

Triglav Insurance AD Skopje

Financial Statements

For the year ended 31 December 2019

With the Report of the Auditors thereon

All insurance services under one roof

2019 was a noteworthy year for Triglav Group on the Macedonian market, because, this year, through its three companies, the Group was able to provide high quality services for its customers in all insurance segments, under one roof. All three companies, **Triglav Osiguruvanje**, which operates in the domain of non-life insurance, **Triglav Osiguruvanje Zivot**, which provides life insurance, and, as of April, this year, **Triglav penzisko drustvo**, which manages a mandatory and a voluntary pension fund, under fully funded pension insurance, in 2019, successfully worked in line with the Group's strategy, to provide quality service to the market and to meet customers needs.

The focus of **Triglav Osiguruvanje AD, Skopje**, as leader in the domain of non-life insurance in Macedonia, during this period, was placed on developing products and services that contribute to better quality of life for our clients. In conditions of highly competitive environment, we provided MKD 1,425 million gross written premium in 2019, which is within the planned amount. Our focus is on our customers, with whom we build a relationship of trust and our main objective is to ensure their safety, satisfaction and positive experience. We develop products that protect the most important aspects of life, such as voluntary health insurance, which we continuously improve and update, like in 2019, when we offered insurance for malignant diseases and coverage for specific operations in Slovenia. We strive for up-to-date and streamlined ways of communication with our clients; hence we are introducing digital solutions, such as this year's travel medical insurance online application. The non-mandatory classes of insurance are of utmost importance for the development of the insurance market, and our goal is to remain at the forefront in offering such types of insurance. On the other hand, taking into consideration the environment with low interest rates, the net income from interests is decreasing. However, the structure of the financial portfolio remains relatively conservative, with a dominant share of fixed-income debt securities. In 2019, we provided MKD 17.7 million profit before tax, and, we ended the year with 140.6% coverage of technical reserves and high capital adequacy of 395%.

In 2019 we adopted a new **Strategy for the period 2019-2022**. Quality, simplicity and integrity of services, tailored to the needs and expectations of customers, are the main drivers to all the activities we will undertake in the future. They will continue to cover service development and sales processes, based on innovative and advanced technologies, improvements and upgrades to multi-channel customer communication, as well as increased sales channel efficiency. Our strategic direction remains the same - achieving long-term, stable profitability and increasing our value, customer-orientation and development of connected services, as well as changing the organization and culture for even greater readiness for cooperation and agility.

Chief Executive Director
Gjorgje Vojnovic, MBA



Executive Director
Rok Rjvk



Table of Contents

Independent auditor's report.....	1
Financial Statements for the year ended 31 December 2019	3
General information.....	7
Basis of preparation	9
Significant accounting policies	11
Accounting estimates and judgments	33
Risk management	35
Operational segments	63
Notes to the financial statements	65

INDEPENDENT AUDITORS' REPORT

TO THE OWNERS OF TRIGLAV INSURANCE AD SKOPJE

We have audited the accompanying financial statements (pages 3 to 103) of Triglav Insurance AD Skopje (hereinafter: "the Company"), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, 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 International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Law on Auditing and the applicable auditing standards in the Republic of North Macedonia. Those 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 these 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.

(Continued)

INDEPENDENT AUDITORS' REPORT

TO THE OWNERS OF TRIGLAV INSURANCE AD SKOPJE (Continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Triglav Insurance AD Skopje as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of the Company for the year ended December 31, 2018 were audited by another auditor whose report dated May 2, 2019 expressed an unqualified opinion.



Lidija Nanus
Certified Auditor
Director



Aleksandar Arizanov
Certified Auditor

April 8, 2020
Deloitte DOO
Blvd. Partizanski Odredi no. 15A Skopje

Triglav Insurance AD Skopje

Financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)


STATEMENT OF FINANCIAL POSITION


	Note	31 December 2019	31 December 2018
ASSETS			
Intangible assets	7	133,864	136,909
Property and equipment	8	85,541	68,979
Right of use assets	9	63,768	-
Investment property	10	978	1,691
Investments in associates	11	56,794	57,727
Financial investments	12	1,587,636	1,518,866
Loans and receivables		485,529	464,868
Available for sale		1,102,107	1,053,998
Reinsurers' share of technical provisions	13	221,856	167,135
Receivables	14	365,331	336,817
Receivables from direct insurance operations		313,168	288,964
Receivables from reinsurance operations		3,405	407
Current tax receivable		5,802	6,690
Other receivables		42,956	40,756
Other assets	15	5,527	3,841
Cash and cash equivalents	16	14,970	23,067
TOTAL ASSETS		2,536,265	2,315,032
EQUITY AND LIABILITIES			
Equity	17	900,996	882,553
Share capital		185,223	185,223
Share premium reserves		41,972	41,972
Reserves from profit		408,029	386,069
Revaluation reserve		47,953	44,388
Retained earnings		202,941	193,424
Net profit for the period		14,878	31,477
Insurance technical provisions	18	1,341,391	1,248,386
Unearned premiums		596,734	581,229
Claims provisions		730,211	649,132
Bonuses and discounts		5,944	3,019
Other insurance technical provisions		8,502	15,006
Employee benefits	19	13,978	13,987
Other provisions	20	9,404	9,404
Deferred tax liabilities	21	5,002	4,753
Other financial liabilities	22	1,724	1,724
Lease liabilities	9	65,247	-
Operating liabilities	23	117,543	71,890
Liabilities from direct insurance operations		24,918	22,315
Liabilities from reinsurance and co-insurance operations		92,625	49,575
Other liabilities	24	80,980	82,335
Total liabilities		1,635,269	1,432,479
TOTAL EQUITY AND LIABILITIES		2,536,265	2,315,032

Triglav Insurance AD Skopje
Financial statements for the year ended 31 December 2019
(All amounts are in MKD thousand unless otherwise stated)
STATEMENT OF PROFIT OR LOSS

	Note	31 December 2019	31 December 2018
Gross written premium		1,424,891	1,425,495
Outward reinsurance premium		(439,655)	(298,103)
Change in provision for unearned premiums		(17,055)	(39,232)
Change in provision for unearned premiums (reinsurers' share)		21,985	36,159
Net premium income	25	990,166	1,124,319
Interest income		41,981	42,665
Dividend income		332	-
Realised gains on disposals		1,790	3,018
Other income		572	493
Income from financial assets	26	44,675	46,176
Interest income from receivables		8,268	4,967
Reinsurance fees and commission income		64,055	31,208
Other income from insurance operations		11,220	10,326
Other insurance income	27	83,543	46,501
Other Income	28	7,531	7,223
Gross claims settled		658,574	732,570
Income from claimed gross subrogated receivables		(19,066)	(17,479)
Reinsurers' share of claims settled		(83,516)	(16,862)
Changes in gross provisions for claims outstanding		81,079	(32,102)
Changes in provisions for claims outstanding (reinsurers' share)		(31,133)	3,530
Net claims incurred	29	605,938	669,657
Change in other insurance technical provisions	30	(6,506)	4,740
Net expenses for bonuses and discounts	31	33,879	26,437
Acquisition costs		319,156	317,896
Other operating costs		89,873	103,151
Operating expenses	32	409,029	421,047
Interest expense		3,602	-
Other expenses from financial assets and liabilities		3,097	4,458
Expenses from financial assets and liabilities	33	6,699	4,458
Other insurance expenses	34	53,858	57,962
Other expenses	35	1,208	1,725
Share of loss of an associate	11	4,061	1,844
Profit before tax		17,749	36,349
Income tax expense	36	3,019	4,872
Deferred tax expense		(148)	-
Net profit for the accounting period		14,878	31,477
Earnings per share	40		
Basic and diluted earnings per share		0.247	0.523

The financial statements of Triglav Insurance AD Skopje were approved by the Management Board on 11.03.2020.

Gjorgje Vojnovic
Chief Executive Director


Rok Pivk
Executive Director


Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

STATEMENT OF OTHER COMPREHENSIVE INCOME

	31 December 2019	31 December 2018
Net profit for the year after tax	14,878	31,477
Other comprehensive income after tax	3,565	19,970
<i>Items which could be transferred into Statement of profit and loss in the following periods</i>		
1. Net gains/losses from the re-measurement of available-for-sale financial assets	3,565	19,970
1.1 Gains/losses recognised in revaluation reserve	3,961	22,189
1.2 Tax on other comprehensive income	(396)	(2,219)
Comprehensive income / Loss for the year after tax	18,443	51,447

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserves	Legal and statutory reserves	FV reserve for long- term AFS assets	FV reserve for short- term AFS assets	Other FV reserve	Net profit brought forward	Net profit for the current year	Total
As at 31 December 2017	185,223	41,972	342,669	18,442	4,366	1,610	151,622	85,202	831,106
Net profit for the current period	-	-	-	-	-	-	-	31,477	31,477
Other comprehensive income for the year after tax	-	-	-	19,470	500	-	-	-	19,970
Total comprehensive income				19,470	500			31,477	51,447
Transfer to retained earnings	-	-	-	-	-	-	85,202	(85,202)	-
Transfer of net profit to reserves from profit	-	-	43,400	-	-	-	(43,400)	-	-
As at 31 December 2018	185,223	41,972	386,069	37,912	4,866	1,610	193,424	31,477	882,553
Net profit for the current period	-	-	-	-	-	-	-	14,878	14,878
Other comprehensive income for the year after tax	-	-	-	6,144	(2,579)	-	-	-	3,565
Total comprehensive income				6,144	(2,579)			14,878	18,443
Transfer to retained earnings	-	-	-	-	-	-	31,477	(31,477)	-
Transfer of net profit to reserves from profit	-	-	21,960	-	-	-	(21,960)	-	-
As at 31 December 2019	185,223	41,972	408,029	44,056	2,287	1,610	202,941	14,878	900,996

CASH FLOW STATEMENT

	Notes	31 December 2019	31 December 2018
Cash flow from operating activities			
Income statement items		89,468	16,136
Gross written premium	25	1,424,891	1,425,495
Outward reinsurance premium	25	(439,655)	(298,103)
Income from investment (less financial income)	26	42,885	51,143
Other income from operations (except from valuation and without changes in provisions) and financial income from receivables from operations		88,449	46,625
Gross settled claims (including recourses settled)	28	(634,305)	(715,091)
Reinsurer's share of claims	28	83,516	16,862
Expenses for bonuses and discounts	31	(33,878)	(26,437)
Operating expenses less depreciation	32	(369,709)	(404,866)
Expenses from investments (except from valuation and without changes in provisions)	33	(2,899)	(6,303)
Other expenses from operations without depreciation (except from valuation and without changes in provisions)		(63,354)	(68,317)
Interest paid	33	(3,602)	-
Corporate tax and other tax not included in expenses	36	(2,871)	(4,872)
Change of working capital (insurance receivables, other receivables, other assets, deferred taxes) of operating items of the balance sheet		(15,115)	(19,580)
Opening less closing balance of receivables from direct insurance operations		(22,262)	17,914
Opening less closing balance of receivables from reinsurance		(2,998)	(190)
Opening less closing balance of other receivables from (re)insurance operations		348	(405)
Opening less closing balance of other receivables and assets		(39,518)	(47,405)
Opening less closing balance of deferred tax assets		(148)	-
Closing less opening balance of liabilities from direct insurance operations		2,603	(6,636)
Closing less opening balance of liabilities from reinsurance		43,049	19,043
Closing less opening balance of other liabilities from operations		4,137	(11,606)
Closing less opening balance of other liabilities (less unearned premiums)		(722)	7,486
Closing less opening balance of deferred tax liabilities		396	2,219
Net cash flow from/(used in) operating activities		74,353	(3,444)
Cash flow from investing activities			
Receipts from interest from investments	12	42,423	46,973
Receipts from dividends from investments		332	-
Receipts from disposal of tangible fixed assets		3,540	4,212
Receipts from disposal of financial investments	12	1,266,536	892,087
Payments for purchase of intangible assets	7	(7,857)	(10,572)
Payments for purchase of tangible fixed assets	8	(28,165)	(3,158)
Payments for financial investments	12	(1,335,845)	(928,858)
Net cash flow (used in)/from investing activities		(59,036)	684
Cash flow from financing activities			
Payment of lease liabilities	9	(23,414)	-
Net cash flow used in financing activities		(23,414)	-
Net decrease in cash and cash equivalents		(8,097)	(2,760)
Cash and cash equivalents at beginning of the year		23,067	25,827
Cash and cash equivalents at the end of the year	16	14,970	23,067

1. General information

1.1 Company profile

Triglav Insurance AD Skopje ("Company") is a joint stock company registered and based in Republic of Macedonia. The Company was initially established in 1968 as part of Zoil Dunav Beograd and in 1994 it was registered as AD Vardar Insurance Skopje with decision no. 09-5278/1 issued by the Ministry of Finance of Republic of Macedonia.

The majority shares of the Company were purchased by Zavarovalnica Triglav d.d. Slovenia on 15 November 2007 (70.36%).

In 2011, the shares of Zavarovalnica Triglav d.d. were transferred to Triglav INT d.d. Slovenia and interest was increased to 73.38%.

A change in the Company's designation, and rebranding from AD Vardar Insurance Skopje to Triglav Insurance AD Skopje, took place on 20 September 2011.

Triglav INT d.d. has issued proposal for taking over minority shares of the Company, which resulted in increase of their share from 73.38% to 80.45%.

As of 31 December 2019, the controlling interest in Triglav Insurance AD Skopje is held by Triglav INT d.d. (80.45%) (2018: 80.35%). The ultimate holding company is Zavarovalnica Triglav d.d. Slovenia.

The company is licensed to perform 18 classes (2018:18) of non-life insurance. Among the most important insurance activities are accident insurance, land motor vehicles insurance, aircraft insurance, fire, natural forces and other damage to property insurance, motor TPL insurance, and general liability insurance.

The address of the registered Company headquarters is:

bul.8-mi Septemvri 16

Business Center Hyperium, 1000 Skopje, Republic of Macedonia

These financial statements have been approved for issue by the Management Board on 11 March 2020.

1.2 Management bodies

Triglav Insurance AD Skopje is managed and governed according to the one-pillar management system. The management bodies are:

- The General Assembly of Shareholders; and
- The Board of Directors.

The management bodies of Triglav Insurance AD Skopje act according to the viable legislation and other acts, the Statute and the internal acts of operation.

The names of the Board of Directors' members of the

Company serving during the financial year, and to date of this report, are as follows:

- Mr. Tedo Djekanovic- President of the Board of Directors, MBA;
- Mr. Gjorgje Vojnovic - Executive Member, MBA;
- Mr. Rok Pivk – Executive Member, BSc of Economics-Banking and Finance;
- Mr. Matej Ferlan – Independent non-executive member, MBA;
- Mr. Darko Popovski- Non-executive member, MBA;
- Mr. Blaz Kmetec- Non-executive member, BSc of Economics-Banking and Finance.
- Mr. Ljube Rajevski - Independent non-executive member, BSc of Economics until 10.11.2019.

1. General information (continued)

1.2 Management bodies (continued)

During 2019, the Board of Directors held ten (10) sessions on which the most important issues within the scope of the Company's business activities were considered.

The Board of Directors has also reviewed and decided upon other current matters which are in its scope of authorizations.

For the purpose of timely and effective functioning of the Board of the Directors, an Audit Commission has been formed which represents supporting body to the Board of Directors. The commission has been formed in accordance to its Statute and the Law on trade companies. Among other things, the audit commission is responsible for supervision and control of the integrity of the financial reporting, internal control system, effectiveness of the internal audit, effectiveness of the risk management system, compliance with the applicable laws and regulations etc. The audit commission reports and provides recommendations to the Board of Directors. The audit commission, also provides recommendation for the selection of the audit company responsible for auditing of the financial statements of Triglav Insurance AD, Skopje.

The names of the audit commission members are as follows:

- Mr. Darko Popovski- President of the Audit commission, MBA;
- Ms. Mateja Geržina – Member of the Audit commission;
- Ms. Jana Polda – Member of the Audit commission;
- Mr. Branko Flisar – Member of the Audit commission;
- Mr. Aleš Levstek - Member of the Audit commission until 17.09.2019;
- Mr. Miran Kraševac– Member of the Audit commission from 18.09.2019.

During 2019, the Audit commission held seven (7) sessions on which the most important issues within the scope of its responsibilities were considered.

1.3 Employees

As of 31 December 2019, the Company had 241 employees (2018:251).

The table below shows the structure of employees according to the type of employment.

Type of employment	31 December 2019	31 December 2018	Variation
Internal employees	127	126	1
Agents	114	125	(11)
Total	241	251	(10)

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standard Board ("IASB").

For all periods up to and including the year ended 31 December 2011, the Company prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP). Since 31 December 2012 the company has started to prepare its financial statements in accordance with IFRS standards.

This financial statements are both separate financial statements and economic interest statements.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following item:

- Available-for-sale financial assets measured at fair value.

The methods used for measuring fair value are described in note 3.7.

For the preparation of the statement of financial position, the Company classifies individual items into groups of assets and liabilities depending on their nature, listed in the order of their liquidity and/or maturity.

2.3 Functional and presentation 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.

2.4 Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities as at the reporting date and the amount of income and expenses in the reporting period. Although these estimates are based on the management's best knowledge of current events and activities, actual results may differ from these estimates.

Accounting estimates and underlying assumptions are reviewed on an on-going basis. A change in an accounting estimate is recognized for the period to which the estimate refers as well as for any future periods affected.

The most important uncertainty estimates and decisive judgments prepared by the management while applying the accounting principles and having the strongest impact on the figures in the financial statements are given in note 4.

2.5 Foreign currency transactions

Transactions in foreign currency are translated to MKD according to the exchange rates as at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to MKD at the prevailing exchange rate as at that date. The foreign currency gains or losses on monetary items are the difference between amortized cost in MKD at the beginning of the period, adjusted for an effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to MKD at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss,

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

2. Basis of preparation (continued)

2.5 Foreign currency transactions (continued)

except for the differences arising on translation of available-for sale equity instruments which are recognized directly in Other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The foreign currency the Company deals with is predominantly EUR.

The exchange rates used for translation at 31 December 2019 and 2018 were as follows:

	31 December 2019	31 December 2018
	MKD	MKD
1 EUR	61.486	61.495

3. Significant accounting policies

The accounting policies stated herein have been applied consistently to all periods presented in these financial statements.

3.1 Intangible assets

(i) Recognition and measurement

Items of intangible assets are accounted for using the cost model. After initial recognition, an intangible asset is carried at cost less accumulated amortization and impairment losses, if any.

Deferred acquisition costs for non-life insurance contracts, determined proportionally to unearned premiums, are also a part of intangible assets. Deferred acquisition costs are calculated as a percentage of net written premiums. The percentage is calculated for each insurance class separately and represents the portion of acquisition costs (acquisition costs as part of operating expenses, fire tax, contribution to cover losses caused by unidentified vehicles, cost of supervisory authority) in gross premium written excluding co-insurance. It is subject to the restriction that the percentage for each insurance class does not exceed the expected (calculative) share in gross written premium, which is provided for operating costs, prevention and fire tax. Change in deferred acquisition costs are recognized in the statement of profit or loss as a change in unearned premium provision.

(ii) Subsequent costs

Subsequent costs are capitalized only if it is probable that future economic benefits embodied within the item will flow to the Company and its cost can be measured reliably. All other costs are recognized in the statement of profit or loss as they are incurred.

(iii) Amortization

Amortization is recognized in the statement of profit or loss on a straight-line basis over the estimated useful life of each item of an intangible asset.

Amortization rates, based on the estimated useful lives, for the current and comparative periods are as follows:

	Annual amortization rate (%)
Software and licenses	20%

Amortization method, useful lives and residual values of assets are reviewed at each reporting date. If the expected useful life of an asset differs from previous estimates, the amortization period is adjusted accordingly.

(iv) Impairment

At each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. Accounting policies regarding the impairment of intangible assets are described in note 3.12. No intangible assets were impaired as at December 31, 2019 (2018 null.).

3. Significant accounting policies (continued)**3.2 Property and equipment****(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of an item of property and equipment comprises its purchase price and any other costs directly attributable to bringing the asset to the location and the conditions necessary for it to be capable of operating.

Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

After initial recognition, an item of property and equipment is carried at its cost less any accumulated depreciation and accumulated impairment losses, if any.

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement profit or loss as they are incurred.

(iii) Depreciation

Depreciation is recognized in the statement of profit or loss and it is calculated on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

Depreciation rates, based on the estimated useful lives, for the current and comparative periods are as follows:

	Annual depreciation rate (%)
Buildings	2.5%
Equipment	10% - 25%

Depreciation of an asset begins when it is available for use. The depreciation charge for each period is recognized in the statement of profit or loss. Depreciation of an asset ceases as at the date that the asset is derecognized.

Depreciation methods, useful life and residual values are reviewed at each reporting date and adjusted in the event expectations differ from previous estimates.

(iv) Derecognition

When a depreciable item of property and equipment is retired or otherwise disposed of, the related cost and accumulated depreciation is removed from the respective accounts.

The gain or loss from the derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item and is recognized within "Other income" or "Other expenses" in the statement of profit or loss.

(v) Impairment

At each reporting date, items of property and equipment are reviewed for indications of impairment or changes in estimated future economic benefits. Accounting policies regarding the impairment of tangible assets are described in note 3.12. No item of property and equipment was impaired as at December 31, 2019 (2018: null).

3. Significant accounting policies (continued)

3.3 Leased assets, right of use assets and lease liabilities

The Company as a lessee

The Company has operating leases for the headquarter offices of the Company as well as for several branch and representative offices throughout the country. In addition, the Company has several contracts for renting of marketing space.

The lease of headquarters has a term of four years whereas the leases of representative and branch offices have a lease term of one year but generally they are extended for period ranging from 2 years to 3 years.

Lease payments are fixed. No lease payments are linked to Company's performance or index.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are generally cancellable with one month notice period except for the leases of the headquarters where it is non cancellable until 31.12.2022 with 12 month notice period.

No leases contain an option to purchase the underlying leased asset outright at the end of the Lease. The leases generally contain an option to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. All leases the Company must keep in a good state of repair and return the properties in their original condition at the end of the lease.

The nature of the Company's leasing activities by type of right-of-use asset recognised on statement of financial position are disclosed in note 9.

