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CONFERENCE REVIEW

## **THE THIRD SERBIAN INSURANCE DAYS HELD IN ARANĐELOVAC**

The Third Serbian Insurance Days were held in Aranđelovac on November 28 and 29, 2019, under the title "View of the past, present and future of insurance in Serbia". Participants of this large international conference on behalf of the Government of the Republic of Serbia were greeted by **Zoran Đorđević**, the Minister of Labour, Employment, Veteran and Social Policy. He addressed the representatives of insurance companies and other financial institutions, as well as numerous media, and pointed out that citizens of Serbia still do not have a fully developed awareness of the importance of insurance, and that they realise it in case of an unexpected event as was the case in 2014 when floods hit Obrenovac. That is the reason why media promotion of insurance must be enhanced, Đorđević pointed out and announced that the government will work on the introduction of compulsory insurance in certain areas. The Ministry of Labour is working on the adoption of the insurance law in case of injuries at work, which will oblige every employer to insure its employees regardless of their job. The law will also stipulate penalties for employers who fail to observe their obligation.

– Our wish is that the law enters the parliamentary procedure as soon as possible. Employers who did not pay accident insurance for their employees so far are likely to consider this an additional levy. However, in case of injuries at work or other loss events, it will be a great relief for employers because the insurance will pay the compensation. I hope that next year, at the same time, at the Serbian Insurance Days, we will talk about this new compulsory insurance and a qualitative and a quantitative step forward that has been made in the insurance industry in our country - Zoran Đorđević emphasized.

### **Good Conditions for Development of Insurance in Serbia**

**Mirko Petrović, LLM**, the Chairman of the Board of Directors of the Association of Serbian Insurers reminded the audience of the first policy sold in Serbia exactly 180 years ago and the first institution within which the Insurance Department - Belgrade Cooperative was founded in 1897, and explained the extent insurance development is conditioned by political stability and economic progress.

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– In 180 years since the issuance of the first insurance policy in Serbia, our society has gone through wars, economic blockades, various states of the country and forms of government, two diametrically opposed forms of economic organization, as well as dramatic demographic processes. In such circumstances, it was extremely complex to develop the insurance business. Hyperinflation from 1993 undermined the trust of citizens in insurance, leading to a drop in life insurance. On average, prices grew by over 60% per day, which contributed to the cancellation of life insurance policies in just one day. Just over twenty years ago, there were 79 insurance companies and 3 reinsurance companies operating in Serbia, and in 2004, when the National Bank of Serbia (NBS) took over the supervision over insurance companies, there were 38 insurance companies and 2 reinsurance companies, and only a year after that, 14 of them lost their licence.

Confidence as a fundamental pillar of insurance needed to be rebuilt. By taking over the function of the regulatory body, the NBS made numerous decisions whose implementation began to return and strengthen insurance with the population and the economy.

Today, the technical reserves of Serbian insurance amount to around 1.7 billion Euros and are a guarantee of security for compensation of damages to insureds. Since 2005 until today, the technical reserves of Serbian insurance, expressed in Euros, have increased six times, and the premium a little more than twice. In 2018 alone, 6,700,000 policies were concluded, over 787,000 claims were settled, and over 345 million Euros were paid to clients for damages.

Measures of economic policy and fiscal consolidation of the Government of the Republic of Serbia, as well as measures of monetary policy of the NBS, have provided economic growth and financial stability in the last few years. In particular, price stability, strengthening of the domestic currency and drop of the key policy rate should be emphasized. Positive economic trends expressed by the growth of the national product and foreign direct investments, the creation of new jobs and the reduction of the number of unemployed persons have created a positive business environment for development of insurance. In the first nine months of 2019, the gross insurance premium in our country increased by 6%, of which the gross non-life insurance premium by 6.35%, and the gross life insurance premium by 4.36%. It is almost certain that we are approaching the amount of 900 million Euros of gross premium in one business year, and if we add that the balance amount of insurance is 2.4 billion Euros and that its capital amounts to an enviable 520 million Euros, it undoubtedly indicates the strength and potential for insurance development in the future - Mirko Petrović, LLM, pointed out.

## **Dramatic Consequences of Digital Technology**

Speaking about future challenges, Mirko Petrović, LLM, pointed out the dramatic consequences that digital technologies will have on operation of business entities. A user and his/her experience is in the focus of digitally transformed

companies, which will affect insurance, especially regarding new sales channels, a more efficient concept of claim settlement and development of personalized insurance services. It is certain that domestic insurers will face asymmetric competition, where global companies with a huge amount of collected data will offer insurance services to our clients.

– The idea of the Serbian Insurance Days is to point out to the population and the economy the importance of insurance, by education at all levels, from citizens to employees in insurance industry. Our intention is that younger generations get acquainted with our business activity and its significance for their future. In addition, new standards require raising the level of knowledge in insurance industry itself, so that its employees can meet the set requirements - said Petrović.

– The National Bank of Serbia has initiated the process of implementing the EU directives which are primarily aimed at protecting the clients' interests. The Solvency 2 Directive is being implemented, as well as the Insurance Distribution Directive, and since August of 2019, the Law on Personal Data Protection has been in force, so we can conclude that joint efforts of the NBS and insurers made both the economy and the population regain trust in this extremely important business activity - concluded Mirko Petrović.

