtained for recognition of the liability, an adjustment will be made for the accrued expense.

4. Accounting estimates

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Technical reserve for contracts from non-life insurance

The assumptions used in the estimation of insurance assets and liabilities are intended to result in reserves which are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen.

However, given the uncertainty in establishing RBNS and IBNR, it is likely that the final outcome could be different from the original liability established.

Reserve is made at the balance sheet date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling cost and less amounts already paid.

The reserve for claims is not discounted for the time value of money.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimates of claims already notified, where more information is available. IBNR claims may often not be apparent to the Company until several years after the occurrence of the event giving rise to the claim.

Reserves for claims include:

- estimated liabilities for reported but not settled claims (RBNS);
- estimated liabilities for incurred but not reported claims (IBNR);
- estimated liabilities for claims handling cost.

(a) Reported but not settled ('RBNS'- Reported but not settled)

The reserve amount for reported but not settled amounts is based on the expect amount that will be paid, for each claim individually in accordance with available documentation for the claim. The reserve is calculated permanently with inventory count of all claims for all types of insurance.

In determining the reserved amount the following calculations are used from:

- Claims adjusters for all types of claims; and
- When a non-material damage is in question, the liquidator will determine the amount of reserve based on the available medical documentation. If the documentation is not considered as sufficient an opinion will be requested from a censor or another expert whose specialties are derived from the nature of the work and are correlated with the insurance and judicial practice.

In determining the reserve amount for other material damages arising from non-material damages (life-long instalments, lost earnings, benefits for social insurance, etc). opinions from doctors, lawyers, actuaries and other persons with specialties in the domain will be used.

Reported but not settled claims which are paid out in a form of life-long instalments are provisioned and capitalised with the following amounts:

- Current value; and
- Estimate of future annuity payment.

4. Accounting estimates (continued)

In calculation of reserves for claims with life-long instalments, the use of tables for determining the liabilities for payment of life-long instalments is compulsory and it can be used for calculation of reserves for life-long instalments.

The calculation of the reserved amount for life-long instalments is calculated by determining the yearly amount of instalment and it is multiplied by the appropriate factor from the Table of factors for determining of reserve and the liability for the gender and the age for the time in which the conditions for payment exist.
Claims that were reported and reserved at the end of the year and were not liquidated or totally liquidated in the next year, will be reserved for the unpaid amount.

The amount of reserve is determined on the following basis:

1. Determination of the amount of reserve for claims at the end of the year;
2. Determination of the amount of reserve for claims at the end of the accounting period shorter than one year.

(b) Reserve for Incurred but not reported ('IBNR'- Incurred but not reported)

Reserve for incurred but not reported claims is calculated on the basis of statistical data for the number and amount of incurred and reported claims, with technology for processing and payment of claims and with other available data.

The reserve for incurred but not reported claims depending from the class of insurance and insurance portfolio will be calculated by using one of the following actuarial methods:

- Triangulation of claims (Basic Chain Ladder);
- Triangulation of claims adjusted for inflation (Chain Ladder adjusted for triangulation);
- Method of average value of the claim - provision in accordance with this method is calculated as a product of projected average amount of claim and projected expected number of claims;
- Method of expected claim coefficient – expected claim coefficient is determined by the Agency;
- Bornhuetter – Ferguson method and
- Other actuarial methods.

The Company in calculation of the reserve for incurred but not reported claims uses the method of triangulation (basic or adjusted for inflation) as a primary method, except in cases when no historical data is available. Historical data needed includes data about the number and amount of incurred and reported, respectively liquidated claims on a yearly basis, at least for five previous years.

An exception can be applied for risk with a shorter tail and historical data needed could include data about the number and amount of incurred and reported. respectively liquidated claims on a yearly basis. at least for three previous years.

(c) Reserve for claims handling costs

Claims handling costs reserves includes reserve for direct and indirect costs.
The reserves for direct costs as part of claims handling costs are an integral part of RBNS and IBNR reserves.
Reserve for indirect costs is created as coverage for expenses for claims handling in case of termination of Company operations.

4. Accounting estimates (continued)

The minimal coefficient for its calculation is 1.5% from the sum of the reserves for incurred and reported claims, reserves for incurred but not reported and reserves for direct expenses.

(d) Sensitivity analyses

The Company has estimated the impact on profit for the year, equity and the coverage coefficient at the end of the year of changes in key variables that have a material effect on them. The Company also considered highly adverse scenario and presented its impact.

In line for current equity position the current result for the profit for the period, equity, coverage coefficient and solvency coefficient with own capital as at 31 December 2020 and 31 December 2019 are shown in the tables below:

31 December 2020	Profit for the period	Equity	Required level of margin of solvency	Coverage coefficient	Change in coverage coefficient
Current position	54,570	1,599,432	100,211	**1596%**	-
Investment yield (+100 b.p.)	61,346	1,606,208	100,211	1603%	7%
Investment yield (-100 b.p.)	47,795	1,592,657	100,211	1589%	-7%
10% increase in claims incurred	54,107	1,598,968	100,211	1596%	0%
10% decrease in claims incurred	55,034	1,599,896	100,211	1597%	0%
10% increase in total expenses	35,221	1,580,083	100,211	1577%	-19%
10% decrease in total expenses	73,920	1,618,781	100,211	1615%	19%

The Company also considered highly adverse scenario as at 31 December 2020 and presented its impact in the table below:

31 December 2020	Profit/(loss) for the period	Equity	Required level of margin of solvency	Coverage coefficient	Change in coverage coefficient
10% decrease of net insurance premium	(1,316)	1,543,546	100,211	**1540%**	(56%)
15% increase of net claims incurred	1,220	1,546,082	100,211	**1543%**	(53%)

31 December 2019	Profit for the period	Equity	Required level of margin of solvency	Coverage coefficient	Change in Coverage Coefficient
Current position	84,844	1,556,024	114,643	**1357%**	-
Investment yield (+100 b.p.)	91,478	1,562,659	114,643	1363%	6%
Investment yield (-100 b.p.)	78,209	1,549,389	114,643	1351%	-6%
10% increase in claims incurred	84,446	1,555,627	114,643	1357%	0%
10% decrease in claims incurred	85,241	1,556,422	114,643	1358%	0%
10% increase in total expenses	64,885	1,536,065	114,643	1340%	-17%
10% decrease in total expenses	104,802	1,575,983	114,643	1375%	17%

5. Insurance and financial risk management

The Company is exposed to a variety of risks issues insurance agreements that bear insurance or financial risk or both. The Company's risk management approach is focused on unpredictability of the financial market and seeks to minimise potential adverse effects. Risk management is carried out under policies approved by the Management Board.

5.1 Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. Experience shows that the larger portfolio of similar insurance contracts is, the smaller relative volatility on expected outcome is. In addition a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the volatility of the expected outcome.

Risk management objectives and policies for mitigating insurance risk

This control ensures effective risk management in the underwriting process and ensuring adequate premium. Through formal procedures which are well known by each employee the Company underwrites premiums with clients that are going to ensure maintaining of the business profitability and in the same time providing quality service to them.

The Company has implemented formal procedures and protocols for insurance risk management. Also there are implemented levels of authorisation for all employees in the Underwriting department and for all agents. The profitability is monitored continuously for each product individually through detecting segments that could negatively impact on the result. The integrated system and data processing enables monitoring of the results for each client individually which on other hand enables selection of clients with high quality and creating client portfolios for individual type of insurance that will provide positive results in accordance with Company's policies. In line with the day to day activities based on analysis if necessary changes are made to the current terms conditions and insurance tariffs.

Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. Also the company buys facultative reinsurance in certain specified circumstances which is subject to pre-approval and the total expenditure on facultative reinsurance is regularly monitored.

Ceded reinsurance contains credit risk and such reinsurance recoverable is reported after impairment provisions as a result of occurred recognition asset.

The Company continuously monitors the reinsurance programme and its ongoing adequacy.

The company concludes reinsurance agreement with the parent company and non-affiliated reinsurers in order to control its exposure to losses resulting from one occurrence.

