

ISSN 2303-7857



AZORS
Insurance Agency
of Republic of Srpska

Annual report

on the state of the insurance sector
in the Republic of Srpska

for year 2020

Banja Luka, May 2021

Title:

Annual report on the state of the insurance sector in the Republic of Srpska for year 2020

Publisher:

Insurance Agency of Republic of Srpska

For publisher:

Draženka Janjanin

Prepared by:

Tamara Pejić Petković

Dragana Koprena

Design by:

Predrag Ilić

Printed by:

Center for professional rehabilitation and employment of disabled persons a.d. Banja Luka

ISSN 2303-7857

TABLE OF CONTENTS

INTRODUCTORY WORD	5
1. STRUCTURE OF THE SECTOR.....	7
2. INSURANCE.....	8
2.1. Insurance market	8
2.1.1. Participants in the insurance market	8
2.1.1.1. Insurance companies.....	8
2.1.1.2. Insurance agents and brokers.....	10
2.1.1.3. Protection Fund of the Republic of Srpska.....	10
2.1.1.4. Certified actuaries	11
2.1.2. Insurance market development indicators.....	11
2.1.3. Premium written in the insurance market of the Republic of Srpska	12
2.1.4. Market structure and concentration.....	13
2.1.5. Premium written by insurance companies	15
2.1.5.1. Premium written by the insurance companies based in the Republic of Srpska	15
2.1.5.2. Premium written by branch offices of the insurance companies based in the FBiH	19
2.1.6. Premium written through insurance agents and brokers.....	20
2.1.6.1. Premium written through insurance agents and brokers in the insurance market in the Republic of Srpska.....	20
2.1.6.2. Premium of the insurance companies based in the Republic of Srpska written through insurance agents and brokers.....	21
2.2. Balance structure.....	23
2.2.1. Balance sheet.....	23
2.2.2. Income statement	28
2.2.3. Consolidated financial statements.....	31
2.3. Financial and technical indicators.....	31
2.3.1. Compliance with the capital adequacy requirements.....	31
2.3.2. Calculation and coverage of technical reserves by the prescribed forms of assets..	32
2.3.2.1. Total calculated technical reserves	32
2.3.2.2. Calculation and funds for coverage of technical reserves for non-life insurance	33
2.3.2.3. Calculation and funds for coverage of technical reserves for life insurance ..	35
2.3.3. Comparative overview of key indicators	37
2.3.4. Indicators of compensation for claims and other insurance benefits paid	38
2.3.5. Technical result	40
2.3.6. Loss ratio, expense ratio and combined ratio.....	41
2.3.7. Profitability indicators.....	41
2.3.8. Other performance indicators.....	42
3. VOLUNTARY PENSION INSURANCE	43
3.1.1. Company for the management of the voluntary pension fund.....	43
3.1.2. Voluntary pension fund.....	45

Tables

Table 1: Insurance companies from the RS	8
Table 2: Ownership structure in the insurance companies from the RS	9
Table 3: Number and qualification structure of employees in the insurance companies from the RS	9
Table 4: Claims towards the Protection Fund	11
Table 5: Premium and macroeconomic indicators	12
Table 6: Insurance premium written in the RS market	12
Table 7: Premium written in the RS insurance market, by type of insurance	13
Table 8: Share of the insurance companies from the RS and branch offices of the companies from the FBiH in the market of the Republic of Srpska	13
Table 9: Share of the insurance companies from the RS and branch offices of the companies from the FBiH in the total premium written in the market of the Republic of Srpska, by peer group	14
Table 10: Total premium written by the insurance companies from the RS	15
Table 11: Premium of the insurance companies from the RS written in the FBiH	16
Table 12: Total premium written by the insurance companies from the RS, by type of insurance	17
Table 13: Premium written by branch offices of the insurance companies from the FBiH	19
Table 14: Premium written through insurance agents and brokers in the market of the Republic of Srpska	20
Table 15: Premium written through insurance agents and brokers in the market of the Republic of Srpska, by type of insurance	21
Table 16: Premium of the insurance companies written through insurance agents and brokers, by type of insurance	22
Table 17: Assets – total for all insurance companies from the RS	23
Table 18: Liabilities – total for all insurance companies from the RS	25
Table 19: Income statement – total for all insurance companies from the RS	28
Table 20: Compliance with the capital adequacy requirements	31
Table 21: Amount of total insurance liabilities paid by type of insurance	38
Table 22: Efficiency of settlement and payment of insurance liabilities	39
Table 23: Efficiency of settlement and payment of insurance liabilities for motor vehicle liability insurance	39
Table 24: Technical result	40
Table 25: Loss ratio, expense ratio and combined ratio	41
Table 26: Profitability indicators	42
Table 27: Other performance indicators	42
Table 28: Balance sheet of the company for the management of the voluntary pension fund	43

Table 29: Income statement of the company for the management of the voluntary pension fund	44
Table 30: Balance sheet of the voluntary pension fund	46
Table 31: Income statement of the voluntary pension fund.....	47

Charts

Chart 1: Total premium written by the insurance companies from the RS.....	16
Chart 2: Cumulative growth rate of the total premium written by the insurance companies from the RS	18
Chart 3: Total premium written by the insurance companies from the RS, by type of insurance	18
Chart 4: Total non-life insurance premium written by the insurance companies from the RS	19
Chart 5: Structure of operating assets of the insurance companies from the RS	24
Chart 6: Structure of operating liabilities of the insurance companies from the RS	26
Chart 7: Capital of the insurance companies from the RS	27
Chart 8: Total calculated technical reserves of all insurance companies from the RS	33
Chart 9: Total calculated technical reserves for non-life insurance.....	34
Chart 10: Overview of the calculated technical reserves for non-life insurance of the insurance companies from the RS	34
Chart 11: Structure of the investments of funds for coverage of the total calculated technical reserves for non-life insurance	35
Chart 12: Total calculated technical reserves for life insurance	36
Chart 13: Overview of the calculated technical reserves for life insurance of the insurance companies from the RS	36
Chart 14: Structure of the investments of funds for coverage of the total calculated technical reserves for life insurance	37
Chart 15: Changes in the calculated technical reserves, share capital and premium written ..	37
Chart 16: Total insurance liabilities paid (life and non-life insurance)	39

INTRODUCTORY WORD

The report on the state of the insurance sector in the Republic of Srpska for 2020 contains information about the state in the field of insurance and voluntary pension insurance, and it has been prepared on the basis of financial statements, auditor's, actuarial and other reports provided by the participants in the insurance and voluntary pension insurance market to the Insurance Agency of the Republic of Srpska pursuant to relevant legislation.

The insurance market in the Republic of Srpska is characterised by quite strong competition, with a dominant share of the MTPL insurance premium in the total premium written. Although the life insurance premium has been on a growth trend, the share of the life insurance premium is lower than 20%.

In the Agency registers, as at 31 December 2020, there were 14 insurance companies based in the Republic of Srpska registered, as well as 10 branch offices of the insurance companies based in the FBiH. The amount of the total premium written in the insurance market of the Republic of Srpska was BAM 238.3 million. Compared with the previous year, the total premium written was higher by 0.7%, whereby the non-life insurance premium was lower by 0.3%, and the life insurance premium was higher by 5.1%. A total of 27.4% of the total premium written in the insurance market of the Republic of Srpska was written through agents and brokers.

As regards the business operations of the insurance companies based in the Republic of Srpska, including their operations in the FBiH, it is noteworthy that the premium written was lower by 1.7%, and that the share of the compulsory MTPL insurance premium in the total premium written was 64.5%. The total balance amount was higher by 5.9%, with an increase in the calculated technical reserves of 4.2%. The net result of the period is a profit totalling BAM 31.7 million, which resulted in the rate of return on equity of 20%. A total of thirteen insurance companies reported a net profit in the amount of BAM 31.9 million, while one company reported a net loss in the amount of BAM 0.2 million. The combined ratio was below 100, which means that the result of the insurance activities was positive, and that the premium was sufficient to cover the liabilities arising from insurance contracts. In comparison with the previous reporting periods, there were no significant changes in the value of the rate of efficiency of settlement and payment of insurance claims. At the end of 2020, all companies complied with the capital adequacy requirements with a high level of the sector solvency ratio, which indicates that the solvency was not jeopardised. Apart from that, the general liquidity coefficient was significantly above 1, which indicates the ability to settle the liabilities before the maturity date.

The total non-life insurance claims and compensations paid by the insurance companies based in the Republic of Srpska were BAM 68.3 million, which was higher by 4.6% in comparison with the previous year. The compensations paid to life insurance beneficiaries increased by 25.5%, which is in accordance with the portfolio maturation, and they totalled BAM 10 million.

The activity of voluntary pension insurance was pursued by one company for the management of voluntary pension funds. As at 31 December 2020, the total number of active members of

the voluntary pension fund was 29,381. The average age of the voluntary pension fund members was 46.8 years. The net asset value of the voluntary pension fund was BAM 8.5 million, which was higher by 5.3 times in comparison with the value as at 31 December 2019, due to the increase in the number of members.

The director of the Agency in the reporting period was Slaven Dujaković.

Acting Director,
Draženka Janjanin

1. STRUCTURE OF THE SECTOR

In this report, the insurance sector includes the insurance activity (hereinafter referred to as: insurance) and the activity of organisation and management of voluntary pension funds (hereinafter referred to as: voluntary pension insurance).

The Law on Insurance Companies ('Official Gazette of the Republic of Srpska', 17/05, 01/06, 64/06, 74/10, 47/17 and 58/19) provides that the insurance activity is the activity of concluding and carrying out insurance and reinsurance contracts, and the activity of insurance agents and brokers. In addition to that, this Law regulates the establishment, business operations, supervision and termination of operation of insurance companies and branch offices of the insurance companies from the FBiH, and the establishment of the Insurance Agency of the Republic of Srpska (hereinafter referred to as: Agency). Insurance companies may pursue insurance as their sole activity. Apart from that, the insurance regulatory framework is comprised of:

- Law on Insurance Intermediaries and Insurance and Reinsurance Brokerage ('Official Gazette of the Republic of Srpska', 47/17), regulating the rules of insurance and reinsurance intermediation and brokerage, requirements for issuance and expiration of authorisations and licences in this field, and the supervision of insurance and reinsurance intermediation and brokerage, and
- Law on Compulsory Traffic Insurance ('Official Gazette of the Republic of Srpska', 82/15 and 78/20), setting out the types and rules of compulsory traffic insurance.

The Law on Voluntary Pension Funds and Pension Plans ('Official Gazette of the Republic of Srpska', 13/09 and 107/19) provides that companies managing voluntary pension funds organise and manage voluntary pension funds and other pension funds established pursuant to separate laws. Apart from that, this Law regulates the organisation and management of voluntary pension funds, establishment, activities and operation of the company managing voluntary pension funds, activities and obligations of the custodian bank, the responsibility of the Agency for regulation and supervision of companies managing voluntary pension funds, organisation of pension schemes, and other matters of importance to the functioning of voluntary pension funds.

The pursuit of insurance and voluntary pension insurance is also regulated by bylaws adopted by the Agency.

The laws and bylaws regulating the insurance sector are also available on the website of the Agency (www.azors.rs.ba).

2. INSURANCE

2.1. Insurance market

2.1.1. Participants in the insurance market

The participants in the insurance market supervised by the Agency are: insurance companies based in the Republic of Srpska, branch offices of the insurance companies from the FBiH, insurance agents and brokers, the Protection Fund of the Republic of Srpska and certified actuaries.

2.1.1.1. Insurance companies

In 2020, a total of 14 insurance companies based in the Republic of Srpska operated in the insurance market of the Republic of Srpska, and they are presented in the table below by insurance activity, seat and the majority ownership structure as at 31 December 2020.

Table 1: Insurance companies from the RS

No.	Name of the insurance company	Seat	Majority ownership
NON-LIFE INSURANCE			
1.	D.D. Brčko gas osiguranje	Brčko	domestic
2.	Drina osiguranje a.d.	Milići	domestic
3.	Dunav osiguranje a.d.	Banja Luka	foreign
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.	Premium osiguranje a.d.	Banja Luka	domestic
11.	SAS-SuperP OSIGURANJE a.d.	Bijeljina	domestic
12.	Triglav osiguranje a.d.	Banja Luka	foreign
LIFE AND NON-LIFE INSURANCE (COMPOSITE COMPANIES)			
13.	Grawe osiguranje a.d.	Banja Luka	foreign
14.	Wiener osiguranje a.d.	Banja Luka	foreign

Source: Central Securities Registry

Of the 14 insurance companies based in the Republic of Srpska, 12 companies were registered to pursue the activity of non-life insurance, and 2 companies to pursue the activity of non-life and life insurance (composite insurance companies), whereby 9 insurance companies operated through their branch offices in the FBiH.

In the reporting period, the overall life insurance portfolio of Dunav osiguranje a.d. Banja Luka was transferred onto Grawe osiguranje a.d. Banja Luka, with the consent of the Agency, and after Dunav osiguranje a.d. Banja Luka adopted the decision to cease the pursuit of the insurance activity in types of life insurance, the Agency adopted the decision on termination of the licence for the pursuit of life insurance.

In 2020, a total of 10 branch offices of the insurance companies from the FBiH operated in the insurance market of the Republic of Srpska.

Ownership structure

As regards the ownership structure, as at 31 December 2020, a total of 9 insurance companies had majority domestic ownership and 5 insurance companies had majority foreign ownership.

Table 2: Ownership structure in the insurance companies from the RS

Ownership	Number of insurance companies	Share in equity	Share in the total assets	Share in the invoiced premium
Majority domestic ownership	9	57.9%	39.6%	55.7%
Majority foreign ownership	5	42.1%	60.4%	44.3%
TOTAL	14	100.0%	100.0%	100.0%

Source: Reports of the insurance companies from the RS and the Central Securities Registry

The share of companies with the majority foreign capital in the equity was 42.1%. A total of 60.4% of the total assets and 44.3% of the invoiced premium refers to insurance companies with the majority foreign capital.

According to the report of the Central Securities Registry JSC Banja Luka – the shareholder register, the state-owned capital was recorded in Osiguranje Aura a.d. Banja Luka with the share of 38% (preference shares) and in Krajina osiguranje a.d. Banja Luka, with the share of 34.9%.

Human resources

As at 31 December 2020, a total of 1,586 persons were employed in the insurance companies based in the Republic of Srpska. The number and the qualification structure of the employees in the insurance companies are shown in the table below.

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

QUALIFICATION	31/12/2018		31/12/2019		31/12/2020		INDEX 2020/19
	number	%	number	%	number	%	
unskilled	9	0.6	8	0.5	7	0.4	87.5
semi-skilled	1	0.1	0	0.0	0	0.0	
primary education	0	0.0	0	0.0	0	0.0	
skilled	65	4.2	60	3.9	51	3.2	85.0
secondary education	778	50.8	790	50.9	836	52.7	105.8
highly-skilled	7	0.5	5	0.3	4	0.3	80.0
two-year college degree	74	4.8	75	4.8	78	4.9	104.0
university degree	569	37.2	584	37.6	578	36.4	99.0
MA	26	1.7	28	1.8	31	2.0	110.7
PhD	2	0.1	3	0.2	1	0.1	33.3
TOTAL	1,531	100.0	1,553	100.0	1,586	100.0	102.1

Source: Reports of the insurance companies from the RS

In addition to that, a total of 294 persons were employed in branch offices of the insurance companies from the FBiH, and 7 persons were employed in the Protection Fund of the Republic of Srpska, which gives a total of 1,887 employees, including the employees in the insurance companies based in the Republic of Srpska. Apart from that, insurance agents and brokers (natural persons) and certified actuaries work in the insurance market as well, which is presented later in this chapter.

2.1.1.2. Insurance agents and brokers

As at 31 December 2020, the register of insurance agents and brokers kept by the Agency lists a total of:

- 521 insurance agents – natural persons, of which a total of 32 persons registered businesses as entrepreneurs,
- 18 insurance agency companies based in the Republic of Srpska (including Pošte Srpske, microcredit companies and banks) and 4 branch offices of the agency companies from the FBiH,
- 24 insurance brokers – natural persons,
- 5 brokerage companies based in the Republic of Srpska and 2 branch offices of the brokerage companies from the FBiH,

The up-to-date extract from the register of insurance agents and brokers is available on the website of the Agency (*www.azors.rs.ba*).

In 2020, the Agency organised training and held one accustomed and one unaccustomed examination for the professional knowledge verification required for obtaining the authorisation to pursue the activity of insurance agency and brokerage. A total of 164 candidates passed the professional examination.

2.1.1.3. Protection Fund of the Republic of Srpska

The Protection Fund of the Republic of Srpska (hereinafter referred to as: Protection Fund) was established pursuant to the Law on Compulsory Insurance for Motor Vehicles and other Types of Compulsory Liability Insurance – Consolidated text, ('Official Gazette of the Republic of Srpska', 102/09) as a separate legal person. The responsibility of the Protection Fund is set out in the Law on Compulsory Traffic Insurance ('Official Gazette of the Republic of Srpska', 82/15 and 78/20). The Protection Fund is obliged to pay compensation for damage incurred in the territory of the Republic of Srpska to the injured third parties, if it was caused by an unknown vehicle (damage to persons¹) or a vehicle whose owner did not conclude an MTPL insurance contract (damage to persons and objects). In addition to that, the Protection Fund is obliged to pay compensation to injured parties if no contract on the compulsory accident insurance for passengers in public transport has been concluded and for any damage arising from MTPL insurance and insurance of passengers in public transport which could not be compensated from the bankruptcy estate or liquidation value of the insurance company.

