

STATE AND MOVEMENTS OF THE INSURANCE MARKET IN THE REPUBLIC OF NORTH MACEDONIA

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Abstract: *Insurance is a financial product offered by specialized insurance companies with the aim of protecting people and property from the risk of loss, damage or theft. In this way, insurance is a contract, represented by a policy, which is issued by an insurer whereby the policyholder obtains financial protection or compensation against losses that may be incurred from insured risks. The importance of insurance activity is most clearly highlighted by the Organization for Economic Co-operation and Development (OECD), according to which the insurance plays a critical role in supporting economic activity by protecting individuals, families and businesses from risk. In the Republic of North Macedonia, there is an independent regulatory body for the insurance market - the Insurance Supervisory Agency (Agency) - which carries out public authorizations to control the compliance of the work of insurance companies and other entities in the insurance market with legal regulations, with the sole purpose of protecting insured persons and insurance users. The data provided by the Agency and the National Bank for the last half decade, processed in this research using statistical methods, show a positive trend of increasing the volume of both life and non-life insurance segments (recorded a greater number of contracts concluded and at the same time a better financial result). Furthermore, these data confirm that non-life insurance business is generally the dominant sector, due especially to motor vehicle insurance that is generally mandatory.*

Keywords: *financial product, companies, policy, risk, North Macedonia, Agency, data, statistical, life, non-life insurance*

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1. Introduction

Insurance has become a fundamental cornerstone of today's economy, providing financial security in an otherwise uncertain world. From protecting individual livelihoods to upholding commercial ventures, the global insurance industry has continued to grow. Both the number and cost of global risks are rising due to drivers, such as climate change and cyber crime, and these trends are impacting the insurance industry (<https://www.statista.com/topics/6529/global-insurance-industry/#topicOverview>).

Insurance represents the transaction in which an entity (either an individual or an entity) in the role of the insured pays an insurance company in the role of the insurer in exchange for financial protection or reimbursement of losses resulting from an event covered by the insurance policy. The insurance contract itself is generally known as a policy. The policy describes who or what will be covered under the contract, the duration of the insurance coverage, the circumstances or events for which the insurance company will issue a payment, who will benefit from the payment, and how much the respective payment will be.

Insurance helps to financially protect people (their lives and health) and the assets of individuals and businesses from risks that could cause significant losses from unexpected and unforeseen events. So, by concluding an insurance contract, the contractor simply transfers the risk to the insurance company. For this reason, it is important to ensure that you have chosen the right insurance policy for the right occasion and time.

At the global level, the OECD continues to make a commitment that has already been proven with concrete activities for the insurance industry. The commitment in question consists of supporting governments to leverage the role of insurance in achieving economic, social and environmental objectives by monitoring insurance markets and developing guidelines and best practices (<https://www.oecd.org/en/topics/sub-issues/insurance.html>).

The Single Market in the past remained very limited and fragmented (Marano & Noussia, 2021). The European Commission continues to prioritize achieving the objective of strengthening capacities in the insurance sector within the Single Market. This is done through the adoption of common rules (primarily in the form of directives) to facilitate the activities of insurance companies across the EU, ensure that they can survive in difficult times, and protect policyholders. The aim is to improve the way insurance products are sold under EU laws (https://finance.ec.europa.eu/banking/insurance_en).

In North Macedonia, in recent decades, insurance has increasingly become established as an important sector, not only for its impact on maintaining legal certainty, but also as a financial instrument with an impact on the overall economy providing essential financial security and risk management support. This is evidenced by the detailed legal regulation through the main legal acts and other subsidiary acts, the establishment and successful operation of the autonomous body competent for granting and revoking licenses for the establishment of insurance companies, but also for the continuous supervision of the activities carried out by insurance companies. This has resulted not only in an increase in the number of companies offering insurance services (currently, 12 companies offering non-life insurance and 6 companies offering life insurance operate in the local market - which means that in the last six years, two insurance companies have been added, one offering non-life insurance and the other life insurance services) (<https://aso.mk/en/category/reports/isa-reports-en>), but also in an expansion of the range of insurance products offered by these insurance companies (from life and health insurance, to property, auto and liability insurance).