5. Insurance and financial risk management (continued)

5.1 Insurance Risk (continued)

5.1.1 Concentrations of insurance risks

The risk of concentration may arise from a single insurance contract or through a small number of related contracts and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual classes. Therefore the Company puts special emphasis on the importance on management of the concentration risk, through diversification of the portfolio in terms of concentration of types of insurance contracts geographical and industry sector concentration.

Important aspect of concentration risk is that it may arise through risk accumulation of more separate classes of insurance.

Concentrations of risk can also arise in both high-severity, low frequency events, such as natural disasters and in situations where underwriting is based towards a particular group such as a particular geography.

(a) Geographic and industry sector concentration

The majority of the risk to which the Company is exposed is located in Republic of Macedonia. Never the less there is diversification of the risk in different region and cities though the country and diversification in terms of different types of insurance contracts. The company closely monitors the risk arising from geographic concentration and accordingly and timely undertakes appropriate strategy of issuing or not insurance contracts, in cases where the risk is low, i.e. high respectively.

The management believes that the Company does not have significant exposure to concentration risk to any group of policy holders measured by social, professional, age or similar criteria.

(b) High-severity, low-frequency concentrations

By their nature, the timing and frequency of these events are uncertain. They represent a significant risk to the Company because the occurrence of an event while unlikely in any given accounting period, would have a significantly adverse effect on the Company's cash flows.

The Company has special strategy for insurance and reinsurance of such risk according to which in order to issue insurance or reinsurance contract among other procedures a special approval from the Management is necessary.

The Company continuously monitors the reinsurance program as well as the expenses related to the same.

5.2 Financial risk management

The Company is exposed to financial risk through its financial assets, financial liabilities, its reinsurance assets, insurance liabilities and reinsurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The financial risk comprises of interest rate risk, currency risk, liquidity risk and credit risk.

The Company's objective is to match insurance contract liabilities with assets subject to identical or similar risks. This policy ensures that the Company is able to meet its obligations under its contractual liabilities as they fall due.

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.1 Credit risk

The company is exposed to credit risk, which represents the risk of client's inability to settle its contractual obligations towards the Company, when they fall due.

Credit exposures of the company are composed of investments and deposits in banks, securities, premium receivables and claims recoveries. This risk is defined as the potential loss in market value resulting from adverse charges in a borrower's ability to repay the debt.
Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Primarily, INSURANCE MAKEDONIJA S.C. SKOPJE- VIENNA INSURANCE GROUP manages the credit risk through analysing client's solvency before it is accepted as such. Premium receivables are monitored regularly on a monthly basis. Based on established condition of the clients an appropriate provisioning level is determined and relevant measures for collection of receivables are undertaken by the control receivables department.

In accordance with the Law on Insurance Supervision, especially limits as regard to investment which covers technical reserves and capital. INSURANCE MAKEDONIJA S.C. SKOPJE- VIENNA INSURANCE GROUP is diversifying the risk with placing deposits in various banks.

The active market of Securities is regularly monitored and the investments are properly measured in accordance with the changes in the market.

Maximum exposure to credit risk before collateral held or other credit enhancement

	2020	2019
Financial assets		
- Debt securities - held to maturity	-	-
- Debt securities -available for sale	389,816	335,913
- Term deposits	678,302	727,901
Reinsurance assets	195,969	152,259
Insurance receivables	258,632	254,963
Other receivables	26,924	25,796
Cash and cash equivalents	79,791	83,951
Total	**1,629,434**	**1,580,782**

The above table presents the worst case scenario of credit risk exposure to the company as at 31 December 2020 and 2019 without taking account of any collateral held or other credit enhancements attached. The Company do not have any colletaral held as at 31 December 2020 (2019: nil). For on-balance-sheet items the exposure set out above are based on net carrying amounts as reported in the balance sheet.

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.1 Credit risk (continued)

As shown above, 15.87% (2019: 15.65%) of the total maximum exposure is derived from premium receivables from non-life insurance while 41.63% (2019: 44,67%) represents term deposits.

The investments securities comprise of financial instruments that are available for sale and debt securities that are held to maturity, i.e. government bonds / bills issued by Republic of Macedonia. The company has invested its term deposits from non-life insurance in big banks MKD 376,279 thousands and MKD 302,023 thousands in middle banks in Republic of Macedonia. The bank classification is in accordance with statutory regulation as defined by NBRM. The reinsurance assets are receivables from reinsurance companies with credit rating A+ assigned by Standard and Poor's.

Management is confident that in its ability to continue to control and sustain minimum exposure to credit risk to the company resulting from premium receivables. receivables from claims and deposits in banks.

Aging analysis of the premium insurance receivable and recourse receivables (regress) is presented in the table below:

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.1 Credit risk (continued)

Description 31.12.2020	Undue	0-90 days			91 -120 days			121 - 180 days			181 - 330 days			331 - 426			over 425 days			Total overdue receivables			Write off	Total
		Total rec.	Impa.	Carrying amount	Total rec.	Impairment	Carrying amount	Total rec.	Impairment	Carrying amount	Total rec	Impairment	Carrying amount	Total rec.	Impairment	Carrying amount	Total rec.	Impairment	Carrying amount	Total receivables	Impairment	Carrying amount		
Premium receivables	122,171	92,468	-	92,468	11,570	2,312	9,258	20,526	8,210	12,315	36,500	21,899	14,601	13,795	11,037	2,758	44,957	44,957	-	219,816	88,415	131,400	28,228	253,569
Accident	26,095	7,181		7,181	1,032	206	826	1,419	568	851	2,446	1,469	979	1,061	849	212	5,592	5,592		18,733	8,684	10,049	11,027	36,143
Medical	181	25		25																25		25	166	206
Casco motor vehicles	3,756	3,494		3,494	679	136	544	1,728	691	1,037	2,822	1,693	1,129	831	664	166	4,272	4,272		13,826	7,456	6,370	1,624	10,125
Casco railway vehicles	-																						-	-
Casco aircrafts																						-	-	
Casco vessels																							-	
Cargo	333	368		368	116	23	92	419	168	252	509	306	204	12	10	2	168	168		1,692	675	918	1,224	1,251
Property fire	12,003	9,705		9,705	747	149	598	1,597	639	958	2,957	1,774	1,183	1,335	1,068	267	5,201	5,201		21,542	8,831	12,711	1,225	24,714
Property other	28,711	28,991		28,991	1,276	255	1,021	2,057	823	1,234	3,949	2,369	1,580	1,978	1,583	396	11,402	11,402		49,653	16,432	33,222	1,782	59,933
Motor TPL(total)	40,472	40,881		40,881	7,536	1,507	6,029	12,809	5,123	7,685	23,277	13,966	9,311	7,841	6,273	1,568	15,745	15,745		108,089	42,614	65,474	10,764	105,946
Aircrafts TPL																							-	-
Vessels TPL					1		1	11	4	6	3	2	1				14	14		29	20	8	8	8
General TPL	8,307	1,093		1,093	161	32	129	444	178	267	404	242	162	686	549	137	2,120	2,120		4,908	3,121	1,788	344	10,095
Loans																	79	79		79	78			
Guaranties																				-			3	
Financial loss	4,270	618		618				1												619		618		4,888
Legal protection																							-	
Travel insurance	43	112	-	112	22	4	18	41	16	25	131	78	52	51	41	10	364	384	-	721	503	217	61	260
Recource receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	122,171	92,468	-	92,468	11,570	2,312	9,258	20,526	8,210	12,315	36,500	21,899	14,601	13,795	11,037	2,758	44,957	44,957	-	219,816	88,416	131,400	28,228	253,569