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate

3 Significant accounting policies (continued)

3.3 Leased assets, right of use assets and lease liabilities

implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

The methodology for setting the interest rates at which future leases are discounted was determined at the Triglav Group level. The discount curve is the combination of the interest rate on risk-free government bonds in Republic of North Macedonia and the credit spread for the Company. The applied credit spread is 3.25% based on assumptions, defined by Triglav Group internal financial analysts. The interest rate is reviewed and adjusted if needed on a quarterly basis.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed). Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Company has elected to account for short-term leases and leases of low-value assets, when they exist, using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets and lease liabilities have been disclosed separately.

The Company as a lessor

The Company's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor the Company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

3. Significant accounting policies (continued)

3.4 Investment Property

Investment property is property (land or building or part of a building of both together) held by the Company for the purpose of earning rent or to increase capital, or for both. This category does not include property used by the Company for the regular course of business.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Depreciation of investment property is calculated on straight-line basis using rates determined by means of which acquisition cost of the building should be written off over their estimated useful life.

The useful life of the buildings is estimated at 40 years with an annual depreciation rate of 2.5%.

The annual depreciation rates of the whole investment properties applied are as follows:

	Annual depreciation rate (%)
Buildings	2.5%

Investments in real estate generate cash inflow independently of other assets owned by the Company.

Investment property is derecognized when it will be disposed of, or when the investment will be permanently withdrawn from use and the Company will not expect future economic benefits from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of profit or loss in the period of de-recognition.

Transfers are made to or from investment property only when there is change in use. Since the Company uses the cost model, the transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred nor do they change the cost of that property for measurement or disclosure purposes.

Fair values for disclosure purposes are based on a valuation by an independent appraiser who holds a recognized and relevant professional qualification.

All income arising from investment property is rental income and is shown in the statement of profit or loss under "Other income". Expenses arising from investment property consist of the depreciation charges and maintenance costs of the investment property. In the statement of profit or loss they are disclosed under "Other expenses". Accounting policies regarding the impairment of investment property are described in note 3.12.

3. Significant accounting policies (continued)

3.5 Investment in associates

Investments in associates represent investments in the companies (investees) over which Triglav Insurance AD Skopje has significant influence arising from its power to participate in financial and operating policy decisions of an investee, but not joint control or control of those policies.

Associates of Triglav Insurance AD Skopje are those companies in which the Company directly or indirectly holds between 20% and 50% of the voting rights and has a significant but not dominant influence.

In the financial statements of the Triglav Insurance AD Skopje, investments in associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date.

The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in OCI of the investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss as a separate line and represents profit or loss after.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. Accounting policies regarding the impairment of investments in associates are described in note 3.12.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Dividends are recognised in income statement once the right to payment is obtained.

3.6 Financial assets

(i) Classification

The Company classifies its financial assets into four categories available-for-sale assets, loans and receivables, held-to-maturity investments and financial assets at fair value through profit or loss. The classification is determined by the management at initial recognition and depends on the purpose for which the investment is acquired. During 2019 and 2018, all financial assets were classified as available-for-sale assets and loans and receivables.

Financial assets are initially recognized at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of profit or loss.

3. Significant accounting policies (continued)

3.6 Financial assets (continued)

(ii) Recognition and measurement

The trade date is used for the initial recognition of financial assets, except for loans and receivables (*excluding receivables from insurance operations*), for which the settlement date is used (trade date is same as the settlement one in such cases).

Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, financial assets classified as available-for-sale are measured at their fair value, without deducting transaction costs that may occur in their sale or other disposal.

Equity instruments not quoted in an active market and for which the fair value cannot be reliably measured are measured at cost.

Changes in fair value are recognized directly in other comprehensive income as an increase (gain) or decrease (loss) in the revaluation surplus, with the exception of asset impairments and foreign exchange differences regarding monetary items, such as debt securities recognized in the statement of profit or loss.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the statement of profit or loss as net realized gains on financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of profit or loss (Income from financial assets). Dividends on available-for-sale equity instruments are recognized in the statement of profit or loss when the Company's right to receive payments is established. Both are included in the "Income from financial assets" line in the statement of profit or loss.

Loans and receivables (excluding receivables from insurance operations)

Loans and receivables (excluding receivables from insurance operations) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognized when cash is advanced to the borrowers and are measured at cost. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method. Interest on loans and receivables calculated using the effective interest method is recognized in the statement of profit or loss (Income from financial assets). The impairments of loans and receivables are recognized if there is objective evidence that the receivable will not be recovered in accordance with the contractual terms. The losses arising out of impairment are recognized in the statement of profit or loss.

(ii) Derecognition

Financial assets are derecognized when the right to receive cash flows from them has expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

3.7 Fair value of financial assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

3. Significant accounting policies (continued)

3.7. Fair value of financial assets (continued)

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If there is no active market for a financial instrument, its fair value is measured by valuation techniques. These valuation techniques include the use of recent price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, comparison with the current fair value of another instrument with similar key features, discounted cash flow analyses and option pricing models. If there is a valuation technique commonly used by market participants for establishing instrument prices and if such a technique has yielded reliable estimates of prices used in actual market transactions, such a technique is applied by the Company. In the discounted cash flow method, future cash flows and discount rates are applied as estimated by the management, reflecting interest rates on comparable instruments. When the fair value of financial instruments cannot be reliably measured, the financial instruments are measured at cost (paid or received amount) increased by expenses incurred in the underlying transaction.

For disclosure purposes, a price level hierarchy has been applied for all financial assets measured at fair value as follows:

- **Level 1:** valuation through market prices quoted (unadjusted) for identical assets in an active market (stock exchange prices and Bloomberg generic prices).
- **Level 2:** valuation through comparable market data (other than prices of identical listed assets), acquired directly or indirectly for an identical or similar asset.
- **Level 3:** valuation through valuation models operating mostly based on unobservable market inputs.

The Company uses discounted cash flows method, for valuation of the government bonds that do not have quoted market price on an active market (Level 2). The Company calculates present value of the investment, or in this case the clean price of the bond, by discounting the scheduled future cash flows.

As a basis for discounting, the Company uses the yield to maturity rate of similar bonds issued by the same issuer via options on the primary market adjusted by the maturity spread.

In 2019 and 2018, as a basis for discounting, the Company used the yield to maturity of the government bonds quoted on the primary market in R. North Macedonia as opposed to the yield to maturity of the Eurobonds issued by the government of R. North Macedonia used in the previous periods. The change was made based on several factors among which was the change in the Law on Supervision of Insurance with which the insurance companies in R. North Macedonia were forbidden to invest in such instruments. Furthermore, the change was impacted by the different nature and characteristics of the Eurobond as compared to the government bonds issued on the domestic market including the major differences in the yields to maturity even when the instruments had same maturities.

3. Significant accounting policies (continued)

3.8. Reinsurer's share of technical provisions (reinsurance assets)

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, incomes and expenses from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Only rights under contracts that give rise to significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognized as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For non-life insurance business, reinsurance premiums are expensed over the period covered that the reinsurance cover is provided for based on the expected pattern of the reinsured risks (*note 3.20 net premium income*).

Reinsurers' share of technical provisions made for claims not settled yet as well as for unearned premium is an asset arising from reinsurance contracts.

The value of reinsurer's share of technical provisions for claims not settled is measured based on the expected losses in accordance with reinsurance contracts.

The value of reinsurer's share for unearned premiums is in accordance with calculation of provision for unearned premium and conditions in reinsurance contracts.

The net amounts paid to the reinsurer at the inception of a contract may be less than the reinsurance assets recognized by the Company in respect of its rights under such contracts. Any difference between the premium due to the reinsurer and the reinsurance assets recognized is included in the statement of profit or loss in the period in which the reinsurance premium is due. The amounts recognized as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

Reinsurance assets are assessed for impairment at each balance sheet date. Accounting policies regarding the impairment of reinsurance assets are described in note 3.12.

Assets from reinsurance contracts are derecognized when the rights from the underlying insurance contracts expire or are transferred to a third party.

3. Significant accounting policies (continued)

3.9 Insurance receivables and payables

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

Receivables from insurance operations are recognized when insured persons are charged with the premium. After initial recognition, receivables are measured at fair value reduced by the impairment allowance, so as to show their expected recoverable amount.

Subrogation receivables are recognized when the first installment is paid by the debtor, after a receivable has been tested in court or based on an agreement made with the subrogation debtor. Insurance receivables and payables are short term.

Accounting policies regarding the impairment of insurance receivables are described in note 3.12.

3.10 Other assets

Other assets include deferred expenses and accrued revenue, if any.

Short-term deferred expenses are amounts that will impact profit or loss in the following accounting periods. They are accrued in order to ensure their even impact on profit or loss, or to accrue prepaid expenses not yet incurred. Accrued revenue refers to revenue earned in the current accounting period but that will be collected in a subsequent period.

3.11 Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition. Cash and cash equivalents comprise cash on hand. Cash and cash equivalents are carried at amortized cost in the balance sheet.

3.12 Impairments

(i) Impairment of intangible assets and property and equipment

At each reporting date, Company's management reviews the carrying amount of the non-financial assets. If there is an indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

A cash generating unit is the smallest identifiable group of assets that generates cash inflows out of continuous use, which are greatly independent of the cash inflows from other assets or groups of assets. Impairment losses recognized with regard to the cash generating units are proportionally distributed to the assets in the units (a group of units).

An impairment loss is recognized immediately in the statement of profit or loss.

The previously recognized impairment losses of property and equipment and intangible assets are reversed only if their recoverable amount increases and if this increase can be objectively related to an event occurring after the previous impairment was recognized. An impairment loss of an asset is derecognized only up to the amount of the carrying amount that would have resulted after the depreciation charge, if in previous periods no impairment loss had been recognized.

(ii) Impairment of Investment property

At each reporting date, Company's management reviews the carrying amount of the investment property. In the event of any sign of impairment of investment property, the recoverable amount

3. Significant accounting policies (continued)

3.12 Impairments (continued)

(ii) Impairment of Investment property (continued)

(the higher of an asset's fair value less costs to sell and its value in use) is assessed. If the carrying amount of investment property exceeds its recoverable amount, an impairment loss is recognized in an amount equaling the difference between the two.

(iii) Impairment of investments in associates

At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired.

If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit/loss of an associate' in the statement of profit or loss.

(iv) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have 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 or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It is becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
 - Adverse changes in the payment status of issuers or debtors in the Company; or
 - National or local economic conditions that correlate with defaults on the assets in the Company.

Financial assets available-for-sale

The impairment loss of an available-for-sale financial asset is calculated on the basis of its current fair value. If there is objective evidence of the impairment of an available-for-sale financial asset, the accumulated loss, previously recognized in other comprehensive income, is transferred to the statement of profit or loss.

The reversal of the previously recognized impairment losses of equity instruments, classified as available-for-sale financial assets, is recognized in other comprehensive income.

A reversal of previously recognized impairment of available-for-sale debt instruments is recognized in the statement of profit or loss. Impairment may be reversed if such a reversal can be objectively related to an event occurring after the previous impairment was recognized.

For equity securities, objective evidence of impairment includes statutory changes (bankruptcy, liquidation, etc.), a significant decrease in the fair value of a security (above 40%) or a long-term decrease in the fair value of a security (continuing for more than nine months). For debt securities, objective evidence of impairment includes statutory changes (bankruptcy, liquidation, etc.), payment arrears or other significant negative events related to the creditworthiness of the issuer.

3. Significant accounting policies (continued)

3.12 Impairments (continued)

(iv) Impairment of financial assets (continued)

Loans and receivables

The impairment loss of a financial asset, measured at amortized cost, is calculated as the difference between that asset's carrying amount and the present value of expected future cash flows, determined on the basis of the historical effective interest rate. If an asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

A reversal of previously recognized impairment of financial assets measured at amortized cost is recognized in the statement of profit or loss. Impairment may be reversed if such a reversal can be objectively related to an event occurring after the previous impairment was recognized.

(v) Impairment of insurance receivables

All insurance receivables are tested for impairment or impairment reversal at least at the end of the business year. Impairments are recorded as an adjustment of the value of receivables and are formed individually or collectively for receivables with similar credit risk. Credit risk is assessed based on the classification of receivables by maturity and the experience of previous years regarding the recovery of receivables with the same maturity. Impairment loss is recognised in "Other insurance expenses".

(vi) Impairment of reinsurer's share of technical provisions

Reinsurers' share of technical provisions (assets from reinsurance contracts) is tested for impairment on an annual basis. These assets are impaired only if there is objective evidence resulting from an event occurring after the initial recognition of the reinsurance asset showing that the amounts due from reinsurers in accordance with a contract may not be recovered and if the event has a reliably measurable effect on the amounts that will be recovered by Company from the reinsurer. An impairment loss of assets from reinsurance contracts is recognised in the statement of profit or loss.

3.13 Equity

(i) Share capital

Share capital equals the nominal value of paid-up ordinary shares.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity.

(ii) Treasury shares

When the Company purchases its own shares, the consideration paid, including the directly attributable incremental costs (net of income taxes), is deducted from equity.

Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

(iii) Share premium reserves

The share premium reserves are formed from the paid-in capital surplus and other capital contributions in line with the Memorandum and Articles of Association. These reserves relate to the difference between the nominal and sales value of the ordinary shares of the Company.

3. Significant accounting policies (continued)

3.13 Equity (continued)

(iv) Reserves from profit

Under local statutory legislation, the Company is required to set aside 1/3 of its net profit for the year in a statutory reserve (as long as it is not used for covering of losses) until the level of the reserve reaches 50% of the realized average insurance premium in the last two years, whereby the premiums from the previous year are increased by the index of retail price increase, including the year for which realized profit is distributed.

These reserves are meant to cover the liabilities arising out of the insurance contracts which have period of coverage longer than one year.

(v) Revaluation reserves

The revaluation reserve represents changes in the fair value of the available for sale financial assets. The reserve includes the cumulative net effect until the moment of derecognition or impairment occurring on the financial asset.

(vi) Other fair value reserves

Other fair value reserves relate to revaluation reserve made on the property, plant and equipment before 1 January 2005.

(vii) Dividends

Dividends are recognized as liability in the year in which they are declared.

3.14 Classification of the insurance contracts

Insurance contracts are contracts under which the Company accepts significant insurance risk from another party (the policy holder); by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder.

Underwriting risk is significant if, and only if, an insured event could cause the Company to pay significant additional benefits. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expire.

The significance is determined on the basis of additional payments upon the occurrence of a loss event. The significance of additional amounts is assessed by comparing the greatest difference between the value of the payment in the event of a loss and the payment in other cases.

3.15 Insurance technical provisions

Unearned premium provision

The provision for unearned premium comprises the proportion of gross written premiums which is estimated to be earned in the following financial year, calculated separately for individual insurance contracts, using the pro-rata temporis method.

Claims provisions

Claims provisions are formed for claims incurred and reported but not settled until the reporting date (RBNS). Claims provisions are also formed for reported claims as well as for incurred but not reported (IBNR).

Provisions for reported claims are set aside on the basis of individual loss files. Provisions for non-life annuities in Triglav Insurance AD Skopje are calculated as a capitalized annuity value based on the Yugoslavian mortality tables of 1980-1982 and an interest rate of 2,5%.

Provisions for incurred but not reported claims (IBNR) are calculated by means of "triangle" methods (a combination of Chain Ladder and Bornhuetter- Ferguson methods for MTPL line of business, Loss ratio method for General liability and Chain Ladder for other classes of

3. Significant accounting policies (continued)

3.15. Insurance technical provisions (continued)

insurance). The basis for calculation is a sample of past claims experience with appropriate allowance for future trends. For this purpose a several year long time series of settled claims is applied. The IBNRs are formed for 6 classes of insurance with which 95% of the gross claims settled are covered.

Claims provisions (continued)

With the exception of annuities, provisions for outstanding claims are not discounted. The methods used and estimates made are reviewed at least on a quarterly basis.

Anticipated reinsurance recoveries are disclosed separately as assets. Reinsurance recoveries are assessed in a manner similar to the assessment of claims outstanding.

Provisions for bonuses and discounts

Provisions for bonuses are formed for managerial insurance for risks that cover death out of illness and/or accident. Provisions for bonuses are also formed for non claim occurrence at specific rate and only if such condition is agreed upon with the policyholder. The provision is created upon the conclusion of the contract, irrelevant of the payment pattern of the client.

Other insurance technical provisions

Provisions for unexpired risk reserves are formed for those lines of business where there is an insufficiency of unearned premium less deferred acquisition costs compared to expected future cash flows from the insurance contracts. The claim ratio and expense ratio are used in assessing the expected future cash flows.

3.16 Other provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, wherever appropriate, the risk specific to the liability.

3.17 Employee benefits

(i) Defined contribution plans

The Company contributes to its employees' post retirement plans as prescribed by the national legislation and will have no legal or constructive obligation to pay further amounts. Contributions, based on salaries, are made to the national organizations responsible for the payment of pensions.

There is no additional liability in respect of these plans. Obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of profit or loss when they are due.

(ii) Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Other long-term employee benefits

In compliance with the local regulations, the Company pays two average salaries to its employees at the moment of retirement and jubilee awards in accordance with the General

3. Significant accounting policies (continued)

3.17. Employee benefits (continued)

(iii) Other long-term employee benefits (continued)

collective agreement. The employee benefits are discounted to determine their present value. There is no additional liability in respect of post retirement. Based on past experience, the Company does not expect all employees to take the full amount of accrued leave. According to the laws and regulations applicable in Republic of North Macedonia, the Company has no obligation to pay unused annual leave if the employees do not use its holiday on their own decision.

3.18 Other financial liabilities

At initial recognition financial liabilities are measured at the cost arising from relevant underlying documents. They are increased by accrued interest, if any. In the financial statements, financial liabilities are disclosed at amortised cost. Interest paid on loans taken is recognised as expense and accordingly accrued over the term of the underlying loan.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

3.19 Operating and other liabilities

Operating liabilities and other liabilities are recognised in the statement of financial position based on the contractual obligation to pay. At initial recognition, operating and other liabilities are measured at cost.

3.20 Net premium income

Gross written premiums reflect business written during the year and exclude any taxes or duties based on premiums.

The earned proportion of premiums is recognized as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risk underwritten.

Outward reinsurance premiums are recognized 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 outwards reinsurance premiums are treated as expense and reduce the premium income.

Deferred acquisition costs

The costs incurred in acquiring non-life 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 as well as indirect costs, such as administrative costs.

Deferred acquisition costs are used over the period in which the costs are expected to be recoverable out of future margins in the revenue from the related contracts.

For general insurance contracts, the deferred acquisition costs represent the proportion of the acquisition costs which corresponds to the proportion of gross written premiums which is unearned at the balance sheet date.

Gross written premium is also adjusted by the change in gross provisions for unearned premiums taking into account the reinsurers' share in provision for unearned premium (in details explained in note 3.15).

Income from financial assets arises from interest income, dividends, realized gains on disposals of available-for-sale instruments and other financial income.

In the statement of profit or loss, interest income is recognized using the effective interest rate, which does not apply to financial assets recognised at fair value through profit and loss.

Income from dividends is recognised in the statement of profit or loss once the right to the payment is obtained.

3. Significant accounting policies (continued)

3.20. Net premium income (continued)

Gains on disposal arise from the derecognition of available-for-sale financial assets. The difference between the carrying amount of a financial asset and its sales value represents a realised gain.

3.21 Other insurance income

Other income from insurance operations represents fees and commission income from reinsurance as well as other income from insurance operations. It is recognised in the statement of profit or loss once a service has been provided and/or invoiced.

Fee and commission income represents charges recovered from foreign reinsurance companies based on reinsurance contracts concluded with them and from the National Insurance Bureau for paid claims.

3.22 Other income

Other income includes investment property income, income from intangible assets and property and equipment, penalty interest charged, as well as other income.

3.23 Net claims incurred

Claims incurred comprise the settlement and handling costs of paid claims arising from events occurring during the financial year reduced by the reinsurers' share and subrogated receivables, and adjusted by the change in gross provisions for outstanding claims, taking into account the reinsurers' share of these provisions.

Claims paid are recorded in the moment of processing the claim and are recognized (determined) as the amount to be paid to settle the claim. Claims paid in non-life business are increased by claims handling costs.

Claim handling costs consist of external and internal costs of assessing the eligibility and amount of claims, including court fees and charges, expert fees and subrogation recovery expenses.

3.24 Change in other insurance technical provisions

Change in other insurance technical provisions comprise of unexpired risk reserves, which are formed if it is assumed that the amount of unearned premiums decreased by the deferred acquisition costs is not sufficient for covering future insurance contracts liabilities.

3.25 Operating expenses

Gross operating costs are recognized as original expenses by natural type of cost. In the statement of profit or loss these costs are classified by function. Claim handling costs are a constituent part of claims incurred (note 3.23), asset management costs are a constituent part of expenses from financial assets and liabilities (note 3.26), whilst insurance contract acquisition costs and other operating costs are separately disclosed in the statement within operating expenses headline. All operating costs are disclosed by natural type and function.

Operating lease

Payments made under operating leases are recognized in the statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in the statement of profit or loss as an integral part of the total lease expense.

3.26 Expenses from financial assets and liabilities

Expenses from financial assets and liabilities are interest expenses, fair value losses, net realized losses on disposals of financial assets, impairment losses and other financial expenses.

In the statement of profit or loss, interest expense is recognized using the effective interest method, which does not apply to the financial assets measured at fair value through profit and

3 Significant accounting policies (continued)

3.26 Expenses from financial assets and liabilities

loss. During 2018, the Company did not have such expenses. During 2019, the Company recorded interest expenses related to the lease liabilities in accordance with IFRS 16.

Losses on disposal arise from the derecognition of available-for-sale financial assets. The difference between the carrying amount of a financial asset and its sales value represents a loss incurred.

3.27 Other insurance expenses

Other insurance expenses include management fees, losses arising from the impairment of receivables, fire protection tax, prevention expenses and other insurance-related expenses.

Other insurance expenses are disclosed in the statement of profit or loss once a service is provided.

3.28 Other expenses

Other expenses comprise other expenses not directly arising from insurance operations. Other expenses are disclosed in the statement of profit or loss once a service is provided.

3.29 Taxes

Current income tax

With the latest changes in the Macedonian tax legislation published in Official Gazette no.112 from 25 July, 2014, effective from 1 January 2014, the current income tax in Republic of North Macedonia is calculated as 10% tax rate on the income before tax representing the tax base. This tax base is further increased by the non-deductible (unrecognized) expenses incurred in that fiscal year and determined in the "Rulebook for the calculation and payment manner of income tax, and prevention from double tax relief or double taxation", decreased by the amount of tax credits and other tax reliefs.

