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THE 29TH SORS HELD

EDUCATION AND TRAINING AS KEY DRIVERS OF INSURANCE DEVELOPMENT

Education and training as the key foundations of insurance development was the main theme of this year's SorS, the 29th Meeting of Insurance and Reinsurance Companies that took place in Sarajevo between June 6 and 8. Other topics addressed at the conference included "Education in the function of corporate venturing in insurance", "Education in the function of development of new insurance services", "Education and training of customers of insurance services" and "Tendencies and processes of current actuarial trends in insurance development".

Personal development, importance of education and training of agents for rise in insurance sales, investment in human capital in the insurance sector and education of customers of insurance services were some of the topics discussed at this traditional meeting of representatives of insurance and reinsurance companies, regulatory agencies and national insurance associations in Sarajevo.

Two Sides to Premium Growth at Markets in the Region

At the press conference held on June 7, insurance professionals presented the current state of insurance markets, and compared to the year earlier, business indicators in 2017 point at premium growth in almost all insurance segments at the majority markets in the region. However, except Slovenia, an insufficiently regulated market is a characteristic of the most states in the region, with a somewhat better situation in Croatia as the EU member state.

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– Last year 21 insurance companies conducted their business operations in Serbia – two less than in 2016, with a total premium of 786 million euros, which is a 4,4% rise on annual level – said **Mirko Petrović, LLM**, chairman of the Executive Board of Dunav Insurance Company. He added that non-life insurances had a 6,6% rise, whereas life insurances went down by 1,6% relative to 2016, thereby at the end of 2017 the share of non-life insurance lines in the premium structure amounted to 75,6%. Dunav Insurance Company is market leader with the realized premium of 200 million euros and market share of 26,8% in 2017, Petrović emphasized.

Stressing the fact that the share of insurance premium in GDP in Serbia amounts to not more than 2,1% whereas in the EU it comes to 7,4%, Mirko Petrović stated that our insurance market was still underdeveloped and substantially below the average for the EU member states.

The general secretary of SorS and director of “Bosna reosiguranje” **Zlatan Filipović** pointed out that insurance market in Bosnia and Herzegovina realized the total premium of 683 million convertible marks (BAM) in the last year and that the premium growth of almost 8% was achieved on the annual level. However, despite years-long premium growth tendency, Bosnia and Herzegovina insurance market is still lagging behind the neighboring countries – Slovenia, Croatia and Serbia. MTPL insurance has the largest share in total premium with more than 50%. As encouraging data, Filipović pointed out that about 20% share in total premium was accounted for by life insurance, followed by motor hull insurance with about 9%, insurance of property against fire with about 5% and accident insurance with about 7%. He also emphasized that 25 insurance companies operating in Bosnia and Herzegovina (two less than in 2016) was an overwhelming number for the market size and current economic situation, and that the number would inevitably decrease in time.

– Croatia, and all other countries of the region, need much faster economic growth, which would have a crucial effect on the profitability of insurance companies as well – said **Damir Zorić** from “Euroherc osiguranje”, talking about the Croatian insurance market.

However, he pointed out that Croatian insurance industry recorded positive business results last year and that after years of crisis more marked premium growth rate of 3,4% was recorded. Non-life insurances account for around 67,5% of the total premium and the growth in these lines is somewhat more pronounced – it amounts to 4,5%, whilst life insurances recorded weaker growth, less than 1%. The last year’s premium in Croatia amounted to approximately 9,05 billion HRK.

Noticeable Differences between Levels of Insurance Development across Countries

– In 2017 the Slovenian market recorded a rise in all insurance segments, so macroeconomically speaking, it was the most successful year in the last decade – said **Andrej Slapar**, president of the Management Board of Zavarovalnica “Triglav”.

According to the data of the Slovenian Insurance Association presented in the official presentation at SorS conference, the premium of the Slovenian insurance companies in 2017 rose by 5,5% reaching the amount of almost 2,18 billion euros. The largest market share of as much as 27,75% is accounted for by Zavarovalnica “Triglav”, whereas top five insurers hold around 77,5% of the Slovenian market.

– The Montenegrin market also recorded growth in the last year, with nine insurance companies carrying out their business. The growth was a bit more pronounced in life insurances – 3,4% relative to non-life insurance with 1,7% growth percentage - said **Nebojša Ščekić** from “Sava Re” insurance Montenegro. He added that the total calculated gross non-life insurance premium in 2017 was 67,6 million euros and life insurance premium was approximately 14,2 million euros. In total premium structure, MTPL insurance still makes the most important line in the market with the 17,3% share.

