

**JOINT STOCK INSURANCE COMPANY
WINNER - VIENNA INSURANCE GROUP SKOPJE**



**ANNUAL REPORT ON OPERATIONS
OF THE JOINT STOCK INSURANCE COMPANY WINNER – VIENNA
INSURANCE GROUP FOR THE BUSINESSES YEAR 2019**

Skopje, February 2020

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BUSINEES YEAR 2019**

1. Basic data on the Company

Joint Stock Insurance Company WINNER – Vienna Insurance Group Skopje (hereinafter referred to as: the Company) is an insurance company registered in Republic of Macedonia in 2002, under the code of activity 65.12 or non-life insurance.

The Company headquarters is at 62 Boris Trajkovski Blvd, Skopje, with Company ID number: 5702470, tax number: 4030002461200, website: www.winner.mk and e-mail address: winner@winner.mk

2. Social and economic environment and the insurance market

The real Gross Domestic Product in Q3 2019 compared to the same quarter in 2018 grew 3.6%. The economic growth was broadly based, with positive growth in all industries; The number of employees in Q3 is 5.3% higher compared to the same quarter in 2018. The number of unemployed dropped by 17.4%, which resulted in a reduction of unemployment rate in Q3 2019 of 17.1%; The average gross salary in Q3 2019 equaled MKD 37,462 and marked 5.3% nominal growth, or 4.7% real growth, compared to the gross salaries in Q3 2018; Total budget revenues in Q3 2019 were 11.0% higher, and the total budget expenditures 7.6% higher compared to the same quarter in 2018;

The rate of inflation in Q3 2019, measured according to the Cost-of-living Index, equaled 0.6% on annual basis; The total deposit potential of the banks in Q3 2019 rose 2.1% on quarterly basis; The loan activities of the banks in the non-government sector in Q3 2019 dropped 0.5% on quarterly basis; In Q3 2019 export of goods increased by 11.5% while the import of good decreased by 11.9% on annual basis, thus the total foreign trade expressed in euros marked a growth of 11.7%.

The activities in the service sector in Q3 2019 grew 2.9%, mostly thanks to the higher scope of activities in the industry Trade, transport and hospitality by 4.9%, followed by: Professional, scientific, technical and administration activities with 4.5%, Activities related to real estate with 2.4%, Information and communication with 2.2%, Public administration, defense, education and healthcare with 1.2%, Arts, entertainment, recreation and other services with 1% and Financial and insurance activities with 0.4%. (Source: Ministry of Finance, Quarterly Economic Report – Third quarter in 2019).

The aforementioned economic parameters in RNM, as well as the economic situation in the immediate region, point to the fact that the development of the insurance market in RNM is still lagging behind the development of the insurance market in EU countries, but on the other hand, such conditions on the insurance market enables us to expect continuous growth of Gross Written Premium in the country's insurance sector in the following years.

➤ In terms of the legislation in 2019, as the most significant for the Company's operations are the modifications and amendments to the Law on Insurance Supervision as well as the bylaws – rulebooks adopted by the Insurance Supervision Agency, in terms of mathematical reserves, account plan, form and contents of the Financial Statements and the contents of the Annual Report on the operations of the Companies, as well as the additional financial reports of the Companies, the documentation required to acquire a license as an insurance agent, obtaining permits and consents, the procedure and conditions for implementation of trainings and conducting the professional exam for performing operations in insurance representation, detailed contents of the certificate of the certified actuary, method of acquiring qualified share in an insurance company, insurance brokerage company and company for representation in insurance, as well as the types and description of items to be taken into consideration when calculating the capital of the Company. In 2019, *inter alia*, new amendments and modifications were made to laws that have direct or indirect effect on the

operations of the Company, such as the Law on mandatory traffic insurance, as well as laws and bylaws regulating the prevention of corruption and conflicts of interests, public procurements, prevention of and protection from discrimination, payment of salaries, method of conducting payment transactions with foreign countries, introduction of restrictive measures in accordance with the Decisions of the EU Council adopted by the Government of the Republic of North Macedonia pursuant to the Law on Restrictive Measures, Law on ratification of the Convention on Mutual Administrative Assistance in Tax Matters, modified with the protocol from 2010.