The current income tax is recognized in the statement of profit or loss for the year.

During the year, the Company pays monthly advances which are calculated based on the income tax expenses from the previous year. At the end of the reporting period, a final tax calculation is prepared for the current year based on the current year income tax expenses and any difference to the monthly advances paid is recorded as either tax asset or tax liability.

Deferred income tax

According to the latest changes in the Macedonian tax legislation effective from 1 January 2014, deferred tax is calculated for all temporary differences between the amounts of assets and liabilities used for taxation and their carrying amount. The impact of the recognition of deferred tax receivables or liabilities is disclosed as income or expense in the income statement, excluding taxes charged on a business event recognized under other comprehensive income.

3 Significant accounting policies (continued)**3.30 Adoption of new and revised IFRS**

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of January 1, 2019.

- IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019), issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16’s predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis. **The Company chose to apply the cumulative catch-up approach where it recognizes right-of-use asset at the date of initial application for leases previously classified as an operating lease at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.** The adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases. All relevant disclosure under IFRS 16 are contained in notes 3.3 and 9.

Financial impact of the initial application of IFRS 16

The table below show the amount for each financial statement line item affected by the application of IFRS 16 for the current and prior year.

Impact on loss for the year	December 31, 2019	December 31, 2018
Increase in depreciation of right-of-use asset	(24,893)	-
Increase in finance costs	(3,602)	-
Decrease in other expenses	27,015	-
Decrease in income taxes	148	-
Decrease in profit for the year	(1,332)	-

Impact on balance sheet	December 31, 2019	December 31, 2018
Right of use assets	63,768	-
Deferred tax assets	148	-
Lease liabilities	65,247	-
Decrease in profit for the year	(1,332)	-

The application of IFRS 16 to leases resulted in the recognition of right-of-use assets of 63,768 MKD thousand and lease liabilities 65,247 MKD thousand. It also resulted in a decrease in other expenses of 27,015 MKD thousand and an increase in depreciation of 24,893 MKD thousand and interest expense of 3,602 MKD thousand.

3 Significant accounting policies (continued)**3.31 Adoption of new and revised IFRS (continued)**

- **Amendments to IFRS 9 “Financial Instruments”** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019), issued by IASB on 12 October 2017. The amendments modifies the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of a early repayment gain. Moreover, amendments contain clarification regarding the accounting for a modification of a financial liability that does not result in derecognition. In this case, carrying amount is adjusted with the corresponding result recognized in comprehensive income. The effective interest rate is not recalculated. **It is not expected that these amendments would be relevant for the Company.**
- **Amendments to IAS 19 “Employee Benefits”** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. **It is not expected that these amendments would be relevant for the Company.**

Amendments to IAS 28 “Investments in Associates and Joint Ventures” - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019), issued by IASB on 12 October 2017. Amendments were introduced to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term nterests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Amendments also delete paragraph 41 because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests. **It is not expected that these amendments would be relevant for the Company.**
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2015-2017)”** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019), issued by IASB on 12 December 2017. The amendments clarify that: a company remeasures its previously held interest in a joint operation when it obtains control of the business (IFRS 3); a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business (IFRS 11); a company accounts for all income tax consequences of dividend payments in the same way (IAS 12); and a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale (IAS 23). **It is not expected that these amendments would be relevant for the Company.**
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** (effective for annual periods beginning on or after 1 January 2019), issued by IASB on 7 June 2017. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company’s tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how

3 Significant accounting policies (continued)

3.30 Adoption of new and revised IFRS (continued)

to reflect the effects of uncertainty in accounting for income taxes. **It is not expected that these amendments would be relevant for the Company.**

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Company's financial statements except for the implementation of IFRS 16 as disclosed within this note and notes 3.3 and 9.

Standards issued but not yet effective and not early adopted

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 17: Insurance Contracts: The Amendments are effective for annual periods beginning on or after 1 January 2023. IFRS 17 requires insurance liabilities to be measured at current fulfillment value and provides more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023. **The Company is in the process of assessing the impact of this amendment on its financial position and performance.**

Amendments to IFRS 3 "Business Combinations" - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period), issued by IASB on 22 October 2018. Amendments were introduced to improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance. **It is not expected that these amendments would be relevant for the Company.**

Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" - Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020), issued by IASB on 26 September 2019. The changes in Interest Rate Benchmark Reform:

- a) modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
- b) are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
- c) are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
- d) require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments. **It is not expected that these amendments would be relevant for the Company.**

3 Significant accounting policies (continued)
3.30 Adoption of new and revised IFRS (continued)

Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded), issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. **It is not expected that these amendments would be relevant for the Company.**

Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Material (effective for annual periods beginning on or after 1 January 2020), issued by IASB on 31 October 2018. The amendments clarify the definition of material and how it should be applied by including in the definition guidance. **The amendments are not expected to have any impact on Company’s financial statements.**

Amendments to IAS 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022), issued by IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. **The amendments are not expected to have any impact on Company’s financial statements.**

Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020), issued by IASB on 29 March 2018. Due to the fact that Conceptual Framework was revised, the IASB updated references to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. **The amendments are not expected to have any impact on Company’s financial statements.**

3 Significant accounting policies (continued)

3.31 Segment reporting

An operating segment is a component of the Company that is part of business activities from which the Company can generate revenue and incur expenses, including revenue and expenses related to transactions with any other Company components whatsoever. The operating results of the operating segments of the Company are regularly reviewed by the Company's Board of Directors in order to reach decisions regarding allocation of resources and assessing performance of the operating segments, for which there is confidential financial information.

The investment in associate held by Triglav Insurance AD Skopje is considered to have similar economic characteristics with itself. In addition, both companies are similar with each other in the nature of the products and services they offer, the type of customers to whom they offer their products and services and the methods used to provide their services. Furthermore, they both operate in same regulatory environment and are regulated by same regulator. The reported revenues of Triglav Insurance Life AD Skopje are less than 10% of Triglav Insurance AD Skopje's revenues. Based on the following information, the management of the Company has decided to aggregate Triglav Insurance Life AD Skopje within the financial information of Triglav Insurance AD Skopje. As a result, the Company has only one reporting segment.

4. Accounting estimates and judgments

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.

4.1. Insurance technical provisions

Key sources of estimation uncertainty

The assumptions used in the estimation of insurance assets and liabilities are intended to result in provisions 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 a provision for outstanding claims, it is likely that the final outcome will prove to be different from the original liability established.

The unearned premium for all insurance policies is calculated pro-rata temporis.

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

The provision for claims is not discounted for the time value of money (except for the non-life annuities). The methods used and estimates made are reviewed at least on a quarterly basis.

The sources of data used as inputs for the assumptions are typically internal to the Company, using detailed studies that are carried out at least annually. The assumptions are checked to ensure that they are consistent with observable information or other published information.

The Company pays particular attention to current trends.

The estimation of claims incurred but not reported ("IBNR") is generally subject to greater degree of uncertainty than the estimates of claims already reported, 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.

Each reported claim is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as when new information arises.

Claims on non-life insurance contract are payable on a claims-occurrence basis. The contracts are concluded for short periods, mostly for one year, the Company being liable for all insured events that occurred during the term of the contract.

The shorter settlement period for these claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims, and relatively smaller amount is held as when compared to RBNS.

The provision estimation difficulties differ by class of business due for a number of reasons, including:

- Differences in terms and conditions of the insurance contracts;
- Difference in the complexity of claims;
- The severity of individual claims;
- Differences in the period between the occurrence and reporting of claims.

Significant delays can be experienced in the notification and settlement of certain type of non-life insurance claims, therefore, the ultimate cost of which cannot be known with certainty at the balance sheet date.

4. Accounting estimates and judgments (continued)

4.1 Insurance technical provisions (continued)

The cost of the outstanding claims and the IBNR provisions are estimated using actuarial methods. Such methods extrapolate the development of paid claims, average cost per claims and ultimate claim ratio for each accident year upon observed development of earlier years and expected loss ratios.

The key actuarial method used is the “chain ladder” method, which uses historical data to estimate future liabilities for claims and expenses related to claims.

To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- Economic, legal, political and market trends;
- Changes in the mix of insurance contracts inception; and
- The impact of large losses.

Assumptions

The principal assumption underlying the estimates is the Company’s past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affects the estimates.

No change in assumptions for non-life insurance contracts provision occurred in 2019 that had material effect on the financial statements.

4.2 Liability adequacy test (LAT)

Liability adequacy test is performed to prove that all liabilities deriving from insurance contract are adequate.

LAT is consisted of liability adequacy test of claim provisions (run-off for RBNS and IBNR) and liability adequacy test of unearned premium reserves (LAT for UPR).

In the LAT for UPR, the Company performs tests to check the adequacy of the unearned premiums and unexpired risk reserves. Through these tests, the unearned premium reserves less deferred acquisition costs are compared to expected future cash flows from the insurance contracts. If a shortfall is identified the related deferred acquisition costs are written down and, if necessary, an additional provision is established for separate lines of business. The deficiency is recognized in the statement of profit or loss for the year. As a result, the Company booked unexpired risk reserves in amount of -6,506 MKD thousand as of 31 December 2019 (2018: 4,740 MKD thousand)

Run-off analysis for RBNS and IBNR are performed to verify the appropriateness of the level of claims technical provisions. Potential negative results have only informative character but it also indicates that some inconsistencies might exist, therefore, it is potential indication for reviewing and analyzing of the methodology applied in the estimation process.

4.3 Estimating the lease term

When the Company has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. Based on past experience and in line with Company’s future strategy, the leases for branch offices are extended for three years whereas the leases for the representative offices are extended for two years.

5. Risk management

5.1 Main characteristics of the risk management system

Objectives of the risk management system

Triglav Insurance AD Skopje operates in accordance with the risk management rules, controls the operating risks and undertakes necessary measures for risk management.

Triglav Insurance AD Skopje continuously identifies, assesses and measures the risks to which it is exposed during the course of its business activities. The risk management policy in place contributes to having planned and systematic approach to identification, assessment and calculation of the risks. During 2019, the Company has been pursuing and directing its risk management policy towards ensuring sustainable maintenance of the risk exposure level to a degree for which it is believed that it will not jeopardize its assets and business activities and which will ensure full protection of the interests of the policyholders, shareholders, damaged persons and other creditors of the Company. This risk management policy conducted by the Company is harmonized with the laws and regulations, as well as the internal rules and procedures.

Effective risk management provides the opportunity to efficiently turn risk into value. It enables the Company to control and adjust its entire risk profile and to limit its amount of exposure to certain risks. The successful and prudent assumption and management of risks gives the Company financial strength and, consequently, the ability to fulfill its obligations to its clients and meet their expectations, at the same time creating sustainable value for its investors. The Company has developed a conservative culture and approach to risks which it controls with modern risk management tools.

Since risk management is one of the most important functions of the Company, it requires adequate resources in terms of organisational structure, strategic orientation, staff training, and regular or continuous risk review. Monitoring and identification of risks constitute the foundation of the risk management system. The Company uses a set of reporting and control procedures, supplemented with various rules and regulations. Common to all these, however, is a transparent sharing of information. Consequently, the operation of the Company is more transparent, stable and secure.

All together, this leads to favourable results and raises the satisfaction of all the participants in the business process. To enable efficient risk taking and risk identification, which form the essence of the Company's risk management system, all business divisions have clearly defined limits and apply an internal control system for monitoring their operations.

The Risk Management Strategy is defined in a clear and precise manner, in line with the Company's business strategy. Its goals are to reinforce the Company's financial stability and strength, to cater to the clients' needs and to fulfill the obligations towards them as well as to increase the value of the Company for its shareholders. Moreover, the Strategy sets out the risk appetite, i.e., the framework and level of risks the Company is willing to assume and manage. The system is designed to allow transparency and efficient communication.

5.2 Capital management and capital adequacy management

The capital adequacy represents security against possible capital risks of Company not being able to secure the necessary prescribed capital.

Triglav Insurance AD Skopje measures the amount of the available solvency margin in accordance to the Law on Supervision of Insurance by applying the both methods of premium rate and claims rate. The Company performs calculations of the required capital level on quarterly basis.

According to the applicable local legislation, the Company is required to maintain capital level which is at least equal to the calculated solvency margin in order to maintain its core business and ensure coverage of potential losses. The capital that the Company maintains is in surplus to the calculated solvency margin. Capital surplus offers high coverage of losses due to unexpected adverse events, with regard to the previous and current developments in

5. Risk management (continued)

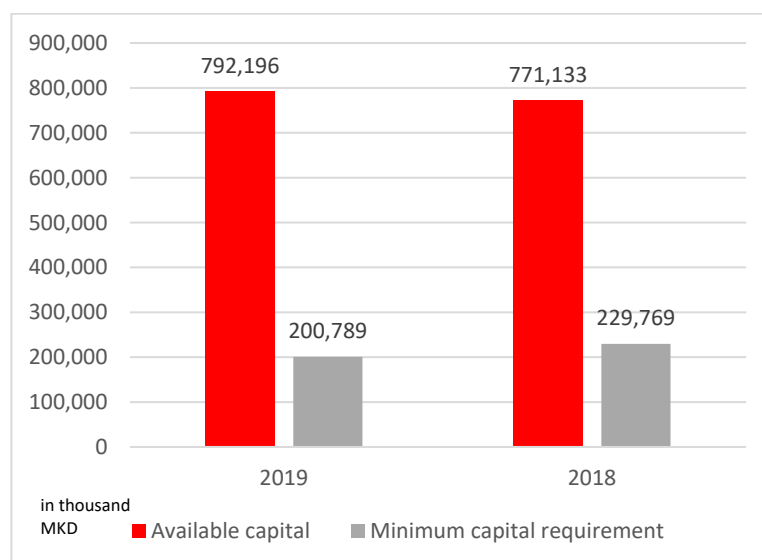
5.2 Capital management and capital adequacy management (continued)

the environment of the Company and future expectations. In addition to measuring the current capital adequacy level, the Company monitors the planned capital adequacy level, which enables to monitor the effects of the extended and narrow environment. Furthermore, this enables optimal distribution of the capital.

Furthermore, the capital adequacy ratio of insurance technical provisions is continually monitored for the purpose of assessing the solvency needs of the Company.

As at December 31, 2019, the available capital to minimum required capital ratio was 395% (2018: 336%).

The capital of the Company is consisted of share capital, share premium reserves, reserves from profit and retained earnings. The net profit for the period is not included in the calculation of the capital until it is audited. The intangible assets of the Company and the investment in associates are deducted from the capital of the Company as per the local requirements. The Company complied with the capital requirements as prescribed by the local Regulator.



5.3 Financial risks and sensitivity analysis

The Company is exposed to financial risk through all of its financial assets and liabilities, reinsurance assets and insurance receivables and liabilities. More specifically, the main financial risk is that in the long-term its investment proceeds will not be sufficient to fund the obligations arising from its insurance contracts. The most important components of the financial risk are the credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk.

These risks arise from open positions in maturities, interest rate and currency or in equity products, all of which are exposed to general and specific market movements.

The Company manages these positions with an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Company's ALM is to match assets and liabilities arising from insurance and investment contracts. The Company has not changed the processes used to manage its risks from previous periods.

Financial risks are managed through a system of clearly defined competences and powers that includes a scheme of exposure limits and a reporting process. The investment policy is approved by the Assets and Liabilities Committee (ALCO) of the Triglav Group, which regularly monitors the all group members' exposure against investment limits.

5. Risk management (continued)**5.3 Financial risks and sensitivity analysis (continued)****5.3.1 Credit risk**

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss for the Company.

The main credit risk exposures arise from debt securities holdings, deposits and insurance operations (reinsurance credit risk and credit risk of default on receivables from insurance operations). In order to control its credit risk exposure, the Company regularly reviews the creditworthiness of the parties to which it is exposed.

The Company's financial assets that may be exposed to credit risk (financial investments, reinsurance assets, receivables from insurance operations and cash and cash equivalents) amounted to 2,178,361 MKD thousand (2018: 2,033,853 MKD thousand) as disclosed below.

	31 December 2019	31 December 2018
Financial investments	1,582,005	1,513,524
AFS	1,096,476	1,048,655
Debt instruments	1,096,476	1,048,655
Loans and receivables	485,529	464,869
Deposits (term) and GF investments	481,024	464,869
Debt instruments (T-Bills and Government Bonds)	4,505	-
Reinsurance share of technical provisions	221,856	167,135
Receivables	359,529	330,127
Cash and cash equivalents	14,970	23,067
Total financial assets exposed to credit risk	2,178,360	2,033,853

Credit risk arising from financial investments

In order to manage its exposure to credit risk, the Company uses system of exposure limits, which constitute part of the investment policy for different types of assets. The aim is to achieve optimum diversification of the credit portfolio and to achieve the desired credit rating but at same time to enable achieving the appropriate level of liquidity and return. Exposures to individual issuers and changes in their credit ratings are continually monitored in order to ensure timely and suitable responses to potential adverse developments on the financial markets.

Exposure as per credit rating

As relevant credit rating for the debt securities, the Company is using the second best credit rating issued from Moody's, Standard and Poor's and FitchIBCA. The average portfolio credit rating is calculated in accordance with the methodology issued by the credit agency Moody's (Weighted Average Rating Methodology) in which the investments are weighted according to the value of their carrying amounts. The values used for the calculation of the weighted average rating are not linear and increase with the lowering of the credit rating. Not rated fixed income investments are included in calculation as Ba1 rating.

Rating	Rating result	Rating	Rating result
Aaa	1	Ba1	940
Aa1	10	Ba2	1350
Aa2	20	Ba3	1766
Aa3	40	B1	2220
A1	70	B2	2720
A2	120	B3	3490
A3	180	Caa1	4770
Baa1	260	Caa2	6500
Baa2	360	Caa3	8070
Baa3	610		

5. Risk management (continued)
 5.3 Financial risks and sensitivity analysis (continued)
 5.3.1 Credit risk (continued)

Credit risk arising from financial investments (continued)

Asset class	31 December 2019	Average Rating	31 December 2018	Average Rating
Debt instruments (T-Bills and Government Bonds)	1,100,981	Ba2	1,048,655	Ba2
Deposits (term)	457,593	Ba1	439,422	Ba1
Guarantee fund investments	23,431	-	25,447	-
Total	1,582,005	Ba2	1,513,524	Ba2

The average credit rating of the portfolio should be equal or higher than the credit rating of the domestic country. The fixed income instruments average credit rating equals to Ba2. The credit rating of the domestic country is Ba3 (second best S&P).

Following is the credit-rating structure of the debt securities of Triglav Insurance AD Skopje for the years ended 31 December 2019 and 2018:

Credit rating	31 December 2019	31 December 2018
AFS	1,100,981	1,048,655
BBB	-	-
BB	1,100,981	1,048,655
Loans and receivables	-	-
BB	-	-
Total debt securities	1,100,981	1,048,655

Term deposits, GF investments, cash and cash equivalents, receivables and reinsurance share of technical provisions are classified as "Undetermined" credit quality class.

Exposure as per product type

The Company also tends to achieve optimum diversification of its financial investment portfolio and therefore, it has various limits of exposures put in place.

According to the investment policy, the Company is allowed to invest in financial assets in compliance to the limits as disclosed below:

Type of investment	Limit 31 December 2019	Limit 31 December 2018
Debt securities	100%	100%
Debt securities issued by the state	60%	60%
Corporate debt securities issued by participant in financial sector including deposits in banks	30%	30%
Corporate debt securities issued by non-financial sector participants	10%	10%
Equity investments	0%	0%

Maximum allowable deviation for all categories of debt securities is +/- 15%.

Maximum allowable deviation for equity securities is +/- 6%.

5. Risk management (continued)
 5.3 Financial risks and sensitivity analysis (continued)
 5.3.1 Credit risk (continued)

Credit risk arising from financial investments (continued)

The table below shows the composition of the investment portfolio of the Company as of 31 December 2019 and 2018.

	31 December 2019	%	31 December 2018	%
Debt securities, deposits and GF investments	1,582,005	99.6%	1,513,524	99.6%
Debt securities issued by the state	1,100,981	70%	1,048,655	69%
Debt securities issued by other states	-	0%	-	0%
Corporate debt securities and	-	0%	-	0%
Deposits in banks	457,593	26%	439,422	29%
Guarantee fund investments	23,431	4%	25,447	2%
Equity investments	5,631	0.4%	5,343	0.4%
Total financial assets	1,587,636		1,518,867	

As of 31 December 2019 and 2018, all investments are within the limits of the Company's investment policy.

In 2019, the single largest exposure of Triglav Insurance AD Skopje was related to the government bond issued by the Republic of North Macedonia in amount of 166,853 MKD thousand with maturity until January 2028.

The single largest exposure in 2018 was related to the government bond issued by the Republic of North Macedonia in amount of 161,621 MKD thousand with maturity until January 2028.

Exposure as per single issuer or group of connected issuers

In addition, when making investments, the Company is following the financial institutions' exposure limits where the investments in one issuer or group of connected issuers should not exceed those. These limits are revised on annual basis and approved by the Risk Management Committee of the Triglav Group.

All investments made in financial assets are within the Republic of North Macedonia (2018: Republic of North Macedonia), i.e. there is no exposure on the global financial markets.

Credit risk arising from insurance and reinsurance activities

The Company is exposed to credit risk in case when the policyholders are unable to fulfill their financial liabilities arising from the insurance contracts. The receivables from the insurance operations are spread over large number of clients and therefore, there is small concentration as per client level which reduces the credit risk. The company manages the credit risk arising from insurance operations through selling insurance policies to clients with good credit history and through assessing the financial position and stability of individual clients. The credit quality of the clients is assessed through performing both, basic and detailed and broader credit analysis. Clients' financial performance and position are assessed through in-depth analysis of the financial statements and certain financial indicators. For the existing clients, the payment history and payment pattern in the past three years is also reviewed. The client status is also checked in the Central Registry of Republic of North Macedonia. As a result, through constant monitoring of the insurance portfolio, the Company is aiming towards diversification through various sectors and large number of clients.

Credit risk exposure arising from insurance business operations is regularly monitored by analyzing:

5. Risk management (continued)**5.3 Financial risks and sensitivity analysis (continued)****5.3.1 Credit risk (continued)*****Credit risk arising from insurance and reinsurance activities (continued)***

- The maturity structure of receivables from insurance operations (refer below in this section and in note 14 for analysis of receivables by maturities). The receivables are appropriately provided for as described in note 3.12; and
- Re-insurers' credit ratings.

