

РЕПУБЛИКА СРПСКА  
Агенција за осигурање Републике Српске  
Бања Лука

Бана Милосављевића 8/II  
e-mail: kabinet@azors.rs.ba; www.azors.rs.ba  
тел/факс: +387 51 228-910, 228-920



REPUBLIC OF SRPSKA  
Insurance Agency of Republic of Srpska  
Banja Luka

St. Bana Milosavljevića 8/II  
e-mail:kabinet@azors.rs.ba; www.azors.rs.ba  
phone/fax: +387 51 228-910, 228-920

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**REPORT**  
**on the state of the insurance sector in the Republic of Srpska**  
**for the period from 1 January 2016 to 31 December 2016**

Number: UO-9/17  
Date: 21 June 2017

Banja Luka, June 2017

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## General information about Insurance Agency of Republic of Srpska

Insurance Agency of Republic of Srpska has a regulatory and supervisory function aiming to protect persons who have the right to insurance coverage and insurance compensation as well as welfare of insurance industry.

**Title:** Insurance Agency of Republic of Srpska

**Short title:** AZORS

**Year of establishment:** 2006.

**ID number:** 01998757

**Address:** Bana Milosavljevića 8/II, 78 000 Banja Luka

**e-mail:** kabinet@azors.rs.ba

**Number of employees:** 29

**Independent auditor for 2016. :** “Grant Thornton“ d.o.o. Banja Luka

Management body of the Agency is Management Board. Management Board consists of five members which are appointed by National Assembly of the Republic of Srpska for the period of five years, based on proposal of Government of Republic of Srpska.

In the reporting period, Management Board held sessions in the following assembly:

- **Darko Radić**, Docent Doctor of Legal Sciences, chairman of Management Board
- **Nikola Vojvodić**, Doctor of Economic Sciences
- **Boris Dmitrašinić**, Bachelor of Science in Organization Management.

The Agency is managed by a Director. Director in the current mandate is Slaven Dujaković.

## Basic indicators of insurance sector of Republic of Srpska for 2016

<b>Republic of Srpska market</b>	<b>2015.</b>	<b>2016.</b>	<b>Индекс</b>
Number of Insurance companies with headquarters in RS	12	14	116,7
Number of branch offices of insurance companies from FBiH	11	11	100,0
Written premium (in 000 BAM)	182.755	198.148	108,4
HHI concentration index	654	629	
Premium/GDP	2,0%	2,2%	110,0
Premium/Population	129	171	132,6
Life insurance premium/Total premium	16,7%	16,5%	98,8
Paid claims (in 000 BAM)	52.541	60.713	115,6
<b>Insurance companies with headquarters in Republic of Srpska</b>			
Operating assets (in 000 BAM)	370.400	400.427	108,4
Operating assets/GDP	4,0%	4,4%	110,0
Capital (in 000 BAM)	122.166	132.711	109,5
Written premium - total in RS and FBiH market (in 000 BAM)	171.324	187.393	109,4
Paid claims -total in RS and FBiH market (in 000 BAM)	80.580	61.331	76,1
Number of employees	1.430	1.394	97,5

## INTRODUCTORY WORD

Report on the state of the insurance sector in the Republic of Srpska for 2016 was prepared in accordance with Article 9 of the Law on Insurance Companies and on the basis of analyses of the annual financial reports, actuarial reports, reports of the independent auditors on the financial reports as well as the other reports, which the insurance companies in accordance with the regulations deliver to the RS Insurance Agency (hereinafter: the Agency).

In the reporting period, 14 insurance companies with the headquarters (HQ) in the Republic of Srpska and 11 branch offices of the insurance companies from FBiH operated in the Republic of Srpska. Indicators of the market concentration show that a very strong competition is present at the insurance market of the Republic of Srpska. Observed through the number of participants, the competition on the market of non-life insurances is continually growing and can influence the unsubstantiated decline of the premium and thereby consequently endanger the stability and functioning of the whole sector.

The overall written premium at the insurance market of the Republic of Srpska reached the level of BAM 198.1 million and is 8.4% higher compared to the previous year. This premium still did not reach the participation of 20% in the overall premium, although the growth trend of the premium of the life insurance has continued at the market of the Republic of Srpska.

Insurance companies with HQ in the Republic of Srpska achieved the premium of BAM 187.4 million, including also the premium which was achieved at the FBiH market, which is 9.4% higher in comparison with the previous year. Life insurance premium has grown by 14% and non-life insurance premium by 8.8%.

Net result of the period, at the sector level is profit, in the amount of BAM 14.9 million, which resulted in the rate of return on the capital of 11.7%. Also, positive technical result in the amount of BAM 94.4 million was achieved, and is 9.8% higher compared to the previous year. Balance sum was increased by 8.0% and the overall balance capital is 9.5% higher amounting to BAM 132.7 million.

Overall calculated technical reserves are 10.6% higher compared to the previous year, at the same time they are 27.3% higher in comparison to the written premium in this reporting period. Unlike the situation on 31 December 2015, when three insurance companies did not have sufficient funds for coverage of the technical reserves, at the end of 2016 all companies have secured funds for their coverage, while noting that one company did not completed the investment process of those funds.

At the sector level, on 31 December 2016, the capital adequacy requirements are met, that is, the basic capital of insurance companies is 56.2% higher than the Guarantee Fund, while the available capital is 42.4% higher in comparison with the threshold limit value of the available capital adequacy. Besides, all insurance companies have also secured additional funds for maintaining solvency, in the form of coverage of 50% of the minimum Guarantee Fund with prescribed forms of assets, which can be used exclusively for the protection of the insured persons, users of the insurance and injured third parties.

Overall paid claims and compensations in the non-life insurance by companies with HQ in the Republic of Srpska are BAM 53.7 million and are 27.7% lower in comparison with the previous

year, due to the fact that in 2015 a significantly higher damages of the usual were paid, because of the insurance of the catastrophic damages caused by the floods in May 2014, that led to the temporary disruption of the trend of the paid damages. Life insurance compensations have increased by 21.2% compared to the previous year and amounted to BAM 7.6 million, which is in accordance with the age structure of the portfolio.

In the reporting period, there were no significant oscillations in the indicators of efficiency in solving and payment of the obligations from the insurance contract, claims ratio or expense ratio. Combined ratio is below 100, which means that the insurance premium was sufficient for the coverage of the obligations from the insurance contract and the costs of insurance implementation.

From the standpoint of the participation of the premium in the gross domestic product and the life insurance premium in the overall premium and the amount of the premium per capita, the insurance market can be characterized as undeveloped, that is, as the market with the potential for growth. Further development of this market is limited by the general economic conditions, but with the system support and by raising the level of knowledge of the population on the role and significance of the insurance, significant contribution can be made to the protection of the property and persons via insurance and strengthening of the investment potential of the insurance sector.

In 2016, based on everything mentioned, it can be concluded that the insurance sector has been stable, adequately capitalized, that the profitability has been on the satisfactory level, but there is also the potential for further growth of the market/insurance premium.

Director,  
Slaven Dujaković

Banja Luka, June 2017

## 1. STRUCTURE OF THE SECTOR

### 1.1. Insurance companies

In 2016, 14 insurance companies with HQ in the Republic of Srpska operated at the insurance market of the Republic of Srpska, which are presented in the following table according to the insurance activity, HQ and the majority ownership on the day of 31 December 2016.

*Table 1: Insurance companies*

No.	Name of the insurance company	Headquarters	Majority ownership
<b>NON-LIFE INSURANCES</b>			
1.	Atos osiguranje A.D.	Bijeljina	domestic
2.	D.D. Brčko gas osiguranje	Brčko	domestic
3.	Drina osiguranje A.D.	Milići	domestic
4.	Euros osiguranje A.D.	Banja Luka	domestic
5.	Krajina osiguranje A.D.	Banja Luka	foreign
6.	Mikrofin osiguranje A.D.	Banja Luka	domestic
7.	Nešković osiguranje A.D.	Bijeljina	domestic
8.	Osiguranje Aura A.D.	Banja Luka	domestic
9.	Osiguranje Garant D.D.	Brčko	domestic
10.	"SAS-SuperP OSIGURANjE" A.D.	Bijeljina	domestic
11.	Triglav osiguranje A.D.	Banja Luka	foreign
<b>LIFE AND NON-LIFE INSURANCES (COMPOSITE COMPANIES)</b>			
12.	Grawe osiguranje A.D.	Banja Luka	foreign
13.	Dunav osiguranje A.D.	Banja Luka	foreign
14.	Wiener osiguranje A.D.	Banja Luka	foreign

*Source: Central Registry of Securities*

Out of 14 insurance companies, with HQ in the Republic of Srpska, 11 of them conducted the activity of non-life insurance and 3 companies conducted the activity of non-life and life insurance.

In 2016, 11 branch offices of the insurance companies from FBiH operated at the insurance market of the Republic of Srpska, while 7 insurance companies from the Republic of Srpska operated through the branch office in FBiH.

#### 1.1.1. Ownership structure

According to the ownership structure, on 31 December 2016, 9 insurance companies were in the majority domestic ownership, while 5 insurance companies were in the majority foreign ownership.

*Table 2: Ownership structure in insurance companies with the state on 31 December 2016*

Ownership	Number of insurance companies	Participation in the overall capital	Participation in the overall assets	Participation in the gross written premium
Majority domestic ownership	9	53,8%	42,1%	55,8%
Majority foreign ownership	5	46,2%	57,9%	44,2%
<b>OVERALL</b>	<b>14</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

*Source: Reports of insurance companies and Central Registry of Securities*



Share of the foreign capital in the overall capital of all insurance companies was 46.2%. Insurance companies with the majority foreign capital hold 57.9% of the overall assets and 44.2% of the gross written premium.

According to the Report of the Central Registry of Securities - book of shareholders, during 2016, the state capital was registered in Osiguranje Aura a.d. Banja Luka in the percentage of 38% (priority shares) and in Krajina osiguranje a.d. Banja Luka in the percentage of 34.9%.

### 1.1.2. Human resources

On 31 December 2016, 1.633 employees were employed in the insurance sector, of whom in the insurance companies with HQ in the Republic of Srpska were employed 1.394 employees, in the branch offices of insurance companies from FBiH were employed 232 employees and in the Protection Fund of Republic of Srpska 7 employees. In the insurance sector also work insurance intermediaries

Number and the qualification structure of the employees in insurance companies with HQ in the Republic of Srpska, for the period from 2014 to 2016 are presented in the following table.

*Table 3: Number and the qualification structure of the employees in the insurance companies*

QUALIFICATION	31 December 2014.		31 December 2015		31 December 2016		INDEX 2016/15
	Number	%	Number	%	Number	%	
unskilled	4	0,3	8	0,6	8	0,6	100,0
semi-skilled			1	0,1	2	0,1	200,0
basic school education	1	0,1	0	0,0	0	0,0	
skilled	65	5,3	85	5,9	68	4,9	80,0
secondary education	647	52,4	752	52,6	709	50,9	94,3
highly skilled	5	0,4	6	0,4	7	0,5	116,7
college degree	86	7,0	90	6,3	82	5,9	91,1
university degree	402	32,6	461	32,2	489	35,1	106,1
MA	21	1,7	25	1,7	28	2,0	112,0
PH.D	3	0,2	2	0,1	1	0,1	50,0
<b>OVERALL</b>	<b>1.234</b>	<b>100,0</b>	<b>1.430</b>	<b>100,0</b>	<b>1.394</b>	<b>100,0</b>	<b>97,5</b>

*Source: Insurance companies' reports*

## 1.2. Insurance intermediaries

Up to 31 December 2016, in the Register of Insurance Intermediaries at the Agency was registered:

- 164 insurance representatives - natural persons, of which 33 registered entrepreneurial businesses,
- 12 insurance representation companies (including Pošte Srpske and microcredit company) and 5 branch offices of the insurance representation companies from FBiH,
- 143 insurance brokers - natural persons,
- 6 6 brokerage companies from the Republic of Srpska and 3 branch offices of brokerage companies from FBiH.

An up-to-date Registers of Insurance Intermediaries are available on the website of the Agency ([www.azors.rs.ba](http://www.azors.rs.ba)).

In 2016, the Agency organized education and held an exam for the professional knowledge verification, necessary for obtaining authorisation for conducting insurance intermediation. 72 candidates have passed the professional exam.

### 1.3.. Protection Fund of Republic of Srpska

Protection Fund of Republic of Srpska (hereinafter: RS Protection Fund) was established by the Law on compulsory insurance for motor vehicles and other compulsory liability insurances - Consolidated text (Official Gazette of the Republic of Srpska, number:102/09) as the separate legal person. The jurisdiction of the RS Protection Fund was stipulated by the Law on Compulsory Traffic Insurances (Official Gazette of the Republic of Srpska, number: 82/15). RS Protection Fund is obligated to compensate damages occurred on the Republic of Srpska territory to the third parties damaged, if this was caused by the unknown vehicle or the vehicle whose owner did not conclude contract on automobile liability insurance. Additionally, RS Protection Fund is also obligated to compensate persons damaged in the case when the contract on the compulsory insurance of the passengers in the public transportation from the consequences of the accident is not concluded, as well as the damages resulting from motor third party liability (hereinafter: MTPL) and the passengers' insurances in the public transportation which could not be compensated from the bankruptcy estate or liquidation mass of insurance companies.

All insurance companies in the Republic of Srpska performing the operations of MTPL insurance and passengers' insurance in the public transport from the consequences of the accidents, except passengers in the air traffic, are obligated to become members of the RS Protection Fund and they pay the contribution to the RS Protection Fund proportionally to the achieved MTPL insurance premium and the passengers' insurance in the public transport from the consequences of the accident in the Republic of Srpska.

Overall achieved revenues of the RS Protection Fund in 2016 were BAM 3.429.782 and were 12.9% higher in comparison with the previous year. The overall expenditures were BAM 3.426.043 and were 13.1% higher comparing with the previous year, due to the increase of the amount of the paid claims. In 2016, the Protection Fund achieved the surplus of revenue over the expenditures in the amount of BAM 3.739.

In the following table was given the overview of solving and payment of claims in the period from 2014 to 2016, which relate to the damages on the persons or property in the traffic accidents, from the competence of the Protection Fund.

*Table 4: Claims towards the Protection Fund*

Claims	31.12.2014.	31.12.2015.	31.12.2016.	Index 2016/2015
1. Reported claims in the current period and reactivated	429	506	512	101,2
2. Transferred from the previous period	166	136	166	122,1
3. Overall number of claims (1+2)	<b>595</b>	<b>642</b>	<b>678</b>	<b>105,6</b>
4. Declined claims	70	85	87	102,4
5. Processed claims without the declined	389	391	414	105,9
6. Number of paid claims	389	391	414	105,9
7. The amount of paid claims BAM	<b>1.487.468</b>	<b>1.171.594</b>	<b>1.347.159</b>	<b>115,0</b>

*Source: Protection Fund report*

Compared to the previous year, the overall number of claims has increased by 5.6%. The processed claims are 5.9% higher comparing with the previous year and are all paid. The amount of the paid claims is higher in 2016 by 15.0% comparing with the previous year. The average value of the paid claim in 2016 was BAM 3.254 and was higher in relation to 2015 by 8.6%.

