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28th MEETING OF INSURANCE AND REINSURANCE
COMPANIES IN SARAJEVO

REGIONAL INSURANCE PRACTICE MIRRORED IN THE SORS

The 28th SorS, regional meeting of insurance and reinsurance companies, was held from 7 to 9 June 2017 in Sarajevo. Bristol hotel was a traditional venue where the burning issues of insurance companies in the region were discussed through useful lectures, presentations, and round tables. As a well-known place for exchange of ideas and experience in insurance business, SorS attracted 130 participants from 18 countries across the globe, even after twenty eight years of its holding. The fact that the members of the SorS Insurance Association are the representatives of 15 insurance companies from Bosnia and Herzegovina, Montenegro, Croatia, Macedonia, Slovenia and Serbia attaches a particular importance to this Association in terms of enhanced connections between these insurance markets. This year's Golden Sponsor was a reinsurance company, *Trust Re*, the Silver Sponsor was *C Consulting*, whereas the company *Tectus* assumed the role of a technical organiser. Media sponsor of the event was the journal *World of Insurance*.

Results of Regional Markets at SorS Opening Ceremony

Modelling upon a well-established practice in the previous meetings, this year, at the opening ceremony, business indicators of insurance companies were presented by regions – B&H, Montenegro, Croatia, Macedonia, Slovenia and Serbia.

On behalf of the Insurance Agency of Bosnia and Herzegovina, **Suzana Šakotić** presented the statistics of the total insurance premium in B&H, which in 2016,

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amounted to 324 million EUR that is, was by 6.42 % higher than in the previous year. Ratio between non-life and life insurance share in the total premium was 79.61% and 20.39%, respectively. According to Ms Šakotić, there are 27 insurance companies operating in Bosnia and Herzegovina among which the first five are *Uniqa, Sarajevo osiguranje, Euroherc B&H, Bosna Sunce osiguranje,* and *Croatia*. Ms Šakotić informed the participants that in B&H, the total premium per capita amounts to 80 Euros. As challenges faced by the insurers in this country, Ms Šakotić mentioned market consolidation by mergers and acquisitions, capacity building of supervisory bodies for the purpose of Solvency II implementation, more active role of the Association of Insurance Companies in the promotion of insurance business and more trust in this industry, noting that market liberalisation of motor third party liability insurance will represent a particularly sensitive area.

Montenegrin insurance market was presented by **Nebojša Šćekić** from the National Bureau of Montenegro Insurers. According to the breakdown of share in the total insurance premium in that country, MTPL insurance accounts for 43.97% of the premium, life lines 17.07%, property 12.37%, accident 11.99%, comprehensive motor insurance 6.34%, whereas health insurance lines account for only 2.22% of the total premium. As Mr Šćekić reported at the gathering, the leader on the Montenegrin market is *Lovćen osiguranje* with the market share of 37.31%, and is followed by *Sava Montenegro* with 14.55%, *Generali* with 13.67%, and *Uniqa neživot* with 13.09% of the market share. According to him, in 2016, the insurers operating in Montenegro generated the total premium of 80 million Euros: 66 million and 13 million Euros respectively for non-life and life, whereas their total net profit amounted to 3.83 million Euros.

Damir Zorić, PhD, a Chairman of the Board of Directors of the Croatian Insurance Bureau, presented the information that inclusive of 30 September 2016, the total assets within the financial system of the Croatian market amounted to 562 billion kunas, adding that in 2015, the total assets of insurance companies in that country amounted to 40 billion kunas. Zorić explained that the number of insurance companies in Croatia is decreasing because of the accession to the EU and possibility to open representative offices in the EU countries. As opposed to the aforementioned, the number of brokerage companies rose by thirty two, and the number of brokerage businesses by 86. The number of insurance companies from other member states (for which Hanfa was notified of their intent to provide services in the Republic of Croatia) has increased by 42. As regards the share of insurance premium in GDP, it amounts to 2.55% relative to the 7.6 % average of the EU countries. In Croatia, insurance premium per capita amounts to 279 Euros, of which 186 Euros account for non-life and 93 Euros for life insurance lines. As Mr Zorić stressed, this statistics is far below the EU average of 1.843 Euros which the EU citizens annually allocate for insurance.

Domestic insurance companies have a bigger share in non-life insurance premium (64.34%), whereas their counterparts in majority foreign ownership record higher share in life insurance lines (72.97%).

When it comes to sales channels, according to Mr Zorić, non-life business is largely placed through tied agents (39.1%) and employees of insurance companies (21.7%), whereas the brokerage agencies generate 19.3% of non-life premium. It is interesting to note that as much as 24.3% of life insurance services are sold through tied agents, 21.8% through agencies, 11.1% are realised in the direct sale by employees of insurance companies, and the biggest placement of 36.2% is made through banks. In his presentation, Damir Zorić referred to the experience of Croatia with the liberalisation of prices for MPTL insurance premium which at the end of 2016 caused the drop in prices, reducing the average premium for this insurance class to 929 kunas. Thus, he advised that the surrounding countries, which are preparing for liberalisation, should strive for productivity, innovations, and better service quality instead of becoming low-price competitors.

Trajče Latinovski, from the National Insurance Bureau, informed the gathering that 15 companies operate on the Macedonian insurance market, and that in 2016, the premium totalled to 141.8 million Euros, whereas the average premium per capita and share of insurance in GDP amounted to 68.5 Euros and 1.44%, respectively.