The Company's management regularly estimates the reinsurers' solvency in order to be able to update the reinsurance strategy.

Following is the credit-rating structure of the reinsurance share of technical provisions.

	31 December 2019	31 December 2018
AA	11,300	11,593
A	195,590	144,739
BBB	17	-
BB	555	-
No rating	14,394	10,803
Reinsurance share of technical provisions	221,856	167,135

Credit risk arising from cash and cash equivalents

Even though most of the financial institutions and commercial banks in Republic of North Macedonia do not have a credit rating assigned by the credit rating companies, the Company prudently chooses the banks for its placements. The Company is only exposed to specifically approved banks and within the range of approved limits, as determined by the Investment policy statement. The list of approved banks and the appropriate limits is revised once a year, with previous financial data analysis of the banking sector in the country.

The following table discloses the cash and cash equivalents per bank.

Bank	31 December 2019	31 December 2018
Komercijalna Banka AD, Skopje	5,970	5,428
Stopanska Banka AD, Skopje	632	1,544
Halkbank AD, Skopje	2,944	7,644
NLB Banka AD, Skopje	3,574	3,020
UNI Banka AD, Skopje	451	9
Ohridska Banka AD, Skopje	84	5,383
ProCredit Banka AD, Skopje	1,308	32
Cash in Vault	7	7
Total Cash and cash equivalents	14,970	23,067

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.3.1 Credit risk (continued)

Additional credit risk disclosures

31 December 2019	Neither past due nor impaired	Past due but not impaired	Impaired placements	Gross exposure	Allowance for impairment	Net exposure
Financial investments	1,582,005	-	98,121	1,680,126	(98,121)	1,582,005
AFS	1,096,476	-	-	1,096,476	-	1,096,476
Debt instruments	1,096,476	-	-	1,096,476	-	1,096,476
Loans and receivables	485,529	-	98,121	583,650	(98,121)	485,529
Deposits (term), GF investments and loans	481,024	-	98,121	579,145	(98,121)	481,024
Debt instruments (Treasury Bills)	4,505	-	-	4,505	-	4,505
Reinsurers' share of technical provisions	221,856	-	-	221,856	-	221,856
Receivables	212,856	64,247	521,312	798,415	(438,886)	359,529
Cash and cash equivalents	14,970	-	-	14,970	-	14,970
Total	2,031,687	64,247	619,433	2,715,367	(537,007)	2,178,360

31 December 2018	Neither past due nor impaired	Past due but not impaired	Impaired placements	Gross exposure	Allowance for impairment	Net exposure
Financial investments	1,513,524	-	99,427	1,612,951	(99,427)	1,513,524
AFS	1,048,655	-	-	1,048,655	-	1,048,655
Debt instruments	1,048,655	-	-	1,048,655	-	1,048,655
Loans and receivables	464,869	-	99,427	564,296	(99,427)	464,869
Deposits (term), GF investments and loans	464,869	-	99,427	564,296	(99,427)	464,869
Reinsurers' share of technical provisions	167,135	-	-	167,135	-	167,135
Receivables	177,824	61,479	551,265	790,568	(460,441)	330,127
Cash and cash equivalents	23,067	-	-	23,067	-	23,067
Total	1,881,550	61,479	650,692	2,593,721	(559,868)	2,033,853

5. Risk management (continued)**5.3 Financial risks and sensitivity analysis (continued)****5.3.1. Credit risk (continued)****Additional credit risk disclosures**

The impaired portion of category "Deposits (term), GF investments and loans" in amount of 98,121 MKD thousands (2018: 99,427 MKD thousands) relate to loans given in the past which are in delay of more than 365 days and therefore, they are fully impaired. During 2019, 1,200 MKD thousands of impairment was released as a result of write-off, while 105 MKD thousands as a result of collected loan receivables (2018:18,559 MKD thousands).

The composition of the past due but not impaired and impaired receivables is as follows:

	Past due but not impaired			Total
	Up to 30 days	30 - 180 days	Over 180 days	
31 December 2019	29,839	3,986	30,422	64,247
31 December 2018	28,905	1,686	30,887	61,478

	Impaired receivables			Total
	Up to 30 days	30 - 180 days	Over 180 days	
31 December 2019	-	68,078	14,349	82,427
31 December 2018	-	63,186	27,636	90,822

Triglav Insurance AD Skopje, classifies its receivables from direct insurance and recourses in the following categories according to the corresponding days of delay.

- Category A: Receivables from debtors who failed to fulfill their obligations towards the Company and are in delay of up to 30 days calculated from the maturity date.
- Category B: Receivables from debtors who failed to fulfill their obligations towards the Company and are in delay from 31 days to 60 days calculated from the maturity date.
- Category C: Receivables from debtors who failed to fulfill their obligations towards the Company and are in delay from 61 days to 120 days calculated from the maturity date.
- Category D: Receivables from debtors who failed to fulfill their obligations towards the Company and are in delay from 121 days to 270 days calculated from the maturity date.
- Category E: Receivables from debtors who failed to fulfill their obligations towards the Company and are in delay from 271 days to 365 days calculated from the maturity date.
- Category F: Receivables from debtors who failed to fulfill their obligations towards the Company and are in delay more than 365 days calculated from the maturity date.

The renegotiated receivables are classified according to the initial maturity day.

In accordance to these categories, the Company determines corresponding percentage of impairment as follows:

Category of receivables	Days of delay	Impairment % applied
A	up to 30 days	-
B	from 31 to 60 days	10%
C	from 61 to 120 days	31%
D	from 121 to 270 days	51%
E	from 271 to 365 days	71%
F	more than 365 days	100%

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.3.1. Credit risk (continued)

Additional credit risk disclosures (continued)

Receivables originating from debtors against which a bankruptcy procedure has been initiated are immediately 100% impaired regardless of the actual days of delay. Receivables which have maturity date which is after the insurance period coverage are 100% impaired.

Following is presentation of the receivables direct insurance and recourses including their classification per category as well as the corresponding impairment.

31 December 2019	Gross amount	Impairment	Net amount	Impairment %
Receivables from direct insurance	712,020	398,852	313,168	
Not due	201,000	-	201,000	-
up to 30 days	29,829	-	29,829	0%
from 31 to 60 days	22,306	2,230	20,075	10%
from 61 to 120 days	59,747	18,522	41,225	31%
from 121 to 270 days	34,579	17,635	16,944	51%
from 271 to 365 days	14,121	10,026	4,095	71%
more than 365 days	350,439	350,439	-	100%
Receivables from recourses	24,466	24,466	-	
more than 365 days	24,466	24,466	-	100%
Total receivables from direct insurance and recourses	736,486	423,318	313,168	

31 December 2018	Gross amount	Impairment	Net amount	Impairment %
Receivables from direct insurance	705,273	416,309	288,964	
Not due	171,256	-	171,256	-
up to 30 days	26,885	-	26,885	0%
from 31 to 60 days	27,793	2,779	25,014	10%
from 61 to 120 days	55,323	17,150	38,173	31%
from 121 to 270 days	46,080	23,501	22,579	51%
from 271 to 365 days	17,438	12,381	5,057	71%
more than 365 days	360,498	360,498	-	100%
Receivables from recourses	27,958	27,958	-	
more than 365 days	27,958	27,958	-	100%
Total receivables from direct insurance and recourses	733,231	444,267	288,964	

5. Risk management (continued)**5.3 Financial risks and sensitivity analysis (continued)****5.3.2 Liquidity risk**

Liquidity risk is the risk that the Company would be unable to meet its obligations when they fall due as a result of policyholder benefit payments, cash requirements from contractual commitments, or other cash outflows. Such outflows would deplete available cash resources for operational, and investments activities. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets, or potentially an inability to fulfill policyholder commitments.

The Company's liquidity management process includes day-to-day funding, managed by monitoring actual and future cash flows to ensure that requirements can be met, maintaining a portfolio of highly liquid securities that can easily be liquidated as protection against any unforeseen interruption to cash flow as well as monitoring the liquidity ratios of the balance sheet on a daily basis in compliance with internal and regulatory requirements. Liquidity risk is also a significant consideration when the Company evaluates its overall ALM profile.

The regular liquidity control enables the Company to be prepared in adopting reasonable and appropriate measures for preventing and eliminating the causes of illiquidity.

In 2019 and 2018, the Company did not obtain additional liquidity from credit lines.

The financial assets and liabilities are non interest bearing except for the deposits and AFS debt instruments. The following tables show the contractual maturity structure of the Company's financial assets and liabilities.

31 December 2019	Not defined	Under 1 year	From 1 to 5 years	Above 5 years	Total
Financial assets					
Financial investments	69,062	263,870	432,857	821,847	1,587,636
AFS	5,631	117,169	157,460	821,847	1,102,107
Debt instruments	-	117,169	157,460	821,847	1,096,476
Equity instruments	5,631	-	-	-	5,631
Loans and receivables	63,431	146,701	275,397	-	485,529
Deposits (term), GF investments and loans	63,431	142,196	275,397	-	481,024
Debt instruments (Treasury Bills)	-	4,505	-	-	4,505
Reinsurers' share of technical provisions	-	221,856	-	-	221,856
Receivables	-	359,529	-	-	359,529
Other assets	-	5,527	-	-	5,527
Cash and cash equivalents	-	14,970	-	-	14,970
Total financial assets	69,062	865,752	432,857	821,847	2,189,518
Financial liabilities					
Insurance technical provisions	-	1,341,391	-	-	1,341,391
Employee benefits	-	6,045	2,919	5,014	13,978
Other provisions	9,404	-	-	-	9,404
Financial liabilities	-	1,724	-	-	1,724
Lease liabilities	-	27,015	38,232	-	65,247
Operating liabilities	-	117,543	-	-	117,543
Other liabilities	-	73,782	-	-	73,782
Total financial liabilities	9,404	1,567,500	41,151	5,014	1,623,069
Maturity gap	59,658	(701,748)	391,706	816,833	566,449

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.3.2. Liquidity risk (continued)

31 December 2018	Not defined	Under 1 year	From 1 to 5 years	Above 5 years	Total
Financial assets					
Financial investments	30,790	523,593	303,188	661,296	1,518,867
AFS	5,343	257,325	130,034	661,296	1,053,998
Debt instruments	-	257,325	130,034	661,296	1,048,655
Equity instruments	5,343	-	-	-	5,343
Loans and receivables	25,447	266,268	173,154	-	464,869
Deposits (term), GF investments and loans	25,447	266,268	173,154	-	464,869
Reinsurers' share of technical provisions	-	167,135	-	-	167,135
Receivables	-	330,127	-	-	330,127
Other assets	-	3,841	-	-	3,841
Cash and cash equivalents	-	23,067	-	-	23,067
Total financial assets	30,790	1,047,763	303,188	661,296	2,043,037
Financial liabilities					
Insurance technical provisions	-	1,248,386	-	-	1,248,386
Employee benefits	-	6,404	2,421	5,162	13,987
Other provisions	9,404	-	-	-	9,404
Financial liabilities	-	1,724	-	-	1,724
Operating liabilities	-	71,890	-	-	71,890
Other liabilities	-	75,466	-	-	75,466
Total financial liabilities	9,404	1,403,870	2,421	5,162	1,420,857
Maturity gap	21,386	(356,107)	300,767	656,134	622,180

Due to the fact that the Company's financial investments is in AFS instruments, the debt securities maturing in 1 to 5 years and above 5 years can be sold earlier and thus cover the maturity gap that appears in the section under 1 year, if needed. As a result, it is unlikely that the Company will face any liquidity problems. In the long-term, the Company has positive gap for both, 2019 and 2018. In addition, there is no risk that any of the disclosed amounts payable will differ significantly in amount or will be required to occur significantly earlier than indicated.

5. Risk management (continued)**5.3 Financial risks and sensitivity analysis (continued)****5.3.3 Market risk**

The Company has an exposure to market risk, which is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates and foreign currencies, which are exposed to general and specific market movements and changes in the level of volatility of market rates and prices. Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Company's exposure to market risk or in the manner in which it manages and measures the risk.

Foreign currency risk management

The Company is exposed to foreign currency risk inherent in financial investments as well as in assets and liabilities arising out of the reinsurance activities. The Company does not apply any special financial instruments as a hedge against these risks since such instruments are not in common use in Republic of North Macedonia.

The carrying amount of the Company's monetary assets and monetary liabilities denominated in foreign currencies respectively is as follows:

31 December 2019	EUR	USD	Other FC	MKD	Total
Financial assets					
Financial investments	459,280	-	-	1,128,356	1,587,636
AFS	459,280	-	-	642,827	1,102,107
Debt instruments	459,280			637,196	1,096,476
Equity instruments	-	-	-	5,631	5,631
Loans and receivables	-	-	-	485,529	485,529
Deposits (term), GF investments and loans	-	-	-	481,024	481,024
Debt instruments (Treasury Bills)	-	-	-	4,505	4,505
Reinsurers' share of technical provisions	180,160	38,108	3,588	-	221,856
Receivables	9,515	-	-	350,014	359,529
Other assets	-	-	-	5,527	5,527
Cash and cash equivalents	52	-	-	14,918	14,970
Total financial assets	649,007	38,108	3,588	1,498,815	2,189,518
Financial liabilities					
Insurance technical provisions	250,593	-	20,266	1,070,532	1,341,391
Employee benefits	-	-	-	13,978	13,978
Other provisions	-	-	-	9,404	9,404
Financial liabilities	-	-	-	1,724	1,724
Lease liabilities				65,247	65,247
Operating liabilities	54,945	37,258	944	24,396	117,543
Other liabilities	1,841	-	-	71,941	73,782
Total financial liabilities	307,379	37,258	21,210	1,257,222	1,623,069

5. Risk management (continued)
 5.3 Financial risks and sensitivity analysis (continued)
 5.3.3 Market risk (continued)

Foreign currency risk management (continued)

31 December 2018	EUR	USD	Other FC	MKD	Total
Financial assets					
Financial investments	452,802	-	-	1,066,065	1,518,867
AFS	452,802	-	-	601,196	1,053,998
Debt instruments	452,802	-	-	595,853	1,048,655
Equity instruments	-	-	-	5,343	5,343
Loans and receivables	-	-	-	464,869	464,869
Deposits (term), GF investments and loans	-	-	-	464,869	464,869
Reinsurers' share of technical provisions	152,829	14,068	238	-	167,135
Receivables	6,087	146	-	323,894	330,127
Other assets	-	-	-	3,841	3,841
Cash and cash equivalents	293	18	5	22,751	23,067
Total financial assets	612,011	14,232	243	1,416,551	2,043,037
Financial liabilities					
Insurance technical provisions	214,745	-	11,494	1,022,147	1,248,386
Employee benefits	-	-	-	13,987	13,987
Other provisions	-	-	-	9,404	9,404
Financial liabilities	-	-	-	1,724	1,724
Operating liabilities	42,715	9,361	582	19,232	71,890
Other liabilities	2,313	-	-	73,153	75,466
Total financial liabilities	259,773	9,361	12,076	1,139,647	1,420,857

Foreign currency sensitivity analysis

The Company is mainly exposed to EUR fluctuations. The following table provides details on the Company's sensitivity to a 1% increase or decrease of MKD to EUR exchange rate. The sensitivity analysis includes only outstanding foreign currency monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates. Due to the fact that the Company's assets denominated in foreign currency are much larger than the liabilities, strengthening of MKD against the EUR (1% decrease of the FX rate) would lead to negative exchange rate differences whereas weakening of MKD against the EUR (1% increase in the FX rate) would lead to equal opposite impact on the profit, i.e. positive exchange rate differences. The effect of foreign currency sensitivity analyses on profit before income tax is presented below.

	31 December 2019	31 December 2018
1% drop in the FX rate to 60.87 (2018: 60.88)	(3,416)	(3,522)
1% rise in the FX rate to 62.10 (2018: 62.11)	3,416	3,522

Company's sensitivity to foreign currency fluctuations has insignificantly decreased as a result of the minor decrease in the gap between the financial assets and liabilities denominated in EUR as compared to the previous year.

The method used for deriving sensitivity information and significant variables did not change from the previous period.

5. Risk management (continued)**5.3 Financial risks and sensitivity analysis (continued)****5.3.3 Market risk (continued)*****Interest rate risk management***

The Company is exposed to deposit interest rate fluctuations only through its placements with variable interest rates. Additionally, the interest rate fluctuations on the market affect the fair value of Company's government bonds classified as available for sale (any increase in market interest rate decreases the value of the financial investment and vice versa). The Company is not allowed to use instruments of financial hedging to decrease the exposure of the risk of changes in interest rates.

The insurance and reinsurance assets and liabilities are not directly sensitive to the changes in the market interest rates since they are contractually non-interest bearing items.

Joint liability

The Company has a liability towards 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 supervision. On the investments in the Guarantee Fund, the Company receives interest payments with average interest rate of 1.10% for the year ended December 31, 2019 (2018: 1.24%).

The following table discloses the interest-bearing and non-interest bearing financial assets and liabilities as well as the division between fixed and variable interest items for the interest bearing one.

	31 December 2019	31 December 2018
Financial assets		
<i>Non-interest bearing</i>		
AFS - Equity instruments	5,631	5,343
Loans and receivables – T-Bills	4,505	-
Reinsurers' share of technical provisions	221,856	167,135
Receivables	359,529	330,127
Cash and cash equivalents	14,970	23,067
Other assets	5,527	3,841
	612,018	529,513
<i>Fixed interest bearing</i>		
AFS - Debt instruments	1,096,476	1,048,655
Loans and receivables	426,329	283,159
	1,522,805	1,331,814
<i>Variable Interest bearing</i>		
Loans and receivables	54,695	181,710
	54,695	181,710
Total financial assets	2,189,518	2,043,037
Financial liabilities		
<i>Variable Interest bearing</i>		
Lease liabilities	65,247	-
<i>Non-interest bearing</i>		
Insurance technical provisions	1,341,391	1,248,386
Employee benefits	13,978	13,987
Other provisions	9,404	9,404
Financial liabilities	1,724	1,724
Operating liabilities	117,543	71,890
Other liabilities	73,782	75,466
Total financial liabilities	1,623,069	1,420,857

5. Risk management (continued)**5.3 Financial risks and sensitivity analysis (continued)****5.3.3 Market risk (continued)*****Interest rate risk management (continued)****Interest rate sensitivity analysis*

Interest rate sensitivity analysis focuses on the exposure of the Company's financial assets to movements in interest rates at the reporting date. This analysis illustrates how the changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. As for the financial assets with variable interest rate, the analysis is prepared with assumption that the balance as at the year-end did not change during the year. In the preparation of the sensitivity analysis, an increase or decrease of 15% (0.5 percentage point) is applied, which is reasonable management assumption for the possible changes in the interest rate and which is based on historical movements of interest rates in MKD deposits with maturities of up to one year since the Company has variable-interest investments only in deposits with this maturity.

Therefore, in case the interest rates were higher/lower by 15% and all remaining variables remained constant, the profit of the Company for the year ended 31 December 2019 would be higher, i.e lower by 343 MKD thousand (2018: 579 MKD thousand).

In the preparation of the sensitivity analysis for government bonds classified as available for sale, which are in nature with fixed interest rates, an increase or decrease of 0.1 percentage point is applied, which is reasonable management assumption for the possible changes in the interest rate and which is based on historical movements of interest rates in MKD government bonds with maturities similar to the Company's investments.

Therefore, in case the interest rates were higher/lower by 0.1 percentage point and all remaining variables remained constant, the equity of the Company for the year ended 31 December 2019 would be higher by 98,824 MKD thousand/lower by 86,419 MKD thousand (2018: higher by 66,291 MKD thousand/lower by 58,893 MKD thousand).

Interest rate sensitivity analysis

The method used for deriving sensitivity information and significant variables did not change from the previous period.

	31 December 2019	31 December 2018
15% increase in deposit interest rates	343	579
15% decrease in deposit interest rates	(343)	(579)

	31 December 2019	31 December 2018
0.100 bp increase in government bond interest rates	98,824	66,291
0.100 bp decrease in government bond interest rates	(86,419)	(58,893)

5.3.4 Equity risk

Equity risk is the risk of fluctuation in share prices, which affects the carrying value of securities within the Company's portfolio that are sensitive to such fluctuations. These risks are managed through investment limits as well as through sectorial diversification. To a large extent, the portfolio consists of debt securities and therefore this diversification causes lower exposure to equity risk. The overall equity portfolio is concentrated in Republic of North Macedonia.

The equity portfolio's sensitivity to equity price fluctuations and their impact on the Other Comprehensive Income of the Company is shown in the table below.

	31 December 2019		31 December 2018	
	+ 10%	- 10%	+ 10%	- 10%
Equity investments in Republic of North Macedonia	563	(563)	534	(534)
Total effect	563	(563)	534	(534)

The above analysis demonstrates the sensitivity of the equity portfolio to equity price fluctuations. If the prices of the equities in the portfolio as at 31 December 2019 and 31 December 2018 were 10% above their disclosed values, the comprehensive income of the Company would be 563 MKD thousand and 534 MKD thousand higher. In contrast, if the prices of the equities in the portfolio as at 31 December 2019 and 31 December 2018 were 10% lower, the comprehensive income and profit of the Company would be 563 MKD thousand and 534 MKD thousand lower.

Due to the established long-term decrease in the fair value of equity securities, the Company, in accordance with International Financial Reporting Standards, impaired certain equity securities in previous years. As a result, the Company changed its Investment Policy in 2014 where further investments in equity instruments are not allowed. As a result, the Company disposed most of its equity investments during the year ended 31 December 2014.

5.3.5 Sensitivity analyses

Following the past evidence and the run-off analysis for claims it is evident that the prudent recognition an conservative methodology used by Triglav Insurance AD Skopje for recognition of insurance technical reserves results in adequate insurance liabilities. Based on the results of the adequacy test of insurance liabilities the impact of any change in assumptions or any potential increase, either in the number of claims or the average costs of claims of +/- 10%, will be within an acceptable range and will not result in a material adjustment of the insurance liabilities.

5. Risk management (continued)

5.3 Financial risks and sensitivity analysis (continued)

5.4 Underwriting risk

Triglav Insurance AD Skopje assumes underwriting risk through the insurance contracts it underwrites. The risks in this category are associated with both insurance perils covered by individual insurance classes and specific work processes related to performing insurance operations. Underwriting risks arise in the process of risk underwriting, i.e. in the assumption of risk, in the development of insurance products and their pricing, as well as in loss development changes, the allocation of insurance technical provisions, changes in policyholders' behavior and general changes in the external economic environment.