All insurance companies which pursue the activities of MTPL insurance and accident insurance of passengers in public transport, except for passengers in air transport, are obliged to be members of the Protection Fund and to pay contribution to the Protection Fund, in proportion to the insurance premium of MTPL insurance and accident insurance of passengers in public transport in the Republic of Srpska.

The total income generated by the Protection Fund in 2020 was BAM 3,960,031, representing a decrease of 0.5% in comparison with the previous year, and 92.4% of the income referred to

¹ With an exception set out in Article 51, paragraph (2) of the Law on Compulsory Traffic Insurance

operating income. The total expenses were BAM 3,687,973 and they increased by 17.4%. A total of 59% of the total expenses referred to operating expenses, while 41% referred to correction of recourse with respect to the claim. The increase in the total expenses was the result of the increase in the provision expenses for claims in the current year and for claims in judicial disputes, as well as by the increase in the expenses for correction of recourse with respect to the claim. The Protection Fund had excess of income over expenses in the amount of BAM 272,058.

The table below provides an overview of settlement and payment of claims referring to damage to persons or property incurred in traffic accidents within the competence of the Protection Fund.

Table 4: Claims towards the Protection Fund

Claims	2018	2019	2020	Index 2020/2019
1. Registered in the current period and reactivated	425	375	363	96.8
2. Transferred from the previous period	143	149	136	91.3
3. Total number of claims (1+2)	568	524	499	95.2
4. Claims rejected	87	84	95	113.1
5. Claims processed, less the rejected ones	332	304	302	99.3
6. Number of claims paid	332	303	302	99.7
7. Amount of claims paid (BAM)	1,604,015	1,250,284	1,191,099	95.3

Source: Report of the Protection Fund

In comparison with the previous year, the total number of claims in 2020 decreased, and the amount of claims paid therefore decreased as well. The average value of a claim paid was BAM 3,944, representing a decrease of 4.4%.

2.1.1.4. Certified actuaries

In accordance with the international insurance standards, it is of utmost importance to provide an adequate number of qualified actuaries. As at 31 December 2020, a total of 38 persons were on the Register of Certified Actuaries kept by the Agency. The up-to-date extract from the Register of Certified Actuaries is available on the website of the Agency (www.azors.rs.ba).

2.1.2. Insurance market development indicators

The table below provides a comparative overview of the main relative indicators related to the premium, used for measuring the level of development of insurance markets.

Table 5: Premium and macroeconomic indicators²

(in USD)

Country		Premium/population			Premium/GDP (%)			Life insurance / total premium (%)		
		2017	2018	2019	2017	2018	2019	2017	2018	2019
BiH	RS	106.6	118.8	118.5	2.1	2.1	2.1	16.3	16.7	18.4
	FBiH	123.0	133.7	137.5	2.3	2.2	2.3	22.2	21.7	21.9
Austria		2,217.0	2,303.0	2,219.0	4.6	4.4	4.4	34.0	32.4	31.1
Bulgaria		175.0	212.0	236.0	2.2	2.3	2.4	17.1	14.0	12.2
Greece		411.0	448.0	441.0	2.2	2.2	2.2	44.9	46.1	46.2
Hungary		348.0	388.0	402.0	2.5	2.4	2.4	49.0	46.2	44.5
Romania		125.0	130.0	135.0	1.3	1.1	1.1	21.1	19.9	18.5
Slovenia		1,184.0	1,336.0	1,353.0	5.0	4.9	5.0	30.1	30.7	29.9
Serbia		123.0	140.0	140.0	2.1	1.9	1.9	23.0	23.5	23.5
Turkey		149.0	127.0	131.0	1.4	1.3	1.4	15.4	13.6	15.5
Croatia		333.0	383.0	390.0	2.5	2.6	2.7	32.4	31.8	29.1
Czech Republic		609.0	666.0	677.0	2.9	2.8	2.8	38.0	36.6	32.0

Source: BiH insurance market statistics, Statistics Institute of the Republic of Srpska, SwissRe

The share of the premium in the GDP was approximately at the same level as in other countries in the region with a similar level of insurance market development. The premium per capita and the share of the life insurance premium in the total premium are low, throughout the reporting period.

2.1.3. Premium written in the insurance market of the Republic of Srpska

The table below provides an overview of the total premium written in the insurance market of the Republic of Srpska³, for 2018, 2019 and 2020.

Table 6: Insurance premium written in the RS market

(in BAM)

No.	Entities in the RS market	Premium written in the market of the Republic of Srpska						Index 2020/19
		2018		2019		2020		
		Amount	%	Amount	%	Amount	%	
1.	RS COMPANIES	173,808,910	76.9	183,064,663	77.4	181,422,362	76.1	99.1
1.1.	Non-life insurance	153,902,365	68.1	159,762,974	67.5	157,116,037	65.9	98.3
1.2.	Life insurance	19,906,545	8.8	23,301,689	9.9	24,306,325	10.2	104.3
2.	BRANCH OFFICES OF FBiH COMPANIES	52,290,663	23.1	53,572,212	22.6	56,872,581	23.9	106.2
2.1.	Non-life insurance	34,404,235	15.2	33,437,624	14.1	35,542,125	14.9	106.3
2.2.	Life insurance	17,886,428	7.9	20,134,588	8.5	21,330,456	9.0	105.9
TOTAL		226,099,573	100.0	236,636,875	100.0	238,294,943	100.0	100.7

Source: Reports of the insurance companies from the RS and branch offices of the companies from the FBiH

² In the period of preparation of this report, the comparative statistics for 2020 were not available.

³ The total premium written in the insurance market of the Republic of Srpska was calculated in such a manner that the total premium generated by the insurance companies based in the Republic of Srpska was decreased by the premium generated by those companies in the FBiH, and increased by the premium which branch offices of the insurance companies based in the FBiH generated in the Republic of Srpska.

The premium written in the insurance market of the Republic of Srpska in the period from 1 January to 31 December 2020 was BAM 238,294,943, which was higher by BAM 1,658,068 or 0.7% in comparison with the same period of the previous year. The premium written by branch offices of the insurance companies from the FBiH increased by 6.2%, while the premium written by the insurance companies from the Republic of Srpska decreased by 0.9%. The branch offices of the insurance companies from the FBiH recorded an increase in the premium written for both life and non-life insurance.

The table below shows the structure of the premium written in the insurance market in the Republic of Srpska, by type of insurance, for 2018, 2019 and 2020.

Table 7: Premium written in the RS insurance market, by type of insurance

Type of insurance	2018		2019		2020		Index 2020/19
	Amount	%	Amount	%	Amount	%	
Accident insurance	17,064,906	7.5	18,035,956	7.6	13,822,492	5.8	76.6
Land vehicle insurance (except for railway vehicles)	16,002,649	7.1	18,268,828	7.7	18,361,681	7.7	100.5
Insurance of property against fire and natural forces	7,956,702	3.5	8,638,276	3.7	8,340,874	3.5	96.6
Insurance against other types of property damage	9,287,776	4.1	9,561,528	4.0	9,609,346	4.0	100.5
Motor vehicle liability insurance	131,827,203	58.3	131,650,038	55.6	135,408,942	56.8	102.9
Other	6,167,364	2.7	7,045,972	3.0	7,114,827	3.0	101.0
Total non-life insurance	188,306,600	83.3	193,200,598	81.6	192,658,162	80.8	99.7
Life insurance	37,792,973	16.7	43,436,277	18.4	45,636,781	19.2	105.1
Total	226,099,573	100.0	236,636,875	100.0	238,294,943	100.0	100.7

Source: Reports of the insurance companies from the RS and branch offices of the companies from the FBiH

Out of the total premium written in the insurance market of the Republic of Srpska in 2020, a total of BAM 192,658,162 or 80.8% referred to the non-life insurance premium, while a total of BAM 45,636,781 or 19.2% referred to the life insurance premium written. In comparison with the previous year, the non-life insurance premium written decreased by 0.3%, and the life insurance premium increased by 5.1%.

2.1.4. Market structure and concentration

The share of the insurance companies based in the Republic of Srpska and branch offices of the insurance companies from the FBiH in the total premium written in the market of the Republic of Srpska is shown in the table below.

Table 8: Share of the insurance companies from the RS and branch offices of the companies from the FBiH in the market of the Republic of Srpska

No.	Share of the insurance companies from the Republic of Srpska and branch offices of the companies from the FBiH in the total premium written in the market of the Republic of Srpska			
	Insurance company from the RS / Branch offices of the companies from the FBiH	2018	2019	2020
1.	Atos osiguranje a.d.	7.4%	5.1%	-
2.	D.D. Brčko gas osiguranje	4.7%	4.5%	4.8%
3.	Grawe osiguranje a.d.	7.7%	8.9%	13.8%
4.	Drina osiguranje a.d.	9.2%	8.7%	8.5%

No.	Share of the insurance companies from the Republic of Srpska and branch offices of the companies from the FBiH in the total premium written in the market of the Republic of Srpska			
	Insurance company from the RS / Branch offices of the companies from the FBiH	2018	2019	2020
5.	Dunav osiguranje a.d.	7.8%	7.5%	7.0%
6.	Euros osiguranje a.d.	3.9%	3.7%	4.0%
7.	Wiener osiguranje a.d.	8.0%	8.2%	7.0%
8.	Krajina osiguranje a.d.	1.2%	1.9%	1.8%
9.	Mikrofin osiguranje a.d.	3.4%	3.2%	3.2%
10.	Nešković osiguranje a.d.	7.2%	7.2%	6.8%
11.	Osiguranje Aura a.d.	5.4%	6.1%	6.5%
12.	Osiguranje Garant a.d.	4.1%	4.5%	4.6%
13.	Premium osiguranje a.d.	0.3%	1.6%	2.0%
14.	SAS-SuperP osiguranje a.d.	1.7%	1.6%	1.5%
15.	Triglav osiguranje a.d.	4.8%	4.7%	4.7%
16.	Asa osiguranje d.d.	2.4%	2.6%	3.1%
17.	Adriatic osiguranje d.d.	2.8%	2.6%	2.8%
18.	Camelija osiguranje d.d.	0.3%	0.2%	0.3%
19.	Central osiguranje d.d.	1.3%	1.3%	1.4%
20.	Croatia osiguranje d.d.	1.2%	1.0%	0.6%
21.	Grawe osiguranje d.d.	0.0%	0.0%	-
22.	Euroherc osiguranje d.d.	3.4%	3.2%	3.2%
23.	SARAJEVO osiguranje d.d.	1.5%	1.1%	1.4%
24.	Vienna osiguranje d.d.	3.7%	3.8%	3.8%
25.	Osiguranje 'VGT' d.d.	0.0%	-	-
26.	UNIQA osiguranje d.d.	5.9%	6.0%	5.9%
27.	Triglav osiguranje d.d.	0.5%	0.8%	1.4%
	TOTAL	100.0%	100.0%	100.0%

Source: Reports of the insurance companies from the RS and branch offices of the companies from the FBiH

The overview below shows the level of concentration of the insurance market in the Republic of Srpska, by peer group, which shows that there were no significant changes when it comes to the number of insurance companies by peer group, and that there was no insurance company whose share in the total premium written was higher than 15%.

Table 9: Share of the insurance companies from the RS and branch offices of the companies from the FBiH in the total premium written in the market of the Republic of Srpska, by peer group

Share	Share of the insurance companies from the Republic of Srpska and branch offices of the companies from the FBiH in the total premium in the market of the Republic of Srpska, by peer group					
	2018		2019		2020	
	Total share	Number of insurance companies	Total share	Number of insurance companies	Total share	Number of insurance companies
below 5%	41.3%	19	42.4%	18	44.6%	17
5–10%	58.7%	8	57.6%	8	41.6%	6
10–15%	0.0%	0	0.0%	0	13.8%	1
above 15%	0.0%	0	0.0%	0	0.0%	0

Source: Reports of the insurance companies from the RS and branch offices of the companies from the FBiH

The Herfindahl-Hirschman Index also represents a measure of market concentration, and it is calculated by summing the squares of the individual share of each insurance company in relation to the generated premium. This index takes into account the relative size and distribution of the companies in the market. If the market is a monopoly, the market

concentration is higher and the competition is weaker. The index increases if the number of companies participating in the market decreases, and, at the same time, the difference in their size becomes larger and larger. If there were only one insurance company, the index would be 10,000 (the market share is 100%, i.e. the index is $100 \times 100 = 10,000$). On the other hand, if there were many companies with a proportionally low share, around 0%, the index would be close to 0, indicating perfect competition in the market. If the Herfindahl-Hirschman Index is between 1,000 and 1,800, it is considered that there is moderate concentration in the market. Taking into account that the Herfindahl-Hirschman Index in 2020 was 634 points, it may be concluded that there was fairly strong competition in the insurance market of the Republic of Srpska.

2.1.5. Premium written by insurance companies

2.1.5.1. Premium written by the insurance companies based in the Republic of Srpska

The total premium written in the period from 1 January to 31 December 2020 and generated by the insurance companies based in the Republic of Srpska, including the premium generated by these insurance companies in the insurance market of the FBiH, was BAM 226,770,734 (of which BAM 181,422,362 in the Republic of Srpska and BAM 45,348,372 in the FBiH). In comparison with the same period of the previous year, the premium written by the insurance companies based in the Republic of Srpska was lower by BAM 3,988,552 or 1.7%.

The table below provides an overview of the premium written by the insurance companies based in the Republic of Srpska for 2018, 2019 and 2020.

Table 10: Total premium written by the insurance companies from the RS

(in BAM)

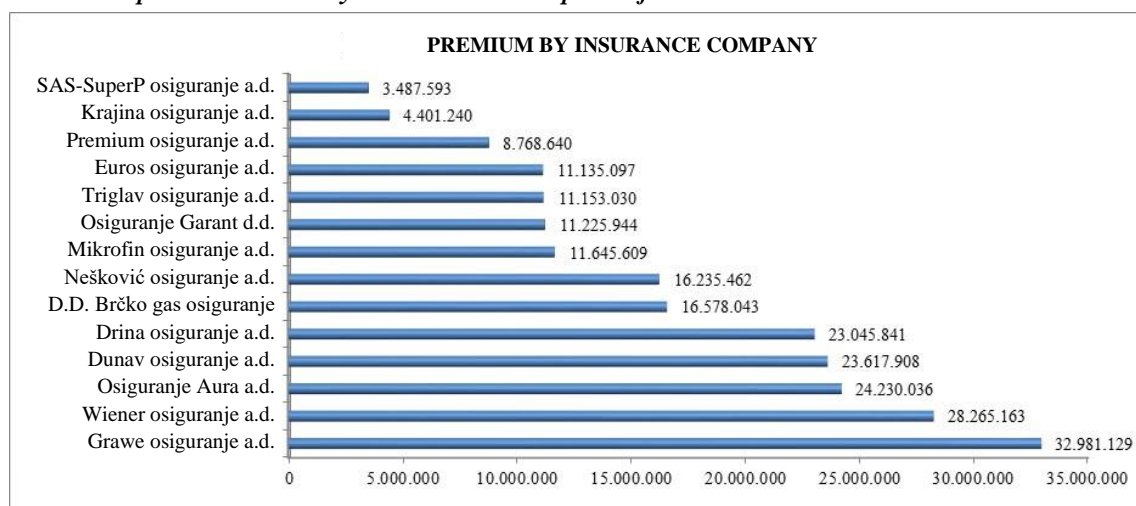
No.	NAME OF THE COMPANY IN THE RS	Premium written						Index 2020/19
		2018		2019		2020		
		Amount	%	Amount	%	Amount	%	
NON-LIFE INSURANCE								
1.	Atos osiguranje a.d.	21,750,916	10.1	15,362,956	6.7			
2.	D.D. Brčko gas osiguranje	15,980,279	7.4	15,811,621	6.9	16,578,043	7.3	104.8
3.	Grawe osiguranje a.d.	16,463	0.0	20,014	0.0	9,959,302	4.4	49,761.5 ⁴
4.	Drina osiguranje a.d.	23,758,289	11.1	23,448,281	10.2	23,045,841	10.2	98.3
5.	Dunav osiguranje a.d.	22,947,124	10.7	23,227,107	10.1	23,617,908	10.4	101.7
6.	Euros osiguranje a.d.	8,882,163	4.1	10,583,654	4.6	11,135,097	4.9	105.2
7.	Wiener osiguranje a.d.	27,063,163	12.6	28,444,301	12.3	25,652,585	11.3	90.2
8.	Krajina osiguranje a.d.	2,653,756	1.2	4,463,153	1.9	4,401,240	1.9	98.6
9.	Mikrofin osiguranje a.d.	10,605,891	4.9	11,289,298	4.9	11,645,609	5.1	103.2
10.	Nešković osiguranje a.d.	16,354,978	7.6	16,937,270	7.3	16,235,462	7.2	95.9
11.	Osiguranje Aura a.d.	18,427,466	8.6	23,481,473	10.2	24,230,036	10.7	103.2
12.	Osiguranje Garant d.d.	9,339,660	4.3	10,619,160	4.6	11,225,944	5.0	105.7
13.	Premium osiguranje a.d.	842,688	0.4	7,345,465	3.2	8,768,640	3.9	119.4
14.	SAS-SuperP osiguranje a.d.	3,764,886	1.8	3,860,700	1.7	3,487,593	1.5	90.3
15.	Triglav osiguranje a.d.	10,836,760	5.0	11,185,084	4.8	11,153,030	4.9	99.7
TOTAL NON-LIFE INSURANCE		193,224,482	89.9	206,079,537	89.3	201,136,330	88.7	97.6

⁴ The presented increase in the premium of Grawe osiguranje a.d. Banja Luka arises from the fact that this company merged with Atos osiguranje a.d. Bijeljina in early 2020, and apart from accident insurance, it also pursued insurance activities in other types of non-life insurance in the reporting period (which it did not pursue in previous reporting periods).

