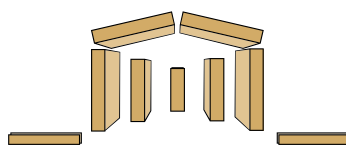


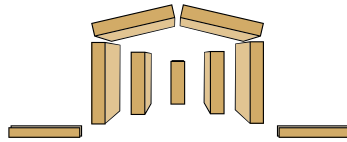
2017

ANNUAL  
REPORT



***AD OSIGURITELNA POLISA***  
NATIONAL INSURANCE GROUP





***AD OSIGURITELNA POLISA***  
NATIONAL INSURANCE GROUP





## PRESIDENT OF THE BOARD OF DIRECTORS VASIL VLASHKI

Stock holding company "Osiguritelna Polisa" has continuously been present on the Macedonian insurance market as a stable and modern company.

The official data recorded by the Insurance Supervision Agency point out that, for the last 8 years, our association has been achieving the highest profitability compared to the remaining insurance associations in the country.

Such continuous results that the company has been achieving for years are not accidental.

High professionalism, ability for team work and dedication to work distinguish the managing team and all the employees of the company.

The results presented in the annual report of the stock holding company "Osiguritelna Polisa" for the year of 2017 reflect the successful operation and the stability of the company.

My cordial congratulations to the management and the employees of the Association for the results achieved.

Vasil Vlashki  
President of the  
Board of Directors

A handwritten signature in black ink, appearing to read "Vasil Vlashki".





## GENERAL MANAGER VLADIMIR TOSHEVSKI

↑8.2%  
2017/2016  
GROSS WRITTEN  
PREMIUM

In the financial 2017, we completely realized the work plan regarding achieved production and profit. In 2017, we increased the insurance gross written premium for 8.2% in respect to 2016, in conditions when its increase at non-life insurance associations was 1.58% and the increase of the Gross Domestic Product (GDP) in R. Macedonia was 0%.

We continued to work by giving high priority to maintenance and upgrading of the necessary level of technical reserves of the Association, solvency margin and continuous capital increase of the Association.

We enabled timely servicing of the total liabilities of the Association, providing a good basis for the sales network in order that it could realize the planned tasks referring to production.

We created re-insurance arrangements to meet the needs and the specificities of the portfolio structure that we realized in 2017, following our clients' requirements.

I herewith accord recognition to the entire managing team, all employees and external collaborators of AD "Osiguritelna Polisa" for the successfully realized 2017, with a good solvency and staff potential for continuation of further successful operation.

**Vladimir Toshevski,**  
General Manager

# LEGAL STATUS AND SEAT OF THE ASSOCIATION

AD "Osiguritelna Polisa" – Skopje occurred on the Macedonian insurance market as a new insurance association in 2005. The Decision on Issuance of Permit for Performance of Insurance Works no. 11-8020/8 dated 04.05.2005 to this Association was signed by the Minister of Finances of the Republic of Macedonia. With the Decision Treg no. 2320/2005 dated 09.05.2005 adopted by the Basic Court Skopje 1 – Skopje, the Association was entered in the Trade Register. The Association is member of the National Insurance Bureau based on the Decision passed by the Bureau Assembly no. 0201-794/05 dated 06.07.2005.

On 09.02.2009, the capital amount of the association of 3.009.010 euros was entered by which the operation of the Association was harmonized with the modifications of the Law on Insurance Supervision, in the part of the legal obligation referring to the obligatory capital amount of 3.000.000 euros. The operation and the management of the Association are realized by the Shareholders Assembly, the Board of Directors and the Executive Director.

In December 2011, the Association changed the address of its seat to Kliment Ohridski Blvd., no. 26 – Skopje.

The revision of the annual account for 2017 was done by the auditing company Moore Stephens Ltd. – Skopje.

## MISSION

*SUSTAINABLE DEVELOPMENT  
LONG-TERM GOALS  
NEW BUSINESS OPPORTUNITIES*

NUMBER  
OF POLICIES

**134,697**

## VISION

*INNOVATIONS  
MODERN PRODUCTS  
INTEGRITY*

GROSS WRITTEN  
PREMIUM

**697,064**

THOUSAND DENARS





ОСИГУРИТЕЛНА КОМПАНИЈА

# GENERAL ECONOMIC ENVIRONMENT

In the course of 2017, in the Republic of Macedonia, there was an increased competition by other insurance companies that led to increase of expenditures for realization of insurance policies. In this year, the Management of the Association put enormous efforts toward achievement of a higher level of realized production in respect to the previous year, keeping the level of operating expenses approximately the same as in the previous year, which will also be the main task and objective in 2018.

With these efforts, particular attention was paid to observation of the existing legal regulations and the by-law acts passed by the Insurance Supervision Agency (ASO), particularly in the part of evaluation of items from the financial reports as well as providing the legal limits for coverage of the technical reserves.



GDP PER  
CAPITA

288,967



BUSINESS  
POLICY

# BUSINESS POLICY

The operation of the Association involves insurance works as follows:

- » Concluding and executing **contracts on non-life insurance**;
- » Concluding and executing **contracts on co-insurance**;
- » Concluding and executing **contracts on passive reinsurance**.

Within the insurance activity, the Association performs the following works that are directly related to insurance:

- » Mediation in stipulating contracts on insurance and reinsurance;
- » Surveillance of risks;
- » Surveillance and estimation of claims;
- » Mediation in selling and selling remains of insured damaged objects;
- » Introducing measures for prevention, reduction and elimination of claims and risks that represent a threat when it comes to non-life insurance;
- » Providing legal help in insurance, and
- » Providing other intellectual and technical services related to insurance issues.