In the course of 2019, by 07.11.2019, the Company finished the harmonization of Company operations with the modifications and amendments to the Law on Insurance Supervision that entered into force in 2018.

The harmonization was done by submitting the required documentation to the Insurance Supervision Agency, thus meeting the prescribed standards for fitness of the certified actuary, insurance agents, as well as the fit & proper criteria for persons appointed to perform the function of member of management body or supervisory body in the Company, and also the prescribed standards for the founder of the Company, in line with which the relevant modifications and amendments were made to the provisions of the Statute of the Company at the Annual Assembly of the Company held on 22.04.2019.

The insurance sector in Republic of Macedonia is controlled by the Insurance Supervision Agency which is regulator on the insurance market, and the basic laws for the operation of the insurance companies are as follows: Contract Law, Law on Insurance Supervision and Law on Mandatory Insurance in Traffic.

In 2019 the insurance market was operated by 11 non-life and 5 life insurance companies. Most insurance companies are majority owned by foreign investors, insurance companies and groups.

Concerning intermediaries on the insurance market, 35 insurance brokerage companies, 11 insurance agencies and 5 banks handling insurance intermediary operations were active on the insurance market.

3. Business policy

Joint Stock Insurance Company WINNER – Vienna Insurance Group Skopje planned its business policy for 2019 on the basis of Company's acts, Law on Insurance Supervision and other laws and bylaws regulating the insurance business in the Republic of Macedonia.

The goal of the Company's business policy is to maintain and improve the position of a modern and market-oriented Company that offers insurance services with highest standards and content, and for the purpose of meeting the needs of the citizens of Republic of Macedonia, i.e. increasing the confidence and interest of the citizens and the legal entities for insurance, noting that the insurance system is something that brings safety and security in their everyday lives, which will also contribute to improved Company results in all aspects and ensure the highest possible return on invested equity capital.

The basic principles that laid the foundation of the business policy are as follows:

- Continuous monitoring and implementation of legal norms and regulations;
- Full responsibility and fulfilment of the obligations to policyholders;
- Efficient operation and prompt settlement of claims;
- Maximum commitment to urgent and full response to the needs of the customers;
- Investment in long-term relationships with the clients through loyal fulfilment of their needs;
- Transparent and honest work;
- Regular collection of receivables;
- Development, expansion and investment in the structure of human resources;

- Informing the public about the products of the Company and their continuous improvement and adjustment to the requirements of our clients and the insurance market;
- Creating public awareness of insurance through responsible, safe and fair work.

These business principles are part of the Operational Plan of the Company for 2019, and the same were fully adhered to and applied during the operation, which contributed to achieving excellence in all operational aspects.

4. Analysis of operation, financial results and financial status

Throughout the year, the Company reached gross written premium in the amount of MKD 808.988.877,00, deployed by insurance classes, as indicated in the table:

Joint Stock Insurance Company
WINNER - Vienna Insurance Group Skopje 31.12.2019

	(in MKD)
	GWP
Accident insurance	66.427.864,00
Health insurance	2.490.090,00
Motor vehicle insurance (Casco)	48.152.669,00
Rail vehicle insurance (Casco)	0
Aircraft insurance (Casco)	8.348.209,00
Marine, lake and river navigation insurance (Casco)	78.103,00
Goods transport insurance (cargo)	5.688.309,00
Fire and natural hazard insurance of property	15.558.798,00
Other property insurance	107.087.275,00
Motor vehicle liability insurance	525.041.970,00
Aircraft liability insurance	2.515.380,00
Marine, lake and river navigation liability insurance	225.475,00
General liability insurance	12.834.369,00
Credit insurance	0
Guarantee insurance	0
Legal expenses insurance	0
Assistance travel insurance	14.540.366,00
Total	808.988.877,00