Through underwriting activities in any insurance class for which the Company is registered, it is exposed to various uncertainties such as the time of the possible occurrence of the insured event, the frequency and the possible severity arising out of the insurance contracts.

The risk that the Company faces is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the level established using statistical and actuarial techniques.

Divisions in charge of the core business are primarily responsible for active management of the underwriting risk. This type of risk is managed by clearly structured competences and powers, which include suitable delimitation of powers, underwriting limits and an authorization system. To manage risks related to the development of insurance products, Triglav Insurance AD Skopje uses set of actuarial techniques in product pricing and insurance technical provision allocations, as well as by means of regular performance monitoring, optimization of reinsurance schemes and regular supervision of the adequacy of insurance contract provisions.

Underwriting strategy

The Company's strategy for underwriting insurance contracts is focused on achieving as wide as possible dispersion which will ensure balanced insurance portfolio and is based on large portfolio of similar risks over number of years and, as such, reduces the variability of the outcome. More diversified portfolio is less likely to be affected by a change in any subset of the portfolio. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The underwriting strategy is set out and presented along with the annual business plan that established the classes of business to be written, the geographical locations in which the business is to be written as well as the industry sectors in which the Company is prepared to underwrite.

All insurance contracts are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

In addition, the Company is aiming towards making investments in short-term liquid financial assets and thus earning investment income, due to the timing difference between the payments of the premiums by the policyholders and the payments of the claims by the Company, varying between different classes of insurance.

5. Risk management (continued)

5.4 Underwriting risk (continued)

Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to manage and control its exposure to possible losses as well as to protect its capital resources. The Company buys a combination of proportionate and non-proportionate reinsurance treaties to reduce its net exposure.

For each financial year a plan of reinsurance is adopted that contains:

- calculated retained lines by individual class of insurance;
- a table of maximum coverage based on retained lines; and
- procedures, bases and criteria for establishing the highest probable loss arising from individual risks underwritten.

The Company has centralized system for management of reinsurance.

The reinsurance is made based on the limits set for maximum coverage which varies from one to another insurance class. During the year ended December 31, 2019, as an additional insurance, the Company concluded General Quota Share contract which covers all insurance classes on top of the individual contracts concluded.

In addition, the Company is allowed to buy facultative reinsurance in certain specified circumstances. These contracts are subject to separate individual approval and the total expenditures arising out of these contracts are regularly monitored.

The reinsurance contracts bear certain level of credit risk and, as a result, the reinsurance assets are reported after impairment provisions. The Company regularly monitors the reinsurers' financial position and periodically reviews the contracts in place. The management of the Company determines the criteria for acceptable reinsurance companies and monitors whether this criterion has been diligently respected in concluding the reinsurance contracts. The management of the Company is also responsible for regular monitoring of the efficiency and adequacy of the reinsurance program. The credit risk to which the Company is exposed when concluding reinsurance contracts is explained in note 5.3.1.

Following table presents the reinsurance coverage and maximum retention of the Company by insurance type for years ended 31 December 2019 and 2018.

5. Risk management (continued)

5.4 Underwriting risk (continued)

Reinsurance strategy (continued)

Type of insurance	31 December 2019		31 December 2018	
	Maximum retention	Reinsurance coverage	Maximum retention	Reinsurance coverage
Fire insurance and other damages (including business interruption as a result of fire and machine breakdown)	30,750	922,500	30,750	922,500
Other damage to property insurance (machine breakdown, electronic devices as well as CAR/EAR)	12,300	430,500	12,300	430,500
Insurance from burglary and robbery	24,600	492,000	24,600	492,000
Land motor vehicle insurance	6,150	30,750	6,150	30,750
Railway insurance	3,075	3,075	3,075	3,075
Aircraft insurance	6,150	6,150	6,150	6,150
Marine insurance	6,150	6,150	6,150	6,150
Cargo insurance	6,150	184,500	6,150	184,500
CMR insurance	9,225	9,225	9,225	9,225
Motor TPL insurance	18,450	unlimited	18,450	unlimited
Aircraft liability insurance	3,075	3,075	3,075	3,075
Marine liability insurance	6,150	6,150	3,075	3,075
General liability insurance	9,225	9,225	9,225	9,225
Credit insurance	3,075	3,075	3,075	3,075
Suretyship insurance	3,075	3,075	3,075	3,075
Miscellaneous financial loss insurance	3,075	3,075	3,075	3,075
Accident insurance	6,150	6,150	6,150	6,150
Health insurance	3,075	3,075	3,075	3,075
Travel insurance	3,075	3,075	3,075	3,075
All other types of insurance	3,075	3,075	3,075	3,075

Asset-liability harmonization

The Law on insurance supervision applicable in Republic of North Macedonia prescribes certain limits regarding the Company's asset-liability matching and harmonization policy.

The Company actively manages its financial position using an approach that balances quality, diversification, liquidity and investment return, taking into consideration the limits determined by the aforementioned law. The key goal is to match the timing of cash flows from the respective assets and liabilities.

The Company is obliged to invest in assets in an amount which is at least equal to the insurance technical provisions. As at 31 December 2019 the investments of the Company which serve as assets covering the technical provisions amounted to 1,574,582 MKD thousand (2018: 1,511,290 MKD thousand). These investments consist of bank accounts and deposits, shares, government bills and bonds.

5. Risk management (continued)

5.4 Underwriting risk (continued)

Asset-liability harmonization (continued)

Presented below is the asset-liability matching according to the local regulatory requirements, in relation to assets covering the technical provisions:

	Allowed %	31 December 2019	%	31 December 2018	%
Bank accounts and cash in hand	3%	14,970	1,0%	23,067	1.5%
Bank deposits	60%	453,000	28,8%	434,225	28.7%
Securities issued by R. Macedonia	80%	1,100,981	69,9%	1,048,655	69.4%
Shares that are not traded on the regulated securities market if their issuer is legal entity established in R. Macedonia	5%	3,600	0,2%	3,600	0.2%
Shares issued by investment funds registered in R. Macedonia	20%	2,031	0,1%	1,743	0.1%
Total investment in assets		1,574,582	100%	1,511,290	100%
Total net technical provisions (technical provision less reinsurance part)		1,119,533		1,081,251	
Surplus of assets covering the technical provisions		455,049		430,039	

The assets covering the net insurance technical provisions were at surplus in amount of 455,049 MKD thousand as at 31 December 2019 (2018: surplus of 430,039 MKD thousand).

Third party liability insurance*Product features*

The Company writes third party liability insurance. Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to bodily injury. The timing of claim reporting and settlement is a function of a number of factors, including the nature of the coverage, the policy provisions and the jurisdiction in which the contract is written. The majority of bodily injury claims have a relatively short tail, with most of the claims for a given accident year settled in full within a year. Many liability insurance contracts are not subject to significant lags or claim complexity risks and hence have materially less uncertainty. In general, these contracts result in lower estimation uncertainty.

Management of risk

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet the Company's criteria for profitability are underwritten. For bodily injury liability contracts, the key risk is the trend for courts to award higher levels of compensation. In pricing contracts, the Company makes assumptions that costs will increase in line with the latest available information. The key risks associated with these contracts are those relating to underwriting, competition, claims experience and the potential for policyholders to exaggerate or invent losses.

5. Risk management (continued)

5.4 Underwriting risk (continued)

Property insurance

Product features

The Company writes property insurance in the Republic of North Macedonia. Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property.

The return to shareholders under these contracts arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the Company.

The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. The claim will thus be notified promptly and can be settled without delay (an exception to this is in relation to subsidence claims). Property business is therefore classified as 'short-tailed', meaning that expense deterioration and investment return will be of less importance.

Management of risk

The key risks associated with this product are the underwriting risk, competitive risk and claims experience risk (including the variable incidence of natural disasters). The Company is also exposed to the risk of exaggeration and dishonest action by claimants. This largely explains why economic conditions correlate with the profitability of a property portfolio. Underwriting risk is the risk that the Company does not charge premiums appropriate for the different properties it insures. The risk on any policy will vary according to many factors such as location, safety measures in place and the age of property. For domestic property insurance, it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this will not be the case.

Many commercial property proposals comprise a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky. The Company reinsures risk by way of proportional type of reinsurance contracts with retention limits varying by product line and territory.

Following is dispersion of the property insurance through different regions in R. North Macedonia.

Region	31 December 2019	31 December 2018
Skopje region	40%	36%
Vardar region	22%	19%
Pelagoniski region	10%	16%
East region	14%	14%
Southeast region	5%	5%
Southwest region	4%	4%
Poloski region	2%	2%
Northeast region	3%	3%
Total	100%	100%

Following is presentation of the distribution of risk for property insurance and corresponding maximum possible claim.

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

5. Risk management (continued)

5.4 Underwriting risk (continued)

Property insurance (continued)

Management of risk (continued)

	Medium possible claim	31 December 2019			31 December 2018		
		No of individual insurance risks	GWP	Aggregated maximum possible claim	No of individual insurance risks	GWP	Aggregated maximum possible claim
0-1,538	769	13,359	84,521	9,812,677	12,793	90,724	9,947,193
1,538-3,075	2,306	4,304	24,410	15,128,044	6,963	34,099	16,366,220
3,075-6,153	4,614	1,816	20,644	12,374,250	2,830	22,195	13,407,995
6,153-15,375	10,764	931	20,686	14,161,988	1,427	27,339	15,709,921
15,375-30,750	23,063	315	12,256	11,453,607	498	14,958	13,322,442
30,750-61,500	46,125	128	11,870	11,849,112	255	14,712	13,299,461
61,500-123,000	92,250	86	10,479	11,475,966	114	8,386	11,411,214
123,000-184,500	153,750	25	5,395	8,417,644	46	5,094	7,787,309
184,500-307,500	246,000	19	9,997	10,047,971	43	12,771	12,225,216
307,500-615,000	461,250	23	7,029	20,661,125	36	8,929	16,711,462
615,000-1,230,000	922,500	12	8,950	25,526,642	20	10,693	29,404,468
1,230,000-3,075,000	2,152,500	13	5,743	50,677,532	16	10,687	40,940,617
> 3,075,000		17	77,330	352,732,487	12	73,862	351,668,914
		21,048	299,310	554,319,045	25,053	334,449	552,202,432

Triglav Insurance AD Skopje**Notes to the financial statements for the year ended 31 December 2019***(All amounts are in MKD thousand unless otherwise stated)***5. Risk management (continued)****5.4 Underwriting risk (continued)*****Motor insurance****Product features*

The Company writes motor insurance in the Republic of North Macedonia. This consists of both property and liability benefits, and includes short tail coverage. The payments that are made quickly indemnify the policyholder against the value of loss on motor physical damage claims and property damage (liability) claims, at the time the incident occurs, subject to any limits or excesses. The payments that take longer to finalize, and are more difficult to estimate, relate to bodily injury claims. These indemnities cover the motor vehicle against compensation payable to third parties for death or personal injury.

Management of risk

In general, claims reporting lags are minor, and claim complexity is relatively low. Overall the claims liabilities for this line of business create a moderate estimations risk. The Company monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims appeal. The frequency of claims is affected by adverse weather conditions, and the volume of claim is higher in the winter months. In addition, there is a correlation with the price of fuel and economic activity, which affect the amount of traffic activity. The Company reinsures risk by way of excess of loss cover under which the Company's loss on any one event is limited. Following is presentation of the distribution of risk for motor insurance and corresponding maximum possible claim.

Maximum possible claim	Medium possible claim	31 December 2019			31 December 2018		
		No of individual insurance risks	GWP	Aggregated maximum possible claim	No of individual insurance risks	GWP	Aggregated maximum possible claim
0-615	308	2,008	11,507	536,506	2,304	12,017	242,653
615-1,230	923	2,350	34,339	4,089,398	2,173	31,094	1,915,377
1,230-1,845	1,538	1,126	26,893	3,377,175	1,067	24,358	1,617,503
1,845-3,075	2,460	695	25,764	3,168,945	633	23,281	1,500,603
3,075-6,150	4,613	1,258	56,317	10,318,772	1,344	58,359	6,094,929
6,150-12,300	9,225	104	11,496	1,545,506	122	12,819	957,276
12,300-18,450	15,375	22	3,078	657,346	30	4,350	480,436
18,450-30,750	24,600	7	1,173	282,376	12	2,089	271,038
> 30,750	-	1	158	79,578	-	-	-
		7,571	170,725	24,055,602	7,685	168,367	13,079,815

5. Risk management (continued)

5.4 Underwriting risk (continued)

Concentration of insurance risks

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Company's liabilities. Such concentrations 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. Concentrations of risk can arise in both high-severity, low frequency events, such as natural disasters and in situations where underwriting is biased towards a particular group, such as a particular geography.

The concentration of risk is carefully and in an expert way analyzed by the Company. In any line of insurance business, a risk surveying is a regular process done by experienced various engineers and professionals, thus the underwriters have a clean and undoubtful picture of the nature of the risk and its exposure to various perils, as well as in regards to the possible future claims. Procedures and documentation of such processes, questionnaires, loss reports, guidelines of PML calculating, and in most exposed risks where the concentration is above the threshold, survey reports are used.

In that respect, the Company concludes reinsurance agreements where the risk is ceded. As a result, both reinsurance concepts, facultative and treaty reinsurance and pro-rata and excess of loss reinsurance are commonly used by the Company. The yearly based agreements are on both basis, proportional and non-proportional reinsurance and include: earthquake quota share treaty, fire and engineering property first and second surplus, marine cargo, carriers and forwarders liability quota share, catastrophe and aggregate excess of loss, MTPL excess of loss, marine cargo excess of loss etc. Additionally, when a facultative cover is needed, the Company obtains it with its reputable reinsurers, on a case to case basis. In such way, the concentration of risk in all line of businesses are continually monitored and mitigated.

(i) *Geographic and sectorial concentrations*

The risks underwritten by the Company are located in the Republic of North Macedonia. The management believes that the Company has no significant concentrations of exposure to any group of policyholders measured by social, professional, age or similar criteria.

(ii) *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's key methods in managing these risks are:

- Primarily, the risk is managed through appropriate underwriting. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed;
- Secondly, the risk is managed through the use of reinsurance. The Company purchases surplus reinsurance for property business, excess of loss for the third party liability business, and quota share reinsurance for risks of earthquake and green card losses. The Company assesses the costs and benefits associated with the reinsurance program on a regular basis.

5. Risk management (continued)

5.5 Operational risks

Operational risk is defined as the risk of loss due to:

- Inadequate or failed internal processes (process disruptions, customer complaints, lack of reliable management information, business continuity issues, mismanagement of business-related costs, inefficient change management, inconsistent or incomplete process documentation, etc.);
- Inappropriate or inefficient human behavior (inadequate human resource management, loss of key personnel, lack of knowledge and competences, employee misconduct, etc.);
- Inadequate or failed systems (outdated software applications and/or infrastructure in use, lack of audit trails in software, inadequate backup and recovery times, etc.);
- External events (changes in regulation, natural disasters, competition, fraudulent activity, etc.).

In the scope of operational risks, insurance companies have a large potential exposure to insurance fraud. To manage this exposure, a special department was established and put in charge of the development and implementation of fraud indicators, research of potential fraudulent activity and reporting to the Board of Directors on the findings and initiated procedures.

The fraud prevention, detection and investigation department, which was formed in 2012 and which is fostering a culture of zero tolerance that is harmonized with the strategy of the parent company and Triglav Group, clearly demonstrates its commitment to the proactive protection of honest, regular and legally based business activities of the Company.

The strategy for fraud prevention is based on three basic pillars such as prevention, detection and investigation of the fraud covering all business processes of the Company. This enables the Company to undertake the appropriate measures in the scope of its overall operations and business activities. In this direction, through SPORP, the Company tends to pursue comprehensive application of the best practices of the international organizations like ACFE (Association of Certified Fraud Examiners) and IAIS (International Association of Insurance Supervisors). With the establishment of this department, Triglav Insurance AD Skopje has received new defence mechanism that is directed towards the protection of the Company's capital from irregular activities, insurance and other types of frauds as well as from illegal misappropriation of assets. Another important segment of operational risks are compliance risks which are managed in the framework of the compliance function.

5.6 Strategic risks

Strategic risk is the probability or possibility that an event will adversely or beneficially affect the Company's ability to achieve its strategic objectives and thus its value. Strategic risk management is directly and most actively managed by the Board of Directors of Triglav Insurance AD Skopje.

Strategic risks are addressed upon their creation, i.e. during the strategic planning process. The strategy implementation process is monitored with internal controls, while competences and responsibilities of the above-mentioned body in managing strategic risk are clearly defined. A clear organizational structure of functions provides for an effective strategic risk control as well as the achievement of short-, mid- and long-term goals.

Continuous training for employees as well as the application of state-of-the-art models, tools and good business practices enables the Company to effectively manage strategic risks.

Strategy

The Strategy of the Company is devised in a clear manner with precisely defined goals, tools and implementation processes. The strategy is in line with the trends in the industry, applicable local laws and regulations as well as the micro- and macro-environment of the Company. Good business results achieved despite the economic crisis and effects of unpredictable weather events show that the implementation of the strategy has been successful and efficient.

5. Risk management (continued)

5.6 Strategic risks (continued)

Business processes

Internal controls set up to monitor operational risks enable employees to adopt and implement more appropriate and correct decisions and enhance the Company's general ability to adapt to the changes in the environment.

Assets and liabilities

Due to the nature of its operations, Triglav Insurance AD Skopje employs ALM system which is designed to allow optimum and efficient management of assets and liabilities. Synergies and information and expertise sharing from the parent company and the overall Group are used to facilitate and improve the Company's operations. The Company effectively manages assets risks by active monitoring of its liabilities, insurance premium inflow, investments and developments in financial and all other markets, which positively affects its financial results.

Triglav Insurance AD Skopje**Notes to the financial statements for the year ended 31 December 2019***(All amounts are in MKD thousand unless otherwise stated)***5. Risk management (continued)****5.7 Fair value of financial assets and liabilities**

Following is disclosure of the carrying amounts and fair values of the financial assets and liabilities of the Company.

	31 December 2019		31 December 2018	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets				
Financial investments	1,587,636	1,587,636	1,518,867	1,518,867
AFS	1,102,107	1,102,107	1,053,998	1,053,998
Debt instruments	1,096,476	1,096,476	1,048,655	1,048,655
Equity instruments	5,631	5,631	5,343	5,343
Loans and receivables	485,529	485,529	464,869	464,869
Deposits (term), GF investments and loans	481,025	481,025	464,869	464,869
Debt instruments (Treasury Bills)	4,505	4,505	-	-
Receivables	359,529	359,529	330,127	330,127
Cash and cash equivalents	14,970	14,970	23,067	23,067
Other assets	5,527	5,527	3,841	3,841
Total financial assets	1,967,662	1,967,662	1,875,902	1,875,902
Financial liabilities				
Financial liabilities	1,724	1,724	1,724	1,724
Lease liabilities	65,247	65,247	-	-
Operating liabilities	117,543	117,543	71,890	71,890
Other liabilities	73,782	73,782	75,466	75,466
Total financial liabilities	258,296	258,296	149,080	149,080

5. Risk management (continued)

5.7 Fair value of financial assets and liabilities (continued)

The management assessed that cash and cash equivalents, receivables from insurance, technical provisions and their reinsurance share, other assets, operating, other and financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. On the maturities of these instruments, please see note 5.3.2.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Debt and equity AFS securities are evaluated by the Company based on price quotations at the reporting date. The fair value of unquoted AFS instruments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. Please refer to note 3.7.
- The fair value of loans and receivables is measured using the discounted cash flow model on the basis of the historical effective interest rate (Level 2).
- The fair value of receivables and other assets, operating, financial and other liabilities is measured through parameters such as specific country risk factors, individual creditworthiness of the customer, experience regarding recoverability of receivables with similar maturities etc. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2019, the carrying amounts of such receivables, net of allowances, were not different from their calculated fair values.

6. Operating segments**Products, services and major consumers**

The basic activity of the Company is non-life insurance, and the most significant activities of the Company are accident insurance, land motor vehicles insurance, fire, natural forces and other damage to property insurance, aircraft insurance, travel insurance etc. In these areas the Company offers a wide range of products to meet the increasing demand of the insurance market in Republic of North Macedonia.

The income of the Company is composed of insurance premiums income, investments income and other insurance income including fees and commission from reinsurance.

The Company provides insurance services to some of the biggest local companies in the field of production and distribution of energy, transport and logistics, as well as financial services.

Geographical areas

During the presentation of the information based on the geographic areas, income is presented on the basis of the geographical location of the consumers, and, the incomes are shown based on the geographical location of the assets.

The income from the segments consists of the net premium income from insurance, income from financial assets, other insurance income and other income. The management measures the segment performance through analyzing the gross written premium, net premium income, net claims incurred, income from financial assets, other insurance income and expenses, operating expenses as well as through insurance related ratios such as cost ratio, expense ratio, claim ratio and combined ratio. Combined ratio which is below 100 is desirable ratio. The combined ratio of Triglav Insurance AD Skopje as of 31 December 2019 was 102,5 (2018:100,8).