No.	NAME OF THE COMPANY IN THE RS	Premium written						Index 2020/19
		2018		2019		2020		
		Amount	%	Amount	%	Amount	%	
LIFE INSURANCE								
1.	Grawe osiguranje a.d.	17,476,605	8.1	21,133,698	9.2	23,021,827	10.1	108.9
2.	Dunav osiguranje a.d.	711,606	0.3	661,638	0.3	- ⁵	-	-
3.	Wiener osiguranje a.d.	3,576,695	1.7	2,884,412	1.2	2,612,577	1.2	90.6 ⁶
TOTAL LIFE INSURANCE		21,764,906	10.1	24,679,749	10.7	25,634,404	11.3	103.9
TOTAL PREMIUM		214,989,388	100.0	230,759,286	100.0	226,770,734	100.0	98.3

Source: Reports of the insurance companies from the RS

Chart 1: Total premium written by the insurance companies from the RS



Source: Reports of the insurance companies from the RS

The table below provides an overview of the premium of the insurance companies based in the Republic of Srpska written in the FBiH, for 2018, 2019 and 2020.

Table 11: Premium of the insurance companies from the RS written in the FBiH

(in BAM)

No.	NAME OF THE COMPANY	Premium written						INDEX 2020/19
		2018		2019		2020		
		Amount	%	Amount	%	Amount	%	
NON-LIFE INSURANCE								
1.	Atos osiguranje a.d.	4,958,321	12.0	3,236,858	6.8			
2.	D.D. Brčko-gas osiguranje	5,281,631	12.8	5,169,539	10.8	5,256,912	11.6	101.7
3.	Drina osiguranje a.d.	3,063,822	7.4	2,941,914	6.2	2,825,929	6.2	96.1
4.	Dunav osiguranje a.d.	6,022,325	14.6	6,178,151	13.0	6,850,417	15.1	110.9
5.	Wiener osiguranje a.d.	10,655,008	25.9	10,577,543	22.2	10,327,928	22.8	97.6
6.	Mikrofin osiguranje a.d.	2,997,047	7.3	3,714,252	7.8	3,958,064	8.7	106.6
7.	Osiguranje Aura a.d.	6,214,013	15.1	9,113,171	19.1	8,799,719	19.4	96.6
8.	Premium osiguranje a.d.	129,950	0.3	3,604,013	7.6	4,035,316	8.9	112.0
9.	Euros osiguranje a.d.			1,781,121	3.7	1,674,038	3.7	94.0
10.	Osiguranje Garant d.d.					291,971	0.6	
TOTAL NON-LIFE INSURANCE		39,322,117	95.5	46,316,563	97.1	44,020,293	97.1	95.0

⁵ In the reporting period, the overall life insurance portfolio of Dunav osiguranje a.d. Banja Luka was transferred onto Grawe osiguranje a.d. Banja Luka, with the consent of the Agency, and after Dunav osiguranje a.d. Banja Luka adopted the decision to cease the pursuit of the insurance activity in types of life insurance, the Agency adopted the decision on termination of the licence for the pursuit of life insurance.

⁶ The premium decreased due to the circumstances related to termination of life insurance contracts, and the decision of Wiener osiguranje a.d. Banja Luka adopted in 2018 to stop entering into new life insurance contracts.

Report on the state of the insurance sector in the Republic of Srpska
for year 2020

No.	NAME OF THE COMPANY	Premium written						INDEX 2020/19
		2018		2019		2020		
		Amount	%	Amount	%	Amount	%	
LIFE INSURANCE								
1.	Wiener osiguranje a.d.	1,858,361	4.5	1,378,060	2.9	1,328,079	2.9	96.4
TOTAL LIFE INSURANCE		1,858,361	4.5	1,378,060	2.9	1,328,079	2.9	96.4
TOTAL PREMIUM		41,180,478	100.0	47,694,623	100.0	45,348,372	100.0	95.1

Source: Reports of the insurance companies from the RS

The premium of the insurance companies based in the Republic of Srpska written in the FBiH totalled BAM 45,348,372, which was lower by 4.9% in comparison with the previous year and which constituted 20% of the total premium of the insurance companies based in the Republic of Srpska. The non-life insurance premium was dominant in the structure of this premium with 97.1%.

Portfolio structure

The table below shows the structure of the total premium written by the insurance companies based in the Republic of Srpska, by type of insurance, for 2018, 2019 and 2020, whereby the *Other* category refers to 13 groups of non-life insurance, whose individual share in the total premium is around one per cent.

Table 12: Total premium written by the insurance companies from the RS, by type of insurance

(in BAM)

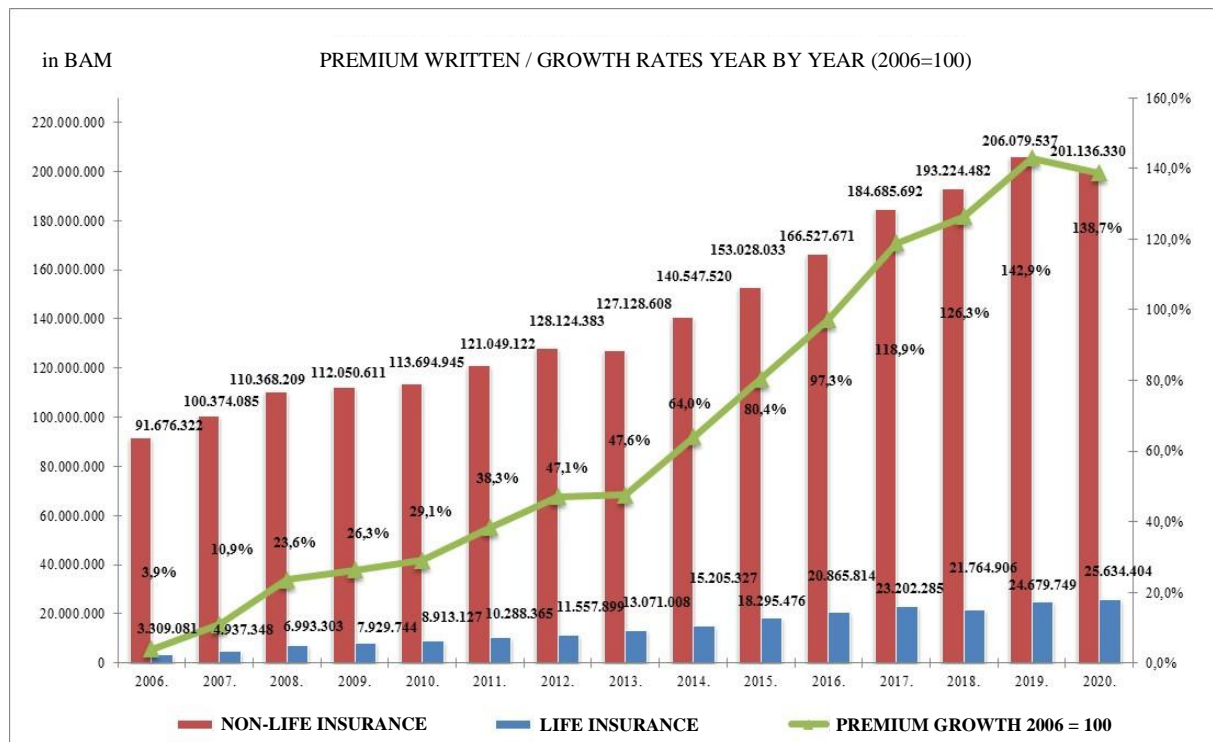
Type of insurance	2018		2019		2020		Index 2020/19
	Amount	%	Amount	%	Amount	%	
Accident insurance	15,477,438	7.2	17,487,666	7.6	13,563,651	6.0	77.6
Land vehicle insurance (except for railway vehicles)	12,418,952	5.8	14,770,941	6.4	14,568,057	6.4	98.6
Insurance of property against fire and natural forces	6,823,476	3.2	7,840,855	3.4	7,599,229	3.4	96.9
Insurance against other types of property damage	11,484,398	5.3	11,650,158	5.0	11,320,847	5.0	97.2
Motor vehicle liability insurance	140,755,050	65.5	147,222,737	63.8	147,028,120	64.8	99.9
Other	6,265,168	2.9	7,107,180	3.1	7,056,426	3.1	99.3
Total non-life insurance	193,224,482	89.9	206,079,537	89.3	201,136,330	88.7	97.6
Life insurance	21,764,906	10.1	24,679,749	10.7	25,634,404	11.3	103.9
Total	214,989,388	100.0	230,759,286	100.0	226,770,734	100.0	98.3

Source: Reports of the insurance companies from the RS

Of the total premium written in 2020, a total of BAM 201,136,330 or 88.7% referred to the non-life insurance premium, while the life insurance premium written totalled BAM 25,634,404 or 11.3%. In comparison with the previous year, the non-life insurance premium written was lower by 2.4%, while the life insurance premium written was higher by 3.9%. The compulsory MTPL insurance premium had the highest share in the total motor vehicle liability insurance premium with 99.5%. The share of the compulsory MTPL insurance premium in the total insurance premium written by the insurance companies based in the Republic of Srpska was 64.5%, while its share in the total non-life insurance premium written was 72.7%, and it did not change significantly in comparison with the previous year.

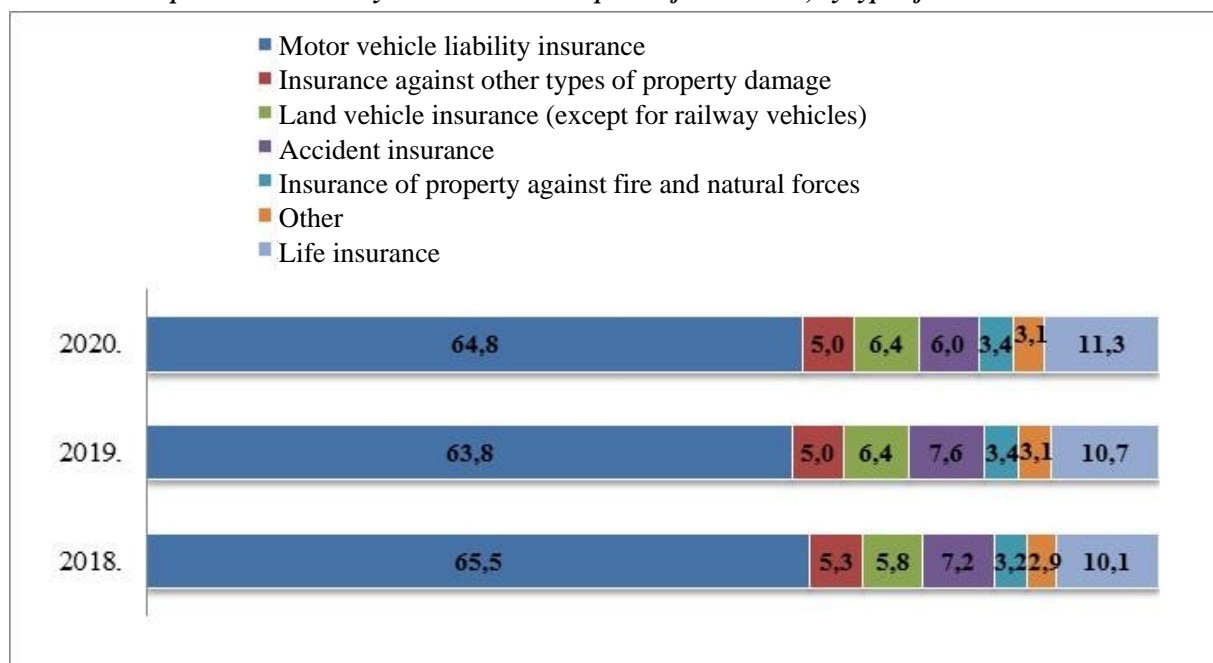
A series of charts illustrating the premiums written by the insurance companies based in the Republic of Srpska are given below.

Chart 2: Cumulative growth rate of the total premium written by the insurance companies from the RS



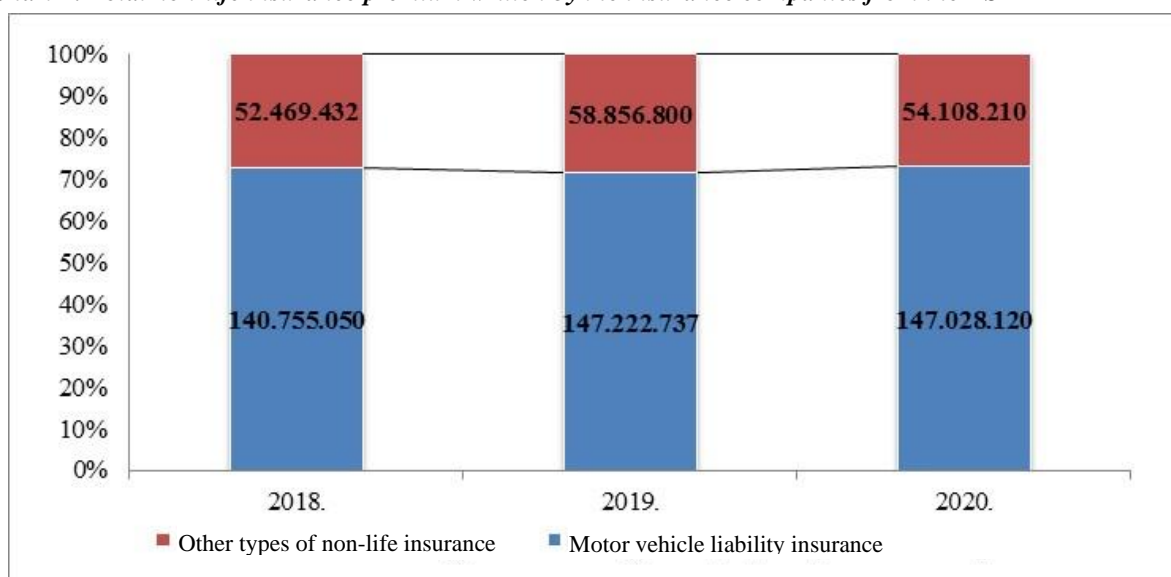
Source: Reports of the insurance companies from the RS

Chart 3: Total premium written by the insurance companies from the RS, by type of insurance



Source: Reports of the insurance companies from the RS

Chart 4: Total non-life insurance premium written by the insurance companies from the RS



Source: Reports of the insurance companies from the RS

2.1.5.2. Premium written by branch offices of the insurance companies based in the FBiH

The share of branch offices of the insurance companies from the FBiH in the total premium written in the insurance market of the Republic of Srpska was BAM 56,872,581 or 23.9%.

The table below provides an overview of the premium written in the insurance market in the Republic of Srpska by branch offices of the companies from the FBiH for 2018, 2019 and 2020.

Table 13: Premium written by branch offices of the insurance companies from the FBiH

(in BAM)

No.	Branch offices of the insurance companies from the FBiH operating in the RS	Premium written						Index 2020/19
		2018		2019		2020		
		Amount	%	Amount	%	Amount	%	
NON-LIFE INSURANCE								
1.	Asa osiguranje d.d.	5,506,477	10.5	6,218,154	11.6	7,465,924	13.1	120.1
2.	Adriatic osiguranje d.d.	6,344,290	12.1	6,088,985	11.4	6,491,652	11.4	106.6
3.	Camelija osiguranje d.d.	760,119	1.5	553,292	1.0	627,779	1.1	113.5
4.	Central osiguranje d.d.	2,901,528	5.5	3,139,867	5.9	3,257,209	5.7	103.7
5.	Croatia osiguranje d.d.	2,593,424	5.0	2,134,666	4.0	1,413,343	2.5	66.2
6.	Grawe osiguranje d.d.	68,992	0.1	19,184	0.0	-	-	-
7.	Euroherc osiguranje d.d.	7,601,818	14.5	7,541,535	14.1	7,669,724	13.5	101.7
8.	SARAJEVO osiguranje	3,357,765	6.4	2,669,421	5.0	3,291,904	5.8	123.3
9.	Vienna osiguranje d.d.	208,780	0.4	189,083	0.4	152,432	0.3	80.6
10.	Osiguranje 'VGT' d.d.	69,420	0.1	-	-	-	-	-
11.	UNIQA osiguranje d.d.	4,991,623	9.5	4,883,437	9.1	5,172,159	9.1	105.9
	TOTAL NON-LIFE INSURANCE	34,404,235	65.8	33,437,624	62.4	35,542,125	62.5	106.3
LIFE INSURANCE								
1.	Adriatic osiguranje d.d.	85,227	0.2	70,383	0.1	117,555	0.2	167.0
2.	Croatia osiguranje d.d.	139,633	0.3	156,268	0.3	120,961	0.2	77.4
3.	Vienna osiguranje d.d.	8,050,420	15.4	8,801,602	16.4	8,861,762	15.6	100.7
4.	UNIQA osiguranje d.d.	8,437,376	16.1	9,285,091	17.3	8,780,429	15.4	94.6
5.	Triglav osiguranje d.d.	1,173,771	2.2	1,821,244	3.4	3,449,749	6.1	189.4
	TOTAL LIFE INSURANCE	17,886,428	34.2	20,134,588	37.6	21,330,456	37.5	105.9
	TOTAL PREMIUM	52,290,663	100.0	53,572,212	100.0	56,872,581	100.0	106.2

Source: Reports of branch offices of the companies from the FBiH

In the structure of premium of branch offices of the insurance companies from the FBiH, which was generated in the insurance market of the Republic of Srpska in 2020, the share of non-life insurance was 62.5%, and the share of life insurance was 37.5%. The non-life insurance premium generated in the Republic of Srpska by branch offices of the insurance companies based in the FBiH is higher by 6.3%, and the life insurance premium increased by 5.9% in comparison with 2019.