#### **1.4. Authorized actuaries**

In accordance with the international standards for functioning of insurance sector, providing the adequate number of the professionally qualified actuaries is of special importance. On 31 December 2016, in the Register of the Authorized Actuaries at the Agency 33 persons have been registered. On the website of the Agency, an up-to-date Register of the Authorized Actuaries is available.

#### **1.5. Ombudsman in the insurance**

The Agency has dealt with the consumers protection directly and via the Ombudsman in the insurance. In the reporting period, Ombudsman's Office received 119 cases, mostly objections and complaints of the insured persons, users of the compensations from the insurance, that is, injured third parties, while, like in the previous period, objections on the procedures in the payment of the claims compensation based on the MTPL insurance have dominated. More detailed data on the activities in this segment are given in the Report on the work of the Agency for 2016.

## 2. INSURANCE MARKET

### 2.1. Indicators of the insurance market development

In the following table was given the comparative overview of the basic relative indicators, concerning the premium, by which the degree of insurance market development is measured.

Table 5: Premium and macroeconomic indicators

(in USD)<sup>1</sup>

Country		Premium per capita			Premium/GDP (%)			Life/Total premium (%)		
		2013.	2014.	2015.	2013.	2014.	2015.	2013.	2014.	2015.
BiH	RS	75,7	81,4	73,2	1,8	2,1	2,0	14,6	15,8	16,7
	FBiH	91,6	96,2	103,2	2,3	2,3	2,3	22,4	24,4	24,8
Austria		2.604,0	2.680,6	2.261,0	5,3	5,2	5,2	39,0	39,4	38,7
Bulgaria		156,0	163,7	149,0	2,1	2,1	2,2	16,2	17,0	17,8
Greece		476,0	478,0	382,0	2,2	2,2	2,2	40,7	45,2	45,9
Hungary		354,0	352,5	303,0	2,6	2,5	2,4	55,3	55,9	53,7
Romania		124,0	119,0	107,0	1,4	1,2	1,3	22,0	19,3	20,1
Slovenia		1.309,0	1.245,9	1.058,0	5,6	5,0	5,0	29,8	27,6	28,7
Serbia		104,0	111,1	105,0	1,8	1,9	2,0	19,0	21,5	22,4
Turkey		166,0	152,7	141,0	1,5	1,5	1,6	14,1	12,8	12,2
Croatia		372,0	351,5	299,0	2,7	2,6	2,6	28,0	30,9	33,9
Czech Republic		760,0	721,4	592,0	3,8	3,5	3,2	45,7	45,1	40,7

Source: Insurance market statistics in BiH, RS Institute of Statistics, SwissRe

In comparison to the neighbouring countries, which have similar level of economic development, the participation of the premium in GDP is approximately at the same level. The participation of the life insurance in the overall premium registers a constant growth, but it is still low. The premium per capita is lower, compared to the developed as well as to the emerging markets, noting that this indicator in 2015 is lower at all markets due to the change of exchange rate of USD.

### 2.2. Written premium at the insurance market of the Republic of Srpska

In the following table is given the overview of the overall written gross premium at the Republic of Srpska market.<sup>2</sup>

Table 6: Insurance premium achieved at the Republic of Srpska market in the period from 2014 to 2016

(in BAM)

R.B.	Entities at RS market	Written premium at RS market						Index 2016/ 2015
		I-XII 2014.		I-XII 2015.		I-XII 2016.		
		Amount	%	Amount	%	Amount	%	
1.	<b>Companies from RS</b>	<b>135.141.740</b>	<b>79,0</b>	<b>142.533.340</b>	<b>78,0</b>	<b>155.728.378</b>	<b>78,6</b>	<b>109,3</b>
1.1.	Non-life insurances	120.270.533	70,3	124.977.306	68,4	137.049.768	69,2	109,7
1.2.	Life insurances	14.871.207	8,7	17.556.034	9,6	18.678.610	9,4	106,4
2.	<b>Branch Offices of the companies from FBiH</b>	<b>35.981.553</b>	<b>21,0</b>	<b>40.221.388</b>	<b>22,0</b>	<b>42.419.590</b>	<b>21,4</b>	<b>105,5</b>

<sup>1</sup> At the time of creation of this report, comparative statistics for 2016 was not available.

<sup>2</sup> Total written premium at the RS insurance market is calculated in the manner that the total premium, achieved by the insurance companies with HQ in RS is reduced by the premium which those companies achieved in FBiH and increased by the premium which companies with HQ in FBiH have achieved in RS.

R.B.	Entities at RS market	Written premium at RS market						Index 2016/ 2015
		I-XII 2014.		I-XII 2015.		I-XII 2016.		
		Amount	%	Amount	%	Amount	%	
2.1.	Non-life insurances	23.830.918	13,9	27.231.416	14,9	28.419.093	14,3	104,4
2.2.	Life insurances	12.150.635	7,1	12.989.971	7,1	14.000.498	7,1	107,8
<b>TOTAL</b>		<b>171.123.293</b>	<b>100,0</b>	<b>182.754.728</b>	<b>100,0</b>	<b>198.147.968</b>	<b>100,0</b>	<b>108,4</b>

Source: Insurance companies' reports

The total written premium at the RS insurance market, in the period from 1 January to 31 December 2016 amounted to BAM 198.147.968 and is higher in comparison with the same period of the previous year by BAM 15.393.240 or 8.4%. The premium of non-life insurance grew in average by 8.7% and the life insurance premium by 7.0%.

### 2.3. Market structure and concentration

In the following table is displayed the participation of insurance companies from RS and branch offices of insurance companies from FBiH in the total written premium at RS market, in the period from 2014 to 2016.

Table 7: Participation of insurance companies and branch offices from FBiH at the Republic of Srpska market

No.	The participation of insurance companies from RS and branch offices of insurance companies from FBiH in the total written premium at RS market			
	Insurance companies from RS/ Branch Offices of the companies from FBiH	2014.	2015.	2016.
1.	Atos osiguranje A.D.	8,6%	5,0%	6,3%
2.	D.D. Brčko gas osiguranje	5,8%	5,8%	5,1%
3.	Grawe osiguranje A.D.	7,6%	8,4%	8,1%
4.	Drina osiguranje A.D.	9,1%	10,4%	9,9%
5.	Dunav osiguranje A.D.	9,0%	9,1%	8,9%
6.	Euros osiguranje A.D.			2,9%
7.	Wiener osiguranje A.D.	10,4%	9,5%	10,0%
8.	Krajina osiguranje A.D.	5,7%	5,5%	2,1%
9.	Mikrofin osiguranje A.D.	3,3%	3,4%	3,3%
10.	Nešković osiguranje A.D.	8,2%	8,5%	8,2%
11.	Osiguranje Aura A.D.	3,9%	4,1%	4,4%
12.	Osiguranje Garant A.D.	2,0%	3,2%	3,8%
13.	SAS-SuperP osiguranje A.D.			0,5%
14.	Triglav osiguranje A.D.	5,4%	5,4%	5,0%
15.	Asa osiguranje d.d.	0,0%	1,3%	1,7%
16.	Bosna-Sunce osiguranje d.d.	1,0%	1,1%	1,0%
17.	Camelija osiguranje d.d.	0,3%	0,3%	0,4%
18.	Croatia osiguranje d.d.	0,4%	0,7%	1,0%
19.	Euroherc osiguranje d.d.	3,3%	4,0%	3,0%
20.	SARAJEVO osiguranje	3,2%	1,8%	2,1%
21.	Merkur BH osiguranje	4,8%	4,2%	3,7%
22.	Osiguranje "VGT" d.d.	0,4%	0,4%	0,4%

No.	The participation of insurance companies from RS and branch offices of insurance companies from FBiH in the total written premium at RS market			
	Insurance companies from RS/ Branch Offices of the companies from FBiH	2014.	2015.	2016.
23.	UNIQA osiguranje d.d.	4,9%	5,4%	5,6%
24.	Zovko osiguranje d.d.	2,7%	2,7%	2,3%
25.	Triglav osiguranje d.d.	0,0%	0,1%	0,3%
	<b>OVERALL</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>

Source: Insurance companies' reports

In the following overview has been given the degree of concentration of the insurance market in RS according to the peer groups, from which it can be seen, that compared to the situation on 31 December 2015, the number of the insurance companies in the group up to 5% has increased, while in the group from 10 to 15% can no longer be found not one of the insurance companies.

Table 8: Participation of companies from Republic of Srpska and branch offices of the companies from FBiH in the total written premium at the Republic of Srpska market by the peer groups

Participation	Participation of the insurance companies from Republic of Srpska and branch offices of the companies from FBiH in the total written premium at the Republic of Srpska market by the peer groups					
	2014.		2015.		2016.	
	Overall participation	Number of the insurance companies	Overall participation	Number of the insurance companies	Overall participation	Number of the insurance companies
do 5%	30,2%	14	32,2%	14	37,8%	17
5-10%	59,3%	8	57,5%	8	62,2%	8
10-15%	10,4%	1	10,4%	1	0,0%	0
preko 15%	0,0%	0	0,0%	0	0,0%	0

Source: Insurance companies' reports

Likewise, Herfindahl-Hirschman Index presents the measure of market concentration and it is calculated as the sum of squares of the individual participation of each insurance company in comparison to the achieved premium. This Index takes into consideration the relative size and the distribution of the companies at the market, and therefore if the market is monopolistic, there is also higher market concentration and of course lower competition. Index is increasing, if the number of companies, market participants, is decreasing and at the same time difference in size among them is becoming greater. If there was only one company which deals with insurance, the Index would amount to 10.000 (market participation 100%, hence, the index is  $100 \cdot 100 = 10.000$ ). Otherwise, if there were to be many companies with proportionally lower participation, around 0%, the Index would be approximately 0, which would indicate that there is a perfect competition at the market. If the Herfindahl-Hirschman Index is between 1.000 and 1.800, it is considered that a moderate concentration exists on the market. Considering that the Herfindahl Hirschman Index in 2016 was 629 points, it can be concluded that there is a rather strong competition at the RS insurance market.

In that context, it should be pointed out, that there is a decreasing trend of Herfindahl-Hirschman Index, which indicates the continuous increase of competition in this market.

## 2.4. Written premium per insurance companies

Total written premium, in the period from 1 January to 31 December 2016, achieved by the insurance companies with HQ in RS, including also the premium which these insurance companies achieved on

FBiH insurance market, was BAM 187.393.485 (of which BAM 31.665.107 in FBiH and BAM 155.728.378 in the RS). Compared to the same period of the previous year, written premium was higher by BAM 16.069.976 or 9.4%.

In the following table is displayed the overview of the written premium by the insurance companies.

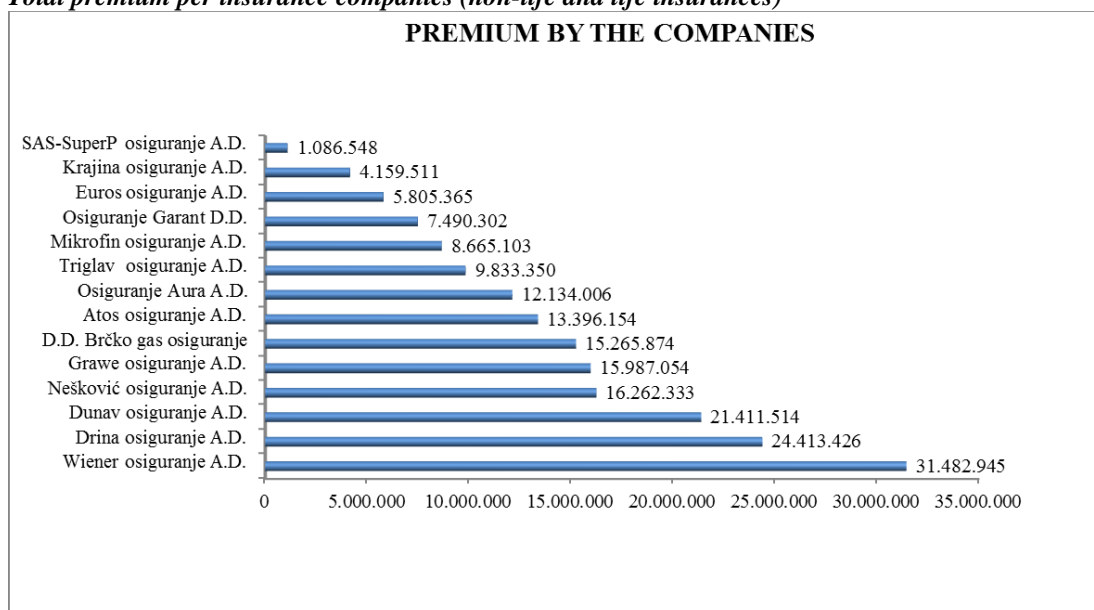
**Table 9: Written premium by the insurance companies in the period from 2014 to 2016**

(in BAM)

No.	NAME OF THE COMPANY IN RS	Written premium						Index
		2014.		2015.		2016.		2016/ 2015
		Amount	%	Amount	%	Amount	%	
<b>NON-LIFE INSURANCES</b>								
1.	Atos osiguranje A.D.	15.356.845	9,9	9.501.718	5,5	13.396.154	7,1	141,0
2.	D.D. Brčko gas osiguranje	14.004.946	9,0	15.162.815	8,9	15.265.874	8,1	100,7
3.	Grawe osiguranje A.D.	13.033	0,0	23.932	0,0	16.954	0,0	70,8
4.	Drina osiguranje A.D.	19.076.537	12,2	23.296.826	13,6	24.413.426	13,0	104,8
5.	Dunav osiguranje A.D.	15.999.612	10,3	18.013.284	10,5	20.696.765	11,0	114,9
6.	Euros osiguranje A.D.					5.805.365	3,1	
7.	Wiener osiguranje A.D.	25.662.912	16,5	29.337.981	17,1	27.301.980	14,6	93,1
8.	Krajina osiguranje A.D.	9.710.231	6,2	9.970.714	5,8	4.159.511	2,2	41,7
9.	Mikrofin osiguranje A.D.	6.514.275	4,2	7.727.164	4,5	8.665.103	4,6	112,1
10.	Nešković osiguranje A.D.	14.017.231	9,0	15.445.117	9,0	16.262.333	8,7	105,3
11.	Osiguranje Aura A.D.	7.544.864	4,8	8.959.663	5,2	12.134.006	6,5	135,4
12.	Osiguranje Garant D.D.	3.346.557	2,1	5.759.151	3,4	7.490.302	4,0	130,1
13.	SAS-SuperP osiguranje A.D.					1.086.548	0,6	
14.	Triglav osiguranje A.D.	9.300.477	6,0	9.829.668	5,7	9.833.350	5,2	100,0
	<b>TOTAL NON-LIFE INSURANCES</b>	<b>140.547.520</b>	<b>90,2</b>	<b>153.028.033</b>	<b>89,3</b>	<b>166.527.671</b>	<b>88,9</b>	<b>108,8</b>
<b>LIFE INSURANCES</b>								
1.	Grawe osiguranje A.D.	13.006.048	8,4	15.238.494	8,9	15.970.100	8,5	104,8
2.	Dunav osiguranje A.D.	700.797	0,4	736.624	0,4	714.749	0,4	97,0
3.	Wiener osiguranje A.D.	1.498.483	1,0	2.320.358	1,4	4.180.965	2,2	180,2
	<b>TOTAL LIFE INSURANCES</b>	<b>15.205.328</b>	<b>9,8</b>	<b>18.295.476</b>	<b>10,7</b>	<b>20.865.814</b>	<b>11,1</b>	<b>114,0</b>
	<b>TOTAL PREMIUM</b>	<b>155.752.848</b>	<b>100,0</b>	<b>171.323.509</b>	<b>100,0</b>	<b>187.393.485</b>	<b>100,0</b>	<b>109,4</b>

Source: Insurance companies' reports

**Chart 1: Total premium per insurance companies (non-life and life insurances)**



Source: Insurance companies' reports



In 2016, in comparison with the previous year, at the non-life insurances, three insurance companies have achieved smaller premium, while at life insurances one insurance company has achieved a smaller premium.