The gross written premium in the amount of MKD 808.988.877,00 represents an increase of 5.03% compared to 2018. The Company operated in all insurance classes for which there was interest on the market, and yielded a balanced portfolio. In the operation were used all available sales channels meaning own sales employees, insurance agents, insurance brokerage companies, insurance agencies and banks, web sales, but as in past years, the own employees and agents are the main drivers of sales. Throughout the year, the Company also worked on the opportunity for introducing new insurance products and improving the conditions and tariffs of the existing products, in order to meet the demands of the market and the customers, and also keep them profitable.

The net earned premium equals MKD 373.015.264,00 (MKD 365.861.675,00 according to the accounting standards accepted in Macedonia) which, compared to 2018, presents an increase of 8.4% (or 8.6% according to the accounting standards accepted in Macedonia).

The Company investments were fully compliant with the limitations in the laws and bylaws, as well as the Company internal acts. The main goal of the Investment Strategy was to ensure stable income from investments with minimum risk, while ensuring enough funds for the Company to meet its liabilities at the same time.

The Company expenditures for 2019 were, as usually, highest in the area of claims settlement. The Company paid gross claims in the amount of MKD 368.822.738,00 (MKD 355.837.035,00 according to the accounting standards accepted in Macedonia). The Claims Department was fully dedicated to expeditious, efficient and equitable processing of the damage claims. The process of settling claims is performed by the Company employees and external associates (assessors, experts and practitioners/doctors censors), whereas excellent cooperation was established with a number of services, medical institutions and other specialized institutions in order to facilitate the process of settling claims and addressing the needs of policyholders.

Throughout 2019, the Company generated profit before taxation in the amount of MKD 55.441.923,00 (MKD 55.552.650,00 according to the accounting standards accepted in Macedonia), and net profit in the amount of MKD 49.006.984,00 (MKD 49.117.711,00 according to the accounting standards accepted in Macedonia). According to the generated profit after taxation according to the accounting standards accepted in RM, the Company has 12.09% return on equity in 2019 and 19.88% return on shareholder's equity. A detailed review of all revenues and expenses is presented in the financial statement of the Company attached to this Annual Operational Report of the Company.

In 2019, the Company met all the required criteria for capital and solvency margin, and at no point jeopardized its solvency, and what is more important, throughout the entire year the Company had allocated appropriate technical reserves.

In 2019, the receivables of the Company were regularly classified in accordance with all accounting standards, and the Company paid great attention to collection of all due debts. In order to provide impeccable service to the customers and policyholders, the Company appropriately cared for its own interests and collection of premium. A detailed review of the assets and liabilities is presented in the financial statement of the Company, attached to this Annual Operational Report of the Company.

5. Risk management

On 21.12.2018, the Management Board of the Company adopted Rules for Risk Management enfolding the possible risks which may appear in the course of the operation in 2019. In addition, the Company implemented the Investment and Risk Strategy for 2019, which was adopted by the Management Board on 28.11.2018, and approved by the Supervisory Board. The Management Board fully implemented the planned risk management activities and all risks were duly anticipated and met. In that regard, the Company regularly controlled the implementation of Company acts and legal norms, and paid special attention to the implementation of the reinsurance rules, underwriting, investment of assets, personal data protection and reliability of the Company's information systems. The Risk Information System Committee met regularly and, according to the defined priorities, it proposed appropriate solutions for the information systems.

The person responsible for risk management (Risk Officer), in cooperation with the responsible persons of the organizational units who are the risk holders, during 2019 coordinated the risk management process, while the person responsible for compliance with the regulations (Compliance Officer), who cooperates with the Heads of the organizational units in order to reach full compliance of the Company with the legal and bylaw regulations. In 2019, the Compliance Committee held three formal meetings, headed by the Compliance Officer and composed of Heads of the organizational units, while several informal meetings took place.