The segment information provided to the Board of Directors for the reportable segment as of 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019	31 December 2018
Gross insurance premium income	1,407,836	1,386,263
Insurance premium ceded to reinsurers	(417,670)	(261,945)
Net premium income	990,166	1,124,318
Income from financial assets	44,675	46,176
Other insurance income	83,543	46,501
Other income	7,531	7,223
Total income	1,125,915	1,224,218
Gross insurance claims settled	720,587	682,989
Insurance claims recovered from reinsurance	(114,649)	(13,332)
Net claims incurred	605,938	669,657
Change in other insurance technical provisions	(6,506)	4,740
Net expenses for bonuses and discounts	33,879	26,437
Operating expenses	409,029	421,047
Expenses from financial assets and liabilities	6,699	4,458
Other insurance expenses	53,858	57,962
Other expenses	1,208	1,724
Total expenses	1,104,105	1,186,025
Share of loss of an associate	4,061	1,844
Profit before tax	17,749	36,349

Triglav Insurance AD Skopje**Notes to the financial statements for the year ended 31 December 2019***(All amounts are in MKD thousand unless otherwise stated)***6. Operating segments (continued)**

	31 December 2019	31 December 2018
Depreciation and amortization	44,721	16,182
Interest income	41,981	42,665
Interest expense	3,602	-
Income tax expense	2,871	4,872
Share of loss of associates	4,061	1,844
Total assets	2,467,347	2,316,102
Total assets include:		
Investment in associates	56,794	57,727
Total liabilities	2,467,347	2,316,102

7. Intangible assets

	Software and licenses	Software and licenses in course of acquisition	Deferred acquisition costs	Total intangible assets
Cost				
As at 31 December 2017	43,746	-	113,279	157,025
- Additions	104	10,468	-	10,572
- Transfers in use	8,205	(8,205)		
- Increase in value	-	-	14,549	14,549
- Decrease in value	-	-	13,135	13,135
- Disposals	(8)	-	-	(8)
As at 31 December 2018	52,047	2,263	114,693	169,003
- Additions	-	7,857	-	7,857
- Transfers in use	9,225	(9,225)		
- Increase in value	-	-	(11,442)	(11,442)
- Decrease in value	-	-	9,892	9,892
As at 31 December 2019	61,272	895	113,143	175,310
Accumulated amortization				
As at 31 December 2017	24,573		-	24,573
- Current year amortization	7,529		-	7,529
- Disposals	(8)		-	(8)
As at 31 December 2018	32,094		-	32,094
- Current year amortization	9,352		-	9,352
As at 31 December 2019	41,446		-	41,446
Carrying amount				
As at 31 December 2018	19,953	2,263	114,693	136,909
As at 31 December 2019	19,826	895	113,143	133,864

No items of intangible assets were pledged as collateral as at 31 December 2019 or 31 December 2018.

The amortization for the current year is disclosed in several items of the statement of profit or loss, as gross operating expenses are presented by functional group, as described in note 3.25. For details, see expenses by nature and function in note 32.

The Company does not own intangible assets with indefinite useful life.

The value of the ADInsure software and the related licenses are in amount of 18,320 MKD thousand and represent 88% from the total value of software and licenses as at 31 December 2019 (2018: 19,874 MKD thousand or 89% from the total value of software and licenses).

8. Property and equipment

	Buildings	Equipment	Paintings	Total tangible assets
Cost				
As at 31 December 2017	80,782	102,240	598	183,620
- Additions	-	3,158	-	3,158
- Disposals	-	(2,133)	-	(2,133)
As at 31 December 2018	80,782	103,265	598	184,645
- Additions	-	28,166	-	28,166
- Disposals	-	(22,772)	(4)	(22,776)
As at 31 December 2019	80,782	108,659	594	190,035
Accumulated depreciation				
As at 31 December 2017	29,321	79,810	-	109,131
- Current year depreciation	2,019	6,634	-	8,653
- Disposals	-	(2,118)	-	(2,118)
As at 31 December 2018	31,340	84,326	-	115,666
- Current year depreciation	2,020	8,455	-	10,475
- Disposals	-	(21,647)	-	(21,647)
As at 31 December 2019	33,360	71,134	-	104,494
Carrying amount				
As at 31 December 2018	49,442	18,939	598	68,979
As at 31 December 2019	47,422	37,525	594	85,541

The market value of the buildings as at 31 December 2019 was in amount of 57,305 MKD thousand and it is in excess over its carrying amount.

The valuation of the buildings has been performed by certified appraiser.

No items of property and equipment were pledged as collateral as at 31 December 2019 or 31 December 2018.

The depreciation charge for the current year is disclosed in several items of the statement of profit or loss, as gross operating expenses are presented by functional group, as described in note 3.25. For details, see expenses by nature and function in note 32.

As at 31 December 2019 no item of property and equipment was held under finance lease.

9. Right of use assets and Lease liabilities**Right of use assets**

The right-of-use assets arise out of the leases the Company has in place. The nature of Company's leasing activities are disclosed in note 3.3.

The table below describes the nature of the Company's leasing activities as of December 31, 2019 by type of right-of-use asset recognised on the statement of financial position.

Type of right-of-use asset	No of right-of-use assets leased	Estimated lease term	Remaining term
Headquarter offices	1	4	3
Branch offices	3	3	2
Representative offices	24	2	1
Marketing space	4	2-3	1-2
Residential property	1	2.5	1.5

Additional information on the right-of-use assets by class of assets is as follows:

Type of right-of-use asset	Property	Marketing	Total
Balance at 1 January 2019	83,706	4,843	88,549
Additions	212	-	212
Remeasurements	(33)	(67)	(100)
Depreciation charge for the year	(22,974)	(1,919)	(24,893)
Balance at 31 December 2019	60,911	2,857	63,768

Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

Lease liabilities	31 December 2019
Maturity analysis - contractual undiscounted cash flows	
Less than one year	4,314
One to five years	65,304
Total undiscounted lease liabilities at 31 December 2019	69,618
Lease liabilities included in the statement of financial position	65,247
Current lease liabilities	27,015
Non-current liabilities	38,232

The Company does not have short-term leases or low value leases that it did not recognize in the lease liability line.

Variable lease payments not recognised in the related lease liability are expensed as incurred and include usage payments.

Amounts recognized in the statement of profit and loss	31 December 2019
Interest expense on lease liabilities	(3,602)
Income from sub-leasing right of use asset	1,151
Variable lease payments not included in the measurement of lease liabilities	(919)
Depreciation charge on right of use assets	(24,893)
Total recognized in the statement of profit and loss	28,263

9. Right of use assets and Lease liabilities (continued)

Amounts recognized in the statement of cash flows	31 December 2019
Total cash outflows for leases	27,016

10. Investment Property

	Buildings	Total investment property
Cost		
As at 31 December 2017	17,428	17,428
- Disposal	(6,957)	(6,957)
As at 31 December 2018	10,471	10,471
- Disposal	(1,170)	(1,170)
As at 31 December 2019	9,301	9,301
Accumulated depreciation and impairment		
As at 31 December 2017	11,851	11,851
- Current year depreciation	291	291
- Disposal	(2,550)	(2,550)
- Impairment on disposed assets	(812)	(812)
As at 31 December 2018	8,780	8,780
- Current year depreciation	175	175
- Disposal	(592)	(592)
- Impairment	(40)	(40)
As at 31 December 2019	8,323	8,323
Carrying amount		
As at 31 December 2018	1,691	1,691
As at 31 December 2019	978	978

In 2019, one asset of investment property has been sold at amount equal to its book value (2018: seven assets with gain of 605 MKD thousand). The gains from investment properties are disclosed as part of "Other Income" in note 27. In 2019, an impairment loss of 77 thousand MKD was recognized (2018: no impairment loss). The impairment loss represented the write-down of one of investment property to the recoverable amount as a result of obsolescence. This was recognized in the statement of the profit or loss as "Other Expenses (note 34). The recoverable amount represented the fair value less costs to sell and was based on a valuation of all items performed by certified appraiser KF Finance d.o.o Ljubljana. This particular property is not rented out and therefore, the value in use was not calculated. The fair value measurement was made using income capitalization approach as disclosed on the next page. After impairing this item of property, the market value as at 31 December 2019 was in excess of its carrying amount. as of 31 December 2018 no valuation was performed since the assets have been sold during the year with cumulative capital gain and no change in market conditions has occurred.

31 December 2019	Opening balance	Increase	Use	Release	Ending balance
Impairment of investment property	2,997	77	(117)	-	2,957
31 December 2018	Opening balance	Increase	Use	Release	Ending balance
Impairment of investment property	3,809	-	(812)	-	2,997

No item of investment property was pledged as collateral as at 31 December 2019 or 31 December 2018. The rental income earned from investment property in 2019 was in amount of 1,875 MKD thousand (2018: 1,807 MKD thousand). The rental income earned is disclosed in "Other Income" in note 27. The depreciation charge from investment property is disclosed in "Other Expenses" in note 34. Future rental payments are not expected to materially differ from the current one. The income earned from investment property is derived only from two properties which are cancellable with notice period of one month.

Triglav Insurance AD Skopje**Notes to the financial statements for the year ended 31 December 2019***(All amounts are in MKD thousand unless otherwise stated)***10. Investment Property (continued)****Description of valuation techniques used and key inputs to valuation of investment properties**

Following tables present information related to valuation performed as of 31 December 2019.

31 December 2019 Type of property	No of properties	Valuation approach	Level of valuation	Significant unobservable inputs	Range
Commercial property Prilep	1	Income capitalization approach	Level 3	Estimated rental value per sqm per month (eur)	1,7
				Discount rate	11,5%
				Costs of refurbishment per sqm	100
Commercial property Ohrid	1	Income capitalization approach	Level 3	Estimated rental value per sqm per month (eur)	3,5
				Discount rate	10,5%
				Costs of refurbishment per sqm	250

The following table presents the level of valuation and market value of each item of property classified as Investment property.

31 December 2019 Property	Level of valuation	Market value
Objekt Ohrid Galicica	Level 3	1,168
Objekt Prilep	Level 3	553
		1,721

Triglav Insurance AD Skopje
Notes to the financial statements for the year ended 31 December 2019
(All amounts are in MKD thousand unless otherwise stated)
11. Investment in associates

	31 December 2019	31 December 2018
Investment in associates	56,794	57,727
Total investment in associates	56,794	57,727

During the year ended 31 December 2017, Triglav Insurance AD Skopje and Triglav INT d.d founded Triglav Insurance Life AD Skopje (company for life insurance). Triglav Insurance AD Skopje, participates with 1 million EUR or 20% from the issued share capital of Triglav Insurance Life AD Skopje. Company's interest in Triglav Insurance Life AD Skopje is accounted for using the equity method. The following table illustrates the summarised financial information of the Company's investment in Triglav Insurance Life AD Skopje, which are prepared in accordance with IFRS.

	31 December 2019	31 December 2018
Intangible assets	1,202	1,613
Property and equipment	4,587	1,935
Financial investments	316,348	290,644
Receivables	10,913	291
Other assets	117	48
Cash and cash equivalents	4,351	6,838
Insurance technical provisions	(44,211)	(7,326)
Provisions for employees	(637)	(457)
Deferred tax liabilities	(1,738)	(1,816)
Liabilities from insurance operations	(58)	(360)
Other liabilities	(7,452)	(3,324)
Net assets	283,422	288,086
Company's share in %	20.038%	20.038%
Company's share in MKD	56,794	57,727

	31 December 2019	31 December 2018
Net premium earned	36,764	18,655
Income from financial assets	10,135	8,094
Other income from insurance operations	17	2
Net claims incurred	2,012	9,344
Changes in other insurance technical provisions	36,574	7,247
Operating expenses	28,326	19,294
- Acquisition costs	17,010	8,014
- Other operating costs	11,316	11,280
Expenses from financial assets and liabilities	260	70
Other insurance expenses	51	18
Net loss	(20,307)	(9,222)
Total comprehensive income for the year	(15,509)	(7,121)
Company's share of loss for the year	(4,061)	(1,844)

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

11. Investment in associates (continued)

	31 December 2019
Investment in associates as at 1 January 2018	59,571
Company's share of loss for the year	(1,844)
Investment in associates as at 31 December 2018	57,727
Company's share of fair value reserves	3,128
Company's share of loss and reserves	(4,061)
Total investment in associates as at 31 December 2019	56,794

Initial investment in Triglav Insurance Life AD Skopje was 61,627 MKD thousand.

No dividends were received from Triglav Insurance Life AD Skopje during the year ended 31 December 2019 (2018: no dividends received).

The associate had no contingent liabilities or capital commitments as at 31 December 2019 (2018: no contingent liabilities or capital commitments).

12. Financial investments

Overview of financial investments by type and investment group

31 December 2019	Available for sale - AFS	Loand and receivables - L&R	Total
Debt and other fixed return securities	1,096,476	-	1,096,476
Treasury Bills	-	4,505	4,505
Shares, other floating rate securities and fund coupons	5,631	-	5,631
Guarantee Fund Investments	-	23,431	23,431
Bank deposits	-	457,593	457,593
Total financial investments	1,102,107	485,529	1,587,636

31 December 2018	Available for sale - AFS	Loand and receivables - L&R	Total
Debt and other fixed return securities	1,048,655	-	1,048,655
Treasury Bills	-	-	-
Shares, other floating rate securities and fund coupons	5,342	-	5,342
Guarantee Fund Investments	-	25,447	25,447
Bank deposits	-	439,421	439,421
Total financial investments	1,053,997	464,868	1,518,866

Debt and other fixed return securities classified as loans and receivables are financial assets with fixed determinable payments not quoted on an active market and are subsequently measured at amortized cost.

The Deposit in the National Insurance Bureau (Guarantee fund investments) is a deposit for participation in accordance with the Law on insurance supervision in the Republic of Macedonia. The National Bureau for Insurance is non-profit organisation founded by all domestic insurance companies which purpose is to protect the interest of its members in cases of international insurance of motor vehicles and to protect the members in front of the international insurance companies. The deposits of the members are kept on separate account in a bank and the Bureau is obliged not to invest the assets and to return the assets to the members if they stop working with insurance of motor vehicles.

Triglav Insurance AD Skopje
Notes to the financial statements for the year ended 31 December 2019
(All amounts are in MKD thousand unless otherwise stated)
12. Financial investments (continued)

Following is disclosure of the interest rates of all interest bearing financial instruments, for both years ended 31 December, 2019 and 2018.

	31 December 2019	I.R	31 December 2018	I.R
Fixed interest bearing				
Debt securities (AFS)	1,096,476		1,048,655	
MACGB 3.4 01/11/28	166.853	3,40%	161.621	3,40%
MACGB 3.2 01/25/33	149.325	3,20%	149.723	3,20%
MACGB 3 11/07/34	96.232	3,00%	-	-
MACGB 4 5 10/30/2024	91.029	4,50%	92.955	4,50%
MACGB 2.9 11/22/33	28.203	2,90%	28.184	2,90%
MACGB 2.35 11/02/20	61.110	2,35%	61.277	2,35%
MACFGB 4.1 10/31/49	58.912	4,10%	-	-
MACGB 2.35 10/05/20	56.059	2,35%	56.258	2,35%
MACGB 3.1 09/19/34	53.835	3,10%	-	-
MACGB 1 1/2 10/17/24	50.111	1,50%	-	-
MACGB 3.2 02/28/34	46.127	3,20%	-	-
MACGB 3.2 05/16/34	42.162	3,20%	-	-
MACGB 2.9 11/01/33	73.162	2,90%	73.118	2,90%
MACGB 3.8 08/27/2025	22.476	3,80%	22.051	3,80%
MACGB 2 06/01/27	18.072	2,00%	55.361	2,00%
MACGB 3.7 02/11/26	17.069	3,70%	17.297	3,70%
MACGB 3.7 01/25/33	16.951	3,70%	16.146	3,70%
MACGB 2.35 01/11/20	12.488	2,35%	12.498	2,35%
MACGB 4.3 03/31/31	12.027	4,30%	12.174	4,30%
MACGB 4.3 01/31/49	10.947	4,30%	-	-
MACGB 3.4 09/20/33	9.422	3,40%	8.921	3,40%
MACGB 1.7 03/07/24	3.370	1,70%	-	-
MACDEN 2 06/01/22	298	2,00%	-	-
MACDEN 2 06/01/21	165	2,00%	-	-
MACDEN 2 06/20/26	71	2,00%	-	-
MACGB 3.9 10/16/2019	-	-	139.111	3,90%
MACGB 3.9 10/02/2019	-	-	61.851	3,90%
MACGB 2.1 05/04/19	-	-	33.297	2,10%
MACGB 2.3 01/26/19	-	-	12.685	2,30%
MACGB 2.1 09/07/19	-	-	10.137	2,10%
MACDEN 2 06/01/19	-	-	244	3,17%
MACGB 4.85 04/26/48	-	-	12.402	4,85%
MACGB 4.6 07/19/48	-	-	11.344	4,60%
Loans and receivables	426,329		283,159	
Deposit Stopanska Banka Skopje	41.256	2,00%	40.456	2,00%
Deposit ProCredit Banka	32.370	3,20%	32.370	3,20%
Deposit Stopanska Banka Skopje	30.809	1,80%	30.269	1,80%
Deposit Stopanska Banka Skopje	30.656	2,00%	30.056	2,00%
Deposit Stopanska Banka Skopje	30.527	1,80%	-	-
Deposit Ohridska Banka	30.310	1,80%	-	-
Deposit Halk Banka	30.000	2,20%	30.000	2,40%
Deposit Halk Banka	23.000	2,20%	-	-
Deposit UNI Bank	20.159	2,00%	-	-
Deposit UNI Bank	20.090	1,60%	-	-
Deposit Ohridska Banka	20.003	1,80%	20.003	1,80%
Deposit Halk Banka	20.000	2,20%	20.000	2,20%
Deposit Halk Banka call money	20.000	1,50%	20.000	1,50%
Deposit Halk Banka call money	20.000	1,50%	-	-
Deposit Halk Banka	20.000	2,30%	-	-

Triglav Insurance AD Skopje
Notes to the financial statements for the year ended 31 December 2019
(All amounts are in MKD thousand unless otherwise stated)

	31 December 2019	I.R	31 December 2018	I.R
Deposit ProCredit Banka	15.000	2,00%	15.003	1,80%
Deposit ProCredit Banka	12.111	1,70%	-	-
Deposit Halk Banka	10.038	1,20%	-	-
Deposit Halk Banka	-	-	30.000	3,00%
Deposit Ohridska Banka	-	-	15.002	1,30%
Variable Interest bearing				
Loans and receivables	54,695		181,710	
Gurantee Fund investment	23.431		25.447	1,24%
Deposit Komercijalna Banka	21.177	1,64%	-	-
Deposit Komercijalna Banka	10.087	1,64%	-	-
Deposit NLB Tutunska Banka	-	-	51.564	2,00%
Deposit Stopanska Banka Skopje	-	-	31.459	2,60%
Deposit Sparkasse Banka	-	-	31.012	2,20%
Deposit Halk Banka	-	-	20.000	2,50%
Deposit Halk Banka	-	-	20.000	2,40%
Deposit NLB Tutunska Banka	-	-	2.228	1,65%

Maturity on all instruments is provided on page 43. Deposits are with maturities of up to three years.

As at the year end, the Company has accrued interest in amount of 21,172 thousand MKD (2018: 21,384 thousand MKD) where 16,579 thousand MKD relates to debt securities and 4,593 thousand MKD relates to deposits.

Movements of financial investments

	Available for sale - AFS	Loand and receivables - L&R	Total
As at 31 December 2017	833,638	627,626	1,461,264
Acquisitions	58,601	870,259	928,860
Disposals	(69,997)	(40,462)	(110,459)
Maturities	(399,069)	(401,947)	(801,016)
Interest income inflow	(35,020)	(11,627)	(46,647)
Valuation through equity	22,189	-	22,189
Movement in impairment allowance	-	21,987	21,987
Interest income	18,389	24,274	42,663
Foreign exchange differences	25	-	25
Reclassification of financial assets	625,241	(625,241)	-
As at 31 December 2018	1,053,997	464,869	1,518,866
Acquisitions	354,854	980,990	1,335,844
Disposals	(54,734)	(2,016)	(56,750)
Maturities	(252,834)	(958,542)	(1,211,376)
Interest income inflow	(32,452)	(9,971)	(42,423)
Valuation through equity	832	-	832
Movement in impairment allowance	-	1,304	1,304
Interest income	32,525	8,895	41,420
Foreign exchange differences	(81)	-	(81)
As at 31 December 2019	1,102,107	485,529	1,587,636

12.

Financial investments (continued)**Financial investments according to valuation levels**

	31 December 2019	31 December 2018
Available for sale – AFS		
Level 1	18,607	60,949
Level 2	1,083,500	993,049
Level 3	-	-
Total available for sale financial investments	1,102,107	1,053,998

The price hierarchy that the Company is using in valuing financial assets at fair value is described in note 3.7.

In 2018, following the recommendation received from the insurance industry regulator - Insurance supervision agency - the government bonds classified as Loans and Receivables (L&R) in the portfolio, were transferred (reclassified) to the Available for sale (AFS) category. The total nominal value of the financial assets reclassified amounts to 612,840 thousand MKD, and the carrying value (net book value and accrued interest) amounts to 647,611 thousand MKD. The carrying value equals the fair value of the financial assets calculated using a valuation model. The impact on the comprehensive income due to the reclassification amounts to 20,232 thousand MKD, due to the formation of fair value reserves of those assets reclassified. There was no impact on the Statement of profit or loss, since the effective interest rate method is used in both occasions.

Reclassification of financial investments

	31 December 2019	31 December 2018
Reclassification from "L&R" to "AFS"		
Amount of reclassified financial assets	-	612,840
Effective interest rate as at the reclassification date	-	3%
Carrying amount of reclassified assets as at reporting date	-	647,611
Fair value of reclassified assets as at reporting date	-	647,611
Cost value	-	613,068
Amortization premium/ discount	-	(2)
FX rate	-	(107)
Accrued interest	-	12,172
Revaluation reserve	-	22,480
Deffered tax liabilities	-	(2,248)
Impact on comprehensive income	-	20,232

13. Reinsurers' share of technical provisions

	31 December 2019	31 December 2018
Reinsurers' share of unearned premiums	113,360	91,375
Reinsurers' share of claims	105,538	74,405
Reinsurers' share of bonuses and discounts	2,958	1,355
Total reinsurers' share of technical provisions	221,856	167,135

Fair value is disclosed in note 5.7.