In the premium achieved at the RS insurance market also participate the branch offices of insurance companies in FBiH, and that in the amount of BAM 42.419.590, what represents 21.4 % of the total premium.

In the following table is displayed the overview of the written premium, by the branch offices of the companies from FBiH at the RS insurance market, in the period from 2014 to 2016.

*Table 10: Written premium by the branch offices of insurance companies from FBiH in the period from 2014 to 2016*  
(in BAM)

No	Branch offices of insurance companies from FBiH which operate in RS	Written premium						Index
		2014.		2015.		2016.		2016/2015
		Amount	%	Amount	%	Amount	%	
<b>NON-LIFE INSURANCES</b>								
1.	Asa osiguranje d.d.	16.201	0,0	2.385.776	5,9	3.329.131	7,8	139,5
2.	Bosna-Sunce osiguranje d.d.	1.670.142	4,6	1.876.177	4,7	1.925.659	4,5	102,6
3.	Camelija osiguranje d.d.	546.587	1,5	612.088	1,5	701.618	1,7	114,6
4.	Croatia osiguranje d.d.	653.364	1,8	1.159.739	2,9	1.814.208	4,3	156,4
5.	Euroherc osiguranje d.d.	5.585.874	15,5	7.247.652	18,0	5.857.642	13,8	80,8
6.	SARAJEVO osiguranje	5.537.645	15,4	3.309.403	8,2	4.182.596	9,9	126,4
7.	Merkur BH osiguranje	198.001	0,6	217.909	0,5	261.350	0,6	119,9
8.	Osiguranje "VGT" d.d.	649.472	1,8	648.646	1,6	818.691	1,9	126,2
9.	UNIQA osiguranje d.d.	4.401.618	12,2	4.758.278	11,8	5.037.833	11,9	105,9
10.	Zovko osiguranje d.d.	4.572.014	12,7	5.015.747	12,5	4.490.365	10,6	89,5
	<b>TOTAL NON-LIFE</b>	<b>23.830.918</b>	<b>66,2</b>	<b>27.231.416</b>	<b>67,7</b>	<b>28.419.093</b>	<b>67,0</b>	<b>104,4</b>
<b>LIFE INSURANCES</b>								
1.	Bosna-Sunce osiguranje d.d.			80.029	0,2	122.154	0,3	152,6
2.	Croatia osiguranje d.d.	75.611	0,2	85.885	0,2	137.721	0,3	160,4
3.	Merkur BH osiguranje d.d.	8.020.263	22,3	7.483.182	18,6	7.049.493	16,6	94,2
4.	UNIQA osiguranje d.d.	4.040.648	11,2	5.138.811	12,8	6.129.961	14,5	119,3
5.	Triglav osiguranje d.d.	14.114	0,0	202.064	0,5	561.168	1,3	277,7
	<b>TOTAL LIFE</b>	<b>12.150.635</b>	<b>33,8</b>	<b>12.989.971</b>	<b>32,3</b>	<b>14.000.497</b>	<b>33,0</b>	<b>107,8</b>
	<b>TOTAL PREMIUM</b>	<b>35.981.553</b>	<b>100,0</b>	<b>40.221.388</b>	<b>100,0</b>	<b>42.419.590</b>	<b>100,0</b>	<b>105,5</b>

*Source: Reports of the branch offices of insurance companies'*

Further in this report, only data and indicators of insurance companies from RS, which derive from the operations of the companies in Republic of Srpska as well as in FBiH, will be used.

## 2.5. Portfolio structure

In the following table is presented the structure of the written premium of insurance companies according to the types of insurances, in the period from 2014 to 2016 provided that the category "the rest" relates on 13 groups of non-life insurances, which in total premium individually participate below one percent.

*Table 11: Written premium according to the types of insurance*

(in BAM)

Type of insurance	2014.		2015.		2016.		Index
	Amount	%	Amount	%	Amount	%	2016/15
Accident insurance	9.797.621	6,3	11.199.875	6,5	11.797.295	6,3	105,3
Motor insurance (kasko)	10.090.636	6,5	9.821.394	5,7	10.077.750	5,4	102,6
Property insurance from fire and	7.206.001	4,6	6.507.093	3,8	6.320.524	3,4	97,1



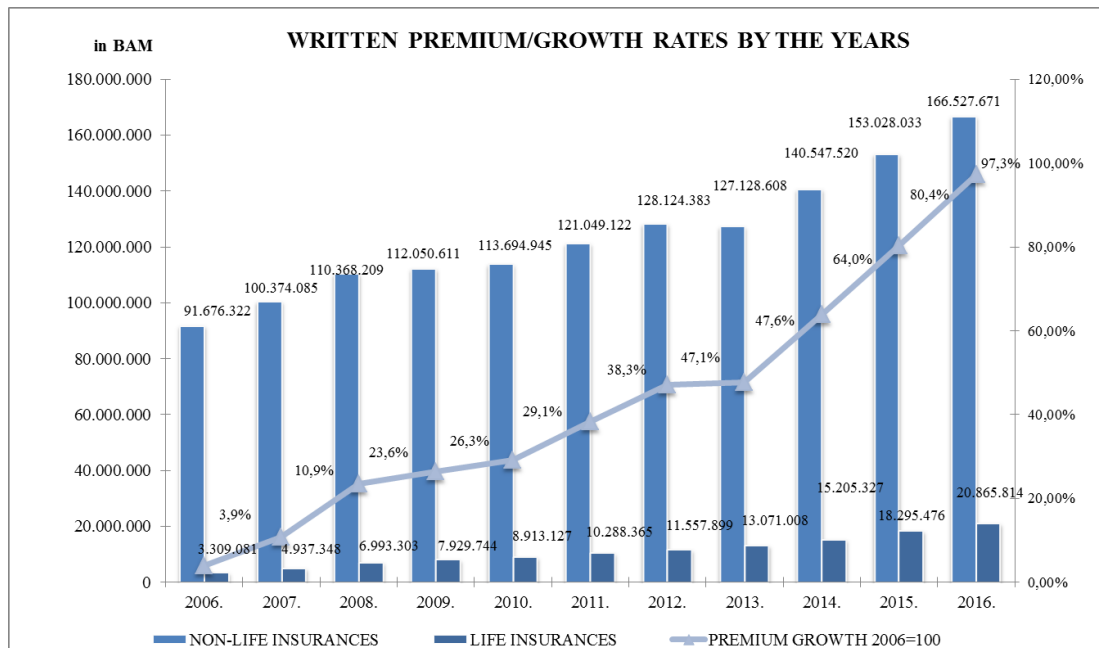
Type of insurance	2014.		2015.		2016.		Index 2016/15
	Amount	%	Amount	%	Amount	%	
natural forces							
Insurance of the rest of damages to the property	10.300.674	6,6	12.776.740	7,5	11.601.584	6,2	90,8
MTPL insurance	99.632.267	64,0	109.042.261	63,6	122.546.888	65,4	112,4
The rest	3.520.322	2,3	3.680.671	2,1	4.183.629	2,2	113,7
<b>Total non-life insurances</b>	<b>140.547.520</b>	<b>90,2</b>	<b>153.028.033</b>	<b>89,3</b>	<b>166.527.671</b>	<b>88,9</b>	<b>108,8</b>
<b>Life insurance</b>	<b>15.205.327</b>	<b>9,8</b>	<b>18.295.476</b>	<b>10,7</b>	<b>20.865.814</b>	<b>11,1</b>	<b>114,0</b>
<b>TOTAL</b>	<b>155.752.848</b>	<b>100,0</b>	<b>171.323.509</b>	<b>100,0</b>	<b>187.393.485</b>	<b>100,0</b>	<b>109,4</b>

Source: Insurance companies' reports

From the total written premium in 2016, BAM 166.527.671 or 88.9% relates to the premium of non-life insurances, while life insurance premium was BAM 20.865.814 or 11.1%. In comparison with the previous year, written premium of non-life insurance has increased by 8.8%, while life insurance premium has increased by 14.0%. The MTPL insurance premium has a dominant participation in the total written premium.

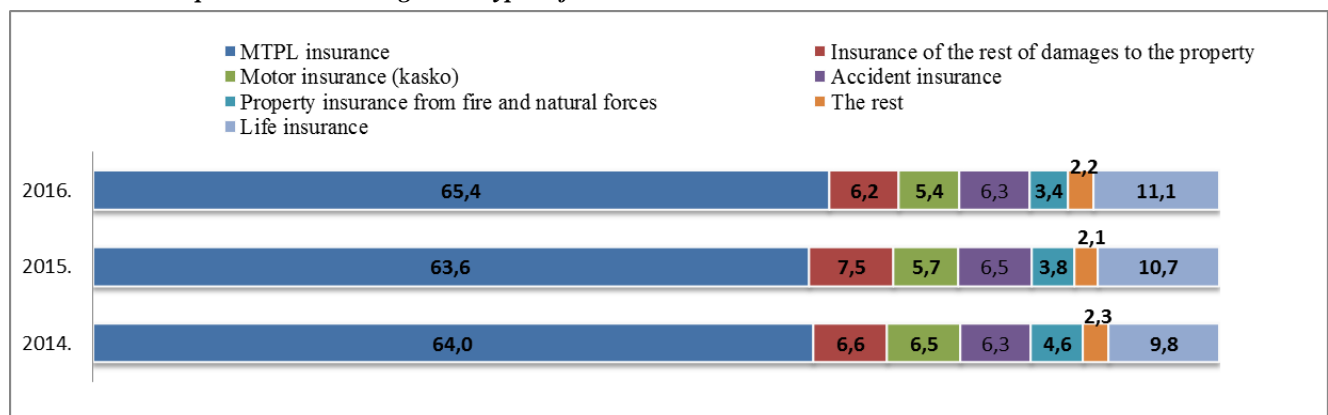
Further we present the series of graphic illustrations of written premium.

Chart 2: Written premium/cumulative growth rate by years

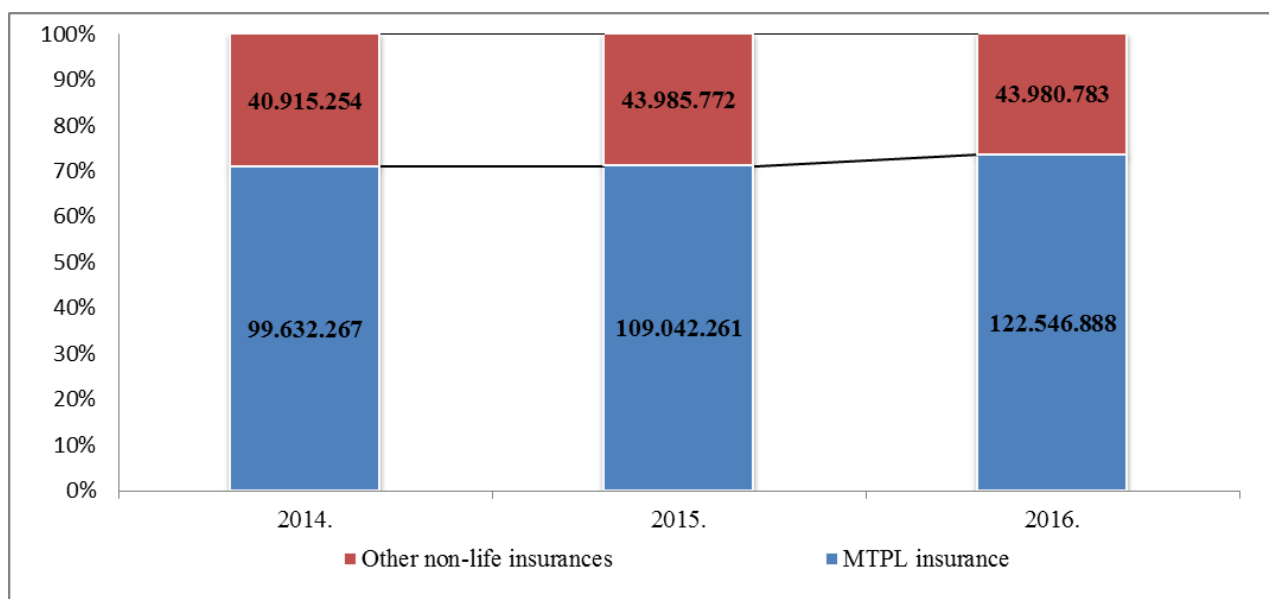


Source: Insurance companies' reports

Chart 3: Written premium according to the types of insurance



Source: Insurance companies' reports

**Chart 4: Written premium of non-life insurances**

Source: Insurance companies' reports

Following table shows data on the participation of the compulsory and non-compulsory insurances in the total written premium for the previous three years.