2. Theoretical Background

The origins of insurance are so indistinct that uncertainty exists as to when the practice first began. Suffice to say that informal risk sharing has probably been going on for thousands of years. The development of modern insurance is much more recent, beginning in the sixteenth century, but only really becoming a mass financial market over the past 100 years or so (Thoys, 2010). As a result, insurance activity has seen an evolutionary development. While insurance can be traced back millennia, only in the middle of the last century has a shaping of the comprehensive and profound meaning of this complex economic institution been achieved (Zweifel & Eisen, 2012).

If a person demands insurance, the next question is whether he can get it - which is really not one question but two. Is it available at all, and, if so, is it available to that person. The answer to the second question depends on whether that person has what the law regards as an insurable interest in the matter. As regards, the first question, cover may not be available because the risk is one that insurers cannot rate or, being too expensive, the cover may be one that insurers cannot sell (Clarke, 1997).

Uncertainty is at the heart of insurance. That's why insurance is occasionally called the "business of uncertainty". On the one hand, insurance is only possible in the

presence of uncertainty and on the other hand, insurance is supplied by firms who seek to make a profit out of this (Zweifel & Eisen, 2012).

According to *Rob Thoys*, the primary function of insurance is frequently stated to be to act as a risk transfer mechanism. However, insurance does have secondary economic functions (stimulation via security, availability of finance, business promotion, business continuity, reduced tax burden, source of investment, loss reduction, promoting savings, and invisible earnings) (Thoys, 2010).

Rob Merkin and *Jenny Steele* go a step further by arguing that insurance, moreover, performs a number of different roles, and its influence is not to be reduced to the single contribution often attributed to it, namely, 'loss-spreading'. Insurance is not only a feature of public and social responses to risk, but also a core institution of the market and a key feature of market relations. Indeed, public responses to risk often utilize the potential of insurance markets, which are themselves based upon contractual relationships (Merkin & Steele, 2013).

3. Legal Background

The legal platform of insurance in the Republic of North Macedonia consists mainly of the legal provisions of four laws: the Law on Obligations (2001), the Law on Insurance Supervision (2002), the Law on Compulsory Traffic Insurance (2005), and the Law on Companies (2004). The platform in question is complemented by a number of other acts that operationalize the relevant general legal provisions, such as: regulations, ordinances, instructions and guidelines, and aim at the most streamlined implementation of individual insurance in practice.

First, the Law on Obligations is the cornerstone of insurance, because it regulates the insurance contract in its entirety, from its conclusion, the rights and obligations of the contracting parties, the duration, the form, to its termination, supplemented by the types of insurance, such as personal and property insurance. This law also regulates the possibilities of multiple insurance and sub-insurance. By the insurance contract, the insurance contracting party shall be bound, on the principles of mutuality and solidarity to join a definite amount in the insurance company, i.e. in the risk company (insurer), and the company shall be bound in the event of insured case to pay the insured person or some third party the compensation, i.e. the agreed amount or to do something else (Article 953, Law on Obligations).

Second, the Law on Insurance Supervision regulates another group of issues directly related to insurance: the terms and conditions for carrying out activities related to

life insurance, non-life insurance and reinsurance, activities related to representation in insurance, insurance brokerage activities, establishment, operation, supervision and termination of operation of trade companies for insurance and reinsurance, insurance brokerage companies, and insurance agencies, as well as establishment and operation of the Insurance Supervision Agency (Article 1, Law on Insurance Supervision). In addition, the regulation of the Insurance Supervision Agency is of crucial importance. This Law sets the legal grounds for the establishment and performance of the authorizations of the Agency.

Third, the Law on Compulsory Traffic Insurance regulates the compulsory insurance of: a) passengers in the public transport against consequences of a casualty - accident; b) owners, that is, users of motor vehicles and trailers; c) owners, that is, users of aircraft, and d) owners, that is, users of vessels, that is, motor boats, against liability for damages caused to third parties in the traffic and the other matters relevant to the compulsory traffic insurance (Article 1, Law on Compulsory Traffic Insurance).

Finally, the Law on Companies, by regulating commercial entities in the forms through which they appear and operate (Article 1, Law on Companies), also constitutes the basis for regulating insurance companies, which can only be established and operate in the form of a joint stock company (Article 3(1) Law on Insurance Supervision).