5.2 Financial risk management (continued)
5.2.1 Credit risk (continued)

Description 31.12.2019	Undue	0-30 days			31 - 60 days			61 - 120 days			121 - 270 days			271 - 365			over 365 days			Total overdue receivables			Write off	Total
		Total rec.	Impa.	Carrying amount	Total rec.	Impairment	Carrying amount	Total rec.	Impairment	Carrying amount	Total rec	Impairment	Carrying amount	Total rec.	Impairment	Carrying amount	Total rec.	Impairment	Carrying amount	Total rec.	Impairment	Carrying amount		
Premium receivables	148,343	21,351	-	21,351	19,081	1,908	17,173	30,055	10,519	19,536	64,775	35,626	29,149	17,692	13,269	4,423	68,005	68,005	-	220,958	129,327	91,631	16,310	239,974
Accident	26,338	4,209		4,209	1,824	182	1,641	2,223	778	1,445	3,491	1,920	1,571	1,338	1,004	335	15,022	15,022		28,108	18,907	9,201	774	37,540
Medical	196	188		188	163	16	147	325	114	211	188	104	85	33	25	8	108	108		1,005	366	639	-	834
Casco motor vehicles	3,957	1,193		1,193	980	98	882	2,109	738	1,371	4,505	2,478	2,027	1,712	1,284	428	5,119	5,119		15,619	9,717	5,902	1,473	9,859
Casco railway vehicles																							-	-
Casco aircrafts																							-	-
Casco vessels																								-
Cargo	316	140		140	101	10	91	199	70	129	313	172	141	80	60	20	2,653	2,653		3,486	2,965	522	30	838
Property fire	14,683	1,272		1,272	1,669	167	1,502	2,491	872	1,619	6,132	3,373	2,760	1,658	1,244	415	4,957	4,957		18,180	10,612	7,567	3,230	22,251
Property other	38,057	2,116		2,118	3,398	340	3,058	4,134	1,447	2,687	14,049	7,727	6,322	2,677	2,007	669	10,896	10,896		37,271	22,416	14,854	3,207	50,911
Motor TPL(total)	50,389	11,401		11,401	10,454	1,045	9,409	18,243	6,385	11,858	31,858	17,522	14,336	9,919	7,439	2,480	25,572	25,572		107,447	57,964	49,484	7,372	99,872
Aircrafts TPL								5	2	3										5	2	3		3
Vessels TPL											14	8	6				8	8		23	16	6		6
General TPL	6,197	613		613	393	39	354	233	81	151	405	223	182	206	154	51	2,676	2,678		4,528	3,176	1,352	49	9,549
Loans																							-	-
Guaranties											3	2	1	3	2	1	3	3		9	7	2	-	2
Financial loss	6,123										3,553	1,954	1,599							3,553	1,954	1,599	148	7,722
Legal protection																							-	-
Travel insurance	76	217	-	217	96	10	86	93	33	60	262	144	118	65	49	16	990	990	-	1,725	1,225	500	26	577
Regress receivables	-	-	-	-	-	-	-	8	3	5	35	19	16	810	607	202	27,574	27,574	-	28,426	28,203	223	-	223
TOTAL	148,343	21,351	-	21,351	19,081	1,908	17,173	30,062	10,522	19,541	64,810	35,646	29,165	18,501	13,876	4,625	95,579	95,579	-	249,385	157,530	91,854	16,310	240,197

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.1 Credit risk (continued)

Receivables from claims recoveries – reinsurance

The reinsurance is used to decrease the risk from insurance. In 2020 Company has reinsurance claims recoveries from VIG Holding / VIG. VIG Re zajistovna a.s. and WSTV WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group.VIG Group has A+ credit rating from S&P as at 31 December 2020.

5.2.2 Market risk

Market risk is the risk that changes in market prices. such as interest rate. equity prices. and foreign exchange rates. will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters. while optimising the return on risk.

5.2.2.1 Interest rate risk

The Company's exposure in interest rates is concentrated in the investment portfolio.

According to the Management the insurance contracts concluded by the Company are mainly short term insurance contracts and the interest risk is mitigated by matching the insurance liabilities with a portfolio of debt securities. The debt securities are exposed to interest rate risk, though most of them are fixed interest bearing instruments (government bonds and term deposits).

Short-term insurance and reinsurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing.

Joint investment

The Company has a deposits in National Insurance Bureau in respect of the Company's share in MTPL claims arising from unknown or uninsured vehicles. Additionally, the Company, as well as other participants in MTPL business on the market, is liable for a share of unsettled MTPL claims in the event of the liquidation of any insurance company on the market, in accordance with the Insurance Law on insurance supervision.

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.2 Market risk (continued)

5.2.2.1 Interest rate risk (continued)

Interest rate gap analysis of financial assets and liabilities – Non-life insurance

31 December 2020	Total	Fixed rate instruments					
		Up to 1 month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Noninterest bearing
Assets							
Financial assets							
- Debt securities - held-to-maturity	-	-	-	-	-	-	-
- Debt securities - available for sale	**456,903**	-	-	3	32,352	357,461	67,087
- Term deposits	**678,302**	95,023	39,279	245,000	299,000	-	-
Reinsurance assets	**195,969**	-	-	-	-	-	195,969
Insurance receivables	**258,632**	-	-	-	-	-	258,632
Other receivables	**26,924**	-	-	-	-	-	26,924
Cash and cash equivalents	**79,791**	79,791	-	-	-	-	
Liabilities							
Gross technical reserves	**(668,532)**	-	-	-	-	-	(668,532)
Reinsurance payables	**(50,180)**	-	-	-	-	-	(50,180)
Other payables	**(43,854)**	-	-	-	-	-	(43,854)
Net interest rate gap	**933,955**	**174,814**	**39,279**	**245,003**	**331,352**	**357,461**	**(213,956)**

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.2 Market risk (continued)

5.2.2.1 Interest rate risk (continued)

Interest rate gap analysis of financial assets and liabilities – Non-life insurance (continued)

		Fixed rate instruments					
31 December 2019	**Total**	**Up to 1 month**	**1 Month to 3 Months**	**3 Months to 1 Year**	**1 Year to 5 Years**	**Over 5 Years**	**Noninterest bearing**
Assets							
Financial assets							
- Debt securities - held-to-maturity	-	-	-	-	-	-	-
- Debt securities - available for sale	**397,751**	-	-	12	1,537	334,364	61,838
- Term deposits	**727,901**	50,000	37,000	84,000	556,901	-	-
Reinsurance assets	**152,259**	-	-	-	-	-	152,259
Insurance receivables	**254,963**	-	-	-	-	-	254,963
Other receivables	**25,794**	-	-	-	-	-	25,794
Cash and cash equivalents	**83,951**	83,951	-	-	-	-	-
Liabilities							
Gross technical reserves	**(681,146)**	-	-	-	-	-	(681,146)
Reinsurance payables	**(38,870)**	-	-	-	-	-	(38,870)
Other payables	**(50,547)**	-	-	-	-	-	(50,547)
Net interest rate gap	**872,056**	**133,951**	**37,000**	**84,012**	**558,438**	**334,364**	**(275,709)**

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.2 Market risk (continued)

5.2.2.1 Interest rate risk (continued)

As at 31 December 2020 the company has interest bearing term deposits in amount of MKD 678,302 thousands (2019: MKD 727,901 thousands),) government bills and MKD 389,816 thousands (2019: MKD 335,913 thousands) government bonds. The remaining balance sheet items are non-interest bearing.

Interest rate sensitivity analysis focuses on the exposure of the Company's financial instruments to movements in interest rates at the balance sheet date. In case interest rates on deposits were higher/lower by 0,5%. and all the remaining variables stayed unchanged. the Company's profit before tax as for the year ended 31 December 2020 would be higher/lower by MKD 1,305 thousands (2019: the profit before tax would be higher/lower by MKD 1,333 thousands).

5.2.2.2 Foreign exchange risk

The Company is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies.

For avoiding the losses from movements with negative impact from the exchange rate, the Company diversifies its risk by having assets and liabilities in EUR and USD. However mainly assets and liabilities are denominated in EUR. The MKD is pegged to the Euro and the monetary projections for 2020 form NBRM envisage stability of the exchange rate of the MKD against Euro.