In accordance with the Decision on Issuance of Permit for Performance of Insurance, the Association runs insurance in the following insurance classes:

- » Accident Insurance-consequences of an accident;
- » Health Insurance;
- » Motor Vehicle Insurance (CASCO);
- » Railway Insurance (CASCO);
- » Aircraft Insurance (CASCO);
- » Vessel Insurance (CASCO);
- » Goods in Transit Insurance (CARGO);
- » Property Insurance against Fire and Natural Disaster;
- » Other Property Insurance;
- » Motor Vehicle Liability Insurance;
- » Aircraft Liability Insurance;
- » Vessel Liability Insurance;
- » General Liability Insurance;
- » Warranty Insurance;
- » Financial Loss Insurance;
- » Legal Assistance Insurance;
- » Travel Assistance Insurance.

# RISK MANAGEMENT POLICY

The Association creates its risk management policy in accordance with the regulations on risk management stipulated by the Law on Insurance Supervision, taking into account the necessary level of the capital scope, the solvency margin, the technical reserves and their investment.

The association permanently takes care and works in a way that enables settlement of due debts at any time as well as regular servicing of its liabilities. In 2017, in accordance with Article 99 of the Law on Insurance Supervision, the Association transferred into reinsurance part of the liabilities from insurance contracts exceeding the amount anticipated to be covered with own resources in the Table on Maximum Coverage.

In the business year of 2017, the Association concluded contracts on reinsurance for those insurance classes and risks for which it could not completely cover, with its own funds, a possible single damaging event.

Annual (treaty) contracts and facultative contracts on reinsurance were concluded. These have the following characteristics:

## TREATY CONTRACTS

No.	Categories of Insurance		Type of treaty	Retention	Limit
1	Automobile liability insurance	10			
	Domestic automobile liability insurance Green card		X/L	75,000 EUR 350,000 EUR	Legal limit Unlimited
2	Casco	03	QS	350,000 EUR	500,000 EUR
3	Property - Fire		QS Surplus	400,200 EUR	667,000 EUR 12,006,000 EUR
4	Property	09			
	Machine breakage Facilities under construction Facilities in installation		QS Surplus	233,100 EUR	388,500 EUR 6,993,000 EUR
	Theft and robbery		QS Surplus	240,000 EUR	400,000 EUR 1,200,000 EUR
	Crops and fruits		QS	50,000 EUR	100,000 EUR
	Earthquake		QS	300,000 EUR	10,000,000 EUR
5	Transportation	07	QS	300,000 EUR	500,000 EUR
6	Driver's liability	10	QS	250,000 EUR	500,000 EUR
7	General liability	13	QS	250,000 EUR	1,000,000 EUR
8	Various types of liability	13	QS	100,000 EUR	200,000 EUR
9	FIFA managers' liability	13	QS	100,000 CHF	200,000 CHF

In the course of 2017, the Association concluded the following facultative reinsurance contracts:

1. Facultative QS reinsurance against general liability for body injuries and claims to third persons
  - Contract limit: 2.000.000 USD combined limit per damaging event (1.000.000 USD for body injuries and 1.000.000 USD for property damage).
  - Company's limited funds: 100.000 USD per damaging event.

Also, in 2017, the Association continued its cooperation with Europa Re in the sphere of insurance of crops and fruits and insurance against an earthquake risk.

With the help of the stated contracts and in compliance with the Reinsurance Programme for 2017, the Association achieved the following goals:

- Protection of the Association's capital;
- Increase of the capacity of the Association for admission into insurance risks that exceed the company's limited funds.

## Technical Reserves and Capital

### Status of technical reserves

Types of reserves	2016	2017
Unearned Premium Reserve - Insurance	295,835,347	318,032,416
Unearned Premium Reserve - Reinsurance	30,951,313	29,837,319
Outstanding Claims Reserves - Insurance	417,198,969	439,281,270
a. Reported but not settled	218,423,902	254,046,864
b. Incurred but not reported	189,648,648	174,840,222
c. Reserves for expenditures related to claim processing	9,126,419	10,394,184
Outstanding claims reserves - reinsurance	46,839,541	60,589,506
a. Reported but not settled	35,905,974	49,518,510
b. Incurred but not reported	10,933,567	11,070,996
Reserve for bonuses and rebates	8,570,539	6,890,680
Unexpired Risk Reserve	5,586,742	4,636,858
Other Technical Reserves	6,148,120	12,297,190
<b>Total Technical Reserves</b>	<b>655,548,863</b>	<b>690,711,590</b>

# Investment of Resources from the Technical Reserves

The resources from the technical reserves serve for covering future liabilities arising from insurance contracts wherefore the Association is obligated to set aside resources for technical reserves. Pursuant to the Law on Insurance Supervision and the Policy of Investment of Resources, the Association decided to make the following types of investments of its free funds:

No.	Types of investments and limitations of individual investments of resources covered by the technical reserves	Direct (%)	Direct (amount)	Investment on 31.12.2017	% of investment on 31.12.2017
1	Treasury funds and resources to bank accounts	Up to 3 %	20,721,348	9,223,123	1.34%
2	Deposits in banks permitted by the National Bank of RM	Up to 60 %	450,670,204	303,499,473	40.41%
3	Securities issued by the Republic of Macedonia or the National Bank of the Republic of Macedonia	Up to 80 %	600,893,606	378,244,212	50.36%
4	Stocks traded at a controlled security market in RM	Up to 25 %	187,779,252	33,623,121	4.48%
5	Shares and stocks of investment funds registered in RM	Up to 20 %	150,223,401	26,527,078	3.53%

## Capital Volume

No.	Description	2016	2017
1	Share capital	184,696,368	184,696,368
2	Reserves	212,261,873	251,946,370
3	Long term intangible assets	-4,369,733	-4,356,655
	Total capital (1+2-3)	392,588,508	432,286,083

## Investments of capital resources



Investments in banks **137,600,000**

Investments in real estates and engineering structures **161,388,560**

Investments in jointly controlled entities **20,519,297**

Total investments **319,507,857**

# ACCOUNTING POLICIES

The Association keeps its accounting and submits annual accounts in the way defined by the Law on Trade Associations and based on the Law on Insurance Supervision, the Statute of the Association and the Board of Directors of AD Osiguritelna Polisa – Skopje. The Association adopted a Decision on Accounting Policies composed on the basis of the International Accounting Standards, the International Standards of Financial Reporting and other legal regulations in force, as well as based on the most recent knowledge on the operation of the Association.