2.1.6. Premium written through insurance agents and brokers

2.1.6.1. Premium written through insurance agents and brokers in the insurance market in the Republic of Srpska

The table below provides an overview of the premium written through insurance agents and brokers in the insurance market in the Republic of Srpska, for 2019 and 2020.

Table 14: Premium written through insurance agents and brokers in the market of the Republic of Srpska

(in BAM)

No.	Entities in the market	2019				2020			
		Premium written through insurance agents		Premium written through insurance brokers		Premium written through insurance agents		Premium written through insurance brokers	
		Amount	Share in the total premium written	Amount	Share in the total premium written	Amount	Share in the total premium written	Amount	Share in the total premium written
1.	INSURANCE COMPANIES FROM THE RS	37,333,507	20.4%	6,363,013	3.5%	38,033,917	21.0%	6,957,066	3.8%
1.1.	Non-life insurance	17,207,285	10.8%	6,269,461	3.9%	16,561,098	10.5%	6,852,316	4.4%
1.2.	Life insurance	20,126,222	86.4%	93,552	0.4%	21,472,819	88.3%	104,750	0.4%
2.	BRANCH OFFICES OF THE COMPANIES FROM THE FBiH	20,243,360	37.8%	572,991	1.1%	19,671,048	34.6%	716,695	1.3%
2.1.	Non-life insurance	6,022,085	18.0%	562,130	1.7%	4,215,476	11.9%	706,158	2.0%
2.2.	Life insurance	14,221,275	70.6%	10,861	0.1%	15,455,572	72.5%	10,537	0.0%
	TOTAL	57,576,867	24.3%	6,936,004	2.9%	57,704,965	24.2%	7,673,761	3.2%

Source: Reports of the insurance companies from the RS and branch offices of the companies from the FBiH

In 2020, the premium in the insurance market of the Republic of Srpska written through insurance agents and brokers totalled BAM 65,378,726 or 27.4% of the total premium written, and it is higher by 1.3% in comparison with the previous year.

The premium written through insurance agents totalled BAM 57,704,965 or 24.2% of the total premium, while the premium written through insurance brokers totalled BAM 7,673,761 or 3.2% of the total premium.

The non-life insurance premium written through insurance agents and brokers totalled BAM 28,335,048 or 14.7% of the non-life insurance premium, and it is lower by 5.7%. The life insurance premium written through insurance agents and brokers totalled BAM 37,043,678 or 81.2% of the life insurance premium, representing an increase of 7.5% in the life insurance premium written via these sales channels.

The table below provides an overview of the premium written through insurance agents and brokers in the Republic of Srpska, by type of insurance, for 2019 and 2020.

Table 15: Premium written through insurance agents and brokers in the market of the Republic of Srpska, by type of insurance

(in BAM)

Types of insurance	2019				2020			
	Premium written through insurance agents		Premium written through insurance brokers		Premium written through insurance agents		Premium written through insurance brokers	
	Amount	Share in the total premium written	Amount	Share in the total premium written	Amount	Share in the total premium written	Amount	Share in the total premium written
Accident insurance	5,565,533	30.9%	3,874,052	21.5%	1,686,773	12.2%	3,412,876	24.7%
Land vehicle insurance (except for railway vehicles)	1,912,827	10.5%	600,914	3.3%	1,894,902	10.3%	550,090	3.0%
Insurance of property against fire and natural forces	618,175	7.2%	864,139	10.0%	599,605	7.2%	922,218	11.1%
Insurance against other types of property damage	657,647	6.9%	374,903	3.9%	794,084	8.3%	938,017	9.8%
Motor vehicle liability insurance	13,351,180	10.1%	103,310	0.1%	14,660,429	10.8%	113,983	0.1%
Other	1,124,007	16.0%	1,014,273	14.4%	1,140,781	16.0%	1,621,290	22.8%
Total non-life insurance	23,229,370	12.0%	6,831,591	3.5%	20,776,574	10.8%	7,558,474	3.9%
Total life insurance	34,347,497	79.1%	104,413	0.2%	36,928,391	80.9%	115,287	0.3%
TOTAL	57,576,867	24.3%	6,936,004	2.9%	57,704,965	24.2%	7,673,761	3.2%

Source: Reports of the insurance companies from the RS and branch offices of the companies from the FBiH

The highest share of the premium written through insurance agents (in the total premium written) was recorded in types of life insurance, and the highest share of the premium written through insurance brokers (in the total premium written) was recorded in accident insurance. The share of the motor vehicle liability insurance premium, written through insurance agents and brokers, was 10.9% in the total premium written for this type of insurance.

2.1.6.2. Premium of the insurance companies based in the Republic of Srpska written through insurance agents and brokers⁷

The table below provides an overview of the premium of the insurance companies based in the Republic of Srpska, written through insurance agents and brokers for 2019 and 2020, by type of insurance.

⁷ The premium written by the insurance companies based in the Republic of Srpska through insurance agents and brokers includes the insurance premium written in the insurance markets of the Republic of Srpska and the FBiH

Table 16: Premium of the insurance companies written through insurance agents and brokers, by type of insurance

(in BAM)

Type of insurance	2019				2020			
	Premium written through agents		Premium written through brokers		Premium written through agents		Premium written through brokers	
	Amount	Share in the total premium written	Amount	Share in the total premium written	Amount	Share in the total premium written	Amount	Share in the total premium written
Accident insurance	5,629,146	32.2%	3,883,909	22.2%	2,101,035	15.5%	3,401,098	25.1%
Land vehicle insurance (except for railway vehicles)	1,735,809	11.8%	618,554	4.2%	1,936,629	13.3%	615,560	4.2%
Insurance of property against fire and natural forces	781,685	10.0%	952,020	12.1%	832,711	11.0%	1,187,859	15.6%
Insurance against other types of property damage	496,477	4.3%	684,551	5.9%	624,964	5.5%	1,235,585	10.9%
Motor vehicle liability insurance	19,932,352	13.5%	141,144	0.1%	20,808,567	14.2%	226,389	0.2%
Other	1,146,468	16.1%	1,283,834	18.1%	1,063,699	15.1%	2,040,911	28.9%
Total non-life insurance	29,721,937	14.4%	7,564,012	3.7%	27,367,605	13.6%	8,707,402	4.3%
Total life insurance	20,488,701	83.0%	93,552	0.4%	21,816,499	85.1%	104,750	0.4%
TOTAL	50,210,638	21.8%	7,657,564	3.3%	49,184,104	21.7%	8,812,152	3.9%

Source: Reports of the insurance companies from the RS

In 2020, the premium written by the insurance companies based in the Republic of Srpska through insurance agents and brokers totalled BAM 57,996,256 or 25.6% of the total premium written. In comparison with the previous year, the premium written through these sales channels increased by BAM 128,054 or 0.2%.

The premium written by the insurance companies based in the Republic of Srpska through insurance agents totalled BAM 49,184,104 or 21.7% of the total premium, and the premium written through insurance brokers totalled BAM 8,812,152 or 3.9% of the total premium.

The non-life insurance premium written by the insurance companies based in the Republic of Srpska through insurance agents and brokers totalled BAM 36,075,007 (17.9% of the total non-life insurance premium written) and it was lower by 3.2%. A total of BAM 21,921,249 or 85.5% of the life insurance premium was written by insurance agents and brokers, representing an increase of 6.5% in the life insurance premium written via these sales channels.

The highest share of the premium written through insurance agents (in the total premium written) was recorded in types of life insurance, and the highest share of the premium written through insurance brokers (in the total premium written) was recorded in accident insurance.

The share of the motor vehicle liability insurance premium, written through insurance agents and brokers, was 14.4% of the total premium written for this type of insurance.

2.2. Balance structure

On the basis of the audited financial statements submitted by the insurance companies for 2020, this chapter provides a comparative overview and an analysis of the main balance items for 2019 and 2020.

2.2.1. Balance sheet

As at 31 December 2020, the value of the operating assets and liabilities of the insurance companies based in the Republic of Srpska was BAM 529,893,943, which was higher by 4.5% in comparison with 31 December 2019.

The table below provides a brief overview of the aggregate balance sheet assets of the insurance companies for 2019 and 2020.

Table 17: Assets – total for all insurance companies from the RS

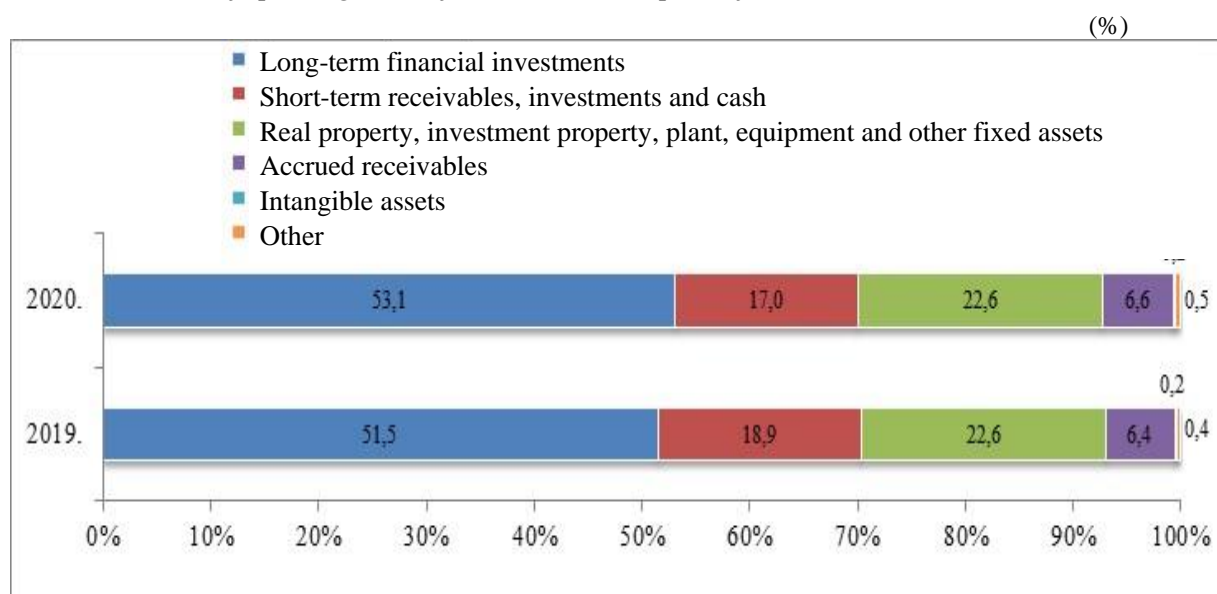
(in BAM)

ASSETS	31 December 2019		31 December 2020		Index 2020/19
	Amount	Share	Amount	Share	
A. FIXED ASSETS (I+II+III+IV)	376,582,601	74.3%	402,496,069	76.0%	106.9
I - Intangible assets	1,009,550	0.2%	1,144,534	0.2%	113.4
II - Real property, investment property, plant, equipment and other fixed assets (1+2+3)	114,385,260	22.6%	119,925,500	22.6%	104.8
1. Land, buildings, plant and equipment	42,909,396	8.5%	42,632,847	8.0%	99.4
2. Investment property	65,897,705	13.0%	70,931,500	13.4%	107.6
3. Other fixed assets	5,578,159	1.1%	6,361,153	1.2%	114.0
III - Long-term financial investments (1+2)	261,130,950	51.5%	281,426,035	53.1%	107.8
1. Share in the capital of related, associated and other legal persons	4,422,212	0.9%	4,783,224	0.9%	108.2
2. Long-term financial investments to parent, related and other associated legal persons, domestic and foreign long-term financial investments, financial assets held to maturity, financial assets available for sale, and other long-term financial investments	256,708,738	50.6%	276,642,811	52.2%	107.8
IV - Deferred tax assets	56,841	0.0%			
B. CURRENT ASSETS (I+II+III+IV)	130,385,087	25.7%	127,397,874	24.0%	97.7
I - Inventories, fixed assets and assets of discontinued operations available for sale	1,506,154	0.3%	2,140,928	0.4%	142.1
II - Short-term receivables, investments and cash	96,043,492	18.9%	90,332,946	17.0%	94.1
1. Receivables from premiums, participation in compensation for damage and other purchasers	13,333,526	2.6%	13,519,939	2.6%	101.4
2. Receivables from specific business operations and other receivables	8,569,603	1.7%	10,046,317	1.9%	117.2
3. Short-term financial investments	38,498,288	7.6%	39,294,554	7.4%	102.1
4. Cash	35,642,075	7.0%	27,472,136	5.2%	77.1
III - Accrued receivables	32,580,365	6.4%	34,842,218	6.6%	106.9
IV - Deferred tax assets	255,076	0.1%	81,782	0.0%	32.1
OPERATING ASSETS (A+B)	506,967,688	100.0%	529,893,943	100.0%	104.5
OFF-BALANCE-SHEET ASSETS	4,729,089		12,129,862		256.5
TOTAL ASSETS	511,696,777		542,023,805		105.9

Source: Balance sheets of the insurance companies from the RS

The chart below shows the structure of operating assets for 2019 and 2020.

Chart 5: Structure of operating assets of the insurance companies from the RS



Source: Balance sheets of the insurance companies from the RS

In the structure of operating assets, as at 31 December 2020, the share of fixed assets was 76.0%, and the share of current assets was 24.0%.

In comparison with the balance as at 31 December 2019, the amount of fixed assets increased by 6.9%, and within this item, the amount of intangible assets increased by 13.4%, the amount of real property, investment property, plant, equipment and other fixed assets increased by 4.8%, and the amount of long-term financial investments increased by 7.8%. The increase in the amount of intangible assets of 13.4% does not have any material significance, because the share of the amount presented under this item was only 0.2% of the operating assets. The increase in the amount of real property, investment property, plant, equipment and other fixed assets was the result of the increase in the amount of investment property and other fixed assets. The increase in the amount of investment property was nominally more significant with three insurance companies, and it referred to investments in office space and to transfer of the amount (reported in the previous reporting period) from the item of investment property in preparation. The increase in the amount of investments in somebody else's real property of one insurance company, arising from the application of a relevant financial reporting standard, resulted in the increase in the amount of other fixed assets. Within the item of fixed assets, a decrease was recorded in the reported amount under the item of land, building structures, plant and equipment (0.6%), which does not have any material significance when it comes to pursuit of the insurance activity by individual insurance companies. Within the item of long-term financial investments, the share in the capital of related, associated and other legal persons increased by 8.2% (investments in a microcredit company and other related legal persons), as well as the amount of financial assets available for sale (bonds issued by the Republic of Srpska) and the amount of long-term domestic financial investments (term deposits).

The amount of current assets decreased by 2.3%, and within this item, there was a decrease of 5.9% in the amounts of short-term receivables, investments and cash, and a decrease of 67.9% in the amount of deferred tax assets. The reported decrease in the amount of cash is related to the increase in the amount of long-term financial investments. The increase in the amount of

receivables from premiums, participation in compensation for damage and other purchasers, in the amount of receivables from specific business operations and other receivables, and in the amount of short-term financial investments arises from the change in the reported amounts under the relevant items with individual insurance companies, and it is related to current business operations and investment of assets. The decrease in the amount of deferred tax assets does not have any material significance, because the share of the amount reported under this item in the operating assets was only 0.02%. Within the item of current assets, an increase was recorded under the items of inventories, fixed assets and assets of discontinued operations available for sale (42.1%) and accrued receivables (6.9%). The share of the amount reported under the items of inventories, fixed assets and assets of discontinued operations available for sale in the amount of operating assets is only 0.4%, and therefore, the increase of 42.1% did not have any material significance. The changes in the amounts under the items of accrued receivables with individual insurance companies resulted in an increase in the total amount of accrued receivables, and it is related to the implementation of individual reinsurance policies (changes in the amount of participation of reinsurers in claims reserves and unearned premium), and to the increase in the amount of accrued acquisition costs.

The amount of off-balance-sheet assets and liabilities increased by 2.56 times, which was significantly affected by receivables from legal persons in liquidation, and, to a lesser degree, by the increase in the amount of guarantees granted for securing the fulfilment of obligations of third parties. One part of the amount reported within this item refers to state-owned property (buildings used by the insurance company Wiener osiguranje a.d.) and to receivables written off by one insurance company.

The table below provides a brief overview of the aggregate items of liabilities of all insurance companies for 2019 and 2020.