The tables below summarise the Company's exposure to foreign currency exchange rate risk. The Company's assets and liabilities at carrying amounts are included in the table. categorised by currency at their carrying amount:

31 December 2020	MKD	EUR	Other	Total
Debt securities - held to maturity	-	-	-	-
Debt securities - available for sale	206,264	250,639	-	456,903
Term deposits	678,302	-	-	678,302
Reinsurance assets	195,969	-	-	195,969
Insurance receivables	258,632	-	-	258,632
Other receivables	21,833	4,675	416	26,924
Cash and cash equivalents	73,645	5,879	267	79,791
Total assets	1,434,645	261,193	683	1,696,521
Gross technical reserves	668,532	-	-	668,532
Reinsurance payables	-	45,709	4,471	50,180
Other payables	41,822	2,032	-	43,854
Total liabilities	710,354	47,741	4,471	762,566
Net position	724,290	224,648	(3,788)	933,954

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.2 Market risk (continued)

5.2.2.2 Foreign exchange risk (continued)

31 December 2019	MKD	EUR	Other	Total
Debt securities - held to maturity	-	-	-	-
Debt securities - available for sale	197,070	200,681	-	**397,751**
Term deposits	727,901	-	-	**727,901**
Reinsurance assets	152,259	-	-	**152,259**
Insurance receivables	254,963	-	-	**254,963**
Other receivables	21,286	4,405	106	**25,796**
Cash and cash equivalents	77,467	4,453	2,031	**83,951**
Total assets	**1,430,946**	**209,539**	**2,137**	**1,642,621**
Gross technical reserves	681,146	-	-	**681,146**
Reinsurance payables	1,766	32,295	4,809	**38,870**
Insurance payables	-	-	-	-
Other payables	43,920	6,627	-	**50,547**
Total liabilities	**726,832**	**38,922**	**4,809**	**770,563**
Net position	**704,114**	**170,617**	**(2,672)**	**872,058**

The Company's functional currency is the Macedonian Denar. The Company has foreign receivables and payables mainly in mostly EUR and USD. The Company operates internationally in relation to reinsurance and Mother Company, therefore the Company is exposed to foreign exchange risk arising from local currency exposure to various major foreign currencies.

The sensitivity analysis of fluctuation of foreign exchange rates of different currencies is base on statistical data which show stability of the foreign exchange rate of the EUR towards MKD.

As at 31 December 2020, if the exchange rate between the MKD and EUR and USD increased or decreased by 0.5%, the pre-tax profit for the twelve months period will approximately get higher or lower for MKD 1,048 thousands (2019: MKD 840 thousands).

5.2.3 Equity price risk

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices. The primary exposure to equity prices arises from available for sale investments. The Company holds available for sale investments which are subject to equity price risk.
The Company manages equity price risk by a maintaining diversified portfolio of equity investments.

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.4 Liquidity risk

The liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments and obligations. Liquidity risk can result from inability to sell financial assets on its fair value in shortest period, inability to settle the obligations arrised from agreements, liabilities matured earlier than expected or inability to generate cash funds according to the forecast.

Company mitigate liquidity risk by managing assets and liabilities in manner that will allow on time payments on liabilities in normal and extraordinary circumstances. According to Law for Insurance supervision Company is obliged to calculate liquidity ratio and minimum liquidity, that is proportion between liquid assets and due liabilities, i.e. liabilities that will matured.

Planning expected cash inflows and outflows is a continuous control for maintaining stabile liquidity. Based on this, the Company undertakes measures for mitigating or removing the reasons for possible insolvency.

The Company is obliged to maintain its liquidity in accordance with the Law for Insurance supervision, which requires that the required level of equity for insurance company that non-life insurance or reinsurance, in each moment has to be at least equal to the required limit of solvency, calculated using the premium method or claims method, depending on which gives the more favourable outcome. The Company regularly monitors its liquidity gap up to one year. Historical data of gross tehcnical reserves and management expected liquidity analysis show positive liquidity gap for the twelve months period after the balance sheet date. The liquidity gap can be also further improved with the investments which are with contractual maturity above one year however for liquidity purposes can be used in a shorter period based on management liquidity purposes.

The Company has cash in banks and other high liquid assets, at any moment, in order to protect itself from unnecessary risk concentration and to be able settle its liabilities that are due to payment, as well as contingent liabilities.

Maturities of the financial assets and liabilities

The Company is obliged to maintain its liquidity in accordance with the Law for Insurance supervision, which requires that the required level of equity for insurance company that non-life insurance or reinsurance, in each moment has to be at least equal to the required limit of solvency, calculated using the premium method or claims method, depending on which gives the more favourable outcome. The Company regularly monitors its liquidity gap up to one year. Historical data of gross technical reserves and management expected liquidity analysis show positive liquidity gap for the twelve months period after the balance sheet date. The liquidity gap can be also further improved with the investments which are with contractual maturity above one year however for liquidity purposes can be used in a shorter period based on management liquidity purposes

The following table provides an analysis of the financial assets and liabilities of the Company into relevant maturity groupings based on the maturity date:

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.4 Liquidity risk (continued)

Liquidity analysis - Non-life insurance

31 December 2020	Up to 1 month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Assets						
Financial assets						
- Debt securities - held-to-maturity	-	-	-	-	-	-
- Debt securities - available for sale	-	-	3	32,352	424,548	**456,903**
- Term deposits	95,023	39,279	245,000	299,000	0	**678,302**
Reinsurance assets	8,128	19,483	81,934	84,386	2,038	**195,969**
Insurance receivables	203,283	21,279	31,091	2,979	0	**258,632**
Other assets	1,166	17,482	2,856	128	5,292	**26,924**
Cash and cash equivalents	79,791	-	-	-	-	**79,791**
	387,391	**97,523**	**360,884**	**418,845**	**431,878**	**1,696,521**
Liabilities						
Gross technical reserves	28,695	57,220	413,625	160,851	8,141	**668,532**
Reinsurance payables	-	45,709	4,472	-	-	**50,181**
Other payables	27,844	-	9,015	6,995	-	**43,854**
	56,539	**102,929**	**427,112**	**167,846**	**8,141**	**762,567**
Liquidity gap	**330,852**	**(5,406)**	**(66,227)**	**250,999**	**423,737**	**933,954**

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.4 Liquidity risk (continued)

Liquidity analysis - Non-life insurance (continued)

31 December 2019	Up to 1 month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Assets						
Financial assets						
- Debt securities - held-to-maturity	-	-	-	-	-	-
- Debt securities - available for sale	-	-	12	1,537	396,202	**397,751**
- Term deposits	50,000	37,000	84,000	556,901	-	**727,901**
Reinsurance assets	3,907	8,560	69,956	61,988	7,848	**152,259**
Insurance receivables	171,818	37,884	45,261	-	-	**254,963**
Other assets	1,468	18,266	2,176	215	3,671	**25,796**
Cash and cash equivalents	83,951	-	-	-	-	**83,951**
	311,144	**101,710**	**201,405**	**620,641**	**407,721**	**1,642,621**
Liabilities						
Gross technical reserves	24,954	49,472	439,811	142,766	24,143	**681,146**
Reinsurance payables	-	33,446	4,809	615	-	**38,870**
Other payables	26,844	-	4,845	18,858	-	**50,547**
	51,798	**82,918**	**449,465**	**162,239**	**24,143**	**770,563**
Liquidity gap	**259,346**	**18,792**	**(248,060)**	**458,402**	**383,578**	**872,058**

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.5 Fair value

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. As verifiable market prices are not available for a significant proportion of the Company's financial assets and liabilities, fair values have been based on management assumptions.

The fair value of quoted securities is measured at market price. The fair value of unlisted investment securities are based at the available financial statements. Securities issued by government classified as available for sale that are unquoted the Company values by applying effective interest rate.

Premium debts and advances are shown net of specific and other provisions for impairment. The estimated fair value of premium debts, loans and advances represents the collectible amount derived by valuation of debtors' repayment history and capability as well as debtors' current financial position and status.

Fair values in respect of premium debts, loans and advances, as well as investments in shares and other securities approximate to their carrying amounts less impairment.