14. Receivables

Receivables by maturity

31 December 2019	Not overdue	Overdue up to 180 days	Overdue above 180 days	Total
Receivables from direct insurance	200,999	97,907	14,262	313,168
Receivables from insurers	183,468	88,506	13,727	285,701
Receivables from insurer brokers	17,506	9,401	535	27,442
Other receivables from direct insurance operations	25	-	-	25
Receivables from coinsurance and reinsurance	3,015	-	390	3,405
Receivables from reinsurance share in claims	3,015	-	390	3,405
Current tax receivables	5,802	-	-	5,802
Other receivables	8,841	3,642	30,473	42,956
Other short-term receivables from insurance operations	7,777	3,612	30,274	41,663
Short term receivables from financing	561	-	-	561
Other short-term receivables	503	30	199	732
Total receivables	218,657	101,549	45,125	365,331

31 December 2018	Receivables by maturity			
	Not overdue	Overdue up to 180 days	Overdue above 180 days	Total
Receivables from direct insurance	171,257	90,071	27,636	288,964
Receivables from insurers	158,718	84,805	26,505	270,028
Receivables from insurer brokers	12,520	5,266	1,131	18,917
Other receivables from direct insurance operations	19	-	-	19
Receivables from reinsurance	261	-	146	407
Receivables from reinsurance share in claims	261	-	-	261
Other receivables from reinsurance	-	-	146	146
Current tax receivables	6,690	-	-	6,690
Other receivables	6,307	2,673	31,776	40,756
Other short-term receivables from insurance operations	5,355	2,673	30,491	38,519
Short term receivables from financing	635	-	-	635
Other short-term receivables	317	-	1,285	1,602
Total receivables	184,515	92,744	59,558	336,817

Triglav Insurance AD Skopje**Notes to the financial statements for the year ended 31 December 2019***(All amounts are in MKD thousand unless otherwise stated)***14.****Receivables (continued)**

Total gross and net amounts of each group of receivables are disclosed below:

31 December 2019	Gross amount	Impairment	Net amount
Receivables from direct insurance	712,020	(398,852)	313,168
Receivables from coinsurance and reinsurance	3,405	-	3,405
Other receivables	88,793	(40,035)	48,758
Total receivables	804,218	(438,887)	365,331

31 December 2018	Gross amount	Impairment	Net amount
Receivables from direct insurance	705,273	(416,309)	288,964
Receivables from reinsurance	407	-	407
Other receivables	91,580	(44,134)	47,446
Total receivables	797,260	(460,443)	336,817

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

14. Receivables (continued)

Movement of bad debt provisions (impairment)

31 December 2019	Opening balance	Increase	Use	Release	Reclasification	Ending balance
Receivables from direct insurance	416,309	37,666	(16,437)	(38,685)	-	398,853
Receivables from insurers	385,916	28,926	(16,437)	(32,518)	-	365,887
Receivables from insurer brokers	24,678	7,306	-	(5,655)	-	26,329
Other receivables from direct insurance operations	5,715	1,434	-	(512)	-	6,637
Other receivables	44,133	-	(606)	(3,493)	-	40,034
Other short-term receivables from insurance operations	27,957	-	-	(3,493)	-	24,464
Short term receivables from financing	14,635	-	(606)	-	-	14,029
Other short-term receivables	1,541	-	-	-	-	1,541
Total bad debt provision	460,442	37,666	(17,043)	(42,178)	-	438,887

31 December 2018	Opening balance	Increase	Use	Release	Reclasification	Ending balance
Receivables from direct insurance	448,695	26,432	(26,562)	(32,256)	-	416,309
Receivables from insurers	421,252	22,924	(26,562)	(31,698)	-	385,916
Receivables from insurer brokers	23,145	1,533	-	-	-	24,678
Other receivables from direct insurance operations	4,298	1,975	-	(558)	-	5,715
Other receivables	49,270	719	(3,413)	(2,443)	-	44,133
Other short-term receivables from insurance operations	29,644	719	-	(2,406)	-	27,957
Short term receivables from financing	18,508	-	(3,413)	(5)	(455)	14,635
Other short-term receivables	1,118	-	-	(32)	455	1,541
Total bad debt provision	497,965	27,151	(29,975)	(34,699)	-	460,442

Triglav Insurance AD Skopje
Notes to the financial statements for the year ended 31 December 2019
(All amounts are in MKD thousand unless otherwise stated)
15. Other assets

31 December 2019	Opening balance	Increase	Use	Ending balance
Deferred expenses	3,841	21,602	(19,917)	5,527

31 December 2018	Opening balance	Increase	Use	Ending balance
Deferred expenses	2,013	31,057	(29,229)	3,841

16. Cash and cash equivalents

	31 December 2019	31 December 2018
Cash in bank in MKD	14,911	22,745
Cash in bank in EUR	52	293
Cash in bank in other currencies	-	22
Cash on hand in MKD	7	7
Total cash and cash equivalents	14,970	23,067

17. Equity

As at 31 December 2019, the share capital of the Triglav Insurance AD Skopje is consisted of 60,184 common shares with total nominal capital of 185,223 MKD thousand. The nominal value per share is 3,074 MKD. The shares are registered and recorded as common shares with the Central Securities Depository of the Republic of North Macedonia. To their holders, these shares bear dividend and voting rights for the Shareholders Assembly. One common share entitles to one vote at the Shareholders Assembly. The shares are issued in dematerialized form with ISIN code MKVROS101016. All of the shares are paid in full.

There was no increase in the share capital during 2019 or 2018.

The shareholders structure of Triglav Insurance AD Skopje is presented below.

31 December 2019	Domestic	Foreign	Legal entities	Physical	Total
Number of shares	11,611	48,573	48,464	11,720	60,184
Number of shareholders	56	10	2	64	66

Number of shares - participation	19%	81%	81%	19%	100.00%
Number of shareholders - participation	85%	15%	3%	97%	100.00%

31 December 2018	Domestic	Foreign	Legal entities	Physical persons	Total
Number of shares	11,643	48,541	48,404	11,780	60,184
Number of shareholders	57	10	2	65	67

Number of shares - participation	19%	81%	80%	20%	100%
Number of shareholders - participation	85%	15%	3%	97%	100%

The shareholders that have more than 5% shareholding are disclosed below.

17. Equity (continued)

Shareholder	31 December 2019	31 December 2018
Triglav Int. Holdinska Druzba d.d Ljubljana	80.45%	80.35%
Stojan Klopcevski	8.74%	8.74%

In 2017, Triglav INT d.d has issued proposal for taking over minority shares of the Company, which resulted in increase of their share from 79.94% to 80.45% over the past two years.

Dividends

As of the date of preparation of these financial statements there were no dividends declared (2018: none).

Reserves from profit

Under local statutory legislation, the Company is required to set aside 1/3 of its net profit for the year in a statutory reserve (as long as it is not used for covering of losses) until the level of the reserve reaches 50% of the realized average insurance premium in the last two years, whereby the premiums from the previous year are increased by the index of retail price increase, including the year for which realized profit is distributed.

Safety reserves are meant to cover the liabilities arising out of the insurance contracts which have period of coverage longer than one year.

In 2019, the Company transferred 21,960 MKD thousand from retained earnings to statutory reserves. The amount transferred in 2018 was 43,400 MKD thousand.

Revaluation reserves

The revaluation reserve represents changes in the fair value available-for-sale financial assets. The reserve includes the cumulative net effect until the moment of derecognition or impairment of the financial asset.

In 2019 the movement in the revaluation reserve was positive 3,565 MKD thousand. In 2018 the movement in the revaluation reserve was positive 19,970 MKD thousand. The Company is calculating deferred tax assets/liabilities on the revaluation reserves of its AFS instruments.

The movements in the equity are specified in more detail in the "Statement of Changes in Equity" and "Other Comprehensive Income".

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

18. Insurance technical provisions

	31 December 2019	31 December 2018
Gross provisions for unearned premium (UPR)	596,734	581,229
Total gross unearned premium provisions	596,734	581,229
Gross provisions for incurred and reported claims (RBNS)	407,454	384,707
Gross provisions for incurred but not reported and/or not enough reported claims (IBNR)	268,667	217,679
Provisions for claims handling costs (CHC)	54,090	46,746
Total gross claims provisions	730,211	649,132
Gross provisions for bonuses and discounts	5,944	3,019
Gross provisions for other insurance technical provisions	8,502	15,006
Total gross insurance technical provisions	1,341,391	1,248,386

Analysis of changes in gross insurance technical provisions

31 December 2019	Opening balance	Formation	Use	Release	Final balance
Gross provisions for unearned premiums	581,229	594,320	-	(578,815)	596,734
Gross provisions for incurred and reported claims (RBNS)	384,707	705,073	(610,050)	(72,276)	407,454
Gross provisions for incurred but not reported claims (IBNR)	217,679	50,988	-	-	268,667
Provisions for claims handling costs (CHC)	46,746	7,344	-	-	54,090
Gross provisions for bonuses and discounts	3,019	5,032	(2,107)	-	5,944
Gross provisions for other insurance technical provisions	15,006	-	-	(6,504)	8,502
Total gross insurance technical provisions	1,248,386	1,362,757	(612,157)	(657,595)	1,341,391

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

18. Insurance technical provisions (continued)

Analysis of changes in gross insurance technical provisions

31 December 2018	Opening balance	Formation	Use	Release	Final balance
Gross provisions for unearned premiums	540,583	581,229	-	(540,583)	581,229
Gross provisions for incurred and reported claims (RBNS)	386,331	246,781	(103)	(248,302)	384,707
Gross provisions for incurred but not reported claims (IBNR)	240,609	-	-	(22,930)	217,679
Provisions for claims handling costs (CHC)	54,293	-	-	(7,547)	46,746
Gross provisions for bonuses and discounts	17,116	2,376	-	(16,473)	3,019
Gross provisions for other insurance technical provisions	10,267	5,644	-	(905)	15,006
Total gross insurance technical provisions	1,249,199	836,030	(103)	(836,740)	1,248,386

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

18. Insurance technical provisions (continued)

Analysis of gross insurance technical provisions by insurance class

31 December 2019	Gross provisions for unearned premiums	Gross provisions for RBNS	Gross provisions for IBNR	Provisions for CHC	Gross provisions for bonuses and discounts	Gross provisions for other insurance technical provisions	Total
Accident insurance	40,841	10,374	23,068	2,675	2,877	907	80,742
Health insurance	17,779	2,761	-	221	-	-	20,761
Land motor vehicle insurance	85,900	30,096	9,615	3,177	-	7,595	136,383
Aircraft insurance	18,895	-	-	-	-	-	18,895
Marine insurance	66	-	-	-	-	-	66
Cargo insurance	7,015	-	-	-	-	-	7,015
Fire and natural forces insurance	37,640	25,539	3,323	2,309	-	-	68,811
Other damage to property insurance	55,113	9,288	1,208	840	-	-	66,449
Motor TPL insurance	289,141	302,531	229,919	42,596	-	-	864,187
Aircraft liability insurance	4,444	13,708	-	1,097	-	-	19,249
Marine liability insurance	381	-	-	-	-	-	381
General liability insurance	14,030	4,646	1,534	494	-	-	20,704
Credit insurance	3,759	132	-	11	2,155	-	6,057
Suretyship insurance	45	-	-	-	-	-	45
Miscellaneous financial loss insurance	13,839	200	-	16	912	-	14,967
Travel assistance insurance	7,846	8,179	-	654	-	-	16,679
Total gross insurance technical provisions	596,734	407,454	268,667	54,090	5,944	8,502	1,341,391

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

18. Insurance technical provisions (continued)

Analysis of gross insurance technical provisions by insurance class (continued)

31 December 2018	Gross provisions for unearned premiums	Gross provisions for RBNS	Gross provisions for IBNR	Provisions for CHC	Gross provisions for bonuses and discounts	Gross provisions for other insurance technical provisions	Total
Accident insurance	42,549	8,277	21,786	2,333	1,663	2,796	79,404
Health insurance	11,270	1,012	-	79	-	-	12,361
Land motor vehicle insurance	83,695	37,234	9,808	3,650	-	12,211	146,598
Aircraft insurance	-	-	-	-	-	-	-
Marine insurance	168	-	-	-	-	-	168
Cargo insurance	7,589	4,138	-	321	-	-	12,048
Fire and natural forces insurance	42,426	16,902	1,416	1,421	-	-	62,165
Other damage to property insurance	62,288	15,580	1,305	1,310	-	-	80,483
Motor TPL insurance	292,748	271,927	181,947	35,221	-	-	781,843
Aircraft liability insurance	-	13,708	-	1,064	-	-	14,772
Marine liability insurance	240	-	-	-	-	-	240
General liability insurance	12,390	6,243	1,417	594	-	-	20,644
Credit insurance	1,301	1,458	-	113	-	-	2,872
Suretyship insurance	59	-	-	-	-	-	59
Miscellaneous financial loss insurance	15,801	-	-	-	1,356	-	17,157
Travel assistance insurance	8,705	8,228	-	639	-	-	17,572
Total gross insurance technical provisions	581,229	384,707	217,679	46,745	3,019	15,007	1,248,386

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

18. Insurance technical provisions (continued)

Analysis of changes in loss events for non-life insurance

Analyses of outstanding RBNS and IBNR claims provision balance per years is presented in table below:

Cumulative loss assessment	Year of occurrence							Total
	before 2014	2014	2015	2016	2017	2018	2019	
at the end of year of occurrence	4,769,586	636,467	594,078	539,362	680,569	680,569	622,986	8,523,617
1 year after year of occurrence	4,717,689	592,385	562,648	532,327	668,124	709,529	-	7,782,702
2 year after year of occurrence	4,671,943	591,110	556,997	523,304	662,749	-	-	7,006,103
3 year after year of occurrence	4,624,744	589,219	546,880	527,488	-	-	-	6,288,331
4 year after year of occurrence	4,447,531	581,821	561,520	-	-	-	-	5,590,872
5 year after year of occurrence	3,418,981	581,079	-	-	-	-	-	4,000,060
6 + year after year of occurrence	2,688,607	-	-	-	-	-	-	2,688,607
Cumulative loss assessment	2,688,607	581,079	561,520	527,488	662,749	709,529	622,986	6,353,958
Cumulative payments until balance sheet date	2,543,219	568,358	534,085	484,687	597,899	591,991	357,598	5,677,837
Claims provisions balance	145,388	12,721	27,435	42,801	64,850	117,538	265,388	676,121

19. Employee benefits

	31 December 2019	31 December 2018
Provisions for retirement benefits	2,080	1,995
Provisions for jubilee rewards	6,282	6,158
Provisions for unused vacations	5,616	5,834
Total provisions for employee benefits	13,978	13,987

In 2019 the Company formed provisions for unused vacations in amount of 5,616 MKD thousand (2018: 5,834 MKD thousand). These provisions refer to vacations employees have earned in 2019 and at the reporting date have not yet been used, but can be carried forward in the next year.

The change in the provisions for jubilee rewards and unused vacations is disclosed under "Other labor costs" in operating expenses in note 31.

Health, pension and social insurance contributions from gross wages and salaries are being paid by the Company during the year to the national institutions at the statutory rates. Such contributions represent defined contribution plans and are recognized as an expense when employees have rendered services entitling them to the contributions. There is no additional liability to these plans.

In accordance with the statutory requirements, the Company is obliged to pay to its employees a termination pay upon retirement equal to two monthly average net salaries.

The Company has provided for the employees' accrued entitlement to severance pay on retirement and jubilee rewards as at the end of 2019, based on best management estimate.

On maturity analysis of the employee benefits please see note 5.3.2.

Further is disclosed sensitivity analysis which presents the impact of changes in parameters on the amount of provisions for employee benefits for both years ended 2019 and 2018.

	31 December 2019	31 December 2018
Interest rate		
Parallel shift in the discount rate curve for +0.25%	(193)	(197)
Parallel shift in the discount rate curve for -0.25%	200	205
Expected salary growth		
Change in annual salary growth for +0.50%	421	429
Change in annual salary growth for -0.50%	(392)	(399)
Life expectancy		
Steady increase in mortality for +20%	(113)	(113)
Steady increase in mortality for -20%	116	116

20. Other provisions

	31 December 2019	31 December 2018
Provision for legal cases	9,404	9,404
Total other provisions	9,404	9,404

The Company has recorded provision for legal case related to material damage from sponsorship and donations.

21. Deferred tax assets and liabilities

	31 December 2019	31 December 2018
Deferred tax assets	(148)	-
Deferred tax liabilities	5,150	4,753
Total net deferred tax liabilities	5,002	4,753

The deferred tax assets and liabilities arise from the valuation of the AFS financial instruments through equity and as a result it is recognized in Other comprehensive income and not as an expense in the profit or loss account. Additionally, deferred tax assets arise from the application of IFRS 16 which is not yet applicable under the local GAAP resulting in different accounting profit reported in the tax statement. Movement on deferred tax assets and liabilities is disclosed in note 33.

22. Other financial liabilities

	31 December 2019	31 December 2018
Liabilities for dividends from previous years	1,724	1,724
Total other financial liabilities	1,724	1,724

23. Operating liabilities

	31 December 2019	31 December 2018
Liabilities towards policyholders	20,435	18,333
Liabilities towards brokers	2,919	3,468
Liabilities towards agents	1,122	455
Other liabilities from direct insurance operations	442	59
Total liabilities from direct insurance	24,918	22,315
Liabilities from reinsurance premiums	92,625	49,575
Total liabilities from reinsurance	92,625	49,575
Total operating liabilities	117,543	71,890

All liabilities are short-term and are to be settled within the next 12 months.

24. Other liabilities

	31 December 2019	31 December 2018
Financial other liabilities	73,781	75,467
Liabilities towards Guarantee Fund (GF)	30,393	31,370
Liabilities for legal contributions related to the insurance	3,088	4,335
Other short-term liabilities from insurance operations	3,577	1,905
Total other short-term liabilities from insurance operations	37,058	37,610
Liabilities for salaries	10,909	10,481
Total short-term liabilities towards employees	10,909	10,481
Liabilities towards suppliers	13,093	10,753
Liabilities from legal cases	372	372
Other short-term liabilities	12,349	16,251
Total other short-term liabilities	25,814	27,376
Non-financial other liabilities	7,199	6,868
Total other liabilities	80,980	82,335

All liabilities are short-term and are to be settled within the next 12 months.

Triglav Insurance AD Skopje
Notes to the financial statements for the year ended 31 December 2019
(All amounts are in MKD thousand unless otherwise stated)
25. Net premium income

	31 December 2019	31 December 2018
Gross written premium	1,424,891	1,425,495
Outward reinsurance written premium	(439,655)	(298,103)
Changes in gross provisions for unearned premium	(15,505)	(40,646)
Change in deferred acquisition costs	(1,550)	1,414
Change in provisions for the unearned premium (reinsurers)	21,985	36,159
Net premium income	990,166	1,124,319

Overview of net premium written by insurance class

31 December 2019	Gross written premium	Reinsurer's share	Net written premium
Accident insurance	95,588	(9,580)	86,008
Health insurance	71,381	(17,189)	54,192
Land motor vehicle insurance	170,724	(19,311)	151,413
Aircraft insurance	37,738	(37,705)	33
Marine insurance	143	(29)	114
Cargo insurance	20,779	(19,966)	813
Fire and natural forces insurance	93,107	(64,532)	28,575
Other damage to property insurance	206,203	(89,095)	117,108
Motor TPL insurance	581,757	(80,510)	501,247
Aircraft liability insurance	8,875	(8,867)	8
Marine liability insurance	763	(44)	719
General liability insurance	41,201	(32,495)	8,706
Credit insurance	12,486	(9,613)	2,873
Suretyship insurance	62	(31)	31
Miscellaneous financial loss insurance	47,265	(46,865)	400
Travel assistance insurance	36,819	(3,823)	32,996
Total	1,424,891	(439,655)	985,236

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

25. Net premium income (continued)

Overview of net premium written by insurance class

31 December 2018	Gross written premium	Reinsurer's share	Net written premium
Accident insurance	100,060	(986)	99,074
Health insurance	47,139	(11,960)	35,179
Land motor vehicle insurance	168,367	(3,961)	164,406
Aircraft insurance	18,068	(9,626)	8,442
Marine insurance	309	-	309
Cargo insurance	20,900	(19,943)	957
Fire and natural forces insurance	104,890	(66,869)	38,021
Other damage to property insurance	229,559	(72,780)	156,779
Motor TPL insurance	600,754	(27,362)	573,392
Aircraft liability insurance	2,581	(2,141)	440
Marine liability insurance	466	-	466
General liability insurance	35,964	(27,928)	8,036
Credit insurance	3,523	(4,127)	(604)
Suretyship insurance	101	(24)	77
Miscellaneous financial loss insurance	51,588	(50,394)	1,194
Travel assistance insurance	41,226	(2)	41,224
Total	1,425,495	(298,103)	1,127,392

26. Income from financial assets

	31 December 2019	31 December 2018
Interest income		
- AFS	32,525	18,390
- Deposits	8,880	23,640
- Investment in Guarantee fund	561	635
- Treasury Bills	15	-
Total interest income	41,981	42,665
Dividends	332	-
Realised gains on disposals (AFS)	1,790	3,018
Other financial income	572	493
Total income from financial assets	44,675	46,176

In 2019, other financial income is consists of FX differences in the amount of 191 MKD thousand, release of bad debt provision in amount of 105 MKD thousand and other small items of income in the amount of 276 MKD thousand. In 2018, other financial income is consists of FX differences in the amount of 431 MKD thousand, release of bad debt provision in amount of 14 MKD thousand and other small items of income in the amount of 48 MKD thousand.

27. Other insurance income

	31 December 2019	31 December 2018
Reinsurance commission income and participation in profit	64,055	31,208
Total fees and commission income	64,055	31,208
Interest income from receivables	8,268	4,967
Compensation received from Guarantee fund	5,673	6,538
Other income from insurance operations from previous years	2,255	1,815
Other	3,292	1,973
Total other income	11,220	10,326
Total other insurance income	83,543	46,501

Other insurance income refers mostly to the reimbursement of costs arising from subrogation and the settlements of claims.

Other income consists of income from from fees for claims settled for other companies in amount of 2,992 MKD thousand (2018: 1,685 MKD thousand, as well as income from assistance services in amount of 300 MKD thousand (2018: 289 MKD thousand).

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

28. Other income

	31 December 2019	31 December 2018
Gain from sale of non-current assets	1,984	157
Investment property rental income	1,875	1,807
Rental income (except from investment property)	1,461	1,586
Write off of liabilities	641	1,527
Compensations received from legal cases	362	929
Refunds	116	248
Gains from sale of Investment Property	1	605
Income from intellectual services	829	364
Other	262	-
Total other income	7,531	7,223

29. Net claims incurred

	31 December 2019	31 December 2018
Gross claims settled	658,574	732,570
Income from claimed subrogated receivables	(19,066)	(17,479)
Reinsurers' share	(83,516)	(16,862)
Changes in gross provisions for claims outstanding	81,079	(32,102)
Changes in provisions for claims outstanding (reinsurers share)	(31,133)	3,530
Net claims incurred	605,938	669,657

Gross claims include gross claims settled and claims handling costs, not reduced by subrogation receivables (see note 31).