The basic principle of reporting data in the financial reports and the accounting books of the Association is **accurate and fair presentation of resources, liabilities, fixed capital, income, expenditures and results of the operation of the Association.**

The accounting policies are applied consistently and diligently until the moment when another act regulating these issues comes into effect.

# OTHER POLICIES

In 2017, the Association **did not create any long term liabilities** and **did not plan long term debts** at the expense of the fixed capital except in the case when special conveniences for the Association could be achieved with the procurement of real estates and in other cases, in accordance with the interests of the Association and the existing legal regulations.

In the course of 2017, the Association **did not make any stock exchange transactions** regarding buying and selling of own treasury shares.

In 2017, AD Osiguritelna Polisa **invested in business premises for the branch offices in Negotino, Prilep and Ohrid** so that the total investments in real estates and engineering structures on the day of 31.12.2017 amounted to 161,389 million denars.




# OBJECTIVES OF THE COMPANY'S OPERATION

The main strategic goals of the Association are profitable operation and strengthening of its position on the insurance market through modern technology, high quality products and top quality services to clients.

The Association realizes its defined long term goals of operation through:

- » Establishment of a large number of organizational units in Skopje and in the entire territory of the Republic of Macedonia;
- » High quality selection of necessary staff and their planned professional training and advanced training;
- » Well conceived marketing presentation of both the Association and its selling products before the public;
- » Permanent growth of scope, type and quality of insurance services, products and portfolio;
- » Enabling professional application of insurance conditions and premium tariffs as well as other instructions, rulebooks and other internal acts of the Association;
- » Steadiness and successfulness in payment of the premiums;
- » Professional, proper and fast approach to liquidation of incurred claims and their timely payment;
- » Objective and realistic assessment of reserved claims and endeavours toward their faster liquidation;
- » Providing reinsurance programme that will enable preservation of the level of reinsurance expenses per the placed risks;
- » Most secure and favourable investment of free capital resources of the Association and the resources covered by the technical reserves;
- » Permanent care for the maintenance and increase of the capital value, security reserves and technical reserves of the Association;
- » Ensuring conditions for maintenance and increase of liquidity and solvency of the Association;
- » Providing profitable, low cost and productive operation both at the level of the Association and the level of the organizational units and employees for the purpose of achieving a positive financial result and profit, with the possibility of increase of the capital volume and the reserves of the Association.



ANALYSIS  
OF OPERATION

# ANALYSIS OF OPERATION

In 2017, the Association realized a policy premium of 697.064 thousand denars, which is higher in respect to 2016 for 8.19%.

The policy premium in 2017 in respect to 2016 per insurance classes and number of policies is shown in the subsequent table:

(in 000 denars)

Insurance class	2016		2017		2017/2016 %	
	Number of policies	Gross written premium	Number of policies	Gross written premium	Number of policies	Gross written premium
Accident insurance	2,176	53,505	2,243	46,506	103.08	86.92
Health insurance	32	213	39	173	121.88	81.29
Comprehensive insurance coverage (CASCO) - Motor Vehicles	4,005	71,035	4,211	82,206	105.14	115.73
Comprehensive insurance coverage (CASCO) - Aircraft insurance	0	0	0	0	0.00	0.00
Comprehensive insurance coverage (CASCO) - Vessels insurance	1	4	3	49	300.00	1,177.29
Insurance of goods in transit (cargo)	443	10,596	511	11,993	115.35	113.18
Property, Fire	5,808	35,528	6,477	36,113	111.52	101.65
Property, other	873	41,315	1,036	56,041	118.67	135.64
Automobile liability insurance	77,795	402,955	80,236	433,003	103.14	107.46
Aircraft liability insurance	22	209	30	249	136.36	119.36
Vessel liability insurance	144	393	154	441	106.94	112.18
General liability insurance	439	12,253	1,034	12,505	235.54	102.05
Guarantees	200	370	187	345	93.50	93.48
Tourist assistance	35,741	15,936	38,536	17,439	107.82	109.43
<b>TOTAL</b>	<b>127,679</b>	<b>644,312</b>	<b>134,697</b>	<b>697,064</b>	<b>105.50</b>	<b>108.19</b>



2017/2016 %  
NUMBER OF POLICIES

2017/2016 %  
GROSS WRITTEN PREMIUM

103.14 Automobile liability insurance  
118.67 Property, other  
105.14 Motor Vehicles (CASCO)

107.46 Automobile liability insurance  
135.64 Property, other  
115.73 Motor Vehicles (CASCO)

## Status referring to claims

The status regarding claims in 2017 in respect to that in 2016 is shown in the following table:

(in 000 denars)

Insurance class	Number						Status		Amount	
	Reported claims		Reserved claims		Liquidated claims		Reserved claims		Liquidated claims	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Accident Insurance	610	637	166	144	493	531	3,446	3,131	20,426	20,827
Health insurance	0	2	0	0	0	2	0	0	0	42
Motor Vehicles (CASCO)	758	878	180	193	631	787	15,803	11,962	43,099	51,332
Goods in transit insurance (CARGO)	15	40	8	27	9	15	5,227	6,188	3,334	2,730
Fire insurance	198	161	56	70	92	68	7,778	6,934	6,560	5,975
Property, other	585	851	186	352	416	540	10,807	21,053	9,056	32,989
A/O – Motor Vehicles	3,468	3,207	998	910	2,659	2,705	169,023	198,047	142,912	153,478
A/O – Aircrafts	0	0	0	0	1	0	0	0	651	0
General liability	84	88	34	33	45	57	4,133	3,188	1,914	905
Travel insurance	389	419	186	224	244	330	2,207	3,544	3,280	4,355
<b>TOTAL</b>	<b>6,107</b>	<b>6,283</b>	<b>1,814</b>	<b>1,953</b>	<b>4,590</b>	<b>5,035</b>	<b>218,424</b>	<b>254,047</b>	<b>231,232</b>	<b>272,633</b>