The Risk Officer and the Compliance Officer, regularly report to the Management Board on their activities, and then inform the sole shareholder i.e. VIENNA INSURANCE GROUP.

6. Share capital and shareholders

The Company holds a total of 403,400 shares with nominal value of EUR 10 per share and total share capital in the amount of EUR 4,034,000.00 in MKD equivalence.

The sole shareholder in the Company is VIENNA INSURANCE GROUP AG WIENER VERSICHERUNG GRUPPE (VIG) located at Schottenring 30, Vienna, Austria. The Group operates in Central and Eastern Europe for more than 25 years and is one of the leading insurance groups in the region. VIG has about 25,000 employees in more than 50 companies in 25 different countries.

7. Company development

In 2019, the Company developed according to the plan and fully met all the set goals and targets. The success of the Company improved in all aspects compared to the previous business years, whereby the efficiency and profitability of the Company increased, as well as the capacities for aftersales services to the policyholders, primarily in the segment of damage claims. Efficient and fair resolution of claims was and will remain a top priority of the Company.

On 13.12.2019, the Operational Plan for 2020 was approved by the Supervisory Board that envisaged maintaining balanced development in all business segments and improving the success and work performance of the Company. As in the past years, development will progress gradually without taking risks that may impair the operation in any aspect, and increasing the competences of the staff will occupy one of the key areas of development. And again, the principal goal of the operation will be the needs and services to policyholders and profitability and legal operation.

8. Branch network, subsidiaries and employees

In the course of 2019, the Company operated on the entire territory of the Republic of North Macedonia, through its own network of subsidiaries and employees distributed in 29 cities, including 112 insurance agents, 32 brokerage companies, 2 insurance agencies, as well as one bank.

By the end of 2019, the Company had 185 employees of whom 135 were involved in sales, and 50 worked in administration. The headcount corresponds to the needs of the Company, and each employee is provided with suitable professional development in order to improve their performance, as well as the performance of the Company as a whole.

Number of employees in the Company on 31.12.2019 based on sex, age and education

sex		age		education	
male	female	< 20	0	High School degree	72
74	111	20 – 30	28	Professional degree	0
		31-40	81	Bachelor's degree	93
		41-50	48	Doctoral degree	1
		51-60	22	Master's degree	19
		> 60	5		

Organizational structure in the Company on 31.12.2019

- Supervisory Board
 - Internal auditor
 - Authorized actuary
- Management board
- General Manager
 - Directorate
 - Finance, Accounting and collection of a premium Department
 - Claims and regressions Department
 - Department for acceptance in insurance and reinsurance
 - Customer Service Area

- Sales network / Branches

9. Relations with the parent company

As stated in item 5 of this Report, the sole owner of the Joint Stock Insurance Company WINNER - Vienna Insurance Group Skopje is VIENNA INSURANCE GROUP AG WIENER VERSICHERUNG GRUPPE (VIG). The Company cooperated with its sole shareholder, yet primarily with VIG RE, that is the Reinsurance Company which holds an A+ rating, and during the cooperation they fully complied with the legal norms and bylaws for reinsurance and the Company's Reinsurance Program.

Transactions with VIG and VIG RE fall under transactions with the stakeholders; however, the same do not require an approval procedure under the provisions for agreements with stakeholders from the Company Law, since the condition referred to in Article 457, paragraph 3, item 2 of the Company Law has been met, i.e. all shareholders have an interest in the deal.

10. Corporate Management

The bodies of management are established in line with the Company Law, the Law on Insurance Supervision and the Company Statute. The Company applies a two-tier management system, i.e. it is comprised of Management Board and Supervisory Board.

During the entire year 2019, as well as on 31.12.2019, the Management Board of the Company consisted of 3 (three) members:

1. Zoran Narashanov, PhD – President of the Management Board;
2. Dejan Mihajlov, MSc – Member of the Management Board; and
3. Naser Zenku - Member of the Management Board.