**Table 12: Share of the compulsory and non-compulsory insurances in the total written premium**

Type of the insurance	2014.	%	2015.	%	2016.	%	Index 2016/15
Compulsory	109.440.514	70,3	120.247.934	70,2	134.351.059	71,7	111,7
Non-compulsory	46.312.333	29,7	51.075.576	29,8	53.042.426	28,3	103,9
<b>TOTAL</b>	<b>155.752.848</b>	<b>100,0</b>	<b>171.323.509</b>	<b>100,0</b>	<b>187.393.485</b>	<b>100,0</b>	<b>109,4</b>

Source: Insurance companies' reports

In the observed period, there were no significant changes of participation of obligatory and non-obligatory insurances premiums in the structure of the total premium.

### 3. BALANCE SHEET STRUCTURE

On the basis of the delivered audited financial reports of the insurance companies for 2016, further on is given a comparative display and the analysis of the basic balance sheet positions in 2015 and 2016.

#### 3.1. Balance sheet

In the following table is given the abbreviated scheme of the assets of the summarized balance sheet for all insurance companies.

*Table 13: Assets - total for all insurance companies*

(in BAM)

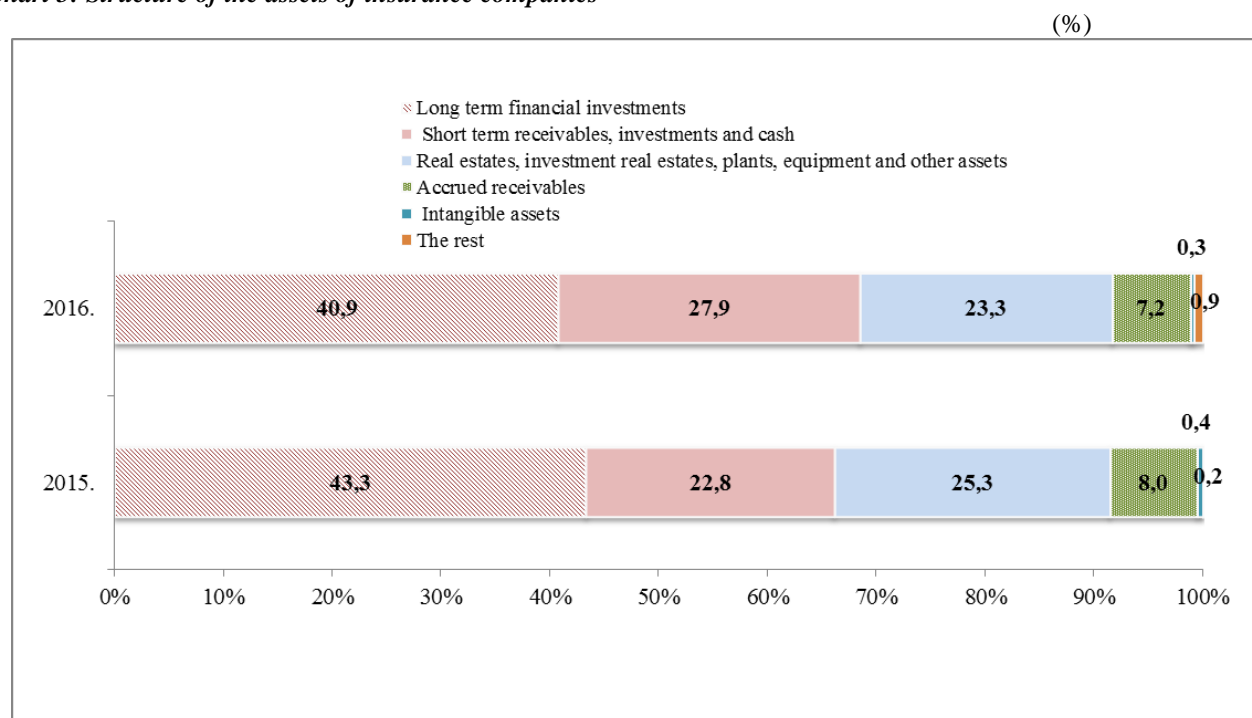
ASSETS	31 December 2015		31 December 2016		Index 2016/15
	Amount	%	Amount	%	
<b>A. FIXED ASSETS (I+II+III+IV+V)</b>	<b>255.454.567</b>	<b>69,2</b>	<b>259.214.863</b>	<b>64,7</b>	<b>101,5</b>
I Intangible assets	1.581.549	0,4	1.368.854	0,3	86,6
II Real estates, investment real estates, plants, equipment and other assets(1+2+3)	93.445.331	25,3	93.347.941	23,3	99,9
1. Land, buildings, plants and equipment	34.586.046	9,4	34.084.773	8,5	98,6
2. Investment real estates	54.382.210	14,7	56.134.970	14,0	103,2
3. Basic assets in preparation and other basic assets	4.477.076	1,2	3.128.197	0,8	69,9
III Long term financial investments(1+2)	160.130.804	43,3	163.956.114	40,9	102,4
1.Participation in the capital of the dependent, associated and other legal entities	1.899.253	0,5	2.199.255	0,5	115,8
2. Long term financial investment to the parent, dependent and other related legal entities, long term financial investment in the country and abroad, financial assets held to maturity, financial assets available for sale and other long term financial investments (placements)	158.231.551	42,8	161.756.859	40,4	102,2
IV Other long term assets		0,0	487.306	0,1	
V Deferred tax funds	296.882	0,1	54.649	0,0	18,4
<b>B. CURRENT ASSETS (I+II+III+IV)</b>	<b>113.949.805</b>	<b>30,8</b>	<b>141.212.611</b>	<b>35,3</b>	<b>123,9</b>
I Inventories, fixed funds and funds of the of discontinued operations intended for sale	340.098	0,1	517.298	0,1	152,1
II Short term receivables, investments and cash	84.048.927	22,8	111.630.545	27,9	132,8
1. Receivables on the basis of the premium, participation in the damage compensation and the other customers	10.673.399	2,9	10.893.940	2,7	102,1
2. Receivables from the specific operations and other receivables	8.956.977	2,4	8.824.924	2,2	98,5
3. Short term financial investments	42.524.349	11,5	65.554.135	16,4	154,2
4. Cash	21.894.202	5,9	26.357.545	6,6	120,4
III Accrued receivables	29.457.435	8,0	28.878.822	7,2	98,0
IV - Deferred tax funds	103.345	0,0	185.947	0,0	179,9
<b>OPERATING ASSETS (A+B)</b>	<b>369.404.371</b>	<b>100,0</b>	<b>400.427.475</b>	<b>100,0</b>	<b>108,4</b>
<b>OFF BALANCE SHEET ASSETS</b>	<b>6.787.697</b>		<b>5.784.262</b>		<b>85,2</b>
<b>TOTAL ASSETS</b>	<b>376.192.069</b>		<b>406.211.737</b>		<b>108,0</b>

Source: Insurance companies' balance sheets

The value of the operating assets and liabilities of the insurance companies in the RS, on 31 December 2016 was BAM 400.427.475 and in relation to 31 December 2015 is higher by 8.4%.

In the following graph is presented the structure of the assets for 2015 and 2016.

Chart 5: Structure of the assets of insurance companies



*Source: Insurance companies balance sheet*

The structure of the operating assets make fixed property with the participation of 64.7% and the current property with the participation of 35.3%, whereby, in comparison with the previous year participation of fixed property has been reduced from 69.2% to 64.7 % and participation of current property has increased from 30.8% to 35.3%. In comparison with the previous year, there has been an increase of the nominal value of fixed property by 1.5% and the current property by 23.9%.

The increase of fixed property is the result of the growth of investment real estates by 3.2% and the long term financial investments by 2.4%. Basic funds in the preparation and the rest of the basic funds are reduced, which partly influenced the increase of the investment real estates.

In the structure of the long term financial investments, the participation in the capital of the dependent, associated and the rest of the legal entities increased by 15.8%, which relate to the investment of one insurance company in the establishment of the microcredit company. However, this increase is not materially significant, because the participation of this item in the operating assets is only 0.5%. The rest of the changes within the long term financial investments are in accordance with the changes in the structure of the invested assets covering technical reserves and 50% of the minimum Guarantee Fund, in the structure of which came to the increase of investment in the financial funds available for sale (bonds) and the reduction of the investment in the fixed-term deposits.

The other items, in the structure of the position fixed property do not have significant participation in the operating assets and their changes do not influence the ability to settle obligations from the insurance contract.

In the structure of current property, nominally, short term receivables, investments and cash recorded the highest growth, where short term financial investments in the country doubled and the cash increased by 20.4%. This growth derives from the growth of the calculated technical reserves and the changes in the structure of investments of funds covering technical reserves and 50% of the

minimum Guarantee Fund. Inventories, fixed funds and funds of discontinued operations intended for sale have increased by 52.1% and the deferred tax funds by 79.9%. As the total participation of these items in the operating assets is only 0.1%, this growth is not materially significant.

Off balance sheet assets and liabilities have been reduced in comparison with the previous year by 14.8% due to reduction of potential obligations based on guarantees given to secure execution of obligations of the third persons at three insurance companies. Part of this position is relates to the state property (buildings used by Wiener osiguranje a.d) and on the written off receivables of one insurance company where there were no significant changes.

In the following review is provided the comparative display of aggregate positions of liabilities of balance sheet at the sector level for 2015 and 2016.

**Table 14: Liabilities - total for all insurance companies**

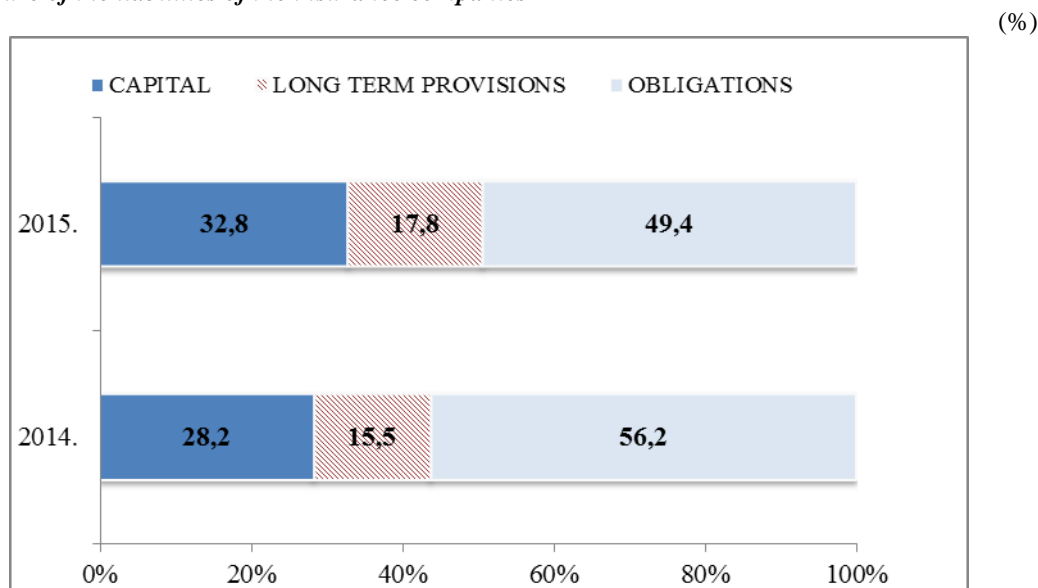
(in BAM)

LIABILITIES	31 December 2015		31 December 2016		Index 2016/15
	Amount	%	Amount	%	
<b>A. CAPITAL</b>	<b>121.169.673</b>	<b>32,8</b>	<b>132.711.391</b>	<b>33,1</b>	<b>109,5</b>
1. Share capital	92.788.292	25,1	105.741.092	26,4	114,0
2. Share premium	3.185.645	0,9	3.185.700	0,8	100,0
3. Emission loss	4.077.327	1,1	4.073.025	1,0	99,9
4. Reserves from the profit	5.685.024	1,5	5.961.666	1,5	104,9
5. Revaluation reserves	3.918.128	1,1	3.829.035	1,0	97,7
6. Unrealized profits from the financial assets available for sale	4.540.975	1,2	3.237.694	0,8	71,3
7. Unrealized losses from the financial assets available for sale	1.500.464	0,4	1.604.785	0,4	107,0
8. Undistributed profits (9+10)	25.694.184	7,0	28.660.159	7,2	111,5
9. Undistributed profits from the previous years	4.478.860	1,2	5.850.973	1,5	130,6
10. Undistributed profit from the current year	21.215.324	5,7	22.809.186	5,7	107,5
11. Loss, up to the amount of the capital (12+13)	9.064.784	2,5	12.226.145	3,1	134,9
12. Loss of the previous years	3.731.794	1,0	4.309.320	1,1	115,5
13. Loss of the current year	5.332.990	1,4	7.916.825	2,0	148,5
<b>B. LONG TERM PROVISIONS</b>	<b>65.642.237</b>	<b>17,8</b>	<b>78.578.911</b>	<b>19,6</b>	<b>119,7</b>
<b>C. OBLIGATIONS (1+2)</b>	<b>182.592.461</b>	<b>49,4</b>	<b>189.137.173</b>	<b>47,2</b>	<b>103,6</b>
1. Long term obligations	4.933.656	1,3	48.133	0,0	1,0
2. Short term obligations and accrued costs and deferred revenues	177.658.805	48,1	189.089.040	47,2	106,4
2.1. Unearned premium LI	4.834.996	1,3	4.972.987	1,2	102,9
2.2. Unearned premium of NLI	82.853.206	22,4	91.828.622	22,9	110,8
2.3. Claims reserves LI	1.003.593	0,3	584.495	0,1	58,2
2.4. Claims reserves NLI	62.304.736	16,9	64.683.352	16,2	103,8
2.5. Other accrued costs and deferred revenues	6.705.930	1,8	4.371.574	1,1	65,2
2.6. Other short term obligations	19.956.344	5,4	22.648.009	5,7	113,5
<b>D. OPERATING LIABILITIES</b>	<b>369.404.371</b>	<b>100,0%</b>	<b>400.427.475</b>	<b>100,0%</b>	<b>108,4</b>
<b>E. OFF BALANCE SHEET LIABILITIES</b>	<b>6.787.697</b>		<b>5.784.262</b>		<b>85,2</b>
<b>F. TOTAL LIABILITIES</b>	<b>376.192.069</b>		<b>406.211.737</b>		<b>108,0</b>

Source: Insurance companies' balance sheets

In the following graph is presented the structure of liabilities for 2015 and 2016.

Chart 6: Structure of the liabilities of the insurance companies



Source: Insurance companies' balance sheets

Structure of the operating liabilities, on 31 December 2016, is made of obligations 47.2%, the capital 33.1% and the long term provisions 19.6%. It should be emphasized that in the structure of operating liabilities, technical reserves of life and non- life insurances participate with 40.5%, mathematical reserve and provisions for participation in profit of life insurances with 18.8% and capital with 33.1%, i.e. that these positions participate in total with 92.4% in the operating liabilities. The participation of these positions and their mutual relation is in accordance with the basic activity and the structure of portfolio of insurance companies from RS.