(All amounts in MKD thousands unless otherwise stated)

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.5 Fair value

The table below sets out the Company's classification of each class of financial assets and liabilities. and their fair values for non-life insurance:

	Loans and receivables	Held-to-maturity	Available for sale	Amortised cost	Total carrying amount	Fair value
31 December 2020						
Financial assets						
- Debt securities - available for sale	-	-	389,816	-	389,816	389,816
- Equity securities available for sale	-	-	67,087	-	67,087	67,087
- Term deposits	678,302	-	-		678,302	678,302
Reinsurance assets	195,969	-	-	-	195,969	195,969
Insurance receivables	258,632	-	-	-	258,632	258,632
Other assets	26,924	-	-	-	26,924	26,924
Cash and cash equivalents	79,791	-	-		79,791	79,791
	1,239,618	-	**456,903**		**1,696,521**	**1,696,521**
Gross technical reserves	-	-	-	668,532	668,532	668,532
Reinsurance payables	-	-	-	50,180	50,180	50,180
Other payables	-	-	-	43,854	43,854	43,854
	-	-	-	**762,567**	**762,566**	**762,566**
31 December 2019	-	-	-	-	-	-
Financial assets	-	-	-	-	-	-
- Debt securities - available for sale	-	-	335,913	-	335,913	-
- Equity securities available for sale	-	-	61,838	-	61,838	397,751
- Term deposits	727,901	-	-		727,901	727,901
Reinsurance assets	152,259	-	-	-	152,259	152,259
Insurance receivables	254,962	-	-	-	254,962	254,962
Other assets	25,794	-	-	-	25,794	25,794
Cash and cash equivalents	83,951	-	-		83,951	83,951
	1,244,871	-	**397,751**	-	**1,642,621**	**1,642,621**
Gross technical reserves	-	-	-	681,146	681,146	681,146
Reinsurance payables	-	-	-	38,871	38,871	38,871
Other payables	-	-	-	50,547	50,547	50,547
	-	-	-	**770,564**	**770,564**	**770,564**

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.6 Capital management

The company is obliged to hold at any time capital that is appropriate with the scope of its work and the classes in which it performs its insurance work as well as the risks on which the Company is exposed in performing such work.

The company's capital should at any time be at least equal to the necessary level of the solvency margin.

The Company's objectives regarding capital management are:

- To comply with the capital requirements according to the legislative regulation of the Ministry of Finance;
- To safeguard the Company's ability to provide dividends for the shareholders;
- To maintain a strong capital base to support the Company's development.

The Company is in compliance with the legislative regulation if the capital is adequate to the solvency margin. The solvency margin and the usage of the Company's own assets is regularly monitored by the company's management by using techniques prescribed by the Ministry of Finance and reports are issued on quarterly basis.

The Company's assets are comprised of the main capital which includes: ordinary and preference shares, reserves, revaluation reserves and retained earnings or accumulated losses.

According to the legislative regulation the Company's share capital should be at least as high as the Guarantee Fund.

According to the solvency margin calculations the minimum capital that INSURANCE MAKEDONIJA S.C. SKOPJE- VIENNA INSURANCE GROUP needs to maintain as at 31 December 2020 is as follows (see note 5.2.7):

Solvency margin	**2020**	**2019**
Solvency margin	100,211	114,643
Guarantee capital	277,623	276,728

The Insurance Company's solvency margin is calculated by using the Premium Rate Method or the Claims Rate Method, depending on which method provides higher result.

- According to the premium rate method the total amount of gross written premium for insurance and reinsurance for the last business year is reduced for the amount of cancelled premium in the same year and the result is multiplied with specified coefficients.
- According to the claims rate method the total amount of gross paid claims for insurance and reinsurance in the last three business years is increased for the amount of gross claim reserves for insurance and reinsurance at the end of the last business year of the period and decreased for gross claim reserves for insurance and reinsurance at the beginning of that period and the result is divided by three and then multiplied with specified coefficients.

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.6 Capital management (continued)

5.2.6 A Required level of solvency margin for non-life insurance

		Non-life insurance except health insurance in MKD	
		2020	**2019**
Gross written premium	1	862,859	927,979
Gross written premium < 10 million EUR x 0.18	2	111,049	110,674
Gross written premium > 10 million EUR x 0.16	3	39,347	50.100
Gross written premium < 10 million EUR x 18/300	4	-	-
Gross written premium > 10 million EUR x 16/300	5	-	-
Total Gross written premium ([6]=[2] + [3] or [6]=[4] + [5])	6	150,396	160,774
Gross claims paid	7	355,667	283,583
Net claims paid	8	236,985	202,214
Coefficient ([9]=[8]/[7] or 0.50. if smaller)	9	0.67	0.71
Solvency margin - Premium rate method ([10]= [6]*[9])	**10**	**100,210**	**114,643**
Reference period (in years)	11	3	3
Gross claims paid in the reference period	12	981,092	927,809
Gross claims reserves at the end of the reference period	13	356,857	310,131
Gross claims reserves at the beginning of the reference period	14	353,116	345,978
Gross incurred claims ([15]=([12] + [13] - [14])/[11])	15	328,277	297,320
Gross incurred claims < 7 million EUR x 0.26	16	85,352	77,303
Gross incurred claims > 7 million EUR x 0.23	17	-	-
Gross incurred claims < 7 million EUR x 26/300	18	-	-
Gross incurred claims > 7 million EUR x 23/300	19	-	-
Total Gross incurred claims ([20=[16] + [17] or [20]=[18] + [19]	20	85,352	77,303
Solvency margin – Claims rate method ([21]= [20]*[9])	**21**	**56,871**	**55,123**
Required level of solvency margin ([22]=max([10].[21]))	**22**	**100,211**	**114,643**

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.7 Asset/liability matching

The Law on insurance supervision prescribes certain limits regarding Company's asset/liability matching policy, i.e. limits up to which the Company may invest the assets that are used as coverage for the technical reserves.

The Company manages its financial position using an approach that balances quality, liquidity and investment return, taking into consideration the limits prescribed by the Law on insurance supervision. The main think is to match the timing of cash flows from the respective assets and liabilities.

In the schedule are presented technical reserves of the Company and whole assets which are used for coverage of Technical reserves and the equity:

	2020	2019
Assets		
Cash and cash equivalents	79,791	83,951
Government bills issued by RM	-	-
Government bonds and other securities issued by RM	456,903	397,751
Bank deposits which have license from NBRM	678,302	727,901
Liabilities (Technical reserves)	**1.214,996**	**1,209.603**
Gross insurance contract reserves	668,532	681,146
Reinsurance share	(195,969)	(152,259)
Total net technical reserves	**472,563**	**528,887**

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.7 Asset/liability matching

According to the amendments to the Rulebook on the types and descriptions of items taken into account when calculating the capital of insurance and reinsurance companies in 2020, the Company has made a change in the calculation of total capital.

Capital is calculated as presented below:

		2020	2019
Core capital, art 69 (I1+I2+I3+I4+I5-I6-I7-I8)	I	**1,498,296**	**1,393,240**
Paid up share capital other than paid up share capital from cumulative preferred shares	I1	888,308	888,308
Share premiums	I2	-	-
Legal and statutory reserves	I3	441,703	431,268
Profit brought forward	I4	175,308	118,745
Profit from the financial year	I5	-	-
Own shares	I6	-	-
Long-term intangible assets	I7	7,939	8,045
Loss brought forward and loss from the financial year	I8	-	-
Unrealized loss on equity instruments available for sale	I9	(499)	34,867
Unrealized loss on available for sale financial assets	I10	(417)	2,169
Net negative revaluation reserves and other valuation differences arising from investments in associates or joint ventures that are valued using the equity method	I11	-	-
Other deductible items for failure to comply with capital investment restrictions provided for in Article 73-a of the ISA	I12	-	-
Supplementary capital. art. 71 (II1+II2+II3+II4). cannot be in excess of 50% of the core capital	II	**35,840**	**55,917**
Paid up shareholders capital from cumulative preferred shares	II1	-	-
Share premiums	II2	-	-
Subordinated debt instruments	II3	-	-
Securities whose maturity is not defined	II4	-	-
Unrealized gain on revaluation of equity instruments available for sale at fair value		33,194	53,568
Unrealized gains on revaluation of available for sale debt securities at fair value		2,646	2,349
Total core and supplementary capital I.+II.	III	**1,534,136**	**1,449,157**
Adjustments of the available capital for the items listed in art. 72 (IV1+IV2)	IV	-	-
Investments in shares in legal entity under article 72 of the ISL	IV1	-	-
Investments in subordinated debt instruments and other investments in legal entity under article 72 of the ISL	IV2	-	-
AVAILABLE CAPITAL I + II - IV	V	**1,534,136**	**1,449,157**
Required solvency margin (for non-life insurance undertakings)	VI1	100,211	114,643
Required solvency margin (for life insurance undertakings)	VI2	-	-
Available capital	VI3	1,534,136	1,449,157
Guarantee fund*	VI4	277,623	276,687
Surplus/Deficit of available capital compared to the Guarantee fund (VI5 = VI3 -VI4)	VI5	1,256,513	1,172,470
Surplus/Deficit of available capital (for non-life insurance) compared to the required solvency margin (for non-life insurance undertakings) (VI6 = VI3 - VI1)	VI6	1,433,926	1,334,514
Surplus/Deficit of available capital (for life assurance) compared to the required solvency margin (for life assurance undertakings) (VI6 = VI3 - VI1)	VI7	-	-