It is evident that the spirit of EU legislation is already present in the structure and content of domestic legislation covering insurance, so that such domestic legislation can be as harmonized as possible in the process of North Macedonia's negotiations for full membership in the EU. Here, first of all, two directives are distinguished: EU Insurance Distribution Directive (IDD) (2016) and EU Insurance Recovery and Resolution Directive (IRRD) (2025). This is due to the fact that the directives in question aim at minimum harmonisation and therefore do not prevent Member States from maintaining or introducing stricter provisions for the purpose of protecting customers, provided that such provisions are in accordance with Union law, including these directives.

4. Methodology

In order to conduct the research and achieve the objectives set regarding the flow of insurance on a national level in North Macedonia, the author uses a number of

scientific methods, including: analytical, synthetic, normative, interpretative, statistical and comparative methods.

The selection of the methodology was not only guided by the research subject, but also by the six-year time period 2019-2024, which offers the opportunity not only to process data but also to compare them before and after, taking into account a series of situations and events: during and after the Covid-19 pandemic, financial turmoil and rising inflation, in order to achieve results that provide a clear comparative overview of the course of the insurance phenomenon during this time and these challenging obstacles.

Official data collected by the Insurance Supervisory Agency are processed through statistical methods and then presented through design visualization by the author in various forms of charts.

5. Results

The results obtained are from the analysis of three segments of the activity of insurance companies that provide non-life and life insurance services: (a) the number of contracts concluded, (b) the value of premiums received by insurance companies expressed in euros and (c) claims covered by insurance companies. As such, the interconnection of these segments provides the appropriate opportunity to achieve the intended findings. The structure of premiums consists of the number of: gross written premiums, premiums ceded to reinsurance and/or coinsurance, technical premiums, part of the activity; while the structure of claims covered consists of the number of: unresolved claims at the beginning of the period, filed claims - including those reopened, settled claims, rejected claims, unresolved claims at the end of the period, and claims in litigation.

5.1. Number of contracts concluded

In the period 2019-2024, insurance companies have concluded a total of 8,834,578 insurance contracts, of which 8,541,141 were non-life and 293,437 were life insurance. Chart 1 illustrates these numbers distributed over the research years. There is a continuous increase in the number of contracts concluded, with a clear superiority of non-life insurance contracts compared to life insurance.

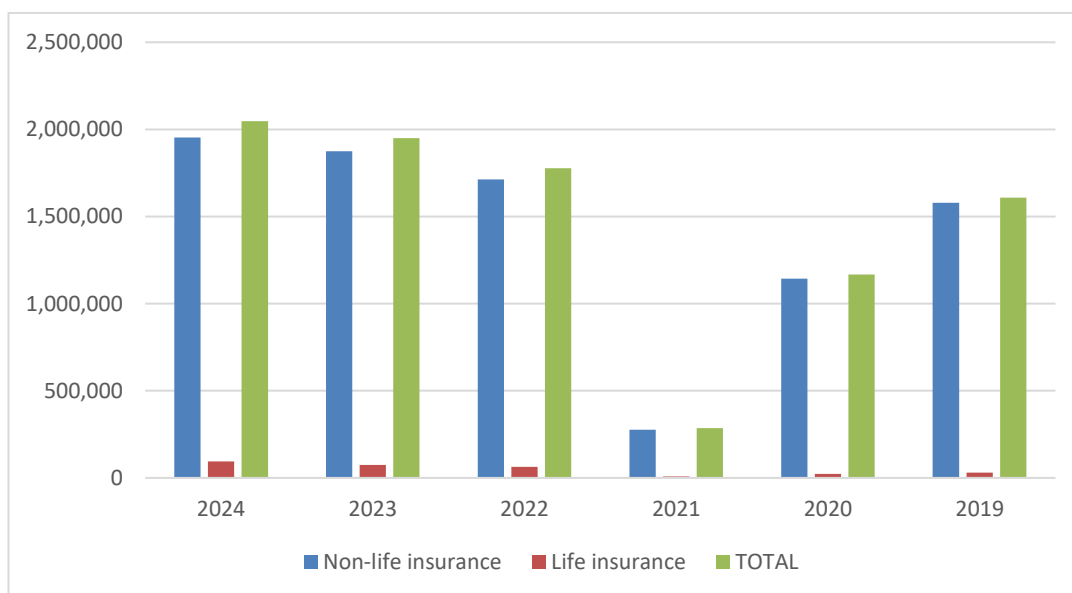


Chart 1. Number of contracts concluded by insurance companies during 2019-2024

Source: Insurance Supervisory Agency with projection by the author

Chart 2 provides the percentage proportion of non-life contracts concluded in relation to life ones. The percentage ratio argues the tendency of citizens and enterprises for non-life insurance, which makes it dominant over life insurance.