2016/2017  
NUMBER OF  
REPORTED  
CLAIMS

↓ 7.5 %  
A/O – motor vehicles

↑ 45.4 %  
Property, other

2016/2017  
STATUS OF  
RESERVED  
CLAIMS

↓ 8.8 %  
A/O – motor vehicles

↑ 89.2 %  
Property, other

AMOUNT OF  
LIQUIDATED  
CLAIMS

272,633

STATUS OF  
RESERVED  
CLAIMS

254,047

# FINANCIAL RESULT

Category – positions	31.12.2017 Planned	31.12.2016 Realized	31.12.2017 Realized	Realized/planned 2017 in %	Realized 2017/2016 in %
Gross unearned premium provisions (from previous financial year)	296,600	273,408	295,835	99.74	108.2
Gross written premiums (from direct insurance operations)	645,469	644,312	697,064	107.99	108.19
Gross unearned premium provisions (from current financial year)	301,468	295,835	318,032	105.49	107.5
Paid premium	635,141	638,733	669,818	105.46	104.87
% paid/policy premium	98,20%	99,13%	96,09%	97.85	96.93
<b>INCOME</b>					
<b>1.Earned premium</b>	<b>640,601</b>	<b>621,885</b>	<b>674,867</b>	<b>105.35</b>	<b>108.52</b>
Premium deduction (discounts for payments)	-7,981	-7,806	-8,922	111.79	-14.3
2.Reinsurance issues (commission and liquidity + reserved claim)	39,935	40,383	53,456	133.86	132.37
3.Regress	13,500	14,317	10,923	80.91	76.29
4. Claim reserves (transfer from the previous year)	570	13,143	13,750	2412.28	104.62
6.Income from financing	37,500	36,943	39,604	105.61	107.2
7.Reserves for unpaid claims	-2,000	5,737	-4,514	225.7	-127.09
8.Other income from previous years	20,526	50,013	19,761	96.27	39.51
<b>TOTAL INCOME</b>	<b>742,651</b>	<b>774,615</b>	<b>798,925</b>	<b>107.58</b>	<b>103.14</b>
<b>EXPENDITURES</b>					
<b>I.Technical premium</b>	<b>-428,634</b>	<b>-404,131</b>	<b>-438,362</b>	<b>102.27</b>	<b>108.47</b>
1.Gross claims paid	231,599	223,455	266,375	115.02	119.2
2.Claim reserves - Reported but not settled	25,556	35,152	42,089	164.69	119.73
3.Claim reserves - Incurred but not reported	32,309	14,592	-14,808	218.17	-198.54
4.Bonus compensation	12,500	11,995	10,507	84.06	87.59
5.Bonus reserves	385	2,915	-1,680	-436	-173.51
6.Gross written premiums ceded to reinsurance	87,545	80,447	98,732	112.78	122.73
7.Expenses for non-insured vehicles - GF of NB	21,500	17,539	18,575	86.4	105.91
8. Legal fees	12,550	13,143	13,882	110.61	105.62
9.Expenses for Agency of Supervision	4,690	4,893	4,690	100	95.85
<b>II. OVERHEAD PREMIUM</b>	<b>-229,800</b>	<b>-229,501</b>	<b>-239,556</b>	<b>104.24</b>	<b>104.38</b>
1.Salaries and expenditures for employees	85,000	86,037	89,286	105.04	103.78
2.Marketing and promotion	1,350	389	309	22.89	79.43
3.Representation	3,850	2,695	2,250	58.44	83.49
4.Materials and energy	9,500	8,949	9,501	100	106.17
5.Services	82,500	75,109	71,935	87.19	95.77
6.Depreciation costs	12,350	10,164	9,391	76.04	92.39
7.Representation and mediation in insurance	32,250	43,444	54,104	167.76	124.54
8.Other non- mentioned expenditures	3,000	2,714	2,780	92.67	102.43
<b>TOTAL EXPENDITURES</b>	<b>-658,434</b>	<b>-633,632</b>	<b>-677,918</b>	<b>102.96</b>	<b>106.99</b>
<b>Gross profit</b>	<b>84,217</b>	<b>140,983</b>	<b>121,007</b>	<b>143.68</b>	<b>85.83</b>
Overhead expenditures/ Written premiums	35.60%	35.62%	34.37%		
Overhead expenditures/ Collected premium	36.18%	35.93%	35.76%		
Overhead expenditures/ Earned premium	35.87%	36.90%	35.50%		
Overhead expenditures/ Total income	30.94%	29.63%	29.98%		
Technical premium/ Written premiums	66.41%	62.72%	62.89%		
Technical premium/ Collected premium	67.49%	63.27%	65.44%		
Technical premium/ Earned premium	66.91%	64.98%	64.96%		
Technical premium/ Total income	57.72%	52.17%	54.87%		
Profit/ Total income	11.34%	18.20%	15.15%		
Profit/ Capital	<b>45.60%</b>	<b>76.33%</b>	<b>65.52%</b>		