5. Insurance and financial risk management (continued)

5.2 Financial risk management (continued)

5.2.7 Asset/liability matching (continued)

Investments that cover technical and mathematical reserves

In accordance with Rules on types and characteristics of assets that cover technical & mathematical reserve and detailed placement/restriction on those investments the Company as at 31.12.2020 invested its assets as stated bellow:

Investments that covers technical reserves 2020	**Allowed %**	**Amount**	**Realized in %**
Allowed investments			
Cash in hand and at bank	3%	13,741	2.9%
Bank (licensed by the NBRM)	60%	66,000	14.0%
Securities issued by the NBRM	80%	-	0.0%
Bonds and other debt securities	80%	368,070	77.9%
Shares traded on a regulated market	10%	24,753	5.2%
Total allowed investments in assets		472,564	
Total net technical reserves		472,564	
Unearned premium reserves		290,853	
Provisions for bonuses and rebates		3,029	
Claims provisions		178,682	
Other technical provisions		-	
Equalization reserve		-	
Difference		-	

Investments that covers technical reserves 2019	**Allowed %**	**Amount**	**Realized in %**
Allowed investments			
Cash in hand and at bank	3%	10.041	1.9%
Bank (licensed by the NBRM)	60%	155.000	29,3%
Securities issued by the NBRM	80%	-	0.0%
Bonds and other debt securities	80%	335.913	63.5%
Shares traded on a regulated market	25%	-	5,3%
Total allowed investments in assets			
Total net technical reserves		528.887	
Unearned premium reserves		528.887	
Provisions for bonuses and rebates		303.722	
Claims provisions		35.920	
Other technical provisions		189.245	
Equalization reserve		-	
Difference		-	

6. Net earned premium

31 December 2020

Insurance class	Gross written premium	Written premiums ceded to reinsurers	Change in the gross provision for unearned premiums	Reinsurers' share of change in the provision for unearned premiums	Net earned premium
Accident	84,865	(676)	988	-	85,177
Health	2,251	-	15	-	2,266
Motor vehicles	66,047	(180)	(803)	-	65,064
Marine	6	-	-	-	6
Cargo	22,012	(3,164)	(905)	51	17,994
Property-fire	125,571	(60,962)	7,157	(6,753)	65,013
Property-other	268,827	(103,642)	3,772	(6,746)	162,211
Motor vehicle liability insurance	242,388	(111,691)	15,410	(7,055)	139,052
Marine liability insurance	156	-	23	-	179
General liability insurance	38,155	(18,139)	(1,326)	38	18,728
Credit insurance	680	(718)	-	-	(38)
Guarantees	3	-	1	-	4
Financial loss	7,777	(10,643)	37	(169)	(2,998)
Travel assistance	4,121	-	2,079	-	6,200
Total	**862,859**	**(309,815)**	**26,448**	**(20,634)**	**558,858**

In GWP for 2020 in amount of MKD 862,859 thousands are included: gross premium in amount of thousands and coinsurance in amount of MKD 5,388 thousands.

6. Net earned premium (continued)

31 December 2019

Insurance class	Gross written premium	Written premiums ceded to reinsurers	Change in the gross provision for unearned premiums	Reinsurers' share of change in the provision for unearned premiums	Net earned premium
Accident	91,911	(765)	(959)	-	90,187
Health	2,284	-	(139)	-	2,145
Motor vehicles	66,560	(180)	2,933	-	69,313
Marine	6	-	22	-	28
Cargo	24,669	(3,181)	13	-	21,501
Property-fire	128,760	(62,851)	(864)	2,556	67,601
Property-other	272,347	(103,358)	(802)	4,857	173,044
Motor vehicle liability insurance	281,631	(130,119)	(5,787)	2,656	148,381
Marine liability insurance	196	-	(5)	-	191
General liability insurance	36,771	(17,468)	(1,300)	808	18,811
Credit insurance	402	(361)	-	-	41
Guarantees	9	-	1	-	10
Financial loss	7,742	(7,602)	1,324	283	1,747
Travel assistance	14,691	-	177	-	14,868
Total	**927,979**	**(325,885)**	**(5,386)**	**11,160**	**607,868**

In GWP for 2019 in amount of MKD 927,979 thousands are included gross premium thousands, coinsurance in amount of MKD 910,808 thousands and active reinsurance MKD 17,170 thousands.

7. Other insurance technical income net of reinsurance

	2020	2019
Collected written off receivables	13,831	16,072
Income from guarantee fund for recourses	1,743	2,214
Income from guarantee fund for unknown and uninsured vehicle	569	846
Compensation for claims paid	1,717	2,097
Transferable bonus premium	6,521	5,895
Recourses from previous years	1,780	3,466
Other	212	180
Total	**26,373**	**30,769**

Amount of MKD 13,831 thousands collected written off receivables on 31 December 2020 refers to collection from clients in bankruptcy (2019 MKD 16,072 thousands).

8. Other income

	2020	2019
Other income		
Rent income	4,106	4,108
IT service income	6,803	2,240
Income from disposal fixed assets	933	1,617
Other	1,522	870
Total	**13,364**	**8,835**

9. Claims incurred

	2020		2019	
	Gross claims paid	Change in gross reserve for claims	Gross claims paid	Change in gross reserve for claims
Accident	53,975	27	49.555	(1.598)
Health	1,300	-	356	-
Motor vehicles	42,057	(375)	34.976	(2.050)
Aircraft	-	-	-	-
Marine	-	-	-	-
Cargo	747	208	2.459	(183)
Property-fire	34,806	88,453	8.675	9.107
Property-other	81,816	(54,309)	67.593	(9.159)
Motor vehicles liability insurance	131,203	(18,319)	113.903	(1.840)
Aircraft liability insurance	-	-	-	-
Marine liability insurance	-	-	-	-
General liability	4,519	(392)	2.472	1.080
Loans	-	-	-	-
Guarantees	-	(720)	-	3
Financial loss	809	(180)	52	180
Travel assistance	4,435	(559)	3.542	83
Claims from active insurance	-	-	-	-
Total	**355,667**	**13,835**	**283.583**	**(4.377)**
Decrease of income for recourses	**(36)**	-	**(4.884)**	-
Change in gross reserves for claims - RI part	**(175,971)**	-	**(74.734)**	-
Gross claims paid	**193,495**		**199.588**	

9. Claims incurred (continued)

Claims ratio. cost ration and combined ration-Non-life

	2020 Ratios			2019 Ratios		
Insurance class	Claims	Cost	Combined	Claims	Cost	Combined
Accident	63%	52%	115%	53%	49%	102%
Health	0%	14%	14%	0%	37%	37%
Casco	62%	48%	111%	42%	48%	90%
Aircraft	0%	50%	50%	0%	29%	29%
Cargo	5%	50%	56%	10%	63%	73%
Property-fire	40%	87%	127%	15%	72%	87%
Property-other	3%	70%	73%	26%	61%	87%
MTPL	42%	61%	103%	39%	59%	99%
Marine liability insurance	-%	52%	52%	0%	53%	53%
General liability insurance	22%	93%	115%	19%	81%	100%
Credit insurance	(179%)	(218%)	(397%)	19%	81%	100%
Guarantees	(18000%)	(50%)	(18050%)	30%	60%	90%
Financial loss	(2%)	109%	107%	3%	(43%)	(40%)
Travel assistance	63%	59%	122%	24%	66%	91%
Total	**34%**	**64%**	**99%**	**33%**	**59%**	**92%**

The claims and combined ration related to Guarantees is due to release of gross technical reservs claims in amount of MKD 720 thousand.