All members of the Management Board, before entering office (reappointment – reelection), received decision on obtaining consent for carrying out the capacity as members of a managing body of an insurance company, for the period from 15.04.2019 until and including 14.04.2023, issued by the Insurance Supervision Agency.

During the entire year 2019, as well as on 31.12.2019, the Supervisory Board of the Company consisted of 3 (three) members:

1. Gabor Lehel – President of the Supervisory Board;
2. Philipp Bardas – Member of the Supervisory Board; and
3. Zoran Dimov – Member of the Supervisory Board.

All members of the Supervisory Board meet the necessary requirements to carry out their capacities in accordance with the Company Law and the Law on Insurance Supervision, and all necessary notices and relevant evidence are submitted to the Insurance Supervision Agency for extension of their mandate. By resolution of the Shareholders' Assembly, the Supervisory Board members shall receive no compensation for the performance of their capacities, while data on the remuneration of members of the Management Board are part of the financial statements, which constitute integral part of this Annual Report.

During 2019, a regular session of the Shareholders' Assembly was held on 22.04.2019. At the Annual Assembly all annual reports for 2018 were approved, the operations of all members of the Management Board and the Supervisory Board in 2018 were approved, the distribution of profits for 2018 was decided and the external auditor for 2019 was appointed. At the meeting, a decision was made to modify and amend the Statute of the Company in order to harmonize it with the modifications and amendments to the Law on Insurance Supervision that entered into force in November 2018.

11. Policies and Internal Company Acts

In the course of 2019, the Company adopted new and updated some of the existing internal acts and policies in order to improve the corporate governance of the Company, and also worked on the harmonization of internal acts with new legislation at the same time.

With regards to the internal acts, *inter alia*, review was performed for the Code of Business Ethics, document management acts, monitoring and acting in the event of international sanctions, prevention of market abuse, outsourcing, compliance, underwriting, etc.

New acts included acts for marketing, media and press relation strategy, preparation of statistical insurance forms, providing documents, data and information for preparing actuary opinions regarding new or change in the current products of the Company, the liquidity of the Company, acts related to information technology, as well as acts regulating reinsurance matters.

Information technology support

The information technology is the key factor for increasing the performances and state-of-art operations and improving the effects on operation. The Company continuously monitors novelties in information technology and implements them accordingly.

In 2019, the Company implemented a web system for online reporting of damages and a web system for online passenger insurance, while also working on the development of a web system for processing and liquidation of claims. In 2019, ESET Licenses for server protection were procured and implemented. In the course of 2019, also new IT equipment was purchased to better equip the current offices and to equip newly opened locations of Company Subsidiaries.

Old systems (workstations) were upgraded, and new operating system, Win 10 Pro, was installed on these systems.

12. Name, address and date of appointment of authorized auditor

The authorized external auditor of the Company for 2019, in accordance with the resolution of the Shareholders' Assembly held on 22.04.2019, is the Audit Company PricewaterhouseCoopers AUDIT LLC Skopje (PWC). The appointed authorized auditor is located at 16 "8 Septemvri" Blvd, Hyperium Business Centre, 2nd floor, Skopje, and their website is www.pwc.com.mk.

Pursuant to the Law on Insurance Supervision, the Company hired Mr. Lenin Prculovski, internal auditor holding a license for authorized auditor no. 07-27581/1 dated 02.02.2005.