# FINANCIAL STATE

	2016	2017	2017/2016%
<b>ASSETS</b>			
Cash and cash equivalents	8,207	9,223	112.38
Investments	892,772	900,013	100.81
Claims from insurance	129,185	150,751	116.69
Other Current assets and accruals (AVR)	62,707	62,114	99.05
<b>Total current assets</b>	<b>1,092,871</b>	<b>1,122,101</b>	<b>102.67</b>
Part for reinsurance in gross technical reserves	77,791	90,427	116.24
Intangible assets	4,370	4,357	99.70
Tangible assets	145,338	161,389	111.04
<b>Total non-current assets</b>	<b>227,499</b>	<b>256,173</b>	<b>112.60</b>
<b>TOTAL ASSETS</b>	<b>1,320,370</b>	<b>1,378,274</b>	<b>104.38</b>
<b>LIABILITIES, TECHNICAL RESERVES AND ASSET</b>			
Liabilities for claims	7,545	14,808	196.26
Liabilities for reinsurance	10,277	2,270	22.09
Other current liabilities	26,593	26,793	100.75
Other liabilities and deferred income (PVR)	19,885	8,932	44.92
<b>Total current liabilities</b>	<b>64,300</b>	<b>52,803</b>	<b>82.12</b>
Unearned premium reserve	301,422	322,669	107.05
Reserve for bonuses and rebates	431,918	458,469	106.15
<b>Technical reserves</b>	<b>733,340</b>	<b>781,138</b>	<b>106.52</b>
Share capital	184,696	184,696	100.00
Security reserve	212,277	251,947	118.69
Profit (loss) in the financial year	125,758	107,679	85.62
<b>Total equity</b>	<b>522,731</b>	<b>544,322</b>	<b>104.13</b>
<b>TOTAL LIABILITIES, TECHNICAL RESERVES AND CAPITAL</b>	<b>1,320,370</b>	<b>1,378,274</b>	<b>104.38</b>

# PRINCIPAL RISKS TO WHICH THE ASSOCIATION IS EXPOSED

PERMANENT ANALYSIS  
OF LIQUIDITY,  
SOLVENCY,  
DYNAMICS OF  
EARNINGS AND  
EXPENDITURES

LIQUIDITY  
COEFFICIENT

> 1

In 2017, based on the defined goals, established strategies and defined policies of operation, the Association followed the success criteria by permanent analysis of liquidity, solvency, dynamics of earnings and expenditures per organizational units and per employee as well as profitability analysis.

The Association created its risk management policy in compliance with the regulations on risk management, as stipulated in Article 74 of the Law on Insurance Supervision, taking permanently into account the necessary level of the capital volume, the solvency margin and the technical reserves and their investment.

In accordance with the Law on Insurance Supervision and the Policy of Investment of Resources, the Association invested its free capital funds in banks as fixed term deposits, deposits in jointly controlled entities and real estates as well as engineering structures. It invested its free funds covering the technical reserves in banks as fixed term deposits, investment funds, securities issued by associations rated highly on the stock market, securities issued by R. Macedonia and funds on transfer account.

In the course of 2017, the Association managed its resources in a way that enabled its responding to due liabilities at any time. This means that it always kept at a higher level than 1 the liquidity coefficient as an indicator of the ratio between the liquid resources and due liabilities, i.e., liabilities to be due soon.

To secure itself against the liquidity risk, the management prepared monthly plans of expected inflows and outflows of funds, while on a daily basis, it evaluated the current liquidity through computation of the amount of liquid resources, due liabilities and the liquidity coefficient.

# JOINT-STOCK CAPITAL AND SHAREHOLDERS OF THE ASSOCIATION

The joint-stock capital amount of the Association consists of 300.901 ordinary shares with a nominal value of 10 euros per share. The total number of holders of ordinary shares was 42 as of 31 December 2017.

On 09.02.2009, the Association made an entry of a capital amount of 3.009.010 euros by which the operation of the Association was harmonized with the modifications of the Law on Insurance Supervision, in the part of the legal obligation referring to compulsory capital amount of 3.000.000 euros.

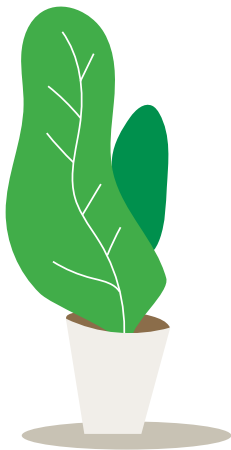
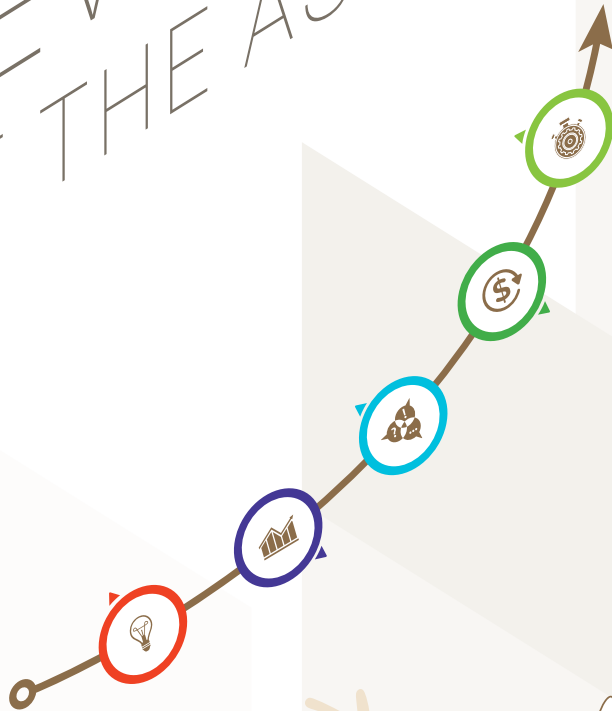
	2016	2017	2016	2017
	Number of shares		000 den,	
Ordinary shares	300,901	300,901	184,696	184,696
<b>Total</b>	<b>300,901</b>	<b>300,901</b>	<b>184,696</b>	<b>184,696</b>

According to the data kept at the Central Securities Depository (CDHV), the structure of the joint-stock capital as of 31,12,2016 and 31,12,2017 is as follows:

	31,12, 2016		31,12, 2017	
Holders of major part of the shares	Number of shares	%	Number of shares	%
Vasil Vlashki	50,180	16.68	25,010	8.31
Gligorie Gogovski	30,040	9.98	30,040	9.98
Ljubisav Ivanov Dzingo	30,000	9.97	30,000	9.97
Valentina Ivanovska	27,380	9.10	27,380	9.10
Valentina Gogovska	20,467	6.80	20,467	6.80
Goran Vlashki			20,125	6.69
Done Tanevski	15,944	5.30	15,944	5.30
Viktor Vlashki			15,045	5.00
Borislav Trpovski	13,590	4.52	13,590	4.52
Bosna Reosiguruvanje (Bosnia Reinsurance)	13,363	4.44	13,363	4.44
Remaining holders of minor part of the shares	99,937	33.21	89,937	29.89
<b>Total</b>	<b>300,901</b>	<b>100.00</b>	<b>300,901</b>	<b>100.00</b>



# DEVELOPMENT OF THE ASSOCIATION



# DEVELOPMENT OF THE ASSOCIATION

The main development goals of the Association include profitable operation and strengthening of the Association on the insurance market through the most recent technology, high quality products and top quality services to clients.

To realize these goals, the Association permanently invests in procurement of new equipment and technology toward providing security and confidentiality of data, undisturbed functioning of the system and hence business activities in any conditions, establishment of procedures for preventive action and observation of the technical aspects of the equipment.

The personal computers are continuously replaced in accordance with their serviceability lives.

The conditions regarding intangible assets and equipment are presented in the subsequent table:

	Intangible assets	Equipment	Total
	(000)	(000)	(000)
Conditions as of 1st January	4,370	11,105	15,475
Increase	793	6,007	6,800
Depreciation	- 806	-7,097	-7,903
Conditions as of 31st December	4,357	10,015	14,372

# MEMBERS OF THE BOARD OF DIRECTORS

The Association is managed by the Shareholders Assembly, the Board of Directors and the Executive Director. It has completely harmonized its acts and operation with the Law on Insurance Supervision and the remaining positive legal regulations of the Republic of Macedonia.

The Board of Directors consists of three members, out of which one is executive member, while the other two are non-executive members, as follows:

---

**Vasil Vlashki – non-executive member – president**

---

**Stevan Tomovski – non-executive member**

---

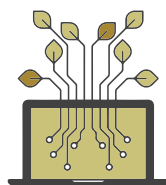
**Vladimir Toshevski – executive member**

---



## STRENGTHENING OF THE ASSOCIATION ON THE INSURANCE MARKET

TOP QUALITY SERVICES  
SATISFIED CLIENTS



## PROFITABLE OPERATION

MODERN TECHNOLOGY  
HIGH QUALITY PRODUCTS

# ORGANIZATIONAL STRUCTURE AND NUMBER OF EMPLOYEES

The Association paid particular attention to maintenance and improvement of the human resources, strengthening of the capacities for management of the working processes and adaptation of the inner organization in compliance with the needs of the defined business policy.

## Number of employees per personnel structure



TOTAL EMPLOYEES	M. Sc.	B. Sc.	Sec. sch. edu.	AVERAGE NUMBER OF EMPLOYEES (BASED ON HOURLY PAY)	ADMISSION TO INSURANCE	LIQUIDATION AND ASSESSMENT OF CLAIMS
152	4	110	38	143,75	114	14



# FINANCIAL STATEMENTS

AD Insurance Policy – Skopje  
National Group for insurance

Independent Auditor's Report and Financial Statements  
for the year ending 31 December 2017

**INDEPENDENT AUDITOR'S REPORT  
TO THE  
SHAREHOLDERS OF  
AD INSURANCE POLICY - Skopje  
National Group for insurance**

**Report on the Financial Statements**

We have audited the accompanying financial statements of AD INSURANCE POLICY - Skopje (The Company), which comprise the Statement of Financial Position as at 31 December 2017, and the Income statement, Statement of comprehensive income, Statement of changes in equity and Cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulations of the Agency for insurance supervision and for such internal control as management determines is necessary to enable the preparation of the 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 the International Standards on Auditing which are accepted and published in the Official gazette of the Republic of Macedonia (79/2010). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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 the 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.

**INDEPENDENT AUDITOR'S REPORT (Continued)  
TO THE  
SHAREHOLDERS OF  
AD INSURANCE POLICY - Skopje  
National Group for insurance**

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of AD INSURANCE POLICY - Skopje as of 31 December 2017, and of its financial performance and its cash flows for the period then ended in accordance with the regulations of the Agency for insurance supervision.

**Report on Other Legal or Regulatory Requirements**

The management of the Company is also responsible for preparation of the annual business report according to the article 384 from the Law on trade companies. Our responsibility, according to the Audit Law, is to report whether the annual business report is consistent with the annual account and the financial statements for the year ended 31 December 2017. Our job regarding the annual business report is conducted according to the ISA 720 and is restricted to reporting whether the historical financial information presented in the annual business report are consistent to the annual accounts and the audited financial statements.

The annual business report is consistent, in all material aspects, with the annual account and the audited financial statements of AD INSURANCE POLICY - Skopje as of 31 December 2017.

Skopje, 7 March 2018

**Certified Auditor**

Goce Hristov

**Manager and Certified Auditor**

Antonio Veljanov

**AD INSURANCE POLICY - Skopje**  
**INCOME STATEMENT for the year ended 31 December**

	<b>Note</b>	<b>2017</b> <b>(000) MKD</b>	<b>2016</b> <b>(000) MKD</b>
<b>Revenues</b>			
Earned premium	8	577,085	537,165
Investment income	9	37,894	37,479
Other insurance income	10	23,910	26,024
Other income	11	11,916	9,198
<b>Total revenues</b>		<b>650,805</b>	<b>609,866</b>
<b>Expenses</b>			
Claims for damages, net	12	(230,143)	(198,101)
Changes in provision for claims, net	13	(12,801)	(35,243)
Insurance acquisition costs	14	(240,818)	(194,575)
Investment expenses		(644)	(1,011)
Other insurance expenses	15	(47,295)	(45,084)
Impairment losses from receivables	23	(4,515)	5,737
Expenses/revenues from provision for liabilities	29	7,312	(608)
Other expenses		(893)	-
<b>Total expenses</b>		<b>(529,797)</b>	<b>(468,885)</b>
<b>Profit (loss) before taxation</b>		<b>121,008</b>	<b>140,981</b>
Income tax expense	16	(13,329)	(15,223)
<b>Net profit (loss) for the period</b>		<b>107,679</b>	<b>125,758</b>
<b>Earnings per share (MKD for 1 share)</b>	17	<b>358</b>	<b>418</b>