10. Net expenses for insurance

	2020	2019
Broker's fee	65,619	53,386
Advocacy agency's fee	161,237	108,301
Rental costs	2,776	3,097
Salaries for agents	53,372	56,497
Marketing	7,970	8,093
Representation	3,825	5,850
Deferred acquisition cost	(53,602)	(1,905)
Salaries for administration	89,511	89,258
Other employee benefits	8,593	11,790
Expenses for individuals	5,349	5,335
Heat and electrical energy	12,291	13,617
Mailing costs	2,129	2,398
Mobile phone and internet	3,446	3,394
Utility costs	7,475	6,429
Current and investment maintenance	8,947	8,943
Security	4,800	4,804
Administrative court expenses	1,845	2,802
Insurance premium	1,999	2,058
Intercompany expenses	6,716	4,008
Depreciation	22,084	20,630
Other administrative expenses	12,039	20,770
Total	**428,402**	**429,556**

11. Other insurance technical expenses net for reinsurance

	2020	2019
Expenses for claims payment of uninsured and unknown vehicles	8,526	7,745
Contribution for fire prevention	6,491	6,890
Health contribution	2,325	2,708
Expenses for Supervisory Authority	7,091	6,737
National Biro for insurance financing	2,711	2,853
Other	3,132	11,394
Total	**30,276**	**38,327**

12. Other expenses including other impairment

	2020	2019
Impairment of recourse debts	(743)	811
Impairment of other receivables	467	(1,259)
Regresses expenses	-	-
Other expenses	4,912	4,423
Total	**4,636**	**3,975**

13. Income Tax

	2020	2019
Income tax	7,976	11,829
Total	**7,976**	**11,829**

Reconciliation of effective tax rate

	%	2020	%	2019
Profit before tax		62,546		96,672
Loss before tax		-		-
Income tax using the domestic corporation tax rate	10.0%	6,255	10.0%	9,667
Non-deductible expenses	3.5%	2,216	2.6%	2,540
Tax credit	0.8%	(495)	0.4%	(378)
Income tax	**12.8%**	**7,976**	**12.2%**	**11,829**

14. Investment in intangible assets

	Intangible assets
Cost value	
As at 1 January 2019	21,182
Additions	7,463
Disposals	-
Balance as at 31 December 2019	**28,645**
As at 1 January 2020	28,644
Additions	2,007
Disposals	-
Balance as at 31 December 2020	**30,651**
Depreciation	
As at 1 January 2019	19,651
Depreciation for 2019	949
Balance as at 31 December 2019	**20,600**
As at 1 January 2020	20,600
Depreciation for 2020	2,112
Balance as at 31 December 2020	**22,712**
Book value	
As at 31 December 2019	**8,044**
As at 31 December 2020	**7,939**

15. Investment property - Buildings

	2020	2019
Gross book amount	786,941	867,087
Accumulated depreciation	(359,131)	(377,575)
Net book amount on 1st of January	**427,810**	**489,512**
Opening net book amount	427,810	489,512
Additions	7,656	24,115
Assets in course of construction buildings	-	220
Disposals and write-off	(4,878)	
Impairment	-	(63,737)
Effect from disposals and write - off - accumulated depreciation	1,451	-
Depreciation charge	(20,196)	(22,300)
Closing net book amount as at 31 December	**411,843**	**427,810**
Gross book amount	789,534	786,941
Accumulated depreciation	(377,691)	(359,131)
Net book amount as at 31 December	**411,843**	**427,810**

As at 31 December 2020 the Company engaged an independent valuation specialist to determine the estimated value of the Investment property. For the assets which their estimated fair value is lower than their carrying amount, an impairment was recognized in other comprehensive income in accordance with the accounting policy explained in Note 3.8. The estimated fair value of the total Investment property is in amount of MKD 575,894 MKD thousands (2019: 573,414 MKD thousands).

(All amounts in MKD thousands unless otherwise stated)

16. Property and equipment

	Buildings	Assets in course of construction buildings	Computer	Furniture & Equipment	Motor vehicles	Assets in course of construction equipment	Other	Total
Gross book amount as at 1 January 2019	506,798	140	29,844	68,022	13,504	7,340	2,892	**628,540**
Accumulated depreciation	(251,548)	-	(25,946)	(59,324)	(8,385)	-	(284)	**(345,487)**
Net book amount as at 31 December 2019	**255,250**	**140**	**3,898**	**8,698**	**5,119**	**7,340**	**2.608**	**283,053**
Opening net book amount as at 1 January 2020	**255,250**	**140**	**3,898**	**8,698**	**5,119**	**7,340**	**2.608**	**283,053**
Additions	3,932	42	3,575	1,473	1,465	355	-	10,822
Transfers from assets in course of construction	-	-	-	6,755	-	(6,755)	-	-
Correction	185	-	-	(475)	-	-	(284)	(574)
Elimination and disposal	-	-	(98)	(116)	(2,127)	-	-	(2,341)
Current value of elimination asset	-	-	-	(59)	-	-	-	(59)
Impairment	(185)	-	-	475	-	-	284	574
Depreciation charge	(12,721)	-	(2,174)	(2,520)	(2,555)	-	-	(19,970)
Closing net book amount at 31 December 2020	**246,461**	**182**	**5,299**	**14,347**	**4,029**	**920**	**2,608**	**273,846**
Gross book amount	510,915	182	33,321	75,600	12,842	920	2,608	**636,388**
Accumulated depreciation	(264,454)	-	(28,022)	(61,253)	(8,813)	-	-	(362,542)
Net book amount as at 31 December 2020	**246,461**	**182**	**5,299**	**14,347**	**4,029**	**920**	**2,608**	**273,846**

As at 31 December 2020 the Company engaged an independent valuation specialist to determine the estimated value of the Property plant and equipment. For the assets which their estimated fair value is lower than their carrying amount an impairment was recognized in other comprehensive income in accordance with the accounting policy explained in Note 3.7. The estimated fair value amount of the total Property plant and equipment is in amount of MKD 358,690 thousands (2019: 365,956 thousands).

*The line item computers. furniture and equipment. motor vehicles and assets in course of construction equipment are presented on total in the balance sheet in Equipment

17. Other financial investments

	2020	2019
Deposits	678,302	727,901
Financial assets available for sale (AFS)	456,903	397,751
Total	**1,135,205**	**1,125,652**

As at 31.12.2020 the Company has investments in deposits in domestic banks that have maturity from 12 to 60 months (2019: from 24 to 60 months) with interest rates from 1,0% to 3,0% (2019: from 1,7% to 2,7%).

Financial assets available for sale (AFS)

	2020	2019
Shares	67,087	61,838
Bonds	389,816	335,913
Total	**456,903**	**397,751**
Listed – Shares	67,087	61,838
Unlisted – Bonds	389,816	335,913
Total	**456,903**	**397,751**

As at 31.12.2020 the Company has financial investments in Government Bonds available for sale that due from 2 to 30 years (2019: from 5 to 30 years) with interest rates from 2% to 4, 6% (2019: from 2 % to 4, 6%).