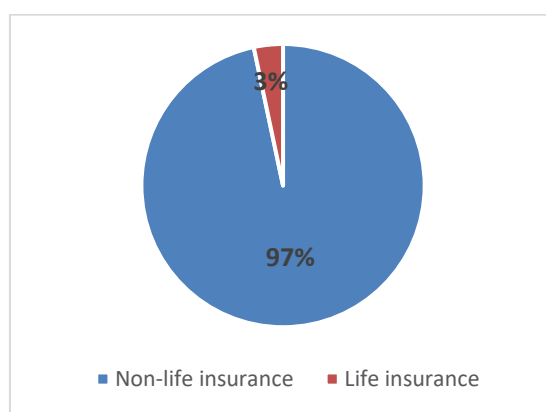


Chart 2. Percentage proportion of the number from non-life and life insurance contracts concluded during 2019-2024

Source: Insurance Supervisory Agency with projection by the author

5.2. Structure of Insurance Premiums

Insurance companies have collected premiums in a total amount of 2,311,688 euros, of which 1,927,207 euros from non-life and 384,480 euros from life insurance. Chart 3 visualizes the value of premiums over the years, the value of which in both non-life and life insurance has increased in recent years.

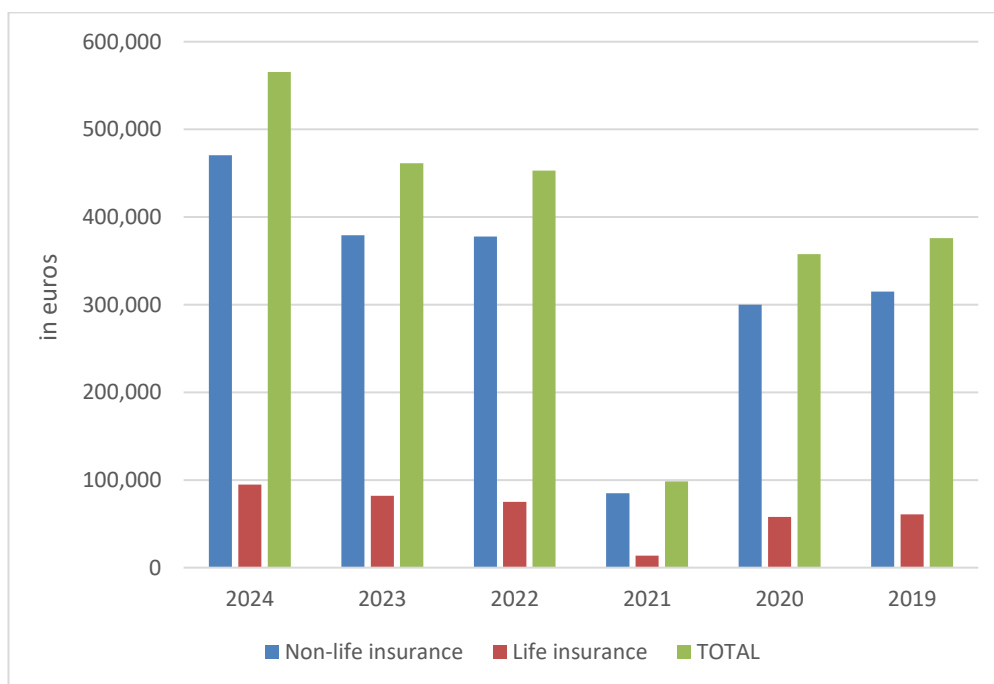


Chart 3. Insurance company premiums (in euros) during 2019-2024

Source: Insurance Supervisory Agency with projection by the author

In Chart 4, the total premiums for the six-year period are set in the ratio of the value of non-life insurance premiums to those of life. The slow growth of interest in life insurance is also reflected in the slight increase in the value of premiums for this type of insurance compared to non-life insurance.