Maja Krumberger, the Director of the Slovenian Insurance Association, presented the data that the total insurance premium in Slovenia amounted to two billion Euros in 2016, whereas life insurance accounted for the biggest share in market premium with 27.3%. As regards the shares of other insurance lines, health insurance accounted for the share of 24.4%, property 12.2%, comprehensive motor insurance 11.6%, MTPL insurance 11%, and accident 4.8%. In addition to the main indicators of circumstances prevailing on the Slovene market, as most important market events Ms Krumberger highlighted the preparation for the IDD Directive of the European Union, health care system reform, and the Regulation on key information documents on packaged retail and insurance-based investment products (PRIIPs).

Duško Jovanović, the President of the Association of Serbian Insurers, presented the data that in 2016, the total insurance premium in Serbia amounted to 742 million Euros. The share of MTPL insurance in the total premium amounted to 33.96% and is followed by life insurance lines with the share of 25.95%. Property insurance accounted for 18.21%, comprehensive motor insurance for 7.76%, and accident insurance for 4.9% of the share. According to Mr Jovanović, 19 insurance companies operate on the market of the Republic of Serbia. *Dunav Insurance* accounts for the biggest share in premium (25.68%), and is followed by *Generali* (22.25%), *DDOR* (11.59%), *Wiener* (10.67%) and *Triglav* (4.74%).

High-Speed Train Called Solvency II

At this year's SorS conference, lectures on the implementation of Solvency II Directive represented the main topic and took the central place. **Sergej Simoniti**, the Director of Insurance Supervision Agency of Slovenia, considers that the introduction

of Solvency II to this EU member state was smooth and painless owing to the fact that the preparations for this introduction went on since 2004. Among all other advantages of this Directive, he feels that Solvency II strengthened the connections between insurance companies and insurance supervision authorities due to almost daily two-way communication.

Experience of Croatia in connection with this topic was presented by **Gordana Letica**, the member of the Governing Council of HANFA, by the graphic description that upon entering the EU in 2013, Croatia „jumped on a high-speed train“ called Solvency II, but the adjustment to this new situation, which took a lot of work and effort on the part of both insurance companies and supervisory authority, was highly successful. In the Croatian Association HANFA, the validation of 2016 annual statements and received report for the first quarter of the current year is underway. At the end of validation, the quality of submitted data was satisfactory, as Ms Letica said, praising the insurers for their visible improvement compared to the previous reporting periods. On this occasion, she warned the insurers to pay attention to the premium sufficiency and combined rate which in 2016 amounted to 95.

The application of Solvency II Directive entailed higher costs for insurance companies, and particularly affected smaller insurers who had to upgrade the existing and acquire new programme platforms, increase the number of employees, and ensure different types of trainings. On some occasions, domestic companies had to engage consultants. Some companies had to merge and thus, the total of seven companies have been merged since 2013, and the merger of two more companies is announced. Some insurers started to outsource particular services, mostly regarding computer data processing (IT services) and asset management activities. According to Gordana Letica, the application of the Directive had an impact on a considerable decline in premium of traditional life insurance classes and rise in the premium of unit-linked policies. This rise notably relates to new flat premiums which, in 2016, recorded the rise of 148.7%. Selling of unit-linked policies recorded a considerable growth and in 2016, the share of this type of insurance amounted to 16.6 relative to 8.2% in 2015 or 5.2% in 2014, Letica explained and added that this sufficiently shows the path taken by the Croatian life insurance companies.

Round Tables and Discussions

The second day of SorS conference in Sarajevo was dedicated to round tables and discussions. The round table dedicated to the topic of out-of-court settlement was moderated by **Marijan Ćurković**, whereas the round table addressing coinsurance and Competition Law was moderated by **Zlatan Filipović**. Mr Filipović pointed out that in the practice which has taken roots in the countries in the region, coinsurance is often mistaken for reinsurance and thus, each market should clearly

define what actually coinsurance is and in which cases this situation is acceptable and in which cases it represents the restriction of market competition. Mr Filipović mentioned that it would be only logical to take into account the existing EU Directive when taking decisions on reinsurance and coinsurance.

Jelena Lončar from the National Bank of Serbia gave a lecture on the Solvency II Implementation Strategy in the Republic of Serbia. She pointed out that the Strategy was adopted by the Executive Board of the National Bank of Serbia a year before, on 7 July 2016. Analysing the fulfilment of conditions as per Section 4 of the Solvency II Directive it was established that according to the current information, there is no company in Serbia which falls under the regime of small insurance undertakings. In addition, it was established that there is an adequate level of capacity readiness for the application of the second pillar of Solvency II, whereas, according to her, the companies expect to be ready for the implementation of Solvency II in the period between 2018 and 2021. Quantitative Impact Studies will represent an important test of the readiness to implement this Directive, claims Jelena Lončar.

Conference Gathering Friends

In the end of the report on this year's SorS conference held in Bristol hotel in Sarajevo, it is worth conveying the message of Zlatan Filipović, the General Secretary of SorS Insurance Association and the Director of *Bosna reosiguranje*. Namely, he said that SorS plans to further improve its conferences with the aim to keep such great interest in participation and encourage its expansion. The conference participants from 18 countries (Germany, Slovenia, Serbia, Montenegro, Bosnia and Herzegovina, Croatia, Poland, Great Britain, Austria, Italy, Switzerland, Macedonia, Russia, Cyprus, France, Check Republic, Lebanon and Turkey) confirm that the meeting in Sarajevo is an ideal place for both information and familiarisation and for future business and cooperation. The popularity of SorS is also supported by the fact that many participants keep coming again, since SorS is not only a place where business is discussed but also a place where old friends are reunited.

Translated from Serbian by: Zorica Simović