Table 18: Liabilities – total for all insurance companies from the RS

(in BAM)

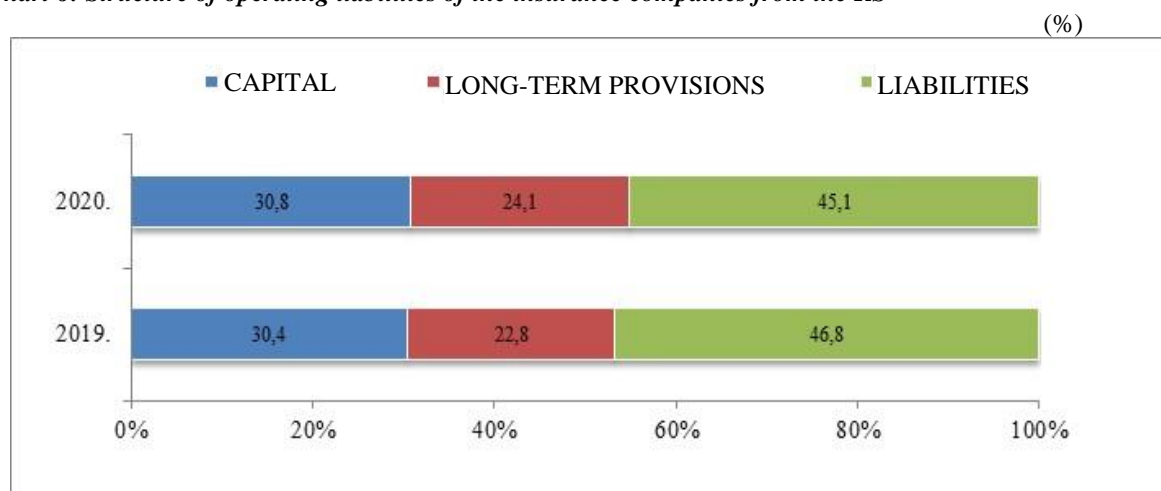
LIABILITIES	31 December 2019		31 December 2020		Index 2020/19
	Amount	Share	Amount	Share	
A. CAPITAL	153,930,844	30.4%	163,035,640	30.8%	105.9
1. Share capital	103,655,891	20.4%	110,630,891	20.9%	106.7
2. Share issuance premium	5,838,218	1.2%	6,606,242	1.2%	113.2
3. Share issuance loss	4,045,946	0.8%	4,035,080	0.8%	99.7
4. Reserves from profit	5,884,248	1.2%	5,302,698	1.0%	90.1
5. Revaluation reserves	3,659,077	0.7%	3,075,245	0.6%	84.0
6. Unrealised profit on financial assets available for sale	6,333,344	1.2%	4,908,229	0.9%	77.5
7. Unrealised losses on financial assets available for sale	1,205,885	0.2%	1,377,854	0.3%	114.3
8. Retained profit (9+10)	45,436,087	9.0%	46,692,755	8.8%	102.8
9. Retained profit from previous years	15,043,847	3.0%	15,518,030	2.9%	103.2
10. Retained profit in the current year	30,392,240	6.0%	31,174,725	5.9%	102.6
11. Loss below the amount of capital (12+13)	11,624,190	2.3%	8,767,486	1.7%	75.4
12. Loss from previous years	6,865,833	1.4%	8,553,388	1.6%	124.6
13. Loss in the current year	4,758,357	0.9%	214,098	0.0%	4.5
B. LONG-TERM PROVISIONS	115,652,655	22.8%	127,814,022	24.1%	110.5

LIABILITIES	31 December 2019		31 December 2020		Index 2020/19
	Amount	Share	Amount	Share	
C. LIABILITIES (1+2)	237,384,189	46.8%	239,044,281	45.1%	100.7
1. Long-term liabilities	4,091,192	0.8%	3,124,400	0.6%	76.4
2. Short-term liabilities and accruals and deferred income	233,292,997	46.0%	235,919,881	44.5%	101.1
2.1. Unearned premium – life insurance	6,523,662	1.3%	6,941,651	1.3%	106.4
2.2. Unearned premium – non-life insurance	118,832,112	23.4%	119,589,848	22.6%	100.6
2.3. Outstanding claims reserves – life insurance	1,075,927	0.2%	1,177,958	0.2%	109.5
2.4. Outstanding claims reserves – non-life insurance	76,062,118	15.0%	77,096,680	14.5%	101.4
2.5. Other accruals and deferred income	4,714,813	0.9%	6,017,079	1.1%	127.6
2.6. Other short-term liabilities	26,084,365	5.1%	25,096,665	4.7%	96.2
D. OPERATING LIABILITIES (A+B+C)	506,967,688	100.0%	529,893,943	100.0%	104.5
E. OFF-BALANCE-SHEET LIABILITIES	4,729,089		12,129,862		256.5
F. TOTAL LIABILITIES	511,696,777		542,023,805		105.9

Source: Balance sheets of the insurance companies from the RS

The chart below shows the structure of operating liabilities for 2019 and 2020.

Chart 6: Structure of operating liabilities of the insurance companies from the RS



Source: Balance sheets of the insurance companies from the RS

In the structure of operating liabilities, as at 31 December 2020, the share of capital was 30.8%, the share of long-term provisions was 24.1%, and the share of liabilities was 45.1%, whereby technical reserves (unearned premiums and outstanding claims reserves) comprised 85.7% of the total liabilities.

In the structure of operating liabilities, the share of unearned premium and claims reserves of life and non-life insurance was 38.7%, the share of mathematical reserve and provisions for profit share in life insurance was 23.8%, and the share of capital was 30.8%. The total share of the amounts reported under these items in the operating liabilities was 93.3%, and their interrelationship was in accordance with their activity and the portfolio structure of the insurance companies.

In comparison with the balance as at 31 December 2019, the amount of capital increased by 5.9%, and within this item, there was an increase in share capital (6.7%), share issuance premium (13.2%), unrealised losses from the financial assets available for sale (14.3%) and

retained profit (2.8%). On the other hand, there was a decrease in the items of share issuance loss (0.3%), reserves from profit (9.9%), revaluation reserves (16%), unrealised profit from the financial assets available for sale (22.5%), and loss below the amount of capital (24.6%). The changes in the amounts of the above-mentioned items under the item of capital are related to the increase in the capital for the purposes of fulfilment of the capital requirements set out in the Law on Amendments to the Law on Insurance Companies⁸, effects of a change in the fair value of financial assets available for sale and the achieved business results.

The chart below provides an overview of the movement of capital for the period of 2016–2020.

Chart 7: Capital of the insurance companies from the RS



Source: Balance sheets of the insurance companies from the RS

The item of long-term provisions had an increase of 10.5%. Within this item, there was an increase of 10.9% in the amount of mathematical reserve and an increase of 5.8% in provisions for profit share in life insurance. The amounts of mathematical reserve and provisions for profit share in life insurance comprised 98.5% of the reported amount of long-term provisions. The increase in the amount of mathematical reserve and provisions for profit share in life insurance was a result of portfolio maturation and an increase in the life insurance premium written, representing a continuation of the positive trend.

The total liabilities increased by 0.7%, and within that item, the amount of short-term liabilities and accruals and deferred income increased by 1.1%, while long-term liabilities decreased by 23.6%. The share of unearned premium and outstanding claims reserves for life and non-life insurance was 86.8%, while the share of liabilities for claims and contract amounts was only 0.4% in the total amount of short-term liabilities and accruals and deferred income. The amount of other accruals and deferred income increased by 27.6%, with a more significant increase with one insurance company, due to the effect of application of a relevant international financial reporting standard. The decrease in other short-term liabilities was the result of a decrease in the amount of operating liabilities, tax liabilities and dividend

⁸ Official Gazette of the Republic of Srpska, 58/19

contributions and liabilities. The share of long-term liabilities in the operating liabilities is only 0.6%, and the reported increase in percentage points does not have any material significance when it comes to a change in the level of indebtedness of the insurance sector, and it is related to the decrease in the liabilities of one insurance company based on long-term loans.

2.2.2. Income statement

A brief overview of the aggregate income statement for all insurance companies based in the Republic of Srpska for 2019 and 2020 is provided in the table below.

Table 19: Income statement – total for all insurance companies from the RS

I T E M	2019	Share	2020	Share	Index 2020/19
	Amount		Amount		
(in BAM)					
A. OPERATING INCOME AND EXPENSES					
I - Operating income (1+2+3+4+5+6)	240,131,198	92.8%	251,767,009	93.3%	104.8
1. Income from insurance, co-insurance and reinsurance premiums, and retrocession in terms of life insurance	24,830,919		26,293,818		105.9
2. Income from insurance, co-insurance and reinsurance premiums, and retrocession in terms of non-life insurance	196,480,292		200,138,806		101.9
3. Income from participation of co-insurance, reinsurance and retrocession in compensation for damage in terms of non-life insurance	4,215,794		7,379,917		175.1
4. Income from cancellation and reduction of provisions in terms of non-life insurance	3,022,843		5,514,101		182.4
5. Income from refund of tax and other levies, and income from premiums, subsidies, grants, donations, etc.	211,666		382,615		180.8
6. Other operating income	11,369,684		12,057,752		106.1
II - Operating expenses (1+2)	217,468,824	95.3%	222,416,051	94.7%	102.3
1. Functional expenses (1.1.+1.2.+1.3.)	121,855,105		125,520,165		103.0
1.1. Expenses for long-term provisions and functional contributions	17,576,981		16,022,230		91.2
1.2. Compensation for damage, contract amounts and co-insurance and reinsurance premiums	9,173,464		11,252,206		122.7
1.3 Compensation for damage and other types of compensation in terms of non-life insurance	95,104,660		98,245,729		103.3
2. Expenses for execution of insurance	95,613,719		96,895,886		101.3
III - Operating profit/loss (I-II)	22,662,374		29,350,958		129.5
B. FINANCIAL INCOME AND EXPENSES					
I - Financial income	11,036,142	4.3%	10,657,371	4.0%	96.6
II - Financial expenses	615,540	0.3%	1,825,770	0.8%	296.6
III - Financial profit/loss (I-II)	10,420,602		8,831,601		84.8
AB - Profit/loss from regular operation (AIII+BIII)	33,082,976		38,182,559		115.4
C. OTHER INCOME AND EXPENSES					
I - Other income	3,876,452	1.5%	3,584,592	1.3%	92.5
II - Other expenses	6,375,361	2.8%	5,487,958	2.3%	86.1
III - Profit/loss from other income and expenses (I-II)	-2,498,909		-1,903,366		76.2
D. INCOME AND EXPENSES FROM PROPERTY VALUE ADJUSTMENT					
I - Income from property value adjustment	2,621,718	1.0%	2,948,855	1.1%	112.5
II - Expenses from property value adjustment	3,005,819	1.3%	3,274,704	1.4%	108.9
III - Profit/loss from property value adjustment (I-II)	-384,101		-325,849		84.8
E. INCOME FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS FROM PREVIOUS YEARS					
E I - EXPENSES FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS FROM PREVIOUS YEARS	112,506	0.0%	420,784	0.2%	374.0
E I I - EXPENSES FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS FROM PREVIOUS YEARS	389,660	0.2%	754,597	0.3%	193.7
F. PROFIT/LOSS BEFORE TAX (AB+CIII+ DIII+E-EI)	29,922,812		35,619,531		119.0
G. CURRENT AND DEFERRED INCOME TAX - Tax expenses in the reporting period	3,767,460		3,910,983		103.8
H. DEFERRED TAX EXPENSES IN THE REPORTING PERIOD	78,253	0.0%	11,224	0.0%	14.3
H I I - DEFERRED TAX INCOME IN THE REPORTING PERIOD	72,232	0.0%	1,418	0.0%	2.0

Report on the state of the insurance sector in the Republic of Srpska
for year 2020

I T E M	2019	Share	2020	Share	Index 2020/19
	Amount		Amount		
I. NET PROFIT / NET LOSS IN THE REPORTING PERIOD (F-G-H+HI)=(I 1-I 2)	26,149,331		31,698,742		121.2
1. Net profit in the current year	30,917,406		31,921,546		103.2
2. Net loss in the current year	4,768,075		222,804		4.7
J. OTHER PROFIT AND LOSSES IN THE REPORTING PERIOD					
I - Profit determined directly in the capital	981,130	0.4%	315,862	0.1%	32.2
II - Losses determined directly in the capital	167,533	0.1%	1,213,387	0.5%	724.3
III - Income tax referring to other profit and losses	66,232	0.0%	76,319	0.0%	115.2
K. TOTAL NET RESULT IN THE ACCOUNTING PERIOD (I+JI-JII±JIII)	26,896,696		30,877,536		114.8
L. TOTAL INCOME AND PROFIT (AI+BI+CI+DI+E+HI+JI)					
	258,831,378	100.0%	269,772,210	100.0%	104.2
M. TOTAL EXPENSES AND LOSSES (AII+BII+CII+DII+EI+JII±JIII+H)					
	228,167,222	100.0%	234,983,691	100.0%	103.0
N. TOTAL GROSS RESULT IN THE ACCOUNTING PERIOD (L-M)					
	30,664,156		34,788,519		113.5
O. CURRENT AND DEFERRED INCOME TAX (G)					
	3,767,460		3,910,983		103.8
P. TOTAL NET RESULT IN THE ACCOUNTING PERIOD (N- P)=K					
	26,896,696		30,877,536		114.8

Source: Income statement of the insurance companies from the RS

The total income in 2020, including the profit determined directly in the capital, was BAM 269,772,210, representing an increase of 4.2% in comparison with 2019.

The amount of operating income was BAM 251,767,009, which was higher by 4.8%, and it comprised 93.3% of the total income. The increase in the income from insurance, co-insurance and reinsurance premiums, and retrocession in terms of life insurance, was significantly affected by the increase in the life insurance premium. The increase in the income from insurance, co-insurance and reinsurance premiums, and retrocession in terms of non-life insurance arises from the effect of a change in the amount of unearned non-life insurance premium and the implementation of the policy related to reinsurance of income from non-life insurance premium. The income from participation of co-insurance, reinsurance and retrocession in compensation for damage in terms of non-life insurance increased by 75.1%, and the increase is related to the performance of concluded insurance contracts covered by reinsurance (participation of reinsurers in claims). The increase in the income from cancellation and reduction of provisions in terms of non-life insurance arises from the effect of a change in the amount of calculated claims reserves, in comparison with the previous period, and the increase in income based on that was materially more significant with one insurance company. The income from refund of taxes and other levies and the income from premiums, subsidies, grants, donations, etc. increased by 80.8%, but their share in the operating income is only 0.2%. The other operating income increased by 6.1%, due to the increase in the income from reinsurance fees and the income from recourse receivables and payment for the damage caused.

The amount of financial income comprised 4.0% of the total income, and it was lower by 3.4%, while the share of other income in the total income was 1.3%, representing a decrease of 7.5%.

The share of income from property value adjustment in the total income was 1.1%, which was higher by 12.5%, while the income from changes in accounting policies and correction of errors from previous years increased by 3.7 times. However, due to a low share in the total income, their impact on the overall result did not have any material significance.

The reported amount of profit determined directly in the capital is lower by 67.8%, due to the lower amount of profit from a change in the fair value of securities available for sale.

The total expenses, including the losses determined directly in the capital, were BAM 234,983,691, and they were higher by 3.0%.

The operating expenses comprised 94.7% of the total expenses, and they totalled BAM 222,416,051. In the structure of operating expenses, the share of functional expenses was 56.4%, which was higher by 3.0% in comparison with the same period of the previous year. Within the functional expenses, the expenses referring to compensation for damage, contract amounts and co-insurance and reinsurance premiums for life insurance increased by 22.7%, while the expenses referring to compensation for damage and other types of compensation in terms of non-life insurance increased by 3.3%. On the other hand, the amount of expenses referring to long-term provisions and functional contributions decreased by 8.8%.

The share of the expenses for execution of insurance in the operating expenses was 43.6%, representing an increase of 1.3%, and they consist of depreciation and provision expenses (4.3%), expenses referring to materials, energy, services and intangible expenses (64.3%) and wages, employee reimbursements and other personal expenses (31.4%). The increase in the expenses for execution of insurance did not have any material significance and it did not affect the financial capacity of the insurance companies to fulfil their obligations arising from insurance contracts.

The share of financial expenses in the total expenses was 0.8%, and their increase was nominally the result of less significant changes in the individual amounts of negative differences of exchange rates, expenses referring to investment in shares and interest expenses, whereby the interest expenses in one insurance company were related to subsidising the interest for purchase of vehicles in accordance with business and technical cooperation contracts.

The share of other expenses in the total expenses was 2.3%, the share of expenses referring to property value adjustment was 1.4%, the share of expenses from changes in accounting policies and corrections of errors from previous years was 0.3%, and the share of expenses determined directly in the capital was 0.5%. Due to a low share in the total expenses, the changes under the items referring to the above-mentioned expenses did not have a materially significant impact on the total net result, regardless of their relative change.

The amount of operating profit was BAM 29,350,958, and it was higher by 29.5%, while the amount of profit from regular operation (including financial income and expenses) totalled BAM 38,182,559, which was higher by 15.4%.

The net result in the accounting period was a profit in the amount of BAM 31,698,742. A total of thirteen insurance companies reported a net profit in the amount of BAM 31,921,546, while one company reported a net loss in the amount of BAM 222,804. The total net result in the accounting period at the level of the sector, obtained as a difference between the total income and the profit determined directly in the capital, on one hand, and the total expenses, the losses determined directly in the capital and the current and deferred income tax, on the other hand, and it represents a profit in the amount of BAM 30,877,536.

2.2.3. Consolidated financial statements

Of the total of 14 insurance companies, six insurance companies exercise direct or indirect control over one or several legal persons or exercise significant influence over other legal persons. Therefore, pursuant to the Law on Accounting and Auditing of the Republic of Srpska ('Official Gazette of the Republic of Srpska', 94/15 and 78/20), they are obliged to prepare consolidated financial statements of the related legal persons which comprise one economic unit.

In accordance with the above-mentioned requirement, the insurance companies prepared and submitted consolidated financial statements to the Agency. In their consolidated financial statements, four insurance companies reported a profit totalling BAM 11,865,546, while two insurance companies reported a loss totalling BAM 469,498. The total net result in the reporting period for these insurance companies, as reported in the consolidated financial statements, was positive and it totalled BAM 11,396,048.

The net result reported in the individual audited financial statements of these insurance companies was a profit in the amount of BAM 11,657,637 and it was higher by BAM 261,589 in comparison with the profit reported in the consolidated financial statements.

2.3. Financial and technical indicators

2.3.1. Compliance with the capital adequacy requirements

The insurance companies based in the Republic of Srpska are obliged to continuously maintain the amount of capital, which is adequate to the scope and types of the insurance activity that they pursue, i.e. to risks to which they are exposed in the pursuit of the insurance activity.