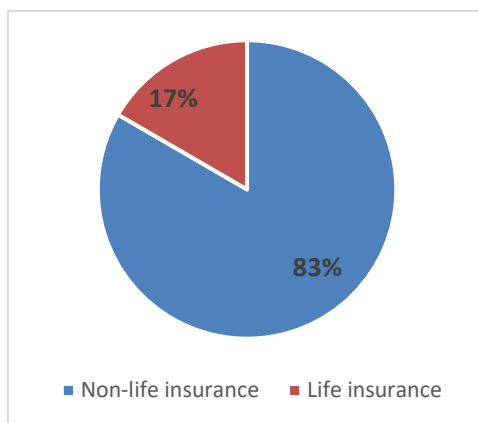


Chart 4. Percentage proportion of the premiums from non-life and life insurance during 2019-2024

Source: Insurance Supervisory Agency with projection by the author

5.3. Number of claims covered by insurance companies

In the relevant time period, insurance companies have covered 1,526,294 claims from insured persons. Of this number, 1,470,289 are claims from non-life insurance and 56,005 from life insurance. Chart 5 illustrates these numbers distributed over the research years.

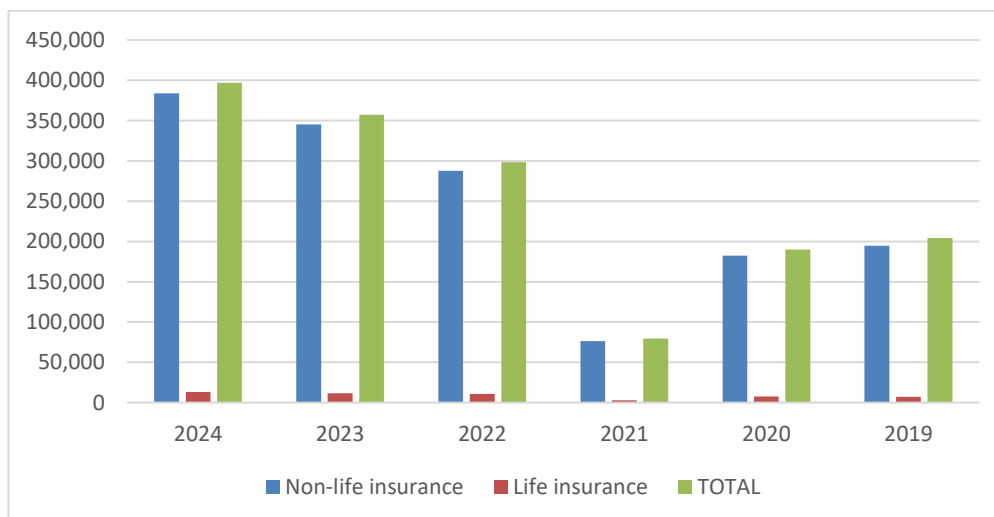


Chart 5. Number of claims covered by insurance companies during 2019-2024

Source: Insurance Supervisory Agency with projection by the author

Chart 6 provides the percentage proportion of non-life insurance claims compared to life claims. As in the case of premium value, in the case of claims, the profound superiority of non-life insurance over life insurance lies in the place that the latter has in the insurance market in the country.

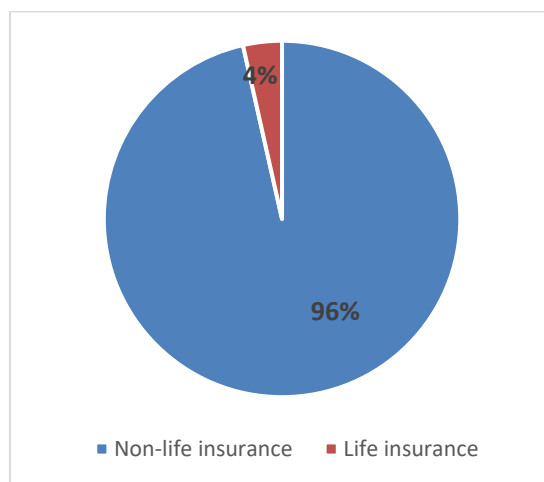


Chart 6. Percentage proportion of the number of claims from non-life and life insurance during 2019-2024

Source: Insurance Supervisory Agency with projection by the author

6. Discussion

The insurance business is unevenly developed around the world, with lower coverage in less advanced economies (Global Insurance Market Trends, 2025). The importance of the insurance industry within the economy varies considerably across jurisdictions. Insurance penetration, which is the ratio of premiums written over GDP, is a traditional indicator of the development of the insurance business (Kwon & Wolfrom, 2017). Insurance penetration continues to be highest in some of the largest economies and generally lowest and slowest in developing countries. Low insurance penetration may reflect a potential lack of financial protection for people and businesses against certain risks for which insurers can provide coverage (Global Insurance Market Trends, 2025).

