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BOOK REVIEW

MODERN ORGANISATION AND MANAGEMENT OF INSURANCE COMPANIES

Authors: Professor Željko Vojinović, PhD, Professor Zoran Kalinić, PhD, Blaženka Piuković – Babičković, PhD

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Within a series of its valuable publications, the Independent University Banja Luka has recently published a scientific monograph entitled *Modern Organisation and Management of Insurance Companies*, authored by Professor Željko Vojinović, PhD, Professor Zoran Kalinić, PhD and Blaženka Piuković-Babičković, PhD. This monograph certainly deserves the attention of all those interested in insurance as science and in insurance as industry.

In the postmodern era daily filled with lot of uncertainties and possibilities to experience adverse consequences, insurance is a specific economic activity that takes a prominent place. Insurance companies are a large number of business entities across the globe that offer a diverse range of protection mechanisms and as such are relevant "protectors" of personal integrity and property. This is confirmed by the authors who *see the protective role of insurance through the mechanism and economic benefits*. However, like all other financial institutions, they experience both positive and negative effects of globalization and global market, where this type of institutions can largely contribute to the well-being of not only certain groups but also the society at large. According to the authors, insurance companies, irrespective of their importance and institutionality, are subject to a strong market influence and their investment policies are constrained by legislation, which may further diminish their developmental role, especially in the underdeveloped countries. The idea to explore and prove the useful role of insurance that, having the capacity of an institution, needs to adapt to contemporary trends, is fully justified and compactly embedded in this monograph.

The book consists of 360 pages, with a large number of tables (63), figures (38) and graphs (3), and judging by its content, evidently is the result of a meticulous research and many years of scientific studies of the subject area conducted by the authors with extensive practical experience.

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This work consists of three sections or chapters, almost identical in scope. *The first chapter*, entitled *Insurance and the Insurance Market*, defines the concept and importance of insurance by determining the key factors of this activity, and is supplemented by practical comparisons that combine theory and practice into a logical segment. The rest of the chapter is dedicated to the progressive role of insurance companies in modern financial markets. To support these claims, the authors substantiated them with the results and analyses of insurance companies operating in the regional countries, but with particular reference to the developed markets so that by comparing these data, a realistic impression of the current position of domestic insurers could be obtained.

The second chapter, entitled *Risk and Insurance*, is devoted to the relationship between the concepts of risk and insurance. The chapter deals with these concepts in a specific and highly detailed and professional manner, supported by financial and statistical data and risk management methods of certain companies. Risk management in insurance is a complex and comprehensive process that the authors of this book managed to simplify by paying attention to the most important steps and phases of management so that the reader can successfully master this process from the very beginning to its final phase. In addition to general risk classifications in insurance, the authors paid particular attention to financial risks as an indispensable part of the management and investment policies of insurance companies and to the side effects of the developed Tech Age, cyber risks, which rank 2nd in the Allianz Risk Barometer of Global Business Risks². At the end of the second chapter, the authors also addressed the occurrence of fraud i.e. the risk of fraud as a socially undesirable and dangerous phenomenon which happens almost on a daily basis. The authors' approach to identifying this phenomenon and finding preventive and protective measures seems as a very useful guide to the insurance market players.

The third chapter, entitled *Modern Organization and Management of Insurance Companies*, is at the same time the topic of this work. The concept of modern organization in the insurance technical literature has not been studied much, which makes this work innovative. The authors first analysed certain examples of corporate organizations in the Republic of Serbia by defining all institutes related to this particular form of company and such analysis served as a basis for further consideration. Subsequently, they brushed upon the concept of process organisation, which represents a key element of a new organisation, and placed particular focus on the use of information technologies, thus completing the concept of modern business operations. The rapid development of science and technology and emergence of new achievements requires keeping up with the times and responsiveness to new trends, which calls for adjustments and quite often the change in organizational form and structure. Therefore, the authors clearly draw attention to the importance of the process-based quality management

² ALLIANZ RISK BAROMETER Top 10 Global Business Risks for 2019, pp. 8
<https://www.agcs.allianz.com/content/dam/onemarketing/agcs/agcs/reports/Allianz-Risk-Barometer-2019.pdf>

and the role of managers in the circumstances when it is necessary to change the mentioned structure. Finally, at the very end of the chapter three, the authors give their contribution to the transformation of insurance companies from functional to process-oriented organisations, by identifying the process approaches through business processes in insurance companies.

The content of the monograph, i.e. the presented research plan, testifies that the authors based their work on the topical fact that the survival and development of insurance companies depends on their readiness to adapt flexibly to the conditions of the modern business environment, which has already been proven by complex and significant changes and fierce competition. The authors do not deal with the broad and dull definitions that can be found in the available literature. On the contrary, through a cohesive segment, they essentially analyse the obstacles to the modern organisation of insurance companies operating in the Republic of Serbia, Bosnia and Herzegovina and the surrounding countries, comparing their strengths, weaknesses and opportunities with those of developed countries and subtly suggesting that the insurance of today, more precisely, process-based insurance, is the most reliable way to recognize, prevent, manage and provide protection against various risks.

The monograph is written in a scientific and professional language that is sufficiently understandable. The book is rich in guidelines and advice, which are reflected in sentences that begin with: "It can happen ...", "In the event that ...", "For example ...", "If ..." etc. This writing style, supported by real-life examples, makes the reader "trust" the authors and highly resembles today's quite popular contemporary economic publications of foreign authors. The authors' ability to use a multidisciplinary approach to present fundamental problems is emphasized and has a clear and concrete level of theoretical interpretation. Therefore, it represents a useful work that, in addition to enriching professional literature, can serve as a guide to the professionals and students of graduate and postgraduate studies.

The publishing of such book complements the insurance theory and practice with the topical approach to managing insurance companies by facilitating the identification of critical activities and finding alternative ideas for improving this process, with a focus on the actual economic importance of insurance. In view of the foregoing, I am pleased to recommend this work to all our readers, regardless of their area of interest.

Translated by: Zorica Simović