At the position of capital the growth of 9.5% has been recorded, in comparison with the previous year, in the structure of which the basic capital increased by 14% as the result of the increase of share capital. Share capital has increased because of the establishment of two new insurance companies and the emission of shares at four insurance companies. Reserves from the profit have increased by 4.9%. The position undistributed profit of the previous years has increased by 30.6%, while the position undistributed profit of the current year has increased by 7.5%.

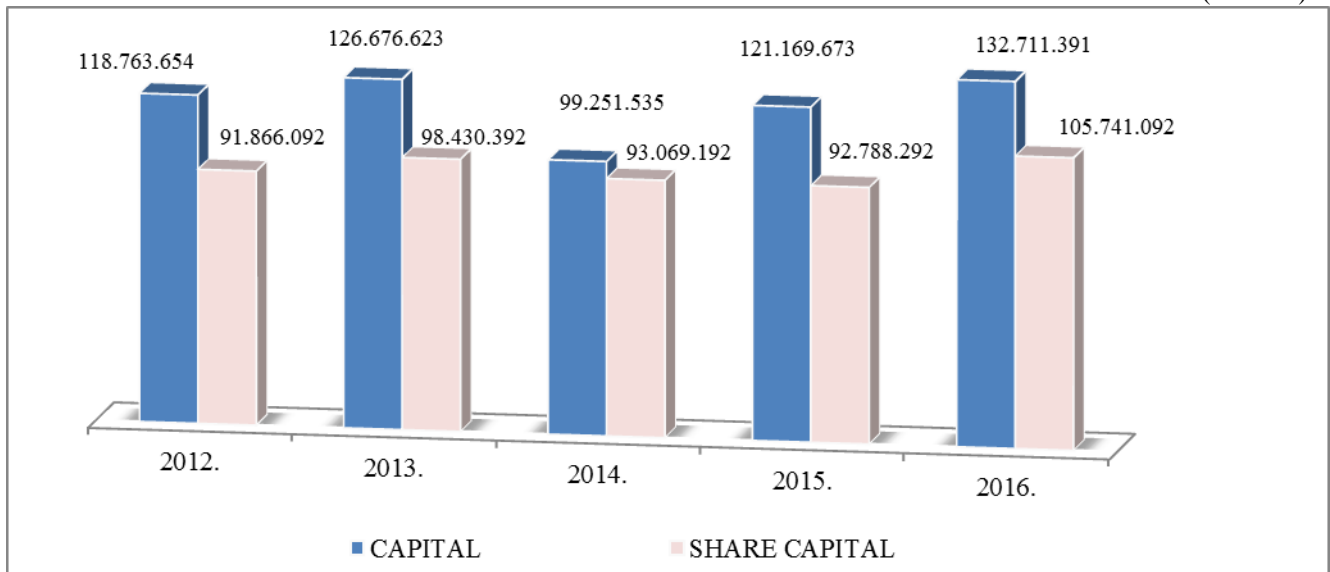
Unrealized gains based on revaluation of financial assets available for sale (portfolio of securities, primarily bonds) have reduced by 28.7%, while the unrealized losses based on financial assets available for sale have increased by 7.0%. It should be emphasized that the participations of positions of unrealized profits/losses based on financial assets available for sale, in the operating liabilities, individually observed, are below 1%.

The loss of the current year has increased by 48.5% in comparison with the previous year and is recorded by four insurance companies. The loss of the previous years has increased by 15.5% in comparison with the previous year, because one insurance company has performed correction of financial report for 2015 by application of the International Accounting Standard 8 - the Accounting Policies, changes of accounting evaluations and mistakes. The changes in the structure of items loss of the current year and loss of the previous years shall be explained in more detail in the following pages.

Following is given the overview of the movement of the capital for the period from 2012 to 2016:

**Chart 7: Insurance companies' capital**

(in BAM)



Source: Insurance companies' balance sheets

At the position of long term provisions the increase of 19.7% has been recorded, in comparison to the previous year. In the structure of this position there was increase of the mathematical reserves of 19.7% and increase of reserves for participation in profit of life insurances of 10.6%, which is in accordance with the age structure of portfolio of life insurances and presents the continuation of positive trend. Mathematical reserve and provisions for participation in profit of life insurances make 95.9% of the long term provisions. Provisions for court disputes in progress and the rest of the long term provisions have increased by 43.5%, which is the result of significant increase of provisions based on enforceable court judgment at one insurance company, which did not derive from insurance operations.

Total obligations in comparison with the previous year have increased by 3.6%. Short term obligations and accrued costs and deferred revenues have increased by 6.4% and the long term reduced by 99.0%. Long term obligations have reduced due to the repayment of part of long term credit and the transfer of part of credit which matures within a year to the item of the rest short term obligation in accordance with accounting regulations. Additionally, more important influence on the increase of short term obligations had items of unearned premium in life and non-life insurances, as well as provisions for damages of non life insurances. At the position of provisions for damages of life insurances, there was a reduction of 41.8%, which is in accordance with the growth of amounts of paid claims based on life insurance contracts, whereby it is pointed out that this item in the operating liabilities participates with only 0.1%. On the reduction of item other accrued costs and deferred revenues significant influence had the netting of internal relations at one of the composite insurance company and in accordance with accounting regulations.

### 3.2. Income statement

In the following table is given the comparative review of the items of the Income statement for all insurance companies for 2015 and 2016.



Table 15: Income statement - overall for all insurance companies

(in BAM)

POSITION	2015.	%	2016.	%	Index 2016/15
	Amount		Amount		
<b>A. OPERATING INCOMES AND REVENUES</b>					
<b>I - Operating incomes(1+2+3+4+5+6)</b>	215.543.653	92,8	200.267.803	93,2	92,9
1. Incomes from the premium and commissions of the insurance, coinsurance, reinsurance and retrocessions of life insurances	18.343.265		21.833.725		119,0
2. Incomes from the premium and commissions of the insurance, coinsurance, reinsurance and retrocessions of non-life insurances	144.980.108		158.000.413		109,0
3. Incomes on the basis of the the participation of the coinsurance and reinsurance and retrocessions in claims of non-life insurances	34.112.767		7.087.315		20,8
4. Incomes from the eliminations and reduction of provisions of non-life insurances	6.431.110		4.179.563		65,0
5. Incomes from the refund of tax and other duties and incomes from premiums, subsidies, grants, donations and similar.	381.610		247.386		64,8
6. Other operating incomes	11.294.793		8.919.401		79,0
<b>II - Operating revenues (1+2)</b>	200.951.128	94,0	185.439.679	93,7	92,3
1. Functional revenues (1.1.+1.2.+1.3.)	127.259.819		106.779.960		83,9
1.1. Revenues for the long term provisions and functional contributions	13.074.054		16.009.408		122,5
1.2. Compensation of claims, contractual amounts and the coinsurance and reinsurance premiums	7.469.578		8.582.198		114,9
1.3. Claims compensation and other compensations of non.life insurances	106.716.187		82.188.354		77,0
2. Operating expenses	73.691.309		78.659.719		106,7
<b>III - Operating profit/loss (I-II)</b>	14.592.525		14.828.124		101,6
<b>B. FINANCIAL INCOMES AND REVENUES</b>					
I - Financial incomes	9.682.522	4,2	10.260.808	4,8	106,0
II - Financial revenues	861.198	0,4	771.186	0,4	89,5
<b>III - Financial profit /loss (I-II)</b>	8.821.324		9.489.622		107,6
<b>AB - Profit/loss of the regular activity (AIII+BIII)</b>	<b>23.413.849</b>		<b>24.317.746</b>		103,9
<b>C. THE REST OF INCOMES AND REVENUES</b>					
I - Rest of the incomes	4.843.470	2,1	3.688.197	1,7	76,1
II - Rest of the revenues	10.200.498	4,8	9.824.540	5,0	96,3
<b>III - Profit/loss on the basis of the other incomes and revenues (I-II)</b>	-5.357.028		-6.136.343		114,5
<b>D. INCOMES AND REVENUES FROM REVALUATION OF THE PROPERTY</b>					
I - Incomes from revaluation of the property	981.425	0,4	286.055	0,1	29,1
II - Revenues from revaluation of the property	579.316	0,3	950.936	0,5	164,1
<b>III - Profit /loss on the basis of revaluation of the property (I-II)</b>	402.109		-664.881		
<b>E. INCOMES ON THE BASIS OF CHANGE OF THE ACCOUNTING POLICY AND THE CORRECTION OF MISTAKES FROM PREVIOUS YEARS</b>					
	14.287	0,0	245.546	0,1	1718,7
<b>E I- REVENUES ON THE BASIS OF CHANGE OF THE ACCOUNTING POLICY AND THE CORRECTION OF MISTAKES FROM PREVIOUS YEARS</b>					
	80.118	0,0	120.385	0,1	150,3
<b>F.PROFIT /LOSS BEFORE TAXATION (AB+CIII+DIII+D1)</b>	<b>18.393.099</b>		<b>17.641.683</b>		<b>95,9</b>
<b>G. CURRENT AND DEFERRED INCOME TAX</b>					
Tax revenues of the period	2.386.459		2.500.780		104,8
<b>H. DEFERRED INCOME TAX REVENUES OF THE PERIOD</b>	187.749	0,1	248.807	0,1	<b>132,5</b>
<b>I. NET PROFIT/NET LOSS OF THE PERIOD (F-G-H)=(I 1 - I 2)</b>					
	<b>15.818.891</b>		<b>14.892.095</b>		<b>94,1</b>
1. Net profit of the current year	21.265.914		22.808.920		107,3
2. Net loss of the current year	5.447.023		7.916.825		145,3
<b>J. THE REST OF PROFITS AND LOSSES IN THE PERIOD</b>					
I - Profits determined directly in the capital	1.140.955	0,5	52.567	0,0	4,6
II - Losses determined directly in the capital	963.656	0,5	505.566	0,3	52,5
III - Tax on the profit which relate to other profits and losses	16.064		36.287	0,0	225,9



POSITION	2015.	%	2016.	%	Index 2016/15
	Amount		Amount		
<b>K. TOTAL NET RESULT IN THE ACCOUNTING PERIOD(I+JI-JII±JIII)</b>	<b>16.012.254</b>		<b>14.475.384</b>		<b>90,4</b>
<b>L. TOTAL INCOMES AND PROFITS ( AI+BI+C1+D1+E+FI)</b>	<b>232.206.312</b>	<b>100,0</b>	<b>214.800.976</b>	<b>100,0</b>	<b>92,5</b>
<b>M. TOTAL REVENUES AND LOSSES (AII+BII+CII+DII±EIII +F)</b>	<b>213.807.599</b>	<b>100,0</b>	<b>197.824.812</b>	<b>100,0</b>	<b>92,5</b>
<b>N. TOTAL GROSS RESULT IN THE ACCOUNTING PERIOD (L-M)</b>	<b>18.398.713</b>		<b>16.976.164</b>		<b>92,3</b>
<b>O. CURRENT AND DEFERRED INCOME TAX (G)</b>	<b>2.386.459</b>		<b>2.500.780</b>		<b>104,8</b>
<b>P. TOTAL NET RESULT IN THE ACCOUNTING PERIOD (N-O)=K</b>	<b>16.012.254</b>		<b>14.475.384</b>		<b>90,4</b>

Sources: financial reports of the companies

Total incomes including profits determined directly in the capital in 2016 were in the amount of BAM 214 800 976 and are less in comparison with the previous year by 7.5%.

Operating incomes of the insurance companies in 2016 make 93.2% of the total incomes and amounted to BAM 200.267.803 and are less by 7.1% in comparison with the previous year. In the structure of the operating incomes, there was an increase of the income from the premium and the commission of insurance, coinsurance, reinsurance and retrocession of life insurances by 19.0% and non-life insurances by 9.0%. Incomes on the basis of participation of coinsurance and reinsurance and retrocession in claims compensation of non-life insurances are reduced by 79.2% in comparison with the previous year, because in 2015 significantly larger claims from the usual have been paid by the reinsurer because of the coverage of catastrophic damages caused by the floods in May 2014. Incomes from eliminations and reductions of the provisions of non-life insurances, other operating incomes and the incomes from refund of tax and other duties and similar, altogether participate with less than 7% in the operating incomes.

Financial incomes make 4.8% of total incomes and are higher by 6.0% in comparison with the previous year. The other incomes are reduced by 23.9% due to collection of the receivables for which correction in the previous period has been performed.

Incomes from revaluation of the property, incomes on basis of the change of accounting policies and the correction of mistakes from the previous years and profits determined directly in the capital together make 0.3% of the total incomes and they did not have significant impact on the total net result.

Total revenues, including also the losses established directly in the capital in 2016 amounted to BAM 197 824 812 and are less by 7.5% in comparison with the previous year. Operating revenues make 93.7% of the total revenues and they amounted to BAM 185.439.679 and are less by 7.7% in comparison with the previous year.

Functional revenues make 57.6% of the operating revenues and are reduced by 16.1%. In the structure of the functional revenues at position of claims compensation and the rest of compensations of non-life insurances, which make 77.0% of the functional revenues, there was a reduction of 23.0% in comparison with the previous year. This reduction was significantly effected during 2015 by the disbursement of higher damages from the usual on the basis of the coverage of catastrophic damages caused by the floods in May 2014. Revenues for the long term provisions and functional contributions have increased by 22.5%, while the compensations of claims, contractual amounts and

coinsurance and reinsurance premiums have increased by 14.9%. These changes represent the continuance of the positive trend in life insurances, because they are the result of the increase of mathematical reserve and disbursed obligations based on life insurance contract. Operating expenses have increased by 6.7 % and in the structure of which expenses for materials, energy, services and nonmaterial expenses participate with 59.6% and are increased by 12.1%. The rest of the revenues are reduced by 3.7% due to the regular collection of the receivables in comparison with the previous period.

In the structure of total revenues, the financial revenues participate with 0.4%, revenues from revaluation of property with 0.5% and the losses determined directly in the capital with 0.3%. Because of the small participation in the total revenues, they did not have materially significant influence on the total net result in 2016, regardless of their relative change.

Operating profit was BAM 14.828.124 and is higher by 1.6% in comparison with the previous year, while the profit from the regular activity (when the financial incomes and revenues are included) was BAM 24.317.746 and is higher by 3.9%. From the basic activity of the insurance company 99.6% of the profit of the insurance sector has been achieved.