Reinsurance result

	31 December 2019	31 December 2018
Outward reinsurance	(439,655)	(298,103)
Change in provisions for the unearned premium (reinsurers share)	21,985	36,159
Reinsurers' share in claims settled	83,516	16,862
Changes in provisions for claims outstanding (reinsurers share)	31,133	(3,529)
Gross result from reinsurance operations	(303,021)	(248,611)
Reinsurance commission	64,055	31,208
Net reinsurance result	(238,966)	(217,403)

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

29. Net claims incurred (continued)

Overview of net claims incurred by insurance class

31 December 2019	Gross claims settled	Subrogated claims	Reinsurer's share	Net claims incurred
Accident insurance	73,223	(9)	(7,416)	65,798
Health insurance	25,866	(9)	(1,359)	24,498
Land motor vehicle insurance	130,677	(6,158)	(12,331)	112,188
Aircraft insurance	154	-	(19)	135
Marine insurance	11	-	(1)	10
Cargo insurance	218	(279)	(27)	(88)
Fire and natural forces insurance	5,713	(8)	(1,718)	3,987
Other damage to property insurance	96,551	(1,274)	(21,229)	74,048
Motor TPL insurance	306,057	(10,118)	(36,409)	259,530
Aircraft liability insurance	150	-	(127)	23
Marine liability insurance	6	-	(1)	5
General liability insurance	1,796	(10)	(772)	1,014
Credit insurance	1,310	(1,201)	(1,035)	(926)
Suretyship insurance	1	-	-	1
Miscellaneous financial loss insurance	453	-	(33)	420
Travel assistance insurance	16,388	-	(1,039)	15,349
Total	658,574	(19,066)	(83,516)	555,992

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

29. Net claims incurred (continued)

Overview of net claims incurred by insurance class (continued)

31 December 2018	Gross claims settled	Subrogated claims	Reinsurer's share	Net claims incurred
Accident insurance	78,616	-	(180)	78,436
Health insurance	14,632	-	-	14,632
Land motor vehicle insurance	136,111	(5,097)	(412)	130,602
Aircraft insurance	201	-	-	201
Marine insurance	16	-	-	16
Cargo insurance	272	-	-	272
Fire and natural forces insurance	17,991	(17)	(2,470)	15,504
Other damage to property insurance	136,006	(19)	(656)	135,331
Motor TPL insurance	335,310	(12,171)	(11,415)	311,724
Aircraft liability insurance	236	-	(207)	29
Marine liability insurance	7	-	-	7
General liability insurance	1,576	(16)	(405)	1,155
Credit insurance	1,238	(159)	(1,117)	(38)
Suretyship insurance	2	-	-	2
Miscellaneous financial loss insurance	356	-	-	356
Travel assistance insurance	10,000	-	-	10,000
Total	732,570	(17,479)	(16,862)	698,229

30. Change in other insurance technical provisions

	31 December 2019	31 December 2018
Unexpired risk reserve (URR)	(6,506)	4,740
Total change in other insurance technical provisions	(6,506)	4,740

The calculations of the unexpired risk reserve as of December 31, 2019 is made based on expected future gross claims and future expenses, which are compared with the amount of established provisions for unearned premiums reduced by deferred insurance acquisition costs. The calculation of URR is performed for each separate class of insurance and release of reserve has been booked for 2 classes of insurance (2018: additional reserve has been booked for 2 classes of insurance).

31. Net expenses for bonuses and discounts

	31 December 2019	31 December 2018
Expenses for bonuses and discounts (financial discounts)	32,557	35,799
Change in provisions for bonuses and discounts	1,322	(9,362)
Total net expenses for bonuses and discounts	33,879	26,437

Change in provisions for bonuses and discounts relate to provisions for managerial insurance.

32. Operating expenses

	31 December 2019	31 December 2018
Acquisition costs	319,156	317,896
Claims handling costs - CHC*	48,521	52,771
Costs of asset management**	2,309	2,582
Other operating expenses	89,873	103,151
Total operating expenses	459,859	476,400
Total net operating expenses less CHC and asset management costs	409,029	421,047

* Claims handling costs are disclosed as part of gross claims incurred.

**Asset management costs are disclosed as financial expenses.

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

32. Operating expenses (continued)

Overview of operating expense by nature and function

31 December 2019	Acquisition costs	Claims handling costs	Asset management costs	Other operating costs	Total
Acquisition costs – commission fee	97,630	-	-	-	97,630
Depreciation and amortisation of assets	31,579	5,203	198	7,742	44,722
Labour costs	101,543	27,870	1,480	56,643	187,536
- wages and salaries	63,995	17,311	887	35,540	117,733
- social security and pension insurance costs	32,384	9,065	517	17,810	59,776
- other insurance costs	5,164	1,494	76	3,293	10,027
Costs of services provided by outsourced natural persons	622	139	4	169	934
Other operating expenses	87,782	15,310	626	25,319	129,037
- advertisement, fairs, representation	52,383	-	-	-	52,383
- cost of materials and energy	7,557	3,243	156	5,877	16,833
- maintenance costs	6,415	1,525	67	2,491	10,498
- travel expenses	2,061	1,317	148	4,787	8,313
- costs of intellectual services	6,791	4,940	53	3,049	14,833
- taxes, not dependant on profit	1,803	72	3	137	2,015
- transportation costs	2,327	1,280	60	2,119	5,786
- insurance premium costs	1,220	251	15	413	1,899
- bank charges	1,052	28	-	1,835	2,915
- rental expenses	5,704	2,243	98	3,602	11,647
- training expenses	342	323	18	770	1,453
- other services	127	88	8	239	462
Total gross operating expenses	319,156	48,522	2,308	89,873	459,859

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2019

(All amounts are in MKD thousand unless otherwise stated)

32. Operating expenses (continued)

Overview of operating expense by nature and function (continued)

31 December 2018	Acquisition costs	Claims handling costs	Asset management costs	Other operating costs	Total
Acquisition costs – commission fee	95,713	-	-	-	95,713
Depreciation and amortisation of assets	11,477	1,858	51	2,796	16,182
Labour costs	103,117	27,059	1,708	63,872	195,756
- wages and salaries	60,793	16,312	1,116	42,330	120,551
- social security and pension insurance costs	31,582	8,431	481	17,317	57,811
- other insurance costs	10,742	2,316	111	4,225	17,394
Costs of services provided by outsourced natural persons	590	147	4	224	965
Other operating expenses	106,999	23,707	819	36,259	167,784
- advertisement, fairs, representation	60,348	-	-	-	60,348
- cost of materials and energy	7,116	3,814	121	6,402	17,453
- maintenance costs	6,771	1,446	43	2,314	10,574
- travel expenses	1,704	1,046	53	3,928	6,731
- costs of intellectual services	8,102	7,557	263	3,975	19,897
- taxes, not dependant on profit	2,506	83	3	201	2,793
- transportation costs	2,481	1,196	41	2,049	5,767
- insurance premium costs	649	335	12	570	1,566
- bank charges	1,009	20	0	1,875	2,904
- rental expenses	15,541	7,839	269	13,879	37,528
- training expenses	604	283	9	893	1,789
- other services	168	88	5	173	434
Total gross operating expenses	317,896	52,771	2,582	103,151	476,400

Triglav Insurance AD Skopje**Notes to the financial statements for the year ended 31 December 2019***(All amounts are in MKD thousand unless otherwise stated)***33. Expenses from financial assets and liabilities**

	31 December 2019	31 December 2018
Interest expenses	3,602	-
Foreign exchange differences	788	1,876
Other financial expenses	2,309	2,582
Total expenses from financial assets and liabilities	6,699	4,458

Interest expenses arise from lease liabilities in accordance with the application of IFRS 16.

34. Other insurance expenses

	31 December 2019	31 December 2018
Expenses for preventive activity	22,721	24,036
Contributions for claims on uninsured or unidentified vehicles	16,850	19,179
Membership fees	14,954	15,465
Impairment on receivables for insurance premium	(1,942)	(7,240)
Expenses for assistance services	4,409	3,855
Other insurance expenses from previous years	-	1,019
Impairment on receivables from recourses	(3,492)	(1,293)
Other insurance expenses	358	2,941
Total other insurance expenses	53,858	57,962

35. Other expenses

	31 December 2019	31 December 2018
Impairment losses on other receivables	922	1,417
Depreciation of investment properties	175	291
Impairment losses on investment property	77	-
Realized losses on disposal of tangible assets	34	3
Extraordinary expenses	-	13
Compensations paid for legal cases	-	1
Total other expenses	1,208	1,725

36. Income Tax expenses**a) Current tax year charge**

	31 December 2019	31 December 2018
Current year income tax assessment	3,019	4,872
Deferred tax expense	(148)	-
Total income tax, recognised in profit or loss statement	2,871	4,872

Recapitulation of the Income tax expense

	31 December 2019	31 December 2018
Accounting profit	17,750	36,349
Legal tax rate - %	10	10
Income tax by use of legal tax rate	1,775	3,635
Non-deductible expenses	2,283	2,513
Tax credit used	(1,187)	(1,276)
Total income tax, recognised in profit or loss statement	2,871	4,872

b) Tax recorded in other comprehensive income (note 20)

	31 December 2019	31 December 2018
Deferred tax asset/(liability)	(396)	(2,219)
Total tax charge to other comprehensive income	(396)	(2,219)

The movement in deferred income tax assets and liabilities during the year is as follows:

As at 31 December 2017	(2,534)
Charged /(credited) to the income statement	-
Charged /(credited) to other comprehensive income	(2,219)
As at 31 December 2018	(4,753)
Charged /(credited) to the income statement	148
Charged /(credited) to other comprehensive income	(397)
As at 31 December 2019	(5,002)

Triglav Insurance AD Skopje
Notes to the financial statements for the year ended 31 December 2019
(All amounts are in MKD thousand unless otherwise stated)
37. Related party transactions

The services provided and received from the related parties are rendered at arm's length prices. All entities presented below are part of the Triglav Group. Outstanding balances towards and from the related parties as at the reporting date as well as income and expenses during the period are presented below.

31 December 2019	Zavarovalnica Triglav	Triglav RE Ljubljana	Lovćen Osiguranje	Triglav Zagreb	Triglav Osiguranje Beograd	Triglav Life Skopje	Triglav Penzisko	Total
Income	(136,805)	(135,125)	23	25	29	2,406	53	(269,394)
Gross written premium	-	-	-	-	-	111	121	232
Outward reinsurance premium	(154,202)	(174,264)	-	-	-	-	-	(328,466)
Other income from insurance operations	17,367	43,150	23	25	29	-	-	60,594
Change in gross provisions for the unearned premium	-	-	-	-	-	6	(98)	(92)
Change in provisions for the unearned premium (reinsurers share)	-	(4,011)	-	-	-	-	-	(4,011)
Other income not related to insurance operations	30	-	-	-	-	2,289	30	2,349
Expenses	(362)	117,342	-	(374)	(12)	(3,284)	-	113,310
Gross claims settled	(309)	-	-	(349)	(12)	-	-	(670)
Reinsurers' share of claims	1,614	78,766	-	-	-	-	-	80,380
Change in provisions for reinsurers' share of claims	(283)	38,576	-	-	-	-	-	38,293
Operating expenses	(1,384)	-	-	(25)	-	(323)	-	(1,732)
Share of loss in associate	-	-	-	-	-	(2,961)	-	(2,961)
Assets	1,942	126,017	-	-	-	492	-	128,451
Reinsurers' share of technical provisions for unearned premium	-	20,918	-	-	-	-	-	20,918
Reinsurers' share of technical provisions for outstanding claims	1,934	105,099	-	-	-	-	-	107,033
Receivables from reinsurers	-	-	-	-	-	84	-	84
Short-term receivables from insurance operations	8	-	-	-	-	-	-	8
Other receivables	-	-	-	-	-	408	-	408
Liabilities	38,639	10,532	-	-	-	79	98	49,348
Gross insurance technical provisions	-	-	-	-	-	51	98	149
Liabilities from direct insurance operations	15	-	-	-	-	-	-	15

Triglav Insurance AD Skopje
Notes to the financial statements for the year ended 31 December 2019
(All amounts are in MKD thousand unless otherwise stated)

31 December 2019	Zavarovalnica Triglav	Triglav RE Ljubljana	Lovćen Osiguranje	Triglav Zagreb	Triglav Osiguranje Beograd	Triglav Life Skopje	Triglav Penzisko	Total
Liabilities from reinsurance operations	38,390	10,532	-	-	-	-	-	48,922
Other short-term liabilities	234	-	-	-	-	28	-	262

31 December 2018	Zavarovalnica Triglav	Triglav RE Ljubljana	Lovćen Osiguranje	Triglav Zagreb	Triglav Osiguranje Beograd	Triglav Nepremičnine	Triglav Osiguranje Sarajevo	Triglav international	Triglav Life Skopje	Total
Income	(118,200)	(48,039)	60	-	116	-	12	105	2,010	(163,936)
Outward reinsurance premium	(136,186)	(69,490)	-	-	-	-	-	-	-	(205,676)
Other income from insurance	17,986	14,437	60	-	116	-	12	-	68	32,679
Change in provisions for the unearned premium (reinsurers)	-	7,014	-	-	-	-	-	-	-	7,014
Other income not related to	-	-	-	-	-	-	-	105	1,942	2,047
Expenses	973	4,884	-	(190)	-	(953)	-	-	(259)	4,455
Gross claims settled	(297)	-	-	(145)	-	-	-	-	-	(442)
Reinsurers' share of claims	1,882	14,762	-	-	-	-	-	-	-	16,644
Change in provisions for reinsurers' share of claims	856	(9,878)	-	-	-	-	-	-	-	(9,022)
Operating expenses	(1,468)	-	-	(45)	-	(953)	-	-	(259)	(2,725)
Assets	2,220	91,647	27	-	98	-	-	-	190	94,182
Reinsurers' share of technical provisions for unearned premium	-	24,950	-	-	-	-	-	-	-	24,950
Reinsurers' share of technical provisions for outstanding claims	2,220	66,697	-	-	-	-	-	-	-	68,917
Receivables from reinsurers	-	-	-	-	-	-	-	-	13	13
Short-term receivables from	-	-	27	-	98	-	-	-	-	125
Other receivables	-	-	-	-	-	-	-	-	177	177
Liabilities	14,748	8,054	-	3	-	-	-	-	-	22,805
Gross insurance technical	46	-	-	-	-	-	-	-	-	46
Liabilities from reinsurance	14,550	8,054	-	-	-	-	-	-	-	22,604
Other short-term liabilities	152	-	-	3	-	-	-	-	-	155

38. Members of the Board of Directors

In 2019, the executive members of the Board of Directors were paid amount of 14,492 MKD thousand as compensation for their work (2018: 17,003 MKD thousand).

The executive members of the Board of Directors were also paid out life insurance in amount of 148 MKD thousand. For the year ended 31 December 2018 the executive members were paid life insurance in amount of 160 MKD thousand.

An accrual related to bonus for the executive members of the Board of Directors has not been booked in in year ended 31 December 2019 (2018: 1,927 MKD thousand).

The non-executive members of the Board of Directors were paid out by the Company an amount of 1,014 MKD thousand (2018: 1,026 MKD thousand) as compensation for their work including reimbursement of travel expenses and personal income taxes.

39. Amounts paid to auditors

The IFRS financial statements were audited by Deloitte DOO Skopje.

Following are the auditing expenses incurred for the year ended 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Statutory audit and other auditing services	1,021	1,774
	1,021	1,774

40. Earnings per share

The calculation of the basic/diluted earnings by share (EPS) for the years ended 31 December 2019 and 31 December 2018 is based on the net profit for the year attributable to shareholders of Triglav Insurance AD Skopje. The number of shares is calculated as weighted average number of ordinary shares during the year.

	31 December 2019	31 December 2018
Net profit attributable to shareholders of the Company	14,878	31,477
Number of shares	60,184	60,184
Earnings per share	247	523

Diluted earnings per share are not calculated since the Company has not issued any dilutive financial instruments.

41. Significant legal disputes

The Company operates in the insurance industry and therefore, it is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final result of all pending or threatened legal proceedings, the management does not believe that such proceedings (including litigations) will have material adverse effect on its results and financial position.

The Company is also involved in legal proceedings beyond its normal course of business.

- The Company is involved in case for compensation of damages, submitted on 4 April 2012 by physical person. Preparatory hearing was held where the plaintiff was obliged by the Court to admit additional evidence. The court has ruled out the claim as cluttered on 5 March 2013, on which the plaintiff has submitted an appeal. After acceptance of the appeal by the Court, the case was returned for retrial where additional evidence was submitted, on which Triglav Insurance AD Skopje has submitted its expertise and opinion. In November 2014, the plaintiff submitted his opinion in relation to Company's expertise. On the hearing held on the 08 March 2016 the court decided that it's necessary, additionally and with a separate formal decision

41. Significant legal disputes (continued)

to give an answer to the company objection on subject matter jurisdiction (that the court is not competent to act upon the complaint of the plaintiff), regarding the fact that in the contract for sale of shares with purchase option, jurisdiction is agreed to international arbitration in Vienna in case of a dispute. The Company objection on the subject matter jurisdiction was declined by the court and the Company submitted an appeal. The court dismissed the appeal of the company. The first instant verdict is obtained in our favour. The plaintiff submitted an appeal, and the Company submitted a response to an appeal. The case is pending before the Court of Appeal. According to the latest developments, there is 49% likelihood that the plaintiff will win the case, i.e. 51% likelihood that the decision will be in favor of the Company.

The amount of the case is 154,664 MKD thousand.

- Case for compensation of damages, submitted on 28 May 2013 by several shareholders of Triglav Insurance AD Skopje against the Company and Zavarovalnica Triglav, d.d. The first preparatory hearing was scheduled by the Court on 6 June 2016 however it was postponed until 28 September 2016. With special formal decision the Court ruled on the objection of Zavarovalnica Triglav dd Ljubljana for lack of jurisdiction of the Macedonian court to act on the plaintiffs' claim against Zavarovalnica Triglav dd Ljubljana in a way that the court adopted the objection of Zavarovalnica Triglav dd Ljubljana and rejected the appeal of plaintiffs against Zavarovalnica Triglav dd Ljubljana. The next hearing is scheduled for 22 January 2019. On January 22, 2019, the Court closed the main hearing and scheduled a hearing on January 30th to announce the verdict. The first instant verdict is obtained in our favour. The plaintiffs submitted an appeal, and the Company submitted a response to an appeal. The case is pending before the Court of Appeal. According to the latest developments, there is 49% likelihood that the plaintiff will win the case, i.e. 51% likelihood that the decision will be in favor of the Company.

The assessed amount of the case is 151,840 MKD thousand.

42. Contingent Liabilities

The Company has concluded rental contract for renting business premises in the business center Hyperium for 5 years starting from 17 January 2011, which was extended until 31 January 2019 in 2014. After change of ownership of the business center, the Company increased the leased space and managed to obtain lower prices per square meter. According to the latest annex, the contract is valid until 31 December 2028 with earliest termination possible on 31 December 2022.

As of the year ended December 31, 2019, this contract does not present contingent liability since the Company implemented IFRS 16 and therefore it is recognized in the Statement of Financial position as Lease liability. As of the year ended December 31, 2018, this contract was reported as contingent liability.

The monthly rent that the Company was paying for the business premises starting 1 January 2018 was is in amount of 2,556 MKD thousand (incl. VAT) including service fee of 3,5 EUR per m².

43. Income tax liabilities

The Company's books and records for the fiscal years from 2012 to 2019 have not been audited by the tax authorities. Therefore, the Company's tax liabilities may not be considered finalized i.e. a provision for additional taxes and penalties, if any, that may be levied in event of a tax audit cannot, at this stage, be determined with any reasonable accuracy.

44. Reviews by Supervision bodies

During the year ended 31 December 2019, the Insurance Supervision Agency carried out one off-field supervision and started one field supervision.

Field supervision

The Insurance Supervision Agency started a field supervision in November 2018. The subject of supervision were certain segments of the Company's operations for the period from 01.01.2017 until 30.09.2018 in order to determine whether the performed insurance activities are in accordance with the Law on Insurance Supervision and other laws and bylaws which regulate the operation of insurance companies.

During the field supervision, supervisors explained that the main objective of field supervision is the assessment of the function of the Company's authorized actuary and the risks associated with it.

The supervision ended on 9 January 2019, and the Company was obliged to submit supplementary documentation. Upon submission of additional documentation, the Insurance Supervision Agency issued Minutes no. UP1 08-1-511 on 4 April 2019, and the Company provided written comments to the issued Minutes on April 19, 2019.

The Insurance Supervision Agency on 5 June, 2019 submitted a Response to the written comments, thus the Minutes became final, and also submitted an Order for elimination of the irregularities determined with the Minutes.

With this field supervision no misdemeanors have been established, and no fines have been imposed on the Company.

The Minutes and the Order contain the deadlines for removing the determined irregularities. The Company has prepared a Table for monitoring the implementation of the given recommendations by the Insurance Supervision Agency that consists of activities that will be undertaken, responsible persons and the deadlines.

In accordance with the deadlines, The Company has taken the following activities so far:

- on 30 June 2019 The Company submitted its first Report for activities undertaken according to Minutes no. UP1 08-1-511 dated 04.04.2019;
- on 30 September 2019 The Company submitted Assessment of Damage Reserves dated 30.09.2019 according to item 2 of the Order for elimination of the irregularities determined with the Minutes (ZR-2) and
- on 31 December 2019 The Company submitted its third Report for activities undertaken according to Minutes no. UP1 08-1-511 dated 04.04.2019 and Order no. UP1 08-1-511 dated 27.05.2019.
- on 31 January 2020 The Company submitted its fourth Report for activities undertaken according to Item 4 of Order no. UP1 08-1-511 dated 27.05.2019.

In addition, the Insurance Supervision Agency submitted a Decision for imposing additional measures UP 8-01-46 dated 22.01.2020, which contains additional obligations and deadlines for removing the determined irregularities.

In accordance with the deadlines, The Company has taken the following activities so far:

- on 7 February The Company submitted its first Report for activities undertaken according to Decision for imposing additional measures UP 8-01-46 of 22.01.2020, ie The Company submitted Actuarial opinion on the assessment of technical provisions, for all classes of insurance, as of 31.12.2019.

45. Events after the reporting period

In early March 2020, international financial markets saw major changes in prices over a short period of time, primarily as a result of uncertainty surrounding the effects of the spread of coronavirus infections on the global economy. We have witnessed a steep decline in share prices and some commodities (e.g. oil), a further sharp fall in risk-free interest rates and an increase in credit spreads.

Triglav Insurance AD Skopje is exposed to these movements on the financial markets particularly in the context of market risks related to asset and liability portfolios. Additionally, the Company is exposed to the ongoing decreased economic activity, however due to the uncertainty of the timing and future outcome of the crisis it is impossible to precisely predict the overall final effect. The Company regularly monitors and manages all these risks within the framework of a comprehensive risk management system.