18. Receivables from immediate work of insurance

	2020	2019
Insurance receivables	321,417	351,841
Other receivables from insurance	31,931	28,069
Total	**353,347**	**379,910**
Impairment	(99,778)	(139,936)
Total	**253,569**	**239,974**

18. Receivables from immediate work of insurance (continued)

Movement of impairment of receivables - immediate work of insurance

	2020	2019
Balance as at 1 of January	**139,936**	**156,229**
Additional impairment	38,985	24,401
Release of impairment	(50,914)	(24,384)
Write off	(28,228)	(16,310)
Balance as at 31 of December	**99,779**	**139,936**

19. Other receivables from direct insurance operations

	2020	2019
Recourse receivables	27,461	28,426
Receivables for service claims paid	4,546	1,537
Receivables from the National Bureau	12,771	12,078
Receivables from reinsurance commission	682	3,007
Receivables for claims	21	-
Receivables based on given allowances	5,414	5,415
Total receivables	**50,895**	**50,463**
Impairment	(33,281)	(33,997)
Total	**17,614**	**16,466**

Movement of impairment of other receivables

	2020	2019
Balance as at 1 of January	**33,997**	**36,362**
Additional impairment	-	1,277
Release of impairment	(743)	(450)
Release of impairment recourses & service claims	(245)	(850)
Other	271	(796)
Write off	-	(1,547)
Balance as at 31 of December	**33,281**	**33,997**

20. Receivables from financial investments

	2020	2019
Interest receivables	210	250
Rent receivables	2,745	4,335
Securities receivables	5,417	3,671
Total	**8,372**	**8,256**
Impairment	(282)	(301)
Total	**8,090**	**7,955**

21. Other receivables

	2020	2019
Receivables from employees	18	101
Suppliers receivables - other	581	526
Other receivables	2,690	2,377
Total receivables	3,289	3,004
Provision	(2,070)	(1,629)
Net receivables	1,219	1,375

Movement of impairment of receivables - other

	2020	2019
Balance as at 1 of January	**2,704**	**2,704**
Impairment	(634)	(1,075)
Write off	-	-
Balance as at 31 of December	2,070	2,704

22. Cash and cash equivalents

	2020	2019
Cash on hand	41	35
Cash in banks		
-in MKD	72,718	77,432
- in foreign currency	7,032	6,484
Total	79,791	83,951

23. Technical reserves

	2020	2019
Gross reserves for unearned premium	308,646	335,095
Gross reserves for incurred reported claims	215,639	169,725
Gross reserves for incurred but not reported claims	135,944	134,465
Reserves for bonuses and discounts	3,029	35,920
Other technical reserves	5,274	5,941
Gross technical reserves	668,532	681,146

24. Other liabilities

	2020	2019
Received insurance advances	4,100	6,233
Fees for agents	9,570	8,429
Liabilities for contributions and membership	1,841	3,505
Liabilities towards the National Bureau	10	64
Liabilities for suppliers of material assets	337	268
Liabilities for suppliers of working capital	3,162	5,082
Liabilities towards employees	10,226	9,507
Liabilities for contributions and taxes	4,548	4,024
Liabilities towards VIG	3,075	6,627
Dividend liabilities	6,367	6,394
Other liabilities	618	414
Total	**43,854**	**50,547**

25. Accrued expenses

	2020	2019
Calculated liabilities for reinsurance	72,314	80,243
Calculated Commission	4,291	11,592
Liabilities for contribution to fire brigade	2,807	3,100
Liabilities to NB	2,704	3,534
Other	44,625	-
Total	**126,741**	**109,426**

26. Shareholders equity and reserves

Shareholders' equity

In number of shares	2020	2019
Issued and fully paid at 1 January	717,462	717,462
Issued and fully paid at 31 December	**717,462**	**717,462**

At 31 December 2020 the authorised share capital comprises 717.462 ordinary shares with nominal value of EUR 20.084 per share (2019: 717,462 ordinary shares with nominal value of EUR 20.084 per share). The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

26. Shareholders equity and reserves (continued)

Equity of The Company is calculated in total amount of EUR 14,409,506.8 (717,462 shares / EUR 20.084) calculated with the average foreign exchange rate of NBRM on 30.04.2013 (EUR 1 = MKD 61.6475). The application for registration of the equity in the Central Registry was approved on 26.08.2013. All issued shares are fully paid.

The shareholders' structure as at 31 December.2020 of the Company is as follows:

	% of voting share capital
Vienna Insurance Group AG Wiener Versicherung Gruppe	94.26%
Other legal entities and individuals	5.74%

Dividends

In accordance with the situation reated to the COVID-19 pandemic, the Insurance Supervision Agency issued a letter to the Insurcance Companies for withholding on paying out dividends to shareholders from outside the country in 2020. In 2021 the same latter was issued, for details see note 30.

27. Off balance sheet evidence - liabilities

According to the adopted Guidelines for the operation between the National biro and insurance companies in 2012, the Company recorded off balance sheet provision for reported claims based on unknown or uninsured motor vehicles. In 2020 Company continued with the policy of off-balance sheet evidence of contingent liability for claims based on unknown or uninsured motor vehicles and guaranties for tender procedures. On 31 December 2020 contingent liability for claims is in amount of MKD 46,423 thousands and MKD 22,324 thousands in guarantees (2019: MKD 30,943 thousands contingent liability for claims and MKD 22,324 thousands for guarantees)

28. Related parties transactions

Parent and ultimate parent of the Company

The Company is owned by Vienna Insurance Group AG Wiener Versicherung Gruppe, which is a Ultimated Parent of the Company.

Related party transactions with the Parent Company

At the yearend 31.12.2020 the balances from transactions with the Parent company were as follows:

28. Related parties transactions (continued)

	2020	2019
Receivables		
Receivables from claims paid for reinsurance	4,345	-
Receivables from commission paid for reinsurance	416	2,822
Liabilities		
Reinsurance premium payable	4,691	16,445
Deposits on ceded reinsurance business	67,474	72,959
Other payables	500	2,283
Intercompany services	-	6,627
Reserve		
Reinsurance share in the gross reserve of unearned premium	228	11,948
Reinsurance share in gross claims reserves	70,299	78,661
Expenses and incomes		
Written premium ceded to reinsurers	110,702	133,962
Change in gross reserve for unearned premium - reinsurance share	18,775	2,689
Reinsurance commission recoveries income	52,923	61,696
Gross claims paid – reinsurance share	65,737	53,422
Change in gross reserves for claims – part for reinsurance	(8,363)	396
Interest on deposit for ceded re-insurance	1,975	2,040

Related party transactions and balances with companies under common control

As at 31 December 2020 and for the year ended the balances from transactions with Companies under common control were as follows:

	2020	2019
Receivables		
Receivables from claims paid for reinsurance	-	-
Receivables from commission paid for reinsurance	169	32
Payables		
Reinsurance premium payable	40,517	14,719
Deposits on ceded reinsurance business	-	-
Other payables	-	2,916
Expenses and incomes	-	-
Reinsurance share in the gross reserve of unearned premium		
Reinsurance share in gross claims reserves	10,882	12,767
Expenses and incomes	107,876	42,224
Written premium ceded to reinsurers	186,313	178,148
Change in gross reserve for unearned premium - reinsurance share	1,885	7,607
Reinsurance commission recoveries income	59,291	53,306
Gross claims paid - reinsurance share	52,945	27,946
Change in gross reserves for claims - part for reinsurance	65,652	(7,030)
Interest on deposit for ceded re-insurance	-	-

28. Related parties transactions (continued)

Related party transactions and balances with companies under common control (continued)

	2020	2019
Winner Life AD Skopje		
Income	1,686	2.396
Sigma Interalbanian VIG		
Receivables	581	516
Income	6,803	2.240

Transactions with key management personnel

Total remuneration to the Company's key management personnel, included in administrative expenses are as follows:

	2020	2019
Short-term benefits	40,740	39,527
	40,740	**39,527**

29. Contingencies and commitments

Until reporting date of these financial statements, the Company have no significant commitments.

Legal proceedings

In the ordinary course of business, the Company is involved in various claims and legal actions. In the opinion of Management, the ultimate settlement of these matters will not have a material adverse effect on the Company's financial position or changes in net assets. Legal cases are common when claimants do not agree with the claim valuation performed by the Company. Management evaluates claims using external and internal expertise including legal advice. Management believes that these estimates are appropriate however acknowledges that the final outcome may be higher or lower than the amount provided. As at 31 December 2020 the provision of these legal claims were recorded in the Claims reported but not settled of MKD 28,008 thousands. The provision with respect to these claims was made based on legal advice obtained received by management and reflects the expectation on the resolution of these cases. The timing of the resolution is not certain. The cases relate mainly to MTPL and accident claims.

30. Post balance sheet events

On 27 January 2021 the ISA send a letter to all Insurance Companies explaining that COVID 19 should be treated as part of their accident insurance. The Company do not have material claims up to 31 December 2020 in this respect.

On 24 February 2021 based on the market analysis of the insurance sector and enacted measurements, the ISA submitted a notification to all Insurance companies with recommendation to postpone the dividend payment as for the 2020 fiscal year.

No other material events subsequent to the date of the statement of financial position have occurred which require disclosure in the financial statements.