Net result of the period, at the sector level is profit in the amount of BAM 14.892.095. Ten insurance companies have achieved net profit in the amount of BAM 22.808.920, while four insurance companies have achieved net loss in the amount of BAM 7.916.825. In the achieved loss one insurance company participates with 71.8%. This company has reported loss in non-life and life insurance, which is in most part the consequence of: reduction of the gross written insurance premium in non-life insurances, high operating expenses in both segments, increase of the revenues from revaluation of the investment property, increase of the revenues on the basis of premiums and reinsurance and coinsurance commissions and the write off and correction of the value of the receivables because of the uncollectibility. However, the loss has not endangered the capital adequacy and the coverage of the technical reserves of this insurance company. Second insurance company has reported the loss as the consequence of correction of the value of unpaid recourse receivables on the basis of the execution of the taken credit obligations of the third parties for which the company gave the guarantees. These receivables are secured by the registered first order mortgage on the immovable property and the procedure of the enforced collection through legal action is in progress. The third insurance company has indicated the loss because of the significant fall of the operating activities and the high expenses, caused by the problems in managing and directing the company after the change of the ownership structure. For the purpose of protection of interest of insured persons and third injured persons, the company has been ordered several supervisory measures, one of them is the introduction of the extraordinary administration which proved to be purposeful. Fourth insurance company, which was established mid-year, has reported the loss in the smaller amount, due to the expenses of establishment

Total net result at the sector level calculated as difference of the total incomes, gains determined directly in the capital and the deferred tax incomes on one side and total revenues and losses determined directly in the capital and the current and deferred income tax at the other side, is the profit in the amount of BAM 14.475.384.

In one insurance company, after the submission of unaudited financial reports, there was a correction of the certain balance sheet positions in the financial reports of previous year on the basis of the

Decision issued by the tax authorities, and because of that, certain data for 2015 reported in this report are different from the data for the same year in the Report on the state in the insurance sector for the period from 1 January to 31 December 2015. Corrections are performed in accordance with the International Accounting Standard 8 - of the Accounting Policy, the change of the accounting evaluations and mistake. Operating assets and liabilities for 2015 on the basis of the ordered corrections is lower by BAM 995.915 and the total net result in the accounting period is reduced by BAM 50.471.

### **3.3.Consolidated financial statements**

Of the overall 14 insurance companies, four insurance companies perform direct or indirect control over the one or several legal entities or have a significant influence over the other legal entities and they are in accordance with Article 19 of the Law on Accounting and Auditing of the Republic of Srpska obligated to compose the consolidated financial statements of the connected legal entities which make one economic unity.

In accordance with the aforementioned, the insurance companies have composed and submitted to the Agency audited consolidated financial statements. Two insurance companies have showed in the consolidated financial statements profit in the overall amount of BAM 4.425.369 and two insurance companies have showed loss in the overall amount of BAM 6 .872.064. Total net result of the period for all insurance companies stated in the audited consolidated financial statements is negative and amounts to BAM 2.446.695.

Loss stated in the individual audited financial statements of these insurance companies is BAM 2.336.927 and is less by BAM 109.768 from the losses stated in the audited consolidated financial statements.

## 4. FINANCIAL AND TECHNICAL INDICATORS OF THE STATE IN THE SECTOR

### 4.1.Meeting the requirements of capital adequacy

Insurance companies with HQ in the Republic of Srpska are obligated to continuously maintain the amount of the capital, which is adequate to the scope and types of insurance operations which they perform, i.e. the risks which they are exposed to in performing insurance operations.

Capital adequacy of the insurance company is measured in the sense of meeting the prescribed conditions, i.e. available capital of the insurance company must be at least equal to the limit value of the available capital adequacy<sup>3</sup>, while the basic capital must be at least equal to the amount of the guarantee fund<sup>4</sup>. Composite insurance companies must separately demonstrate the fulfillment of requirements of the capital adequacy for life and non-life insurances.

*Table 16: Meeting the requirements of the capital adequacy*

No.	Description	(in BAM)	
		2016.	
		Non-life insurances	Life insurances
1.	Basic capital	90.168.378	12.905.618
2.	Guarantee fund	57.000.000	9.000.000
3.	More/less of the basic capital (1-2)	33.168.378	3.905.618
4.	Available capital	81.192.358	12.905.618
5.	Limit value of the available capital adequacy	57.000.000	9.086.032
6.	More/less available capital (4-5)	24.192.358	3.819.586

*Source: Insurance companies' reports*

Basic capital at the sector level, on 31 December 2016, observed in total for life and non-life insurances, was BAM 103.073.996 and is higher than the guarantee fund by BAM 37.073.996 or 56.2%. Basic capital for non-life insurances was higher than the guarantee fund by 58.2% and in life insurances by 43.4%.

Available capital<sup>5</sup>, observed in total for life and non-life insurances, determined for the purpose of meeting of the capital adequacy requirements, was BAM 94.097.976 on 31 December 2016. At the sector level the surplus of available capital in the amount of BAM 28.011.944 (or 42.4%) was demonstrated, of which BAM 24.192.358 in non-life insurances (or 42.4%), i.e. BAM 3.819.586 of surplus in life insurance (or 42.0%).

Although the meeting of requirements of the capital adequacy has been secured at the level of insurance sector of Republic of Srpska, one insurance company demonstrated the lack of available

<sup>3</sup> Limit value of the available capital adequacy is the amount of solvency margin or the minimum prescribed amount of share capital of the insurance company, depending on which of the two amounts is higher

<sup>4</sup> Guarantee fund corresponds to the amount of 1/3 of solvency margin or the minimum prescribed amount of share capital for the insurance companies, depending on which of the two amounts is higher.

<sup>5</sup> It is necessary to point out that the amount of the capital, determined for the purpose of meeting the capital adequacy requirements is different from the amount of the capital demonstrated in the balance sheet.

and basic capital at non-life insurance. It should be pointed out, that, after the imposed supervision measures of the Agency, this company has performed recapitalisation during the report period, for the purpose of meeting the requirements of capital adequacy. However, due to coverage and repair of the losses from previous periods, certain insufficiency of the available and basic capital was demonstrated on 31 December 2016. During the making of this report, the company was imposed supervision measure in order to secure capital adequacy.

In the context of the before mentioned, it is emphasized that all companies have also provided the additional funds for the protection of the insured persons and preservation of solvency of the insurance companies, which may not be used for other purposes. However, in addition to meeting the prescribed requirements of the capital adequacy, insurance companies have the obligation to hold the amount in the height of at least 50% minimum necessary guarantee fund in the specific-purpose time deposit or securities, whose issuer or guarantor is Bosnia and Herzegovina, the Republic of Srpska or the Central Bank of BiH. All insurance companies meet this requirement, i.e. possess the prescribed coverage in the mentioned funds.

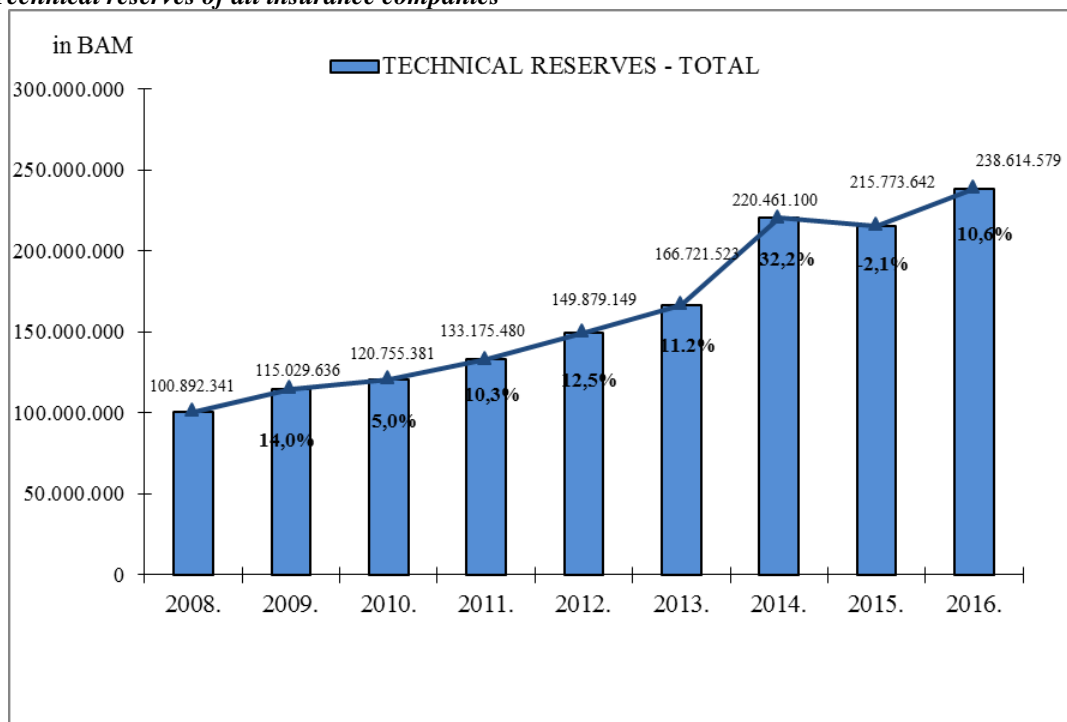
## 4.2. Calculation and coverage of technical reserves by prescribed forms of assets

### 4.2.1. Overall calculated technical reserves

Actuarially based calculation of technical reserves is the basic prerequisite for maintenance of the insurance company solvency, by which is contributed to the better protection of interests of insured persons and users of insurance, as well as to strengthening of confidence in the insurance sector. Rules for calculation of technical reserves are prescribed by bylaws of the Agency, and their adequate application is subject to control, by both authorized actuaries and the Agency, through the obligatory reports which the insurance companies submit periodically and through the direct control.

In the following chart, it is illustrated the overview of the calculated technical reserves at the sector level in period from 2008 to 2016

Chart 8: Technical reserves of all insurance companies



Source: Insurance companies' reports

On 31 December 2016, the overall calculated technical reserves at the sector level are higher by 10.6% in comparison with the same day of the previous year.

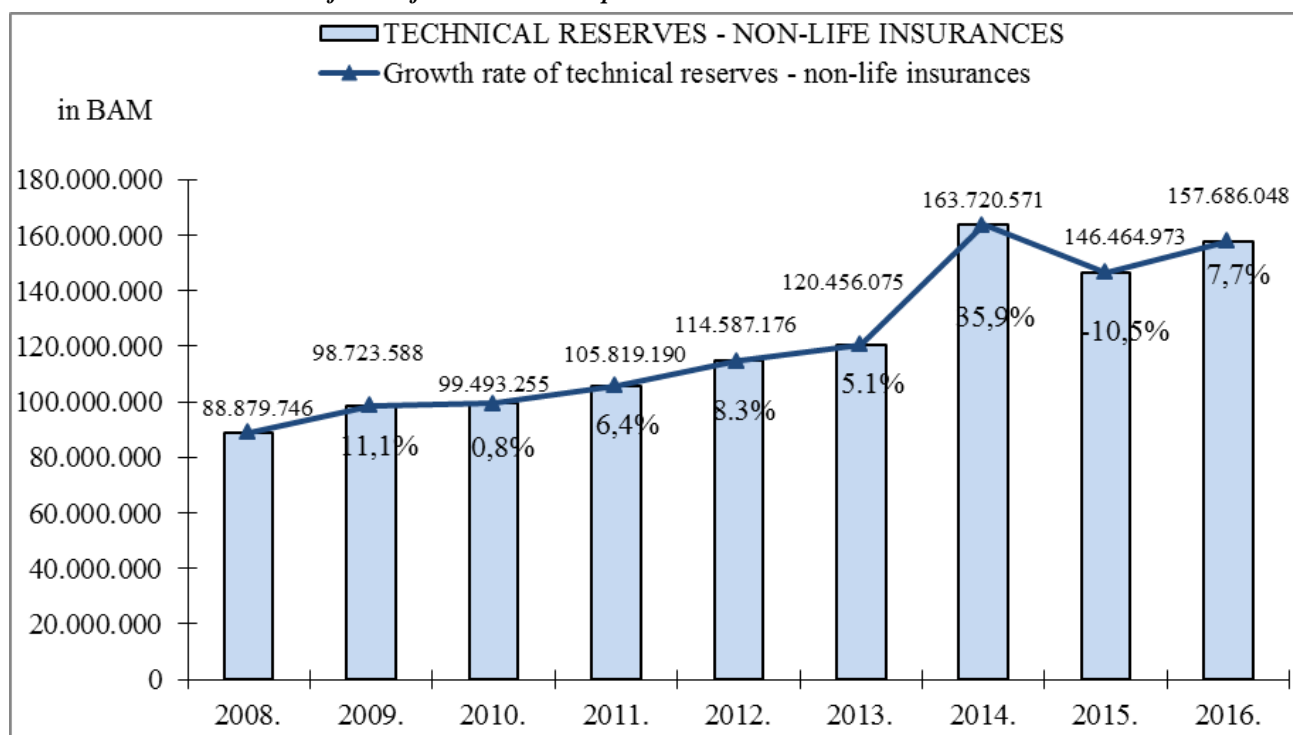
For the purpose of maintaining financial capability of meeting obligations based on damage compensation and compensation from the insurance contract, the insurance company is obligated to invest funds for the coverage of technical reserves in the prescribed forms of assets, at the same time applying the principle of safety and profitability and taking into account dispersion of the investments.

Considering that in life and non-life insurances different conditions and investment restrictions are applied, following is given the separate analysis of investments covering the technical reserves.

#### 4.2.2. Calculation of and funds covering technical reserves of non-life insurance companies

Overall calculated technical reserves of non-life insurances, in period from 2008 to 2016, are displayed in the following chart.

Chart 9: Technical reserves of non-life insurance companies



Source: Insurance companies' reports

Along with the premium growth, technical reserves of non-life insurances, in period from 2008 to 2016 have increased by 77.4%.