## **Financial Services - the Area Most Complied with the EU Regulations**

In his introductory statement, the Vice-Governor of the National Bank of Serbia, **Željko Jović**, emphasized that it is important to maintain the growth tendency of the insurance market. Although the market, according to the basic indicators, is still modestly developed, it still has a basis for successful fulfilment of obligations towards insureds, insurance beneficiaries and third parties claimants. Regarding the activities that are in the focus of the NBS as a supervisor, Jović pointed out that this year the central place was taken by the supervision over motor third party liability insurance, where 85% of the market was covered by control procedures.

– Although numerous irregularities were recorded, visible progress was achieved compared to the previous year both in the results of supervision activities and in the activities undertaken by insurance companies. Although an increase in the number of complaints has been registered in the area of protection of users of financial services, an increase in the speed of reaction of insurance companies to them is also evident - Jović pointed out.

He reminded that in 2019, within the accession process of Serbia to the European Union, Chapter Nine - Financial Services was opened, in which a significant segment is the sub-area Insurance and occupational pensions. The NBS is the lead institution for this negotiating chapter.

– Financial services which include insurance is one area that is the most harmonized with the European Union regulations. Numerous law reforms

and regulatory solutions have been passed that have improved the business environment and, most importantly, protection of users of financial services is further strengthened - said Jović, emphasizing that the upcoming challenges are the implementation of Solvency II standards, and quantitative case studies, one of which has already been conducted, while the other is nearing the end.

Jović especially pointed out the exceptional cooperation and support of the Association of Serbian Insurers and insurance companies, because the second quantitative case study included as much as 99.7% of the insurance market and 100% of the reinsurance market. The implementation of the International Financial Reporting Standard 17, as well as the Insurance Distribution Directive, and the drafting of the Law on Compulsory Traffic Insurance are also major challenges.

**Duško Jovanović**, the Secretary General of the Association of Serbian Insurers, pointed out that this event was organized with the aim of raising awareness about insurance, as well as that an insurance policy is not a cost but an investment.

– Serbian Insurance Days give us an opportunity to exchange information with experts from abroad and hear their experience in adapting the market to new rules and tendencies, which is priceless for us - said Jovanović.

During the first day of the conference, a historical overview of the beginnings of insurance in Serbia was given by **Zdravko Petrović, PhD**, the President of the Association of Damage Compensation Law of Serbia; ideas for development of the insurance market were presented by **Heinrich De Kock**, an actuary of the World Bank (IFC); novelties of the Law on Personal Data Protection was presented by **Milan Marinović**, a Commissioner for Information of Public Importance and Personal Data Protection; while on the topic of the Insurance Distribution Directive, in the form of an interview with the moderator **Nikola Filipović, LL.M**, talked with **Pierpaolo Marano, PhD**, a Professor of Insurance Law and an expert of the European Union for the implementation of this directive.

## **Construction of Automated Hail Protection Systems**

The second day of the conference in Aranđelovac was opened by the Minister of Agriculture, Forestry and Water Management, **Branislav Nedimović**, who pointed out that only 12% of agricultural land in Serbia is insured, which, as he said, is a catastrophic figure.

– The number of insureds in plant production has increased, but in the area of livestock breeding it has significantly decreased, so farmers need to be educated in order to get acquainted with all the possibilities available to them - said Nedimović and appealed to the participants to talk to farmers as much as possible, which is also done by the Ministry.

He announced the construction of automated hail protection systems throughout Serbia, primarily in the areas most often exposed to natural disasters, and among the first they will be located in Bukulja, Fruška gora and Užice. He also

presented an idea to insure the budget against damages that can affect agricultural production, that is, to insure any financial loss.

**Bulent Karan** from the "Halk Group" talked about measures taken by the Turkish government in order to provide support to farmers through an insurance pool.

Participants of the conference in Aranđelovac had the opportunity to get acquainted with the directions of further development of the Solvency II, about which its creator professor **Karel Van Hulle** talked, while **Maria Korolikova** from AON talked about international accounting standards. **Branislav Vujović** from SAGA - New Frontier Group talked about implementation of artificial intelligence in insurance.

At the Third Serbian Insurance Days, a round table was held on the catastrophic damages that are increasingly warning us of their destructive effects, and which was led by RTS journalist **Jovan Memedović**. The round table began with an impressive documentary film about numerous loss events that hit Serbia in the last few years, taking numerous human lives and causing great material losses. The discussion at the round table was attended by **Marija Bijelić** from the Public Investment Management Office of the Government of the RS, **Mira Kiridžić**, representative of "Swiss Re", **Boban Stevanović**, deputy of a director of Emergency Management Sector of the Ministry of Interior of the RS, **Edin Garaplija**, a founder and a general director of INZA Group, and an expert in protection and rescue, **Đorđe Vučinić**, the president of the National Association for Risk Management in the RS, and **Aleksandar Pantelić** from the office of the President of Obrenovac Municipality.

Conclusions of the Third Serbian Insurance Days were defined by **Zoran Blagojević**, a member of the Board of Directors of the Association of Serbian Insurers, who said that we are in a period when we will have to face great challenges of transforming our companies to ensure business sustainability. A complete business model will undergo changes both due to the adjustment to the European Union regulations and the necessity of digitalization. At the same time, the focus must be on clients, because all that we do is because of them, Blagojević emphasized.

This, now a traditional conference of insurers gathered more than three hundred representatives of insurance companies from the country and the world, experts and state officials.

*Translated by: Jelena Rajković*