The capital adequacy of an insurance company is based on compliance with the prescribed requirements, according to which the available capital of the insurance company must at least be equal to the adequacy threshold of the available capital⁹, while the share capital must at least be equal to the amount of the guarantee fund¹⁰. Composite insurance companies must report separately the compliance with the capital adequacy requirements for life and non-life insurance.

Table 20: Compliance with the capital adequacy requirements

No.	Description	(in BAM)			
		2019		2020	
		Non-life insurance	Life insurance	Non-life insurance	Life insurance
1.	Share capital	97,424,170	15,857,171	106,523,578	17,152,208
2.	Guarantee fund	65,000,000	9,000,000	71,000,000	8,000,000
3.	More/less share capital (1-2)	32,424,170	6,857,171	35,523,578	9,152,208
4.	Available capital	84,667,654	12,262,122	91,965,254	14,061,977
5.	Adequacy threshold of the available capital	65,234,093	10,315,413	71,000,000	8,978,345
6.	More/less available capital (4-5)	19,433,561	1,946,709	20,965,254	5,083,633

Source: Reports of the insurance companies from the RS

⁹ The adequacy threshold of the available capital represents the amount of the solvency margin or the minimum prescribed amount of the share capital for insurance companies, whichever is larger.

¹⁰ The guarantee fund corresponds to 1/3 of the solvency margin or the minimum prescribed amount of the share capital for insurance companies, whichever is larger.

The total share capital of all insurance companies based in the Republic of Srpska, as at 31 December 2020, including the capital of both life and non-life insurance, was BAM 123,675,786, and it was higher than the guarantee fund by BAM 44,675,786 or 56.6%. The share capital for non-life insurance was higher than the guarantee fund by 50.0%, and the share capital for life insurance was higher than the guarantee fund by 2.1 times.

The total available capital of all insurance companies based in the Republic of Srpska¹¹, as a total for life and non-life insurance, determined for the purpose of reporting the compliance with the capital adequacy requirements, was BAM 106,027,231. The surplus available capital in relation to the adequacy threshold of the available capital was reported in the amount of BAM 26,048,887 (32.6%), of which BAM 20,965,254 of surplus in non-life insurance (or 29.5%) and BAM 5,083,633 of surplus in life insurance (56.6%).

Apart from the reported overall compliance with the capital adequacy requirements, all insurance companies based in the Republic of Srpska individually complied with the prescribed capital adequacy requirements.

Apart from complying with the prescribed capital adequacy requirements, insurance companies are obliged to keep the amount of at least 50% of the minimum guarantee fund required in a special-purpose term deposit or in securities issued or guaranteed by Bosnia and Herzegovina, the Republic of Srpska or the Central Bank of BiH. These funds are used for the protection of interests of both insurers and insured persons, and may not be used for any other purpose. All insurance companies complied with this requirement, i.e. they possessed the required coverage funds.

2.3.2. Calculation and coverage of technical reserves by the prescribed forms of assets

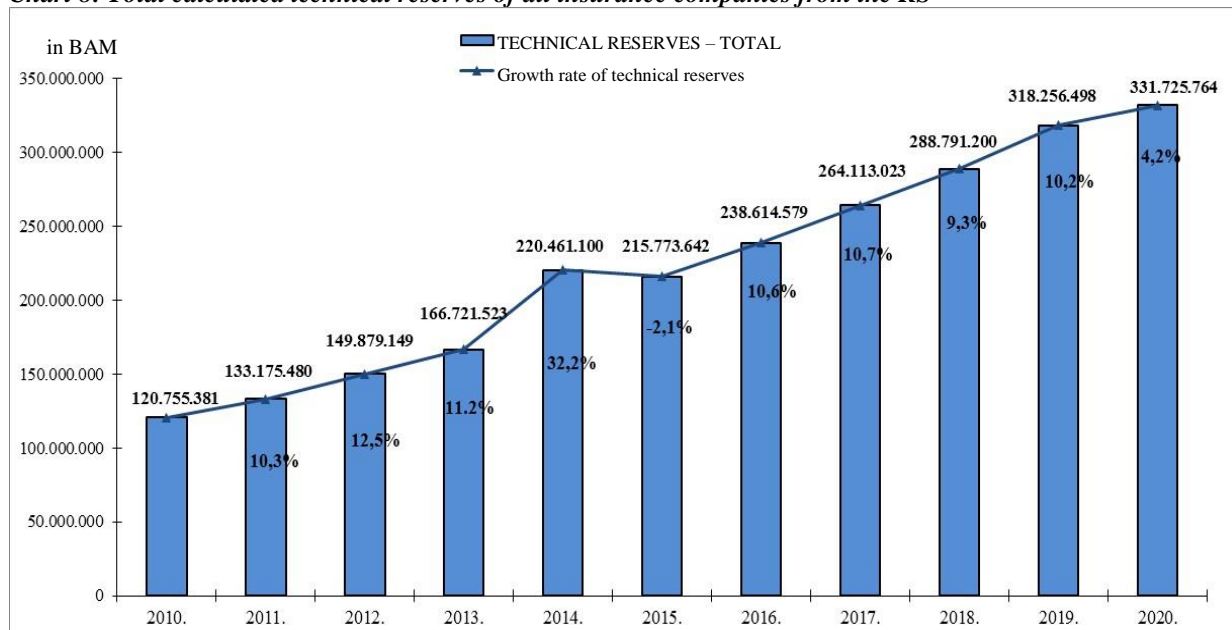
2.3.2.1. Total calculated technical reserves

The calculation of technical reserves based on the actuarial method is an important prerequisite for the maintenance of solvency of insurance companies, which contributes to better protection of interests of insured persons and beneficiaries, as well as to strengthening the trust in the insurance activity. The rules for calculation of technical reserves are prescribed by the regulations of the Agency, and their adequate application is subject to review conducted by both certified actuaries and the Agency, through mandatory reports submitted by the insurance companies on a periodical basis and through direct and indirect supervision.

The chart below provides an overview of the total calculated technical reserves of all insurance companies based in the Republic of Srpska, for the period of 2010–2020.

¹¹ It must be noted that the amount of capital, determined for the purpose of complying with the capital adequacy requirements, differs from the amount of capital reported in the balance sheet.

Chart 8: Total calculated technical reserves of all insurance companies from the RS



Source: Reports of the insurance companies from the RS

As at 31 December 2020, the total calculated technical reserves of all insurance companies based in the Republic of Srpska were higher by 4.2% in comparison with the same day of the previous year.

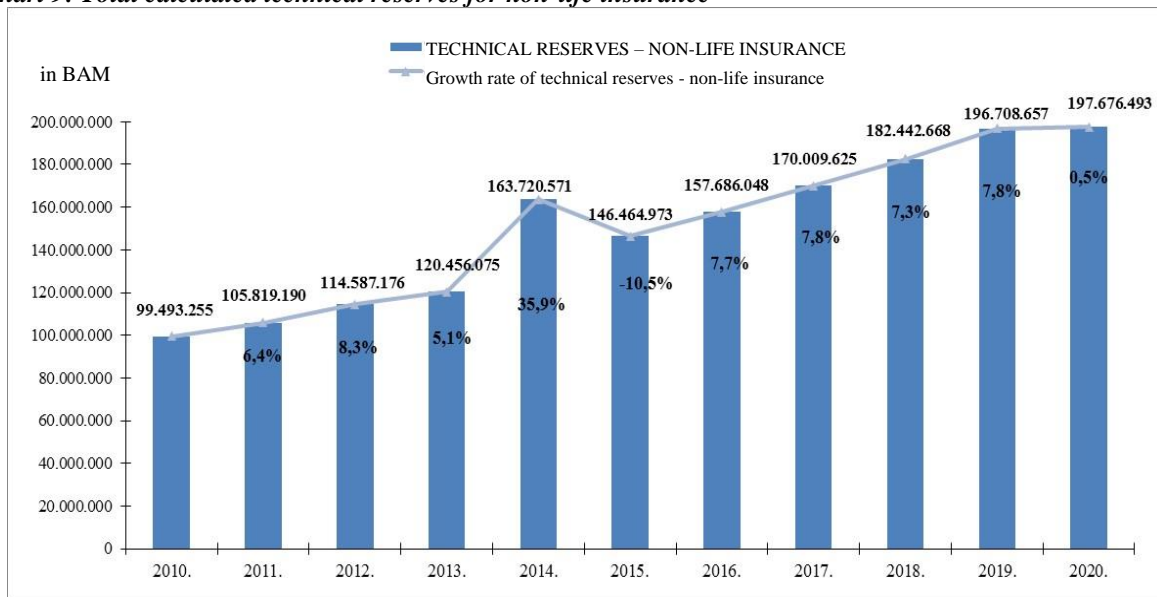
For the purpose of maintaining the financial capacity to fulfil the obligations to pay the compensation for damage and other compensations under insurance contracts, the insurance company is obliged to invest the funds for coverage of technical reserves in the prescribed types of assets, applying the principles of security and profitability, and taking into account investment dispersion.

Given the fact that different investment requirements and restrictions are applied for life and non-life insurance, a separate analysis of the investment of funds for coverage of technical reserves is given below.

2.3.2.2. Calculation and funds for coverage of technical reserves for non-life insurance

The total calculated technical reserves for non-life insurance, in the period from 2010 to 2020, are shown in the chart below.

Chart 9: Total calculated technical reserves for non-life insurance

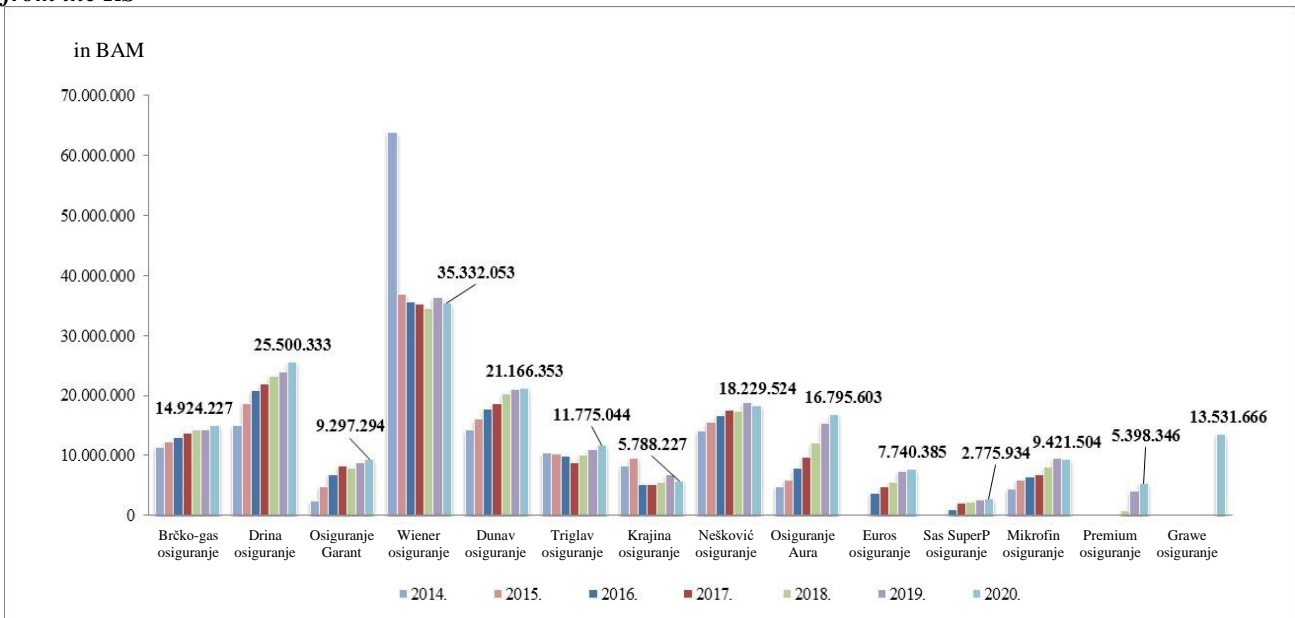


Source: Reports of the insurance companies from the RS

The total calculated technical reserves for non-life insurance, as at 31 December 2020, were BAM 197,676,493, which was higher by 0.5% in comparison with the amount on the same day of the previous year.

The chart below shows the calculated technical reserves for non-life insurance individually, by insurance company based in the Republic of Srpska.

Chart 10: Overview of the calculated technical reserves for non-life insurance of the insurance companies from the RS

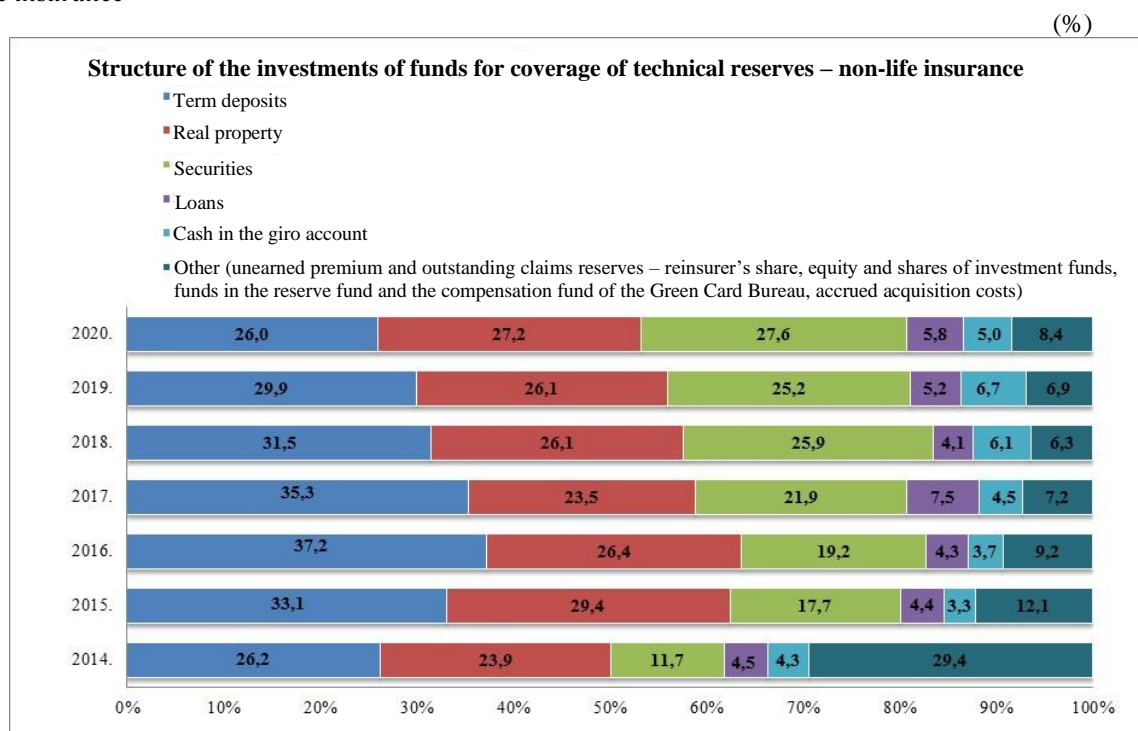


Source: Reports of the insurance companies from the RS

The chart shows that, at 31 December 2020, the amount of calculated technical reserves of four insurance companies was lower in comparison with the same day of the previous year, which was the result of a decrease in the amount of unearned premium due to a lower amount of premium written, and a decrease in claims reserves.

The chart below shows the structure of the investments of funds for coverage of technical reserves for non-life insurance.

Chart 11: Structure of the investments of funds for coverage of the total calculated technical reserves for non-life insurance



Source: Reports of the insurance companies from the RS

The highest share in the structure of the investments of funds for coverage of technical reserves for non-life insurance was the share of term deposits, real property and securities, with the overall share of 80.8%.

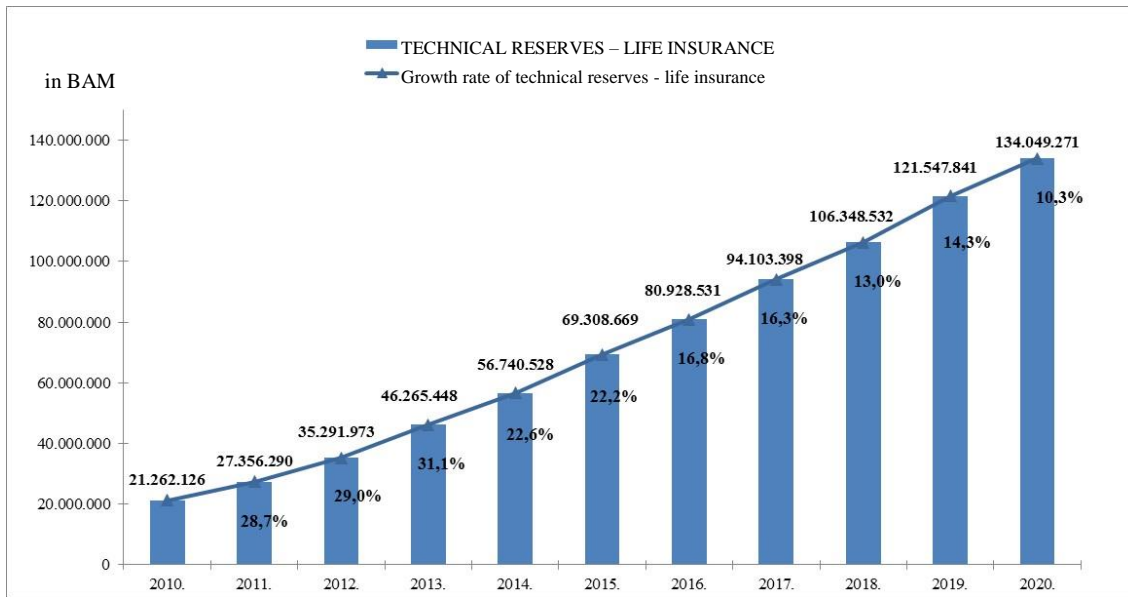
As at 31 December 2020, two insurance companies reported a shortage of funds for coverage of technical reserves. The other companies which pursue non-life insurance ensured quantitative and qualitative compliance with the prescribed requirements related to coverage of technical reserves.