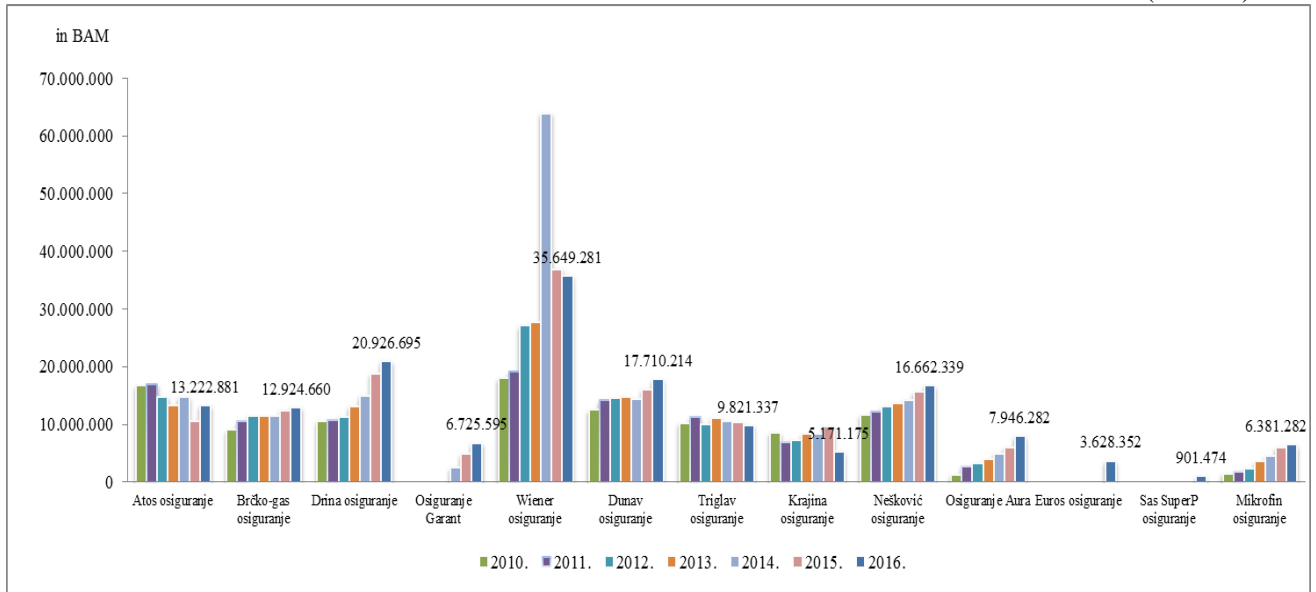
Overall calculated technical reserves for non-life insurances on 31 December 2016 amounted to BAM 157.686.048 and are higher in comparison with the previous year by 7.7%.

In the following chart are displayed the calculated technical reserves of non-life insurances individually, by the insurance companies.



**Chart 10: Overview of calculated technical reserves of non-life insurances by the companies**

(in BAM)



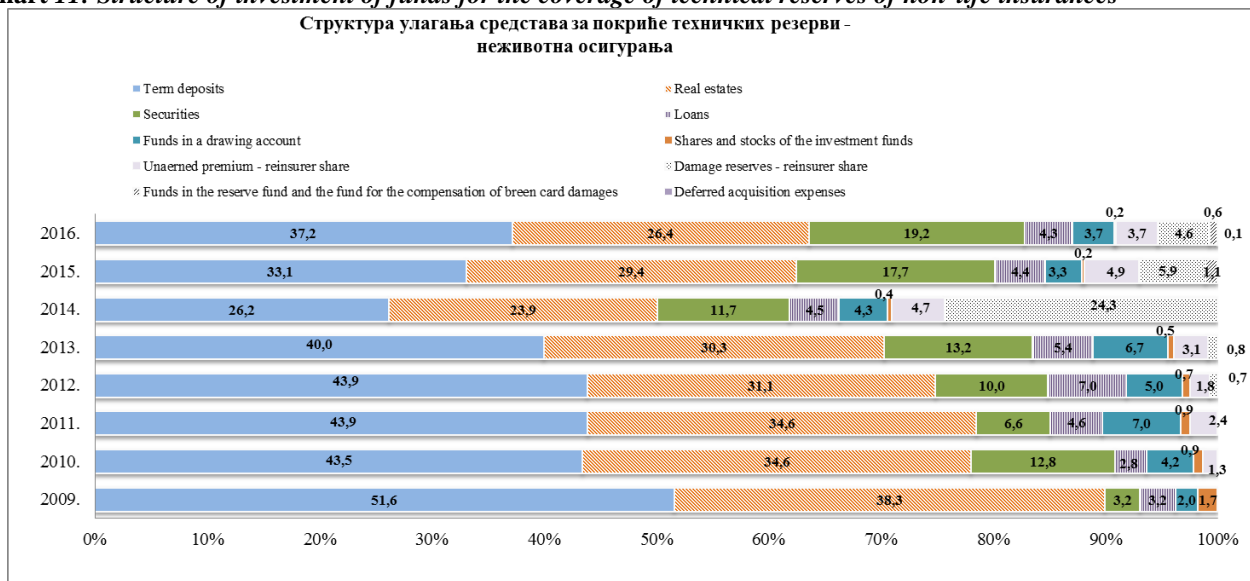
Source: Insurance companies' reports

It can be seen from the chart, that on 31 December 2016, compared with the same day of the previous year, at three insurance companies has been a reduction of the amount of calculated technical reserves.

In one insurance company the reduction is caused partly because of reduction of the unearned premium since also the premium was reduced, and partly because of reduction of the reserves for the property damage claims (fire insurance and insurance of other damages on the property), since the paid damages on basis of catastrophic floods are not any more located in the composition of the calculated technical reserves. At the other insurance company the reduction of technical reserves does not have material importance and is caused by reduction of reserve for the IBNR damages, while at the third company it is the consequence of lower unearned premium because of the lower amount of calculated premium in comparison with the previous period.

In the following chart is displayed the structure of investment of the funds for the coverage of technical reserves of non-life insurances.

**Chart 11: Structure of investment of funds for the coverage of technical reserves of non-life insurances**



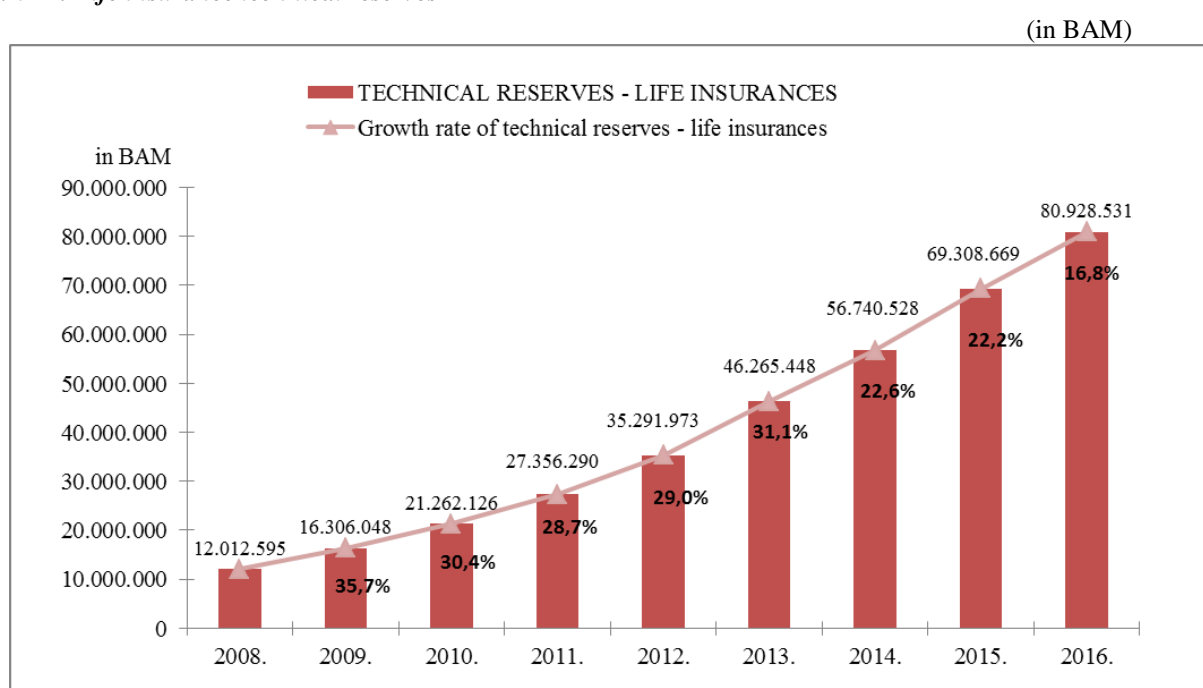
Source: Insurance companies' reports

In the structure of investment of funds covering technical reserves of non-life insurances, fixed-term deposits and real estates have the most significant participation. Investments in securities, primarily state bonds, record a continuous growth. Unlike on 31 December 2015 when three insurance companies did not have sufficient funds covering technical reserves, at the end of 2016 funds covering technical reserves at all insurance companies have been secured, noting that one company on the day of making of this report did not finish the process of investment of these funds.

#### 4.2.3. Calculation of and funds covering technical reserves of life insurance companies

Technical reserves of life insurance are characterized by dynamic growth caused by the growth of life insurance premium and maturing of the portfolio, therefore they increased 6.7 times in the observed period (2008-2016).

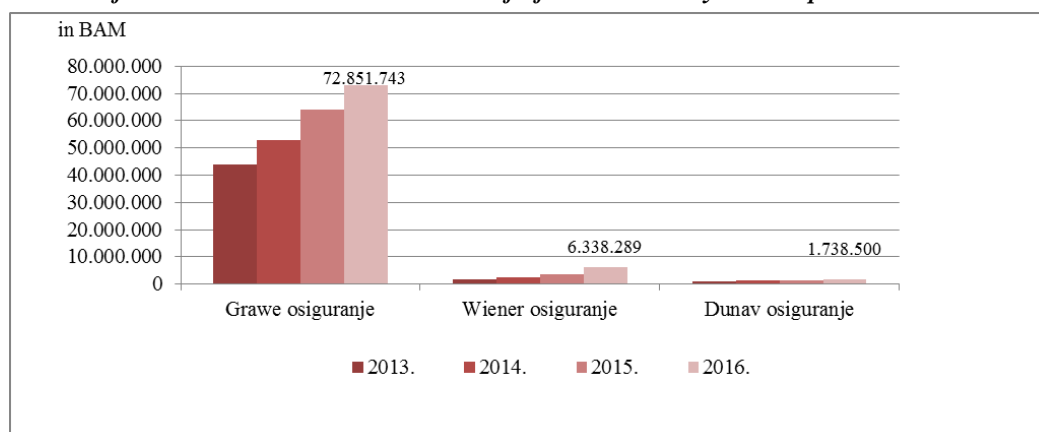
Chart 12: Life insurance technical reserves



Source: Insurance companies' reports

In the following chart are displayed calculated technical reserves of life insurances, individually, by the insurance companies.

Chart 13: Overview of the calculated technical reserves of life insurances by the companies



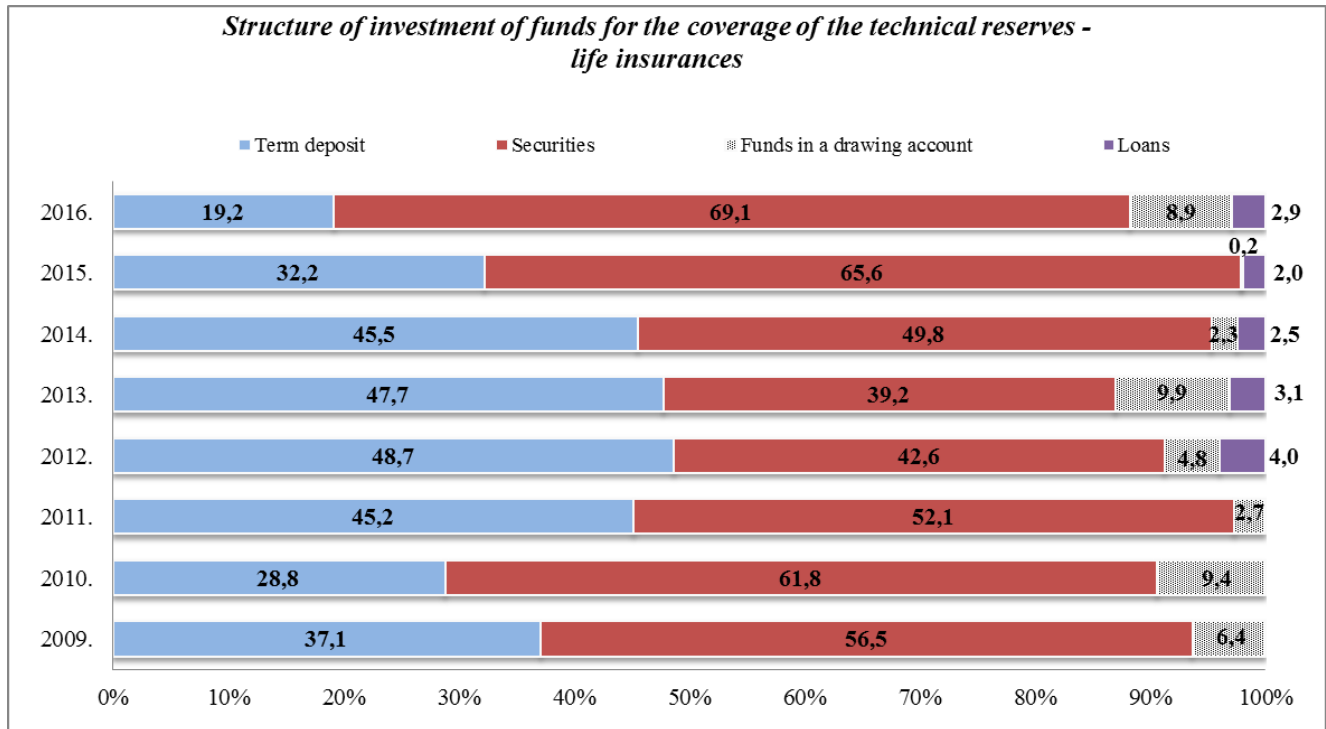
Source: Insurance company reports



The difference in the amount of calculated technical reserves of life insurances among individual insurance companies is proportionate to the participation of these companies in the total premium of life insurances and it is in accordance with the difference in age structure of the portfolio.

The following chart displays the structure of investment of the funds covering technical reserves of life insurances.