Board of Directors of AD Insurance Policy - Skopje authorized these financial statements for issue on 27.02.2018 and propose them to the Shareholders Assembly. The financial statements are signed by the:

**Executive manager**  
**Vladimir Toshevski**



**AD INSURANCE POLICY - Skopje****STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December**

---

	<u>Note</u>	<u>2017 (000) MKD</u>	<u>2016 (000) MKD</u>
<b>Net profit for the period</b>		<b>107,679</b>	<b>125,758</b>
<b>Other comprehensive income:</b>			
Changes in fair value of available-for-sale investments	21	(2,235)	5,925
<b>Total other comprehensive income</b>		<b>(2,235)</b>	<b>5,925</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>105,444</b>	<b>131,683</b>

---

Notes comprise integral part of the financial statements

4

**AD INSURANCE POLICY - Skopje**  
**STATEMENT OF FINANCIAL POSITION for the year ended 31 December**

	<b>Note</b>	<b>2017 (000) MKD</b>	<b>2016 (000) MKD</b>
<b>ASSETS</b>			
Intangible assets	18	4,356	4,370
Tangible assets	19	171,404	156,442
Financial investments:			
Financial assets held to maturity	20	311,630	261,187
Financial assets available-for-sale	21	100,237	152,006
Financial assets held for trading	21	26,527	-
Deposits, loans and other	22	461,618	479,578
Part for reinsurance in provisions		90,427	77,791
Receivables from insurance	23	162,754	143,386
Prepaid expenses and other	24	40,095	35,529
Cash and cash equivalents	25	9,222	8,206
<b>TOTAL ASSETS</b>		<b>1,378,270</b>	<b>1,318,495</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	26	184,696	184,696
Reserves		242,396	200,476
Revaluation reserves and fair value		9,550	11,785
Accumulated profit (loss)		107,679	125,758
<b>Total equity</b>		<b>544,321</b>	<b>522,715</b>
<b>Provisions</b>			
Unearned premiums	8	322,669	301,422
Provisions for claims and bonuses	27	458,469	431,919
<b>Total provisions</b>		<b>781,138</b>	<b>733,341</b>
<b>Liabilities</b>			
Liabilities for claims		14,818	7,544
Liabilities to insurance brokers		1,135	987
Other insurance liabilities	28	5,505	5,872
Liabilities for reinsurance		2,270	10,277
Other liabilities	28	23,548	24,912
Provisions for liabilities	29	5,535	12,847
<b>Total liabilities</b>		<b>52,811</b>	<b>62,439</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,378,270</b>	<b>1,318,495</b>

Notes comprise integral part of the financial statements

5

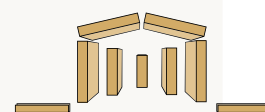
**AD INSURANCE POLICY - Skopje**  
**CASH FLOW STATEMENT for the year ended at 31 December**

	<b>Note</b>	<b>2017</b> <b>(000) MKD</b>	<b>2016</b> <b>(000) MKD</b>
<b>Cash flows from operating activities</b>			
Inflows from policyholders		697,454	671,256
Payments to policyholders		(269,608)	(237,586)
Payments to re-insurers		(52,174)	(52,768)
Payments for employees		(85,973)	(83,360)
Payments for brokerage commissions		(53,960)	(72,023)
Payments for other operating expenses		(143,280)	(102,355)
Income tax paid		(17,359)	(16,575)
<b>Net cash flows from operating activities</b>		<b>75,100</b>	<b>106,589</b>
<b>Cash flows from investing activities</b>			
Net inflow (outflow) from bank deposits	22	18,295	54,742
Net inflow (outflow) from government bills	20	(50,443)	(103,187)
Net inflow (outflow) from investments available-for-sale	21	53,608	11,934
Net inflow (outflow) from investments held for trading		(26,527)	-
Net inflow (outflow) from loans given	22	-	-
Acquired investment in NBO	22	(335)	(61)
Received interest	9	39,429	27,042
Acquisition of intangible assets	18	(792)	(472)
Acquisition of property	19	(23,481)	(20,482)
<b>Net cash flows from investing activities</b>		<b>9,754</b>	<b>(30,484)</b>
<b>Cash flows from financing activities</b>			
Paid-in share capital		-	-
Dividend and dividend taxes paid		(83,838)	(72,267)
<b>Net cash flows from financing activities</b>		<b>(83,838)</b>	<b>(72,267)</b>
<b>Net increase (decrease) from cash flows</b>		<b>1,016</b>	<b>3,838</b>
<b>Cash at the begging of the year</b>	<b>25</b>	<b>8,206</b>	<b>4,368</b>
<b>Cash at the end of the year</b>	<b>25</b>	<b>9,222</b>	<b>8,206</b>