13. Classes of insurance and types of insurance contracts

Pursuant to the Law on Insurance Supervision, the insurance companies can only work in the classes of insurance for which they have approval from the Insurance Supervision Agency. The Decisions No. 18-24809/2 of 24.10.2002 and No. 12-9216/2 dated 13.04.2009 adopted by the Ministry of Finance approve for the Company to operate with 17 classes of insurance:

1. Accident Insurance – Class 1
2. Health Insurance – Class 2
3. Land Vehicle Casco Insurance – Class 3
4. Rail Vehicle Casco Insurance – Class 4
5. Aircraft Casco Insurance – Class 5
6. Marine Casco Insurance – Class 6
7. Transport Insurance (cargo) – Class 7
8. Fire and Natural Hazards Insurance – Class 8
9. Other property insurance – Class 9
10. Liability Insurance of motor vehicles (MTPL) – Class 10
11. Aircraft Liability Insurance – Class 11
12. Marine Liability Insurance – Class 12

13. General Liability Insurance – Class 13
14. Credit Insurance – Class 14
15. Guarantee Insurance – Class 15
16. Legal Expenses Insurance – Class 17
17. Travel Assistance Insurance – Class 18

Within these classes of insurance, the Company concluded the following types of insurance contracts: Green card; Travel Insurance; Transport – international, land; Group Travel Insurance; Accident Insurance, Health Insurance for Foreigners in the Republic of Macedonia; Industrial Fire Insurance; Civilian Fire Insurance; Public Transport Passenger Insurance; Transport – local, land; Breaking Machines; Cross Border Insurance; Compulsory Maritime Insurance; Burglary and robbery; CMR; Transport – international, air; Braking glass; Insurance of facilities under construction; Electricity Providers – Breaking Machines; Burglary and Theft Insurance; CMR; Transport - international, aerial; Glass Insurance; Insurance of Buildings under Construction; Electricity Providers – Breaking Machines; Electronic Computers and Processors; Managerial Insurance; Household Insurance; Maritime Vessels Insurance; Glass breaking Insurance; Additional Health Insurance for Persons in the event of Serious Illnesses and Operations; Computer equipment insurance; Insurance of film companies; TIR guarantees; Compulsory aircraft insurance; Electric power companies; Casco Maritime Insurance; Insurance of goods in coolers; Casco aircraft insurance; Additional Health Insurance; Health Workers Liability Insurance; Notary Liability Insurance; Travel Agency Liability Insurance; Liability Insurance of Lawyers; General Liability Insurance; Insurance Brokers' Liability; Product Usage Liability Insurance; Liability Insurance of Accountants; Liability Insurance of Employees; Liability Insurance of Bodyguards, Detectives and Security Agencies; Liability Insurance of Court Experts and Appraisers; Liability Insurance of Trustees; Liability Insurance of Surveyors; Liability Insurance of Designers; Employer's Liability Insurance; Auditor's Liability Insurance; Forwarders' Liability Insurance; Motor Vehicles Casco Insurance, Combined Insurance - Travel and Accident; Combined Insurance of Health Facilities; Mortgage Insurance of Loans; Individual Property Insurance; Small and Medium Sized Enterprises' Insurance; Insurance of Crops and Fruits; Fire Caused by Civilians Insurance; Combined Insurance of Shops and Service Providers; and MTPL.

14. Concluding observations

The Company had a successful year 2019, we are proud of the achieved results, and above all we are proud of all our policyholders who, due to our commitment to their needs and concerns, decided to give us their trust in large figures. At the end of the year, the Company reached total gross written premium of MKD 808.988.877,00 and a high percentage of return customers. These results only show the correct approach to the Company's own performance, which is focused on providing impeccable service to our clients.

At the same time, the Management Board was fully dedicated to achieving the goals set at the beginning of the year, higher profit after taxation was achieved in the amount of MKD 49.117.711,00, which denotes 19.88% return on equity. These positive results present an excellent introduction to the new 2020, when the Company expects to continue its development and meet all goals set in the Operational Plan for 2020.

The Annual Financial Statements and the Confirmation by a certified actuary with the opinion on whether the premiums and technical provisions have been calculated in accordance with the Law on Insurance Supervision are enclosed and present integral part of this Report.

**Joint Stock Insurance Company
WINNER – Vienna Insurance Group Skopje**

**President of the Management Board
Zoran Narashanov, PhD**