**Chart 14: Structure of investment of funds for the coverage of the technical reserves of life insurances**

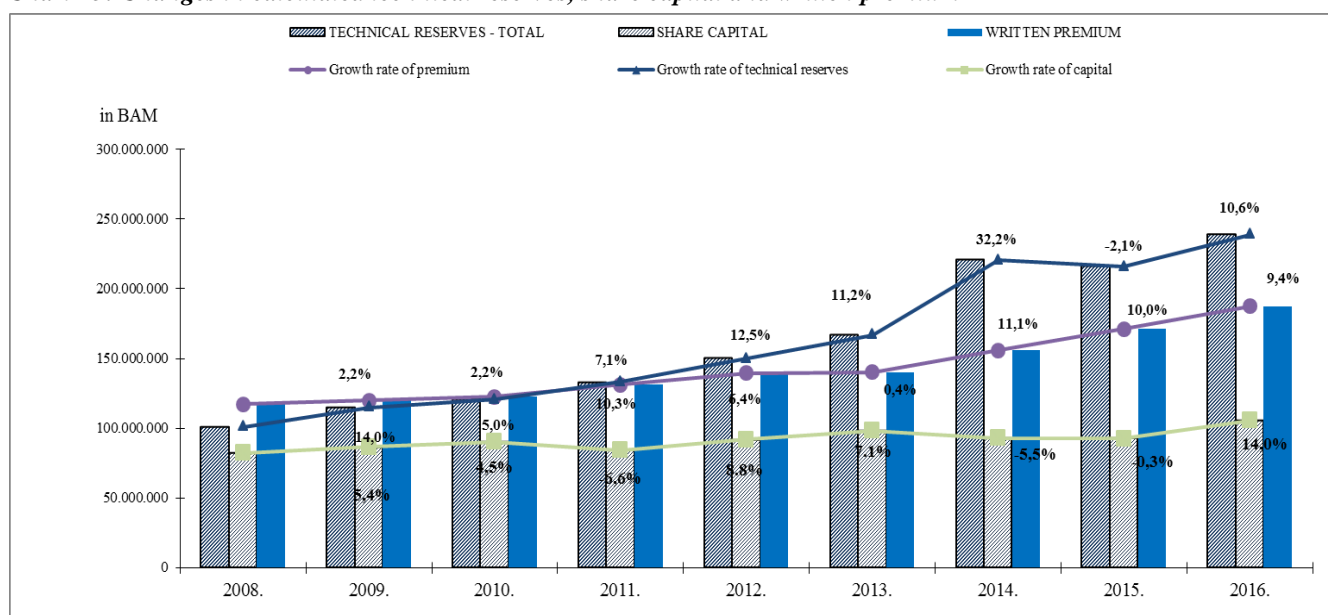


Source: Insurance companies' reports

In the structure of investment of the funds covering technical reserves of life insurances, the most significant participation have the securities of domestic issuers and term deposits. In the structure of securities dominate state and municipal bonds. In the observed period, there was a reduction of participation of investments in term deposits. At all companies which deal with life insurances, the quantitative and qualitative compliance with the prescribed demands for coverage of technical reserves of life insurances is continuously secured.

### 4.3. Comparative overview of key indicators

In the following chart is displayed the comparison of changes in calculated technical reserves, written premium and share capital, in the period from 2008 to 2016.

**Chart 15: Changes in calculated technical reserves, share capital and written premium**


Source: Insurance companies' reports

Data from the previous chart point out to the positive changes in 2016, in the sense of the growth of premium, technical reserves and share capital.

On 31 December 2016, at the sector level, the amount of the calculated technical reserves is higher than written premium by 27.3%.

#### 4.4. Indicators of paid claims and other compensations from the insurance

Following are given basic data in connection with solving and payment of claims and other compensations based on insurance contract (hereinafter: the insurance obligations)..

In 2016, companies with HQ in Republic of Srpska, have payed claims to insured persons and insurance users in the overall amount of BAM 61.330.756, what in comparison to 2015, when sum of paid insurance obligations amounted to BAM 80.580.214, presents the reduction of BAM 19.249.458 or 23.9%.

The reason of aforementioned reduction is lower amount of paid obligations from non-life insurances in this reporting period, which comes from the fact that total paid obligations from the insurance in 2014 and 2015 have been significantly higher than usual due to payment of claims based on catastrophic floods in May 2014, because of which the trend of the total claims paid in all types of property insurance, has temporarily been disturbed.

Table 17: The amount of paid insurance claims by the types of insurance

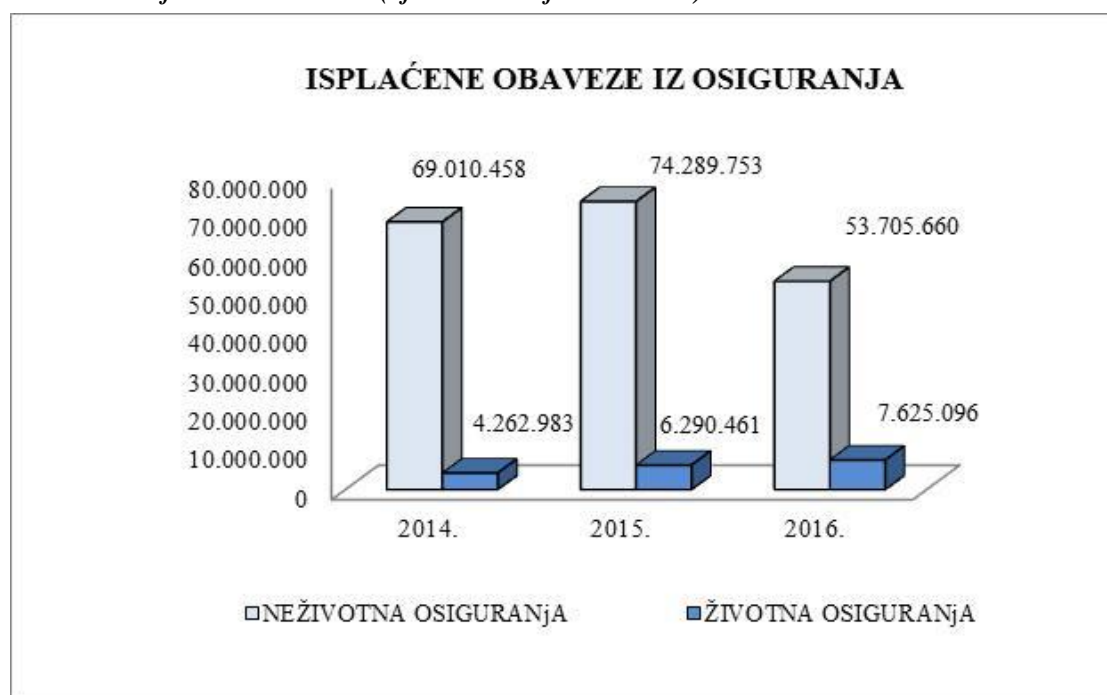
( in BAM)

TYPES OF INSURANCE	2014.	2015.	2016.
Accident insurance	4.794.720	4.836.704	4.440.273
Health insurance	472.304	620.852	429.061
Motor insurance (kasko)	7.955.121	7.517.179	7.277.896
Insurance of airplanes			10.468
Insurance of goods in transit	28.950	85.902	18.513
Property insurance from fire and natural forces	3.531.593	3.838.790	2.496.166
Insurance of the rest of damages to the property	24.922.503	28.610.307	4.319.691

TYPES OF INSURANCE	2014.	2015.	2016.
MTPL insurance	27.228.604	28.410.905	34.544.868
General civil liability insurance	74.882	95.351	138.512
Credit insurance	-	645	1.059
Insurance of aid	1.780	3.220	1.662
Insurance from different financial losses		269.899	27.491
<b>TOTAL NON-LIFE INSURANCES</b>	<b>69.010.458</b>	<b>74.289.753</b>	<b>53.705.660</b>
Life insurance	3.639.197	5.577.216	6.607.205
Additional insurances with life insurance	623.786	713.246	1.017.891
<b>TOTAL LIFE INSURANCES</b>	<b>4.262.983</b>	<b>6.290.461</b>	<b>7.625.096</b>
<b>TOTAL:</b>	<b>73.273.441</b>	<b>80.580.214</b>	<b>61.330.756</b>

Source: Insurance companies' reports

Chart 16: Paid claims from the insurance (life and non-life insurances)



Source: Insurance companies' reports

In the following table are displayed the indicators of efficiency in solving and payment of insurance claims for life and non-life insurances.

Table 18: Efficiency in solving and payment of insurance claims

Description	2014.	2015.	2016.
Efficiency rate in solving non-life insurance claims (in%)	80,5	81,4	81,0
Efficiency rate in solving life insurance claims (in%)	91,6	90,0	91,9
Efficiency rate in payment of non-life insurance claims (in%)	98,7	98,1	98,7
Efficiency rate in payment of non-life insurance claims (in%)	99,8	99,9	100,0

Source: Insurance companies' reports

Efficiency rate in solving insurance claims represents the ratio of the number of overall solved and overall recorded claims. The rate of payment of insurance claims represents the ratio of the number of overall disbursed and overall solved claims. In the observed period there were no significant oscillations in the value of these indicators.

Efficiency rates in solving and payment of insurance claims for the MTPL insurance are displayed in the following table by the insurance companies.

*Table 19: Efficiency in solving and payment of insurance claims for the MTPL insurance*

No.	Insurance company	Efficiency rate in solving insurance claims (%)	Efficiency rate in payment of insurance claims (%)
1.	Atos osiguranje A.D.	75,3	98,8
2.	D.D. Brčko-gas osiguranje	77,6	100,0
3.	Euros osiguranje A.D.	85,7	97,8
4.	Drina osiguranje A.D.	79,9	100,0
5.	Dunav osiguranje A.D.	70,2	100,0
6.	Wiener osiguranje A.D.	73,1	97,4
7.	Krajina osiguranje A.D.	61,6	87,8
8.	Mikrofin osiguranje A.D.	93,2	100,0
9.	Nešković osiguranje A.D.	81,0	100,0
10.	Osiguranje Aura A.D.	89,4	100,0
11.	Osiguranje Garant D.D.	83,6	99,5
12.	Triglav osiguranje A.D.	76,7	95,8
13.	SAS-SuperP OSIGURANJE A.D.	85,7	100,0
	<b>OVERALL:</b>	<b>77,6</b>	<b>98,6</b>

*Source: Insurance companies' reports*

It is necessary to point out that the efficiency rate in solving insurance claims depends also on objective factors on which the insurance company has no influence (for example, the age of insurance company portfolio, the manner of recording the claims, the number of claims solved through court and claims with incomplete documentation and similar) and in order to be a relevant indicator, it is necessary to observe it together with the rest of the indicators.

## 4.5. Technical result

Technical result, displayed in the following table, has been established as the difference of net earned premiums and net claims, taking into consideration changes of the rest of technical reserves and at the life insurances also the result achieved through investment of funds.

*Table 20: Technical results of insurance companies*

No.	Types of insurances	Technical result		
		2014.	2015.	2016.
1.	Accident insurance	3.122.839	4.017.418	3.954.510
2.	Health insurance	588.158	325.558	845.143
3.	Motor insurance (kasko)	1.383.615	2.356.806	2.523.047
4.	Insurance of rail vehicles	0	0	0
5.	Insurance of airplanes	2.871	-45.651	35.416
6.	Insurance of vessels	22.909	4.462	-24.118
7.	Insurance of goods in transit	486.656	481.253	437.544
8.	Property insurance from fire and natural forces	976.994	4.315.999	2.929.707

No.	Types of insurances	Technical result		
		2014.	2015.	2016.
9.	Insurance of the rest of damages to the property	1.304.718	3.574.427	2.422.404
10.	MTPL insurance	66.073.653	63.874.752	73.758.366
11.	Civil liability insurance for aircrafts	6.353	5.748	5.772
12.	General liability insurance for ships	5.068	2.509	417
13.	General civil liability insurance	670.548	494.838	490.962
14.	Credit insurance	5.530	21.344	64.914
15.	Guarantee insurance	41	1.674	6.292
16.	Insurance from the different financial losses	63.072	241.909	263.961
17.	Legal expenses insurance	0	0	0
18.	Insurance of aid	1.661	377.444	2.673
	<b>NON-LIFE INSURANCES</b>	<b>74.714.688</b>	<b>80.050.493</b>	<b>87.717.009</b>
19.	<b>LIFE INSURANCES</b>	<b>4.978.082</b>	<b>5.927.538</b>	<b>6.676.695</b>
	<b>TOTAL</b>	<b>79.692.770</b>	<b>85.978.031</b>	<b>94.393.704</b>

Source: Insurance companies' reports

At the insurance sector level of Republic of Srpska a positive technical result has been achieved. Individually observed, a positive technical result in all types of insurances has been realized, except at the insurance of vessels. The before mentioned data indicate that the total premium was sufficient for settlement of obligations toward the insured persons, users of insurance and third injured persons, noting that the negative technical result at the insurance of vessels is not materially significant.

#### 4.6. Loss ratio, expense ratio and combined ratio

Loss ratio represents the ratio of net claims and earned premium, while the expense ratio represents the participation of the expenses associated with acquiring premium in the written premium. Combined ratio represents business result before including the results of investment and is calculated as the sum of expense ratio and loss ratio.

In the following table are displayed loss ratio, expense ratio and combined ratio for non-life insurances, at the sector level.

Table 21: Loss ratio, expense ratio and combined ratio

Description	2014.	2015.	2016.
Loss ratio (%)	78,4	34,3	35,8
Expense ratio (%)	42,1	41,8	41,0
Combined ratio (%)	120,5	76,1	76,8

Source: Insurance companies' reports

If the combined ratio is less than 100, difference between 100 and combined ratio represents positive result from insurance business, and if the combined ratio is higher than 100, that difference represents negative result from insurance business. Compared to 2015, there were no significant changes of these indicators.

On 31 December 2016, the combined ratio was below 100, which means that positive result from the insurance business has been achieved.

#### 4.7. Profitability indicators

In the following table is displayed the profitability of property and profitability of own funds at the level of insurance sector of the Republic of Srpska.

*Table 22: Profitability indicators*

DESCRIPTION	2014.	2015 <sup>6</sup>	2016.
Return on assets (ROA %)	-1,6	4,3	3,8
Return on equity (ROE %)	-5,0	14,4	11,7

*Source: Insurance companies' reports*

The indicator of profitability of property (ROA) is calculated as the ratio of net result of the calculating period and average assets, and represents the measure of the return on total assets. At the level of insurance sector the yield on the assets of 3.8% has been achieved.

The indicator of profitability of equity (ROE) represents the ratio between net result of the calculating period and average equity, and shows the amount of the return on invested own equity. At the level of insurance sector, the overall profitability of equity in 2016 was 11.7%.

#### 4.8. Other operating indicators

In the following table are displayed other indicators of the business of the insurance sector of the Republic of Srpska.

*Table 23: Other business indicators*

DESCRIPTION	2014.	2015 <sup>7</sup>	2016.
Premium per employee (in BAM)	126.218	119.807	134.429
Overall income per employee (in BAM)	198.578	162.382	154.090
Profit per employee (in BAM)	-4.570	11.062	10.683
Profit/Overall income (%)	-2,3	6,8	6,9
Solvency ratio (%)	72,8	80,9	80,4
General liquidity (%)	5,0	5,7	6,2

*Source: Insurance companies' reports*

Observed in comparison to previous year, the solvency ratio as well as the ratio of profit and overall income are approximately at the same level, and premium per employee and general liquidity have also increased.

Overall income per employee and profit per employee are lower in comparison with the previous year, because of decline in overall income and net result, what has already been described in the point 3.2. of this report (Income Statement). It should be pointed out that described reductions of these indicators are not materially significant.

<sup>6</sup> Data for 2015 are different from data displayed in the Report on the state of the sector insurance for the period from 1 January to 31 December 2015, because of performed corrections of financial reports, which are explained in more detail in chapter 3. Balance sheet structure.

<sup>7</sup> Data for 2015 are different from data displayed in the Report on the state of the insurance sector for the period from 1 January 2015 to 31 December 2015, because of performed corrections of the financial report, which are explained in more detail in Chapter 3. Balance sheet structure