Notes comprise integral part of the financial statements

6

# BRANCHES AND OFFICES



**AD OSIGURITELNA POLISA**  
NATIONAL INSURANCE GROUP

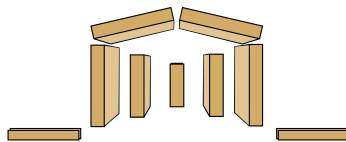
**SKOPJE**

Head Office	Kliment Ohridski no. 26	Petar Ristoski	02 3244 600
Maksim Gorki	Maksim Gorki no.8/1-3	Natasha Manova	02 3256 894
Aerodrom	Jane Sandanski no. 54-1/6-10	Petar Ristoski	02 2403 191
Centar	Gjuro Gjakovik no. 39	Slagjana Mladenovska	02 3215 144
Beverli	Naroden Front no.21/2-lok.2	Sonja Prentovska	02 3121 501
Debar Maalo	Kosturski Heroi no.6 lok.12	Irena Varga	070 313 161
Taftalige	Bagdadska no. 15	Kosta Trpevski	02 3070 576
Karposh	Partizanski Odredi no. 117	Zoika Fundu	02 3061 515
Makoteks	Nikola Parapunov 6/3	Slagjana Mladenovska	075 442 267
Univerzalna	Petar Pop Arsov no. 2	Savisha Aritonovski	02 3245 841
Kapishtec	Naroden Front no. 5	Vesna Petrovik	02 3214 789
Ilinden 2	St.34 no. 3	Slagjana Mladenovska	075 284 622
Kadino Ilinden	St. 10 no. 35	Slagjana Mladenovska	02 2550 008
Gazi Baba - Chento	Anton Popov bb	Slagjana Mladenovska	075 284 642
BEROVO	Marshal Tito no.42	Lenche Stoimenova	033 470 611
BITOLA 2	Nikola Tesla no. 51	Pece Cvetkov	047 228 360
BITOLA	Solunska no. 214	Fanche Ilioska	047 228 854
VELES	Vladimir Nazor no. 4	Jordanka Andreeva	043 212 940
VINICA	Marshal Tito no. 111	Lenche Stoimenova	033 360 011
VEVCHANI	Vevchani bb	Darko Vlajkinoski	046 701 018
DEMIR HISAR	Ul.Marshal Tito Br.12	Maja Cheshelkoska	072 243 253
GEVGELIJA	Risto Farshinin no. 20	Petar Ristoski	034 211 120
GEVGELIJA 1	Gevgelija no. 1M	Dushko Radinski	034 230 233
GOSTIVAR	Boris Kidrich no. 177	Srekjko Jovanovski	042 213 062
DELCHEVO	Makedonija bb	Lenche Stoimenova	033 412 200
KAVADARCI	7th September 53a	Gjorgji Grozdanov	043 400 920
3V KAVADARCI	Shishka no. 172	Gjorgji Grozdanov	075 284 629
KICHEVO	Osloboduvanje no.17	Sinka Gjurgevska	045 224 666
KOCHANI	Dimitar Vlahov A/ 1	Lenche Stoimenova	033 271 116
KRIVA PALANKA	St. Joakim of Osogovo no. 242	Slagjana Mladenovska	031 377 530
KRUSHEVO	Ilindenska no. 22	Maja Cheshelkoska	048 476 820
KUMANOVO	Treta Makedonska Udarina Brigada no.46	Lidija J. Trajkovska	031 437 534
KUMANOVO 1	11th of October no.1	Lidija J. Trajkovska	075 284 644
KYMAHOBO 2	Done Bozhinov no. 15	Petar Ristoski	031 413 555
KUMANOVO 3	Zeleznichka bb	Lidija J. Trajkovska	031 430 600
MAKEDONSKI BROD	Partizanska no. 5	Sinka Gjurgevska	071 385 357
NEGOTINO	Marshal Tito no.188	Petar Vitanov	043 371 564
OBLESHEVO	Joakim Krchovski no. 1	Petar Ristoski	033 351 091
OHRID	Partizanska no. 7	Rita Nerandzoska	046 230 515
PEHCHEVO	Boris Kidrich no. 3/2	Lenche Stoimenova	033 441 132
PRILEP	11- ti Oktomvri no. 78	Maja Cheshelkoska	048 401 100
SV. NIKOLE	Karposheva no. 26	Petar Ristoski	032 453 350
STRUGA	15-th Korpus no. 13A	Marina Popovska	046 784 081
STRUMICA	Vasil Surchev no. 5	Zvonko Andonov	034 346 501
STRUMICA 2	Kliment Ohridski bb	Zvonko Andonov	075 221 839
STRUMICA 3	Janko Cvetinov no. 43	Zvonko Andonov	034 348 501
SKUDRINJE, MAVROVO AND ROSTUSHA		Srekjko Jovanovski	042 213 062 075 280 271
TETOVO	Marshal Tito no. 1/1-1	Aco Despotovski	044 351 800
TETOVO 2	Ljubo Bozinovski - Pish no. 125	Aleksandar Ilovski	044 332 119
SHTIP	General M. Apostolski no.26	Petar Ristoski	032 393 031
INSURANCE AGENCY VASH PRIJATEL J.S.C. PRILEP	Kuzman Josifovski Pitu no. 8		048 429 515 075 284 652

## CONTENT

	page
President of the Board of Directors – Vasil Vlashki	4
General Manager Vladimir Toshevski	7
Legal Status and Seat of The Association	8
General Economic Environment	10
Business Policy	12
Risk Management Policy	13
Technical Reserves and Capital	14
Investment of Resources from the Technical Reserves	15
Accounting Policies	16
Other Policies	16
Objectives of the Company's Operation	17
Analysis of Operation	19
Financial Result	21
Financial State	22
Principal Risks to which the Association is Exposed	23
Joint-Stock Capital and Shareholders of the Association	24
Development of the Association	26
Members of the Board of Directors	27
Number of employees per personnel structure	28
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2017	
Independent Auditor's Report	30
Income Statement	32
Statement of Comprehensive Income	33
Statement of Financial Position	34
Cash Flow Statement	35
BRANCHES AND OFFICES	37





***AD OSIGURITELNA POLISA***  
**NATIONAL INSURANCE GROUP**

**AD Osiguritelna Polisa**

Kliment Ohridski no.26 1000 Skopje R. Macedonia  
phone. ++389 2 3244 600 fax. ++389 2 3244 789  
info@insurancepolicy.com.mk  
www.osiguritelnapolisa.com.mk