Unstable political situation in Macedonia in the last couple of years had a crucial impact on the insurance market in that country which recorded only a slight growth. Gross non-life and life insurance premiums amount to 122,6 million euros and 23,5 million euros respectively. Political instability had an impact on the investment cycles as well, but **Dorđe Vojnović**, general manager of “Triglav osiguranje Makedonija”, said he hoped the end of the political crisis was near and recognized potential in agricultural insurance, supplementary health insurance where the growth of as much as 28% was achieved compared to 2016, credit and warranty insurance as well as life insurance which grew by 11,9%.

– Provided that planned activities are achieved, the premium growth per capita can be expected, which is now extremely low and amounts to only 72 euros – said Vojnović.

Key Role of Education of Employees and Population

As part of SorS regular programme, **Duško Jovanović**, general secretary to the Association of Serbian Insurers made a presentation on insurance market trends in Serbia in 2017. Together with presenting a detailed graphic overview of indicators of financial sector and insurance, Jovanović pointed out that in terms of insurance lines, the largest share in the total premium was accounted for by MTPL

insurance – 34,40%, followed by life insurances with 24,4%, property insurances with 17,9%, other non-life insurances with 14,9% and hull insurance with 8,4%. The highest share in total premium – 26,8% is accounted for by “Dunav Insurance”, followed by “Generali Insurance” with 21,2%, “DDOR insurance” with 11,80%, “Wiener Staditsche Insurance” with 11,70% and “Triglav Insurance” with 5,70%. As key events in the previous period, Jovanović mentioned organization of the first-ever Serbian insurance days and start of work on the new Law on Compulsory Traffic Insurance.

Beside the presentation of the current state in insurance markets in Slovenia, Croatia, B&H, Serbia, Montenegro and Macedonia, the state of insurance sector was also addressed during the special panel discussion.

The participants emphasized that the situation could be substantially improved through education of workers in insurance sector, and even more through financial education of the population, which was exactly what **Giorgio Marchegiani**, president of the SorS Meeting of Shareholders and president of the Executive Board of “DDOR insurance” pointed out.

– Education and training of employees are very important bearing in mind that global changes fuel changes in insurance. The offer of insurance services must follow those trends. Also, clients and insureds have to be educated as well so as to understand new insurance trends – said Marchegiani.

A paper by **professor Jelena Kočović, PhD, Marija Koprivica, PhD** of the Faculty of Economics in Belgrade and **Dragica Janković, PhD**, member of the Executive Board of Dunav Insurance Company, about the importance of the education of actuaries considering their role in risk measurement and management i.e. in the modelling of future uncertain events with financial ramifications, captured attention of the audience in particular. The actuarial expertise, not just in insurance but entire financial sector, started gaining in importance after the global financial crisis in 2007 and 2008. This is supported by the fact that the number of actuaries rose from 19.700 in 2011 to 21.500 in 2015 in the European Union despite the decrease in the number of insurance companies, whereas in the US the number is expected to go up by as much as 22% in the next decade. The new regulatory framework that has taken hold in the European Union and other countries through adoption of the Solvency II concept also imposes increased requirements in respect of actuarial calculations.

The paper stated that actuaries should expand their competencies in the area of stochastic reserving techniques, projections of future cash flows, simulation of the function of distribution of risky variables, modelling different types of risk. At the same time, they should largely rely on their own judgement rather than the strict mathematical/statistical models, and develop communication skills with the management, supervisory bodies and the public.

Professor Kočović concluded her speech with the statement that the education of the employees, and particularly actuaries, is a prerequisite for insurance market

development, especially if the requirements of the Solvency II regulatory regime are to be taken into account. She also added that in the area of actuarial education, the Serbian insurance market, despite the fact that it is lagging behind the economically developed insurance markets, keeps up with the current global trends.

Round tables were held on the second day of the conference – one addressed the issue of the social function of compulsory insurances in traffic with limitations in regulations and practice, and the other addressed the subject of cybernetic risks and challenges of digital world in reinsurance.

The conference was organized by the Association of Insurance Companies – SorS, which Management Board consists of the representatives of 14 companies from all the countries in the ex-Yugoslav territory. Around 150 leading people from insurance and reinsurance companies from the region, Great Britain, Germany, Austria, the Czech Republic, Italy, Switzerland and other countries gathered this year in Sarajevo.

Translated by: Jasna Popović