Recently in North Macedonia, the insurance sector reported growth in all segments, improved its financial performance and maintained its solvency at an appropriate level. Total investments in insurance continued to grow, which were supported by

both insurance groups, with non-life insurance still leading. Claims settlement also increased, both in number and amount, which indicates the willingness of insurance companies to settle incurred liabilities. This is an important prerequisite for the further development of the insurance market, the potential of which is indicated by the increase in the number of insurance companies (Financial Stability Report in the Republic of Macedonia, 2024). The key trends impacting the North Macedonian insurance market are digitalization, home insurance, and health insurance (North Macedonia Insurance Industry – Key Trends and Opportunities to 2028, 2024). <https://www.globaldata.com/store/report/north-macedonia-insurance-industry-market-analysis/>

From the research conducted, which focused on three segments of the insurance industry: the number of contracts concluded, the structure of insurance company premiums and the structure of claims by insurance companies, the following findings were reached:

- The increase in interest in insurance has consequently increased the number of contracts concluded, the value of premiums realized by insurance companies and the number of claims incurred by insurance companies;
- The number of contracts concluded has proven not to be automatically correlated with the value of premiums and the number of claims. This is due to the diverse structure of the subject of the contracts based on the risks that are intended to be covered by the insurance contract;
- Continuous growth was significantly halted during the year that the country was gripped by the Covid-19 pandemic, the consequences of which are partially present in 2020 and mainly in 2021. These consequences were quickly recovered immediately in the following year 2022.
- In all years of the time period examined, from the perspective of the analyzed parameters, the percentage of non-life insurance is significantly higher compared to life insurance;
- Analysis of the activity of insurance companies over the six-year period, made depending on whether the insurance is non-life or life, has the following statistical ranking:

(1) Non-life insurance:

- from the perspective of the number of contracts concluded: Sava Insurance (1,117,815), Triglav Insurance (1,094,628), Eurolink

Insurance (999,656), Uniqa (862,718) and AD Insurance Police (690,385);

- from the perspective of value of premiums (in euros): Triglav Insurance (343,664), Macedonia Insurance (249,796), Eurolink Insurance (228,002), Uniqa (202,636) and Sava Insurance (193,494);
- from the perspective of number of claims: Triglav Insurance (235,653), Eurolink Insurance (210,898), Croatia Insurance (202,300), Sava Insurance (154,766) and Macedonia Insurance (147,780).

(2) Life insurance:

- from the perspective of the number of contracts concluded: Triglav Insurance (173,229), Croatia Insurance (84,393), Uniqa (48,930), Vinner (18,071) and Grawe Insurance (8,577);
- from the perspective of value of premiums (in euros): Croatia Insurance (130,702), Grawe Insurance (93,190), Vinner (71,993), Triglav Insurance (50,321) and Uniqa (42,104);
- from the perspective of number of claims: Croatia Insurance (26,546), Grawe Insurance (13,138), Vinner (6,353), Uniqa (3,979) and Triglav Insurance (3,773).

7. Conclusion

The insurance sector consists of companies that provide risk management services through the conclusion of insurance contracts - policies. The basic concept of insurance is that one party, the insurer, will guarantee coverage for damages for an uncertain future event. Meanwhile, the other party, the insured or policyholder, pays the insurer a smaller premium in exchange for that protection related to the uncertain future event. From a global perspective, insurance remains a growing industry. Statistics argue that premiums and claims payments grew faster in the non-life sector than in the life sector. In North Macedonia, the insurance sector continues to be small and of modest impact, but with signs and indicators of serious improvement. This sector is characterized by a massive increase in the number of contracts concluded, an increase in the value of premiums and the full coverage of future liabilities arising from insurance policies and potential losses related to the risks associated with the performance of insurance activities. The period selected for research has its own characteristics in North Macedonia. First, the global Covid-19

pandemic changed not only the approach to insurance in general, but also influenced the strengthening of the life insurance segment. Second, the increase in inflation, which is a phenomenon that has affected not only the country but also the region and beyond, has influenced the inhibition of the use of certain types of insurance. Third, the frequent changes in insurance legislation are a consequence of various changes occurring in the insurance sector, together with the need imposed by the requirement for harmonization with directives and EU legislation in general.

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