2.3.2.3. Calculation and funds for coverage of technical reserves for life insurance

The technical reserves for life insurance are characterised by growth caused by the growth of the life insurance premium and the portfolio maturation.

The chart below shows the calculated technical reserves for life insurance for the period of 2010–2020.

Chart 12: Total calculated technical reserves for life insurance

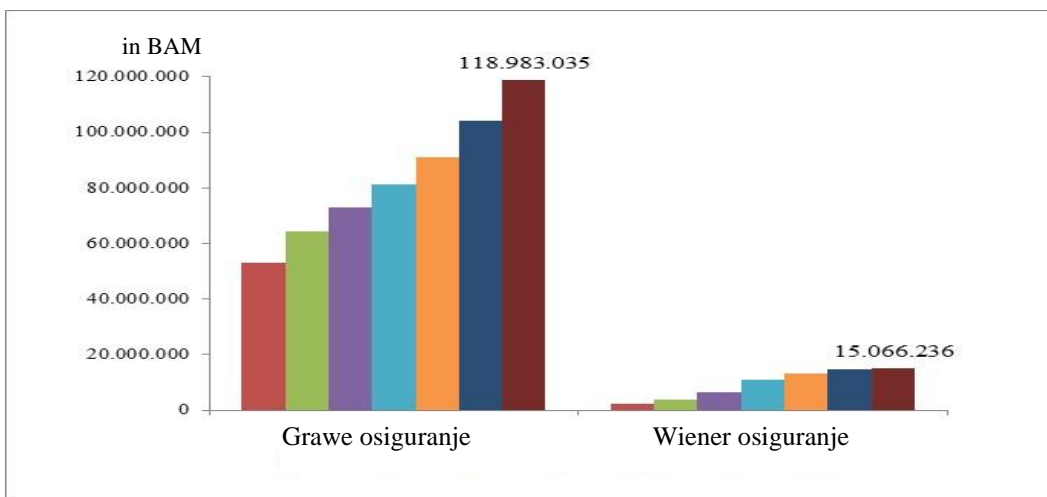


Source: Reports of the insurance companies from the RS

As at 31 December 2020, the total calculated technical reserves for life insurance were BAM 134,049,271, and they were higher by 10.3% in comparison with the same day of the previous year.

The chart below shows the calculated technical reserves for life insurance, individually by insurance company.

Chart 13: Overview of the calculated technical reserves for life insurance of the insurance companies from the RS

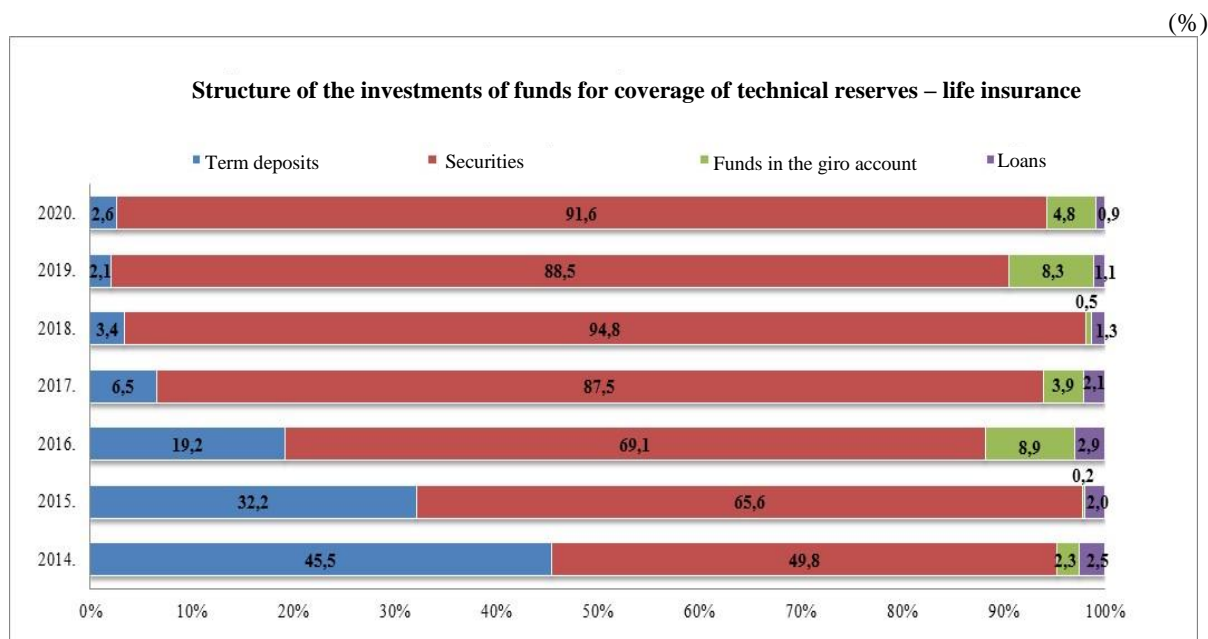


Source: Reports of the insurance companies from the RS

The difference in the amount of the calculated technical reserves for life insurance between the individual insurance companies is proportional to the share of these companies in the total life insurance premium.

The chart below shows the structure of the investments of funds for coverage of technical reserves for life insurance.

Chart 14: Structure of the investments of funds for coverage of the total calculated technical reserves for life insurance



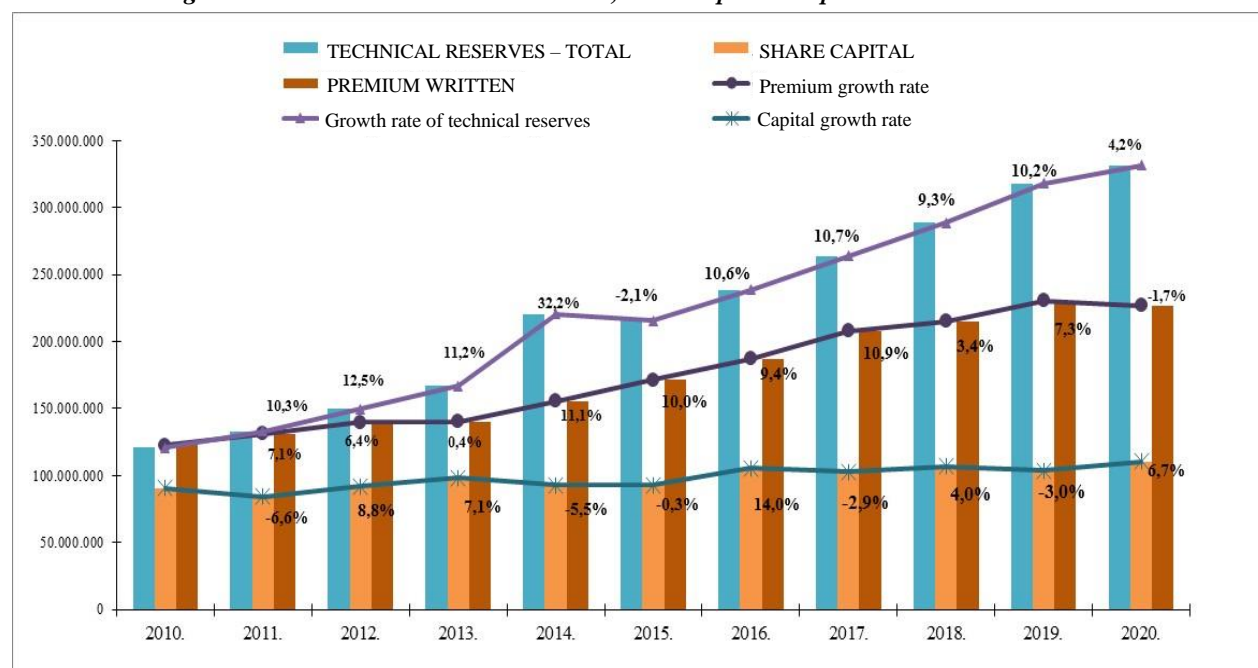
Source: Reports of the insurance companies from the RS

In the structure of the investments of funds for coverage of technical reserves for life insurance, securities had the highest share, particularly bonds issued by the Republic of Srpska. All companies which pursue life insurance ensured continuous quantitative and qualitative compliance with the prescribed requirements related to coverage of technical reserves for life insurance.

2.3.3. Comparative overview of key indicators

The chart below provides a comparison of the total amounts of calculated technical reserves, premium written and share capital, for the period of 2010–2020.

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



Source: Reports of the insurance companies from the RS

As at 31 December 2020, the total amount of calculated technical reserves was higher than the total premium written by 46.3%, which was significantly affected by the growth and maturation of the life insurance portfolio, and the related increase in the amount of mathematical reserve. The growth of the share capital in 2020 arises from the increase in the capital of individual insurance companies executed for the purposes of harmonisation with new capital requirements, set out in the Law on Amendments to the Law on Insurance Companies¹².

2.3.4. Indicators of compensation for claims and other insurance benefits paid

The basic information related to settlement and payment of compensation for claims and other insurance benefits under insurance contracts (hereinafter referred to as: insurance liabilities) may be found below.

In 2020, the insurance companies based in the Republic of Srpska paid a total of BAM 78,232,812 to insured persons and beneficiaries, which represents an increase of BAM 5,007,833 or 6.8% in comparison with 2019, when the amount of insurance liabilities paid was BAM 73,224,979.

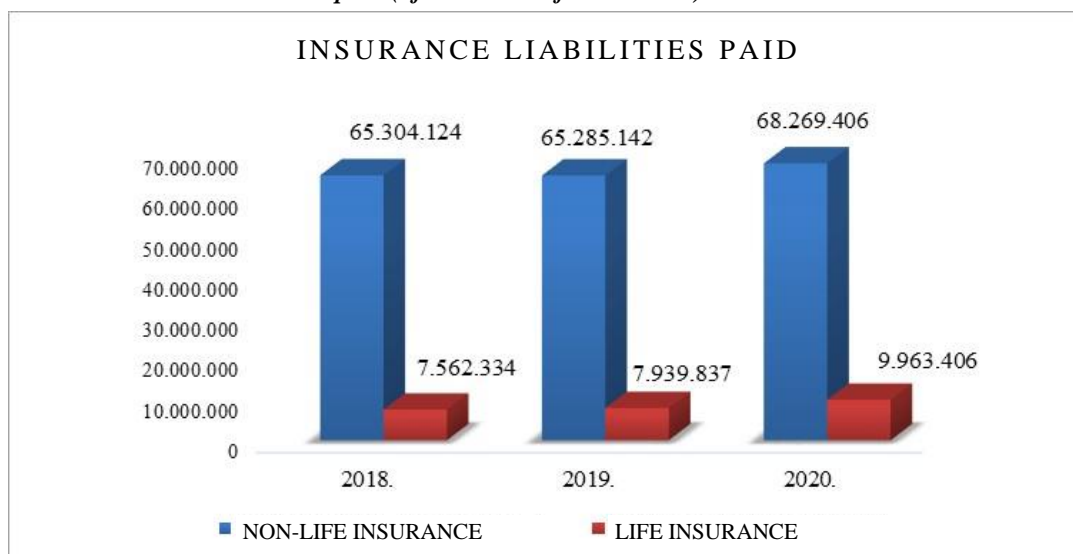
Table 21: Amount of total insurance liabilities paid by type of insurance

TYPES OF INSURANCE	(in BAM)		
	2018	2019	2020
Accident insurance	5,553,498	6,208,196	6,742,963
Health insurance	932,896	593,636	543,890
Land vehicle insurance (except for railway vehicles)	9,577,352	10,308,725	10,924,792
Marine insurance			2,432
Insurance of goods in transport	73,182	41,470	42,065
Insurance of property against fire and natural forces	1,303,032	2,369,581	5,052,087
Insurance against other types of property damage	2,384,176	2,305,838	1,594,433
Motor vehicle liability insurance	45,186,329	42,896,615	42,627,999
Civil liability insurance	229,282	355,513	208,926
Credit insurance	7,936	49,710	215,193
Guarantee insurance		861	
Insurance against various financial losses	52,163	150,880	308,459
Travel insurance	4,280	4,117	6,169
TOTAL NON-LIFE INSURANCE	65,304,124	65,285,142	68,269,406
Life insurance	6,523,875	6,665,206	8,910,634
Annuities	2,648	2,992	16,285
Additional insurance to life insurance	1,035,811	1,271,639	1,036,488
TOTAL LIFE INSURANCE	7,562,334	7,939,837	9,963,406
TOTAL:	72,866,458	73,224,979	78,232,812

Source: Reports of the insurance companies from the RS

¹² Official Gazette of the Republic of Srpska, 58/19

Chart 16: Total insurance liabilities paid (life and non-life insurance)



Source: Reports of the insurance companies from the RS

The table below shows the indicators of efficiency of settlement and payment of insurance liabilities for life and non-life insurance.

Table 22: Efficiency of settlement and payment of insurance liabilities

Description	2018	2019	2020
Rate of efficiency of settlement of insurance liabilities in non-life insurance (in %)	84.4	85.1	85.0
Rate of efficiency of settlement of insurance liabilities in life insurance (in %)	89.7	87.3	87.4
Rate of efficiency of payment of insurance liabilities in non-life insurance (in %)	99.3	99.0	99.0
Rate of efficiency of payment of insurance liabilities in life insurance (in %)	100.0	100.0	100.0

Source: Reports of the insurance companies from the RS

The rate of efficiency of settlement of insurance liabilities represents the ratio of the total number of settled claims to the total number of recorded claims. The rate of payment of insurance liabilities represents the ratio of the total number of paid claims to the total number of settled claims. In the observed period, there were no significant changes in the rates of efficiency of settlement and payment of insurance liabilities.

The rates of efficiency of settlement and payment of insurance liabilities for motor vehicle liability insurance in 2020, by insurance company, are shown in the table below.

Table 23: Efficiency of settlement and payment of insurance liabilities for motor vehicle liability insurance

No.	Insurance company	Rate of efficiency of settlement of insurance liabilities (%)	Rate of efficiency of payment of insurance liabilities (%)
1.	D.D. Brčko-gas osiguranje	76.7	100.0
2.	Grawe osiguranje a.d.	74.9	100.0
3.	Euros osiguranje a.d.	76.7	99.0
4.	Drina osiguranje a.d.	72.2	100.0
5.	Dunav osiguranje a.d.	83.1	100.0

No.	Insurance company	Rate of efficiency of settlement of insurance liabilities (%)	Rate of efficiency of payment of insurance liabilities (%)
6.	Wiener osiguranje a.d.	70.4	98.5
7.	Krajina osiguranje a.d.	65.1	72.7
8.	Mikrofin osiguranje a.d.	91.8	100.0
9.	Nešković osiguranje a.d.	78.5	100.0
10.	Osiguranje Aura a.d.	94.1	100.0
11.	Osiguranje Garant d.d.	82.9	99.9
12.	Premium osiguranje a.d.	93.1	100.0
13.	Triglav osiguranje a.d.	82.6	98.6
14.	SAS-SuperP OSIGURANJE a.d.	94.0	100.0
	TOTAL:	81.5	99.0

Source: Reports of the insurance companies from the RS

It must be noted that the rate of efficiency of settlement of insurance liabilities also depends on the objective factors beyond the control of the insurance company (e.g. the age of the insurance company portfolio, the manner of recording insurance claims, the number of insurance claims in litigation and claims with incomplete documentation, etc.), and in order to be a relevant indicator, it must be considered together with the other indicators.

2.3.5. Technical result

The technical result, as shown in the table below, was determined as the difference between the applicable retained premiums and the applicable retained losses, taking into consideration the changes in the other technical reserves, and also, for life insurance, the result generated by investment of funds. The technical result was calculated by using the aggregate amounts of the items from the reports of all insurance companies based in the Republic of Srpska listed above.

Table 24: Technical result

(in BAM)

No.	Types of insurance	2018	2019	2020
1.	Accident insurance	5,067,411	7,046,566	6,560,457
2.	Health insurance	1,073,238	1,516,229	616,291
3.	Land vehicle insurance, except for railway vehicles	2,368,368	2,199,504	3,007,944
4.	Railway vehicle insurance	0	0	7,367
5.	Aircraft insurance	68	0	1,170
6.	Vessel insurance	4,471	-5,523	16,543
7.	Insurance of goods in transport	409,346	404,643	422,073
8.	Insurance of property against fire and natural forces	3,025,150	-932,551	3,118,457
9.	Insurance against other types of property damage	1,462,693	2,670,515	3,099,589
10.	Motor vehicle liability insurance	86,071,957	95,696,943	96,582,821
11.	Civil liability insurance for aircraft	10,853	28,971	39,780
12.	Civil liability insurance for vessels	1,858	3,962	6,280
13.	Civil liability insurance	833,269	-187,905	1,135,853
14.	Credit insurance	66,782	190,235	358,213
15.	Guarantee insurance	14,898	13,628	13,282
16.	Insurance against various financial losses	323,259	243,498	324,295
17.	Legal protection insurance	0	0	0

No.	Types of insurance	2018	2019	2020
18.	Travel insurance	20,928	-12,530	18,525
	NON-LIFE INSURANCE	100,754,551	108,876,185	115,328,942
19.	LIFE INSURANCE	7,194,310	7,629,282	8,257,368
	TOTAL	107,948,861	116,505,467	123,586,310

Source: Reports of the insurance companies from the RS

In 2020, the technical result in all types of insurance, as well as the overall technical result, was positive, indicating that the total premium was sufficient to settle the liabilities towards the insured persons, insurance beneficiaries and injured third parties.

2.3.6. Loss ratio, expense ratio and combined ratio

The loss ratio is the ratio of the applicable losses to the applicable premium, while the expense ratio is the share of the expenses of insurance execution in the premium written. The combined ratio shows the result of operation before including the investment results, and it is calculated as the sum of the expense ratio and the loss ratio.

The table below shows the loss ratio, the expense ratio and the combined ratio for non-life insurance, calculated on the basis of the sums of the items from the reports of the insurance companies based in the Republic of Srpska listed above.

Table 25: Loss ratio, expense ratio and combined ratio

DESCRIPTION	2018	2019	2020
Loss ratio (%)	38.0	36.1	34.9
Expense ratio (%)	37.2	41.6	42.4
Combined ratio (%)	75.2	77.7	77.3

Source: Reports of the insurance companies from the RS

If the combined ratio is below 100, the difference between 100 and the combined ratio represents a positive result of the insurance activities, and if the combined ratio is above 100, the difference represents the negative result of the insurance activities.

As at 31 December 2020, the combined ratio was below 100, which means that the result of the insurance activities was positive. Although the amount of claims paid under insurance contracts was nominally higher, the loss ratio decreased due to the impact of changes in the amount of claims reserves and the unearned premium on the amount of relevant claims, i.e. on the amount of the relevant premium (at the end of the reporting period in comparison with the beginning thereof). The increase in the expense ratio was the result of the decrease in the premium written and the increase in the insurance execution expenses, which are shown in more detail under Chapter 2.2.2. Income statement.

2.3.7. Profitability indicators

The table below shows the profitability of property and the profitability of own assets, calculated on the basis of aggregate amounts of the items from the reports of the insurance companies based in the Republic of Srpska.

Table 26: Profitability indicators

DESCRIPTION	2018	2019	2020
Return on assets (ROA %)	6.3	5.3	6.0
Return on equity (ROE %)	19.8	17.1	20.0

Source: Reports of the insurance companies from the RS

Return on assets (ROA) is calculated as the ratio of the net result in the accounting period to the average assets, representing the measure of return on total assets. Return on equity (ROE) is the ratio of the net result in the accounting period to the average equity, which shows the amount of return on the equity invested. The values of the indicators show that the profitability of both assets and equity are higher in comparison with the same day of the previous year, which arises from the fact that the net result in this reporting period increased more than the average amounts of assets and equity.

2.3.8. Other performance indicators

The table below shows the other performance indicators, calculated on the basis of aggregate amounts of the items from the reports of the insurance companies based in the Republic of Srpska.

Table 27: Other performance indicators

DESCRIPTION	2018	2019	2020
Premium per employee (in BAM)	140,424	148,589	142,983
Total income per employee (in BAM)	161,758	166,034	169,897
Profit per employee (in BAM)	18,831	16,838	19,987
Profit / Total income (%)	11.6	10.1	11.8
Solvency ratio (%)	80.1	74.2	80.5
General liquidity (%)	4.8	5.0	5.1

Source: Reports of the insurance companies from the RS

As at 31 December 2020, all the indicators except for the premium per employee were higher in comparison with the same day of the previous year. The decrease in the premium per employee arises from the decrease in the premium written in this reporting period, with an increase in the number of employees.

The solvency ratio still indicates that solvency was not jeopardised. The general liquidity ratio was significantly above 1, indicating the capability to settle the liabilities within the periods of maturity.

3. VOLUNTARY PENSION INSURANCE

3.1.1. Company for the management of the voluntary pension fund

In the reporting period, the activity of voluntary pension insurance was pursued by one company for management of voluntary pension funds, which is: Company for the Management of the European Voluntary Pension Fund a.d. Banja Luka.

According to the ownership structure, as at 31 December 2020, Company for the Management of the European Voluntary Pension Fund a.d. Banja Luka had majority foreign ownership with the share of 67% in the equity ('Triglav pokojninska družba' d.d. Ljubljana – 34%, 'European Bank for Reconstruction and Development' – 16.5%, and 'Enterprise Expansion Fund' – 16.5%) and domestic ownership of 33% (Pension Reserve Fund of the Republic of Srpska a.d. Banja Luka).

The table below provides a brief overview of the balance sheet of the company for the management of the voluntary pension fund, as at 31 December 2019 and 31 December 2020.

Table 28: Balance sheet of the company for the management of the voluntary pension fund

(in BAM)

ITEM	31 Dec 2019	%	31 Dec 2020	%	Index 2020/19
ASSETS					
A. FIXED ASSETS	1,136,395	37.1	1,087,542	41.2	95.7
I - Intangible assets	25,317	0.8	4,608	0.2	18.2
II - Real property, plant, equipment and investment property	111,078	3.6	82,934	3.1	74.7
III - Biological assets and agricultural produce	0		0		0.0
IV - Long-term financial investments	1,000,000	32.7	1,000,000	37.9	100.0
V - Deferred tax assets	0	0.0	0	0.0	0.0
B. CURRENT ASSETS	1,922,723	62.9	1,550,296	58.8	80.6
I - Inventories, fixed assets and assets of discontinued operations held for sale	0	0.0	0	0.0	0.0
II - Short-term receivables, short-term investments and cash	1,922,723	62.9	1,550,296	58.8	80.6
III - Deferred tax assets	0	0.0	0		0.0
C. BUSINESS ASSETS	3,059,118	100.0	2,637,838	100.0	86.2
D. LOSS ABOVE THE AMOUNT OF CAPITAL	0	0.0	0	0.0	0.0
E. OPERATING ASSETS	3,059,118	100.0	2,637,838	100.0	86.2
F. OFF-BALANCE-SHEET ASSETS	0	0.0	0	0.0	0.0
G. TOTAL ASSETS	3,059,118	100.0	2,637,838	100.0	86.2
LIABILITIES					
A. CAPITAL	3,025,168	98.9	2,566,775	97.3	84.8
I - Share capital	4,400,000	143.8	4,400,000	166.8	100.0
II - Subscribed capital unpaid	0	0.0	0	0.0	0.0
III - Share issuance premium	0	0.0	0	0.0	0.0
IV - Share issuance loss	0	0.0	0	0.0	0.0
V - Reserves	0	0.0	0	0.0	0.0
VI - Revaluation reserves	0	0.0	0	0.0	0.0
VII - Unrealised profit on financial assets available for sale	0	0.0	0	0.0	0.0
VIII - Unrealised losses on financial assets available for sale	196	0.0	194	0.0	99.0
IX - Retained profit	0	0.0	0	0.0	0.0
X - Loss below the amount of capital	1,374,636	44.9	1,833,031	69.5	133.3
1. Loss from previous years	881,503	28.8	1,374,636	52.1	155.9
2. Loss in the current year	493,133	16.1	458,395	17.4	93.0
B. PROVISIONS, DEFERRED TAX LIABILITIES AND ACCRUED INCOME	0	0.0	760	0.0	0.0
C. LIABILITIES	33,950	1.1	70,303	2.7	207.1
I - Long-term liabilities	0	0.0	0	0.0	0.0
II - Short-term liabilities	33,950	1.1	70,303	2.7	207.1

ITEM	31 Dec 2019	%	31 Dec 2020	%	Index 2020/19
D. OPERATING LIABILITIES	3,059,118	100.0	2,637,838	100.0	86.2
E. OFF-BALANCE-SHEET LIABILITIES	0	0.0	0	0.0	0.0
F. TOTAL LIABILITIES	3,059,118	100.0	2,637,838	100.0	86.2

Source: Financial statements and Independent Auditor's Report for 2020

The amount of operating assets and liabilities, as at 31 December 2020, was BAM 2,637,838, which is lower by BAM 421,280 or 13.8% in comparison with 31 December 2019.

In the structure of operating assets, the share of fixed assets was 41.2%, and the share of current assets was 58.8%. The share of long-term financial investments in the structure of fixed assets was 92%, and they referred to investment in the financial assets measured at fair value through the other overall profit – bonds of the Republic of Srpska (BAM 1,000,000). The item of real property, plant, equipment and investment property comprised 7.6% of fixed assets, while the share of intangible assets was 0.4%. When it comes to the structure of current assets, the share of financial assets marked by fair value in the income statement was 62.4% (BAM 967,535), the share of term deposits was 22.6% (BAM 350,000), the share of cash was 11.8% (BAM 182,901), and the total share of other items was 3.2% (BAM 49,860).

In the structure of operating liabilities, the share of capital was 97.3%, the share of liabilities was 2.7%, and the amount of long-term provisions was BAM 760. The amount of capital was BAM 2,566,775, which was lower than the amount of share capital by the amount of loss below the amount of capital (BAM 1,833,031) and unrealised losses on financial assets available for sale (BAM 194). The amount of liabilities was BAM 70,303, and they are related to regular business operations (wages and employee reimbursements, liabilities towards suppliers, and liabilities for other taxes and contributions).

The table below provides a brief overview of the income statement of the company for the management of the voluntary pension fund, for 2019 and 2020.

Table 29: Income statement of the company for the management of the voluntary pension fund

(in BAM)

ITEM	2019	%	2020	%	Index 2020/19
A. OPERATING INCOME AND EXPENSES					
I - Operating income	36,859	22.9	219,339	75.4	595.1
II - Operating expenses	654,202	100.0	728,370	97.2	111.3
B. OPERATING PROFIT	0		0		
C. OPERATING LOSS	617,343		509,031		82.5
D. FINANCIAL INCOME AND EXPENSES					
I - Financial income	53,337	33.1	45,407	15.6	85.1
II - Financial expenses	186	0.0	220	0.0	118.3
E. PROFIT FROM REGULAR OPERATION	0		0		
F. LOSS FROM REGULAR OPERATION	564,192		463,844		82.2
G. OTHER INCOME AND EXPENSES					
I - Other income	5,686	3.5	2,030	0.7	35.7
II - Other expenses	0		760	0.1	
H. PROFIT FROM OTHER INCOME AND EXPENSES	5,686		1,270		22.3
I. LOSS FROM OTHER INCOME AND EXPENSES	0		0	0.0	
J. INCOME AND EXPENSES FROM PROPERTY VALUE ADJUSTMENT					
I - Income from property value adjustment	65,373	40.5	24,179	8.3	37.0
II - Expenses from property value adjustment	0	0.0	20,000	2.7	
K. PROFIT FROM PROPERTY VALUE ADJUSTMENT	65,373	0.0	4,179	0.0	6.4

Report on the state of the insurance sector in the Republic of Srpska
for year 2020

ITEM	2019	%	2020	%	Index 2020/19
L. LOSS FROM PROPERTY VALUE ADJUSTMENT					
M. NET PROFIT AND NET LOSS IN THE REPORTING PERIOD					
I - Net profit in the reporting period	0		0		
II - Net loss in the reporting period	493,133		458,395		93.0
TOTAL INCOME	161,255	100.0	290,955	100.0	180.4
TOTAL EXPENSES	654,388	100.0	749,350	100.0	114.5

Source: Financial statements and Independent Auditor's Report for 2020

The total income in 2020 was BAM 290,955, within which the share of operating income (income from entrance fees and management fees) was 75.4%, the share of financial income (income from interest) was 15.6%, the share of income from property value adjustment was 8.3%, and the share of other income was 0.7%.

The total expenses were BAM 749,350, and they consisted of operating expenses in the amount of BAM 728,370 or 97.2%, expenses from property value adjustment in the amount of BAM 20,000 or 2.7%, and expenses from revaluation and write-offs and financial expenses in the amount which does not have any material significance. The operating expenses referred to wages, employee reimbursements and other personal expenses (61.5% of operating expenses), expenses from production services (21.6% of operating expenses), intangible expenses (10.3% of operating expenses), and expenses referring to materials, depreciation, provisions, taxes and contributions (6.6% of operating expenses).

The net result in the reporting period was a loss in the amount of BAM 458,395, which is lower by 7% in comparison with the same period of the previous year.

3.1.2. Voluntary pension fund

Within the activity of voluntary pension insurance, one voluntary pension fund was established – European Voluntary Pension Fund Banja Luka. This fund is managed by Company for the Management of the European Voluntary Pension Fund a.d. Banja Luka. The Fund was organised as an open voluntary pension fund, for the purpose of collecting funds by way of voluntary payment of the pension contribution by the payers, and investing the funds with a view to increasing the value of the assets.

As at 31 December 2020, the Fund had a total of 29,381 active members. A total of 99.9% of all active members joined the voluntary pension fund via pension schemes, whereby a total of 96.1% of active members joined the Fund via the pension schemes of public companies and public institutions. The average age of the voluntary pension fund members was 46.8 years.

The table below provides a brief overview of the balance sheet of the voluntary pension fund, as at 31 December 2019 and 31 December 2020.

Table 30: Balance sheet of the voluntary pension fund

(in BAM)

ITEM	31 December 2019	%	31 December 2020	%
A. TOTAL ASSETS	1,621,532	100.0	8,596,330	100.0
I - Cash	92,251	5.7	271,362	3.2
II - Investments of the fund	1,521,022	93.8	8,273,283	96.2
III - Receivables	1,193	0.1	7,789	0.1
IV - Deferred tax assets	0	0.0	0	0.0
V - Accrued receivables	7,066	0.4	43,896	0.5
B. LIABILITIES	14,247	100.0	71,607	100.0
I - Liabilities referring to business operations of the fund	9,590	67.3	39,926	55.8
II - Liabilities referring to expenses of business operations	230	1.6	1,214	1.7
III - Liabilities towards the management company	4,428	31.1	26,027	36.3
IV - Short-term financial liabilities				
V - Long-term liabilities				
VI - Other liabilities of the fund				
VII - Deferred tax liabilities				
VIII - Accruals and deferred income				
IX - Liabilities referring to membership	0		4,440	6.2
C. NET ASSETS OF THE FUND	1,607,284		8,524,723	
D. CAPITAL	1,607,284		8,524,723	
I - Share capital	1,571,841		8,505,023	
II - Capital reserves				
III - Revaluation reserves	31,927		16,531	
IV - Reserves from profit				
V - Retained profit	3,517		3,517	
VI - Retained earnings	0		-348	
VII - Unrealised profit/loss				
E. NUMBER OF SHARES ISSUED	153,513.6946396		823,886.9251472	
F. NET ASSETS PER SHARE	10.46997		10.34696	
G. OFF-BALANCE SHEET RECORDS				

Source: Financial statements and Independent Auditor's Report for 2020

As at 31 December 2020, the total assets of the voluntary pension fund were BAM 8,596,330, and they were higher by 5.3 times in comparison with the balance on the same day of the previous year. In the structure of total assets of the voluntary pension fund, the highest share referred to investments of the fund in securities (bonds of the Republic of Srpska) and deposits (96.2%), which increased by 5.4 times. The receivables arise from the receivables from interest and dividends, and the accrued receivables arise from the relevant interest on the bonds. The increase in the total assets and investment of the voluntary pension fund is related to the increase in the number of members of the fund.

On the other hand, the total liabilities were BAM 71,607, in which the share of liabilities referring to business operations of the fund was 55.8%, the share of liabilities towards the management company was 36.3%, the share of liabilities referring to membership was 6.2%, and the share of liabilities referring to expenses for business operations was 1.7%.

The net value of the assets of the voluntary pension fund was BAM 8,524,723. The number of shares issued, i.e. the number of subscribed units of account was 823,886.9251472, and the net worth per share was BAM 10.34696.¹³

The rate of return on net assets of the voluntary pension fund in the reporting period was - 1.17309%.

The table below provides a brief overview of the income statement of the voluntary pension fund, for 2019 and 2020.

Table 31: Income statement of the voluntary pension fund

ITEM	(in BAM)	
	2019	2020
A. REALISED INCOME AND EXPENSES		
I - Operating income	21,668	105,474
II - Realised profit		
III - Operating expenses	18,889	105,822
IV - Realised loss		
V - Realised profit/loss	2,779	-348
VI - Financial income		
VII - Financial expenses		
B. REALISED PROFIT/LOSS BEFORE TAX	2,779	-348
C. CURRENT AND DEFERRED INCOME TAX		
D. REALISED PROFIT/LOSS AFTER TAX	2,779	-348
E. UNREALISED PROFIT/LOSS	28,066	-15,396
F. TOTAL UNREALISED PROFIT (LOSSES) OF THE FUND	28,066	-15,396
G. INCREASE (DECREASE) IN THE NET ASSETS FROM THE BUSINESS OPERATIONS OF THE FUND		
1. Increase in the net assets of the fund	30,845	0
2. Decrease in the net assets of the fund	0	15,744

Source: Financial statements and Independent Auditor's Report for 2020

The increase in the operating expenses in 2020 is the result of an increase in the amounts reported within the income from interest on bonds and deposits, and income from dividends and discount amortisation (bonds). On the other hand, the operating expenses increased as well, and the most significant share in their structure referred to the amount of fee paid to the management company (84.8%).

The amount of realised loss was BAM 348, and the amount of unrealised loss (referring to securities) was BAM 15,396. Therefore, the total decrease in the net assets from the business operations of the fund was BAM 15,744.

¹³ The value of the unit of account of the fund on the day of valuation is determined by dividing the value of the net assets of the fund by the total number of units of account. The total number of units of account of the fund, on the day of valuation, is calculated by increasing the number of units of account from the last day for which the value of the unit of account of the fund was calculated by the number of units of account obtained by recording the units of account in the individual accounts of the members of the fund on the basis of received payments, and decreasing it by the number of units of account obtained by termination of membership on the day of valuation.