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CONFERENCE REVIEW

## **XX INTERNATIONAL SYMPOSIUM ON “ACTUAL PROBLEMS OF INSURANCE MARKET DEVELOPMENT”**

Organized by the Serbian Association of Actuaries and the Faculty of Economics of the University of Belgrade, the 20th international symposium on the “Actual problems of insurance market development” was held at the “Izvor” hotel in Arandjelovac, from 9 to 12 June 2022. This year, when the Symposium celebrated its 20th anniversary, the Faculty of Economics in Belgrade, as the most renowned institution in the field of economics in the region, celebrated their 85th anniversary and the Association of Actuaries of Serbia – their 20th anniversary. After two full decades, the Symposium managed to gather 150 participants, both local and foreign, owing to its goodwill and reputation. The attendees rated the presentations delivered at the Symposium as well as its entire organization with the highest grades.

The symposium was opened by the Rector of the Belgrade University, prof. Vladan Đokić, PhD.

This year, as in the previous years, top Serbian and foreign experts, university professors, experts from the National Bank of Serbia (Insurance Supervision Agency), the insurance companies and the representatives of the Serbian Association of Actuaries tried to shed light on the most current problems that characterize the insurance market and those that this market will soon face as a result of the unfavourable geopolitical and economic situation, with increasingly frequent catastrophe risks such as the risk of a new pandemic. Aware of the fact that the insurance and actuarial science and profession have to complement each other, the Program Committee of the Symposium, headed by Professor Jelena Kočović from the Faculty of Economics of the University of Belgrade, decided that the referees should be university professors, scientists and experts in the theory

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and practice of insurance. Practice raises questions to which theory should offer an answer, and theoretical propositions should be confirmed in practice. That is the secret of success of this and the previous conferences. The Solvency II regulatory regime was discussed at the earlier conferences, long before it began to apply in the member states of both the European Union and Serbia. The IFRS 17 was also the subject of the analysis, as it has yet to take root in practice. The discussed topics included also the possibilities of insurance against catastrophe risks, above all the risk of natural catastrophes, but also the risk of a pandemic, the digitalization of insurance, artificial intelligence in insurance and other relevant and interesting topics. The conclusions of the Symposium were sent to the competent addresses and inspired the amendments in legal regulations.

At the XX International Symposium, professors of the Faculty of Economics of the University of Belgrade, Biljana Jovanović Gavrilović and Aleksandra Prašević, reminded through their presentations that we were witnessing significant unfavourable changes in the macroeconomic environment caused by numerous and complex risks faced by companies and individuals around the world. Special threats were the risks of war, the risks of natural catastrophes and the risk of a pandemic, the effects of which on the macroeconomic environment were difficult to predict. It has been suggested that a global economic crisis of historic proportions is coming, caused by the war in Ukraine and the energy crisis and that even highly developed countries were not immune to it. That crisis were to affect all segments of the economy. Professor Jelena Kočović pointed out that in times of crisis, insurance, as the best way to adequately manage risks so as to protect against the adverse effects, became more and more important not only for successful business and the safety of individuals, but also for sustainable development. She asked whether the insurance sector would be able to cover all these complex risks, that is, which of them were insurable and which were not. What was the future of the insurance market under such unfavourable circumstances?

Speakers, professors and practical experts tried to shed light on what awaited us in the insurance market, both globally and in Serbia. It was also considered how the unfavourable macroeconomic environment would affect the insurance market and its individual segments and/or whether the expected negative tendencies could be stopped. In their presentations, the speakers identified problems, limitations and opportunities for the development of modern insurance market. As a result of the comprehensive analysis, they presented concrete proposals on how to increase the resilience of the insurance market under the current crisis conditions, with a view of its further development and contribution to the stability of the financial system and the economy in general. It was pointed out that, in the coming years, the insurance market will be significantly affected by trends that appeared and/or intensified with the commencement of the global coronavirus pandemic (COVID-19) in early

2020. The challenges and perspectives of insurance development in the post-Covid world were analysed. The key challenges for the development of the global insurance market in the coming period were deemed: macroeconomic problems and geopolitical challenges, (un)used opportunities for further growth, adaptation to different consumer preferences and behaviour as well as climatic, technological and regulatory changes. The speakers pointed out that each of these challenges could be seen as an opportunity for further development of the insurance market, but at the same time as a threat to the survival of those insurance companies that do not respond adequately.

Discussions were led of the development of the insurance market in the conditions of the growing importance of environmental, social and governance (ESG) risks. Velimir Lukić, a professor at the Faculty of Economics, pointed out that in recent years the public awareness of environmental and social issues and the accompanying regulatory responses had been awakening. After explaining the impact of ESG policy on the financial sector, the ESG challenges and opportunities in the insurance market were presented. As risk management experts, risk carriers and as one of the leading global institutional investors, insurance companies have a vital role in managing ESG risks. At this meeting, special attention was devoted to climate change risk insurance in line with the focus on climate change by governments, regulators and individuals.

Professor Marija Koprivica made suggestions that could contribute to the improvement of the insurer's business, while suggesting measures to mitigate the negative effects of rising inflation upon the insurer's profitability and solvency. Mr. Aleksandar Perišić spoke about the complexity and problems of applying IFRS 17 in life insurance. Professor Miloš Božović explained how the effects of the pandemics on the prices of shares of insurance companies were assessed. The subject of presentation at the meeting were the possibilities and limitations of the development of certain segments of the insurance market. Special attention was paid to the problems manifested in the motor TPL liability insurance market due to the increased prices of car parts, interrupted supply chains, i.e. the negative impact of inflation, as well as the misbalance of the bonus-malus system. The aforementioned factors represented a serious threat to the adequacy of the insurance premium that would soon lead to a negative technical result if there was no increase in the insurance premium. Professor Jelena Kočović conclude that, according to her recent analysis, it was necessary to increase the premium at the moment by 25% in order to preserve the stability of the motor TPL insurance market.

Professor Tatjana Rakonjac-Antić presented the possibilities of stabilizing the pension insurance system in the environment of crisis caused by the Covid 19 pandemics. The subject of the presentation was the current challenges of insurance in agriculture and/or the possibilities of insurance against current risks in tourism.

Moreover, a large number of presentations were devoted to the impact of new technologies on the development of insurance market, including artificial intelligence and machine learning. Ever more sophisticated new technologies opened up new possibilities for improving the user experience. The president of the Serbian Association of Actuaries Branko Pavlović, the Rector of the University of Kragujevac, prof. Nenad Filipović, Phd and Nenad Milikić, Msc delivered their presentations on this topic.

The following conclusions of the XX International Symposium were underlined:

1. It was suggested that the National Bank of Serbia prepared an implementation plan for IFRS 17 so that insurance companies could start preparing for the implementation thereof in a timely manner.

2. In order to improve risk management and performance of insurance companies, it was necessary to speed up the processes of digital transformation of the insurance sector, which would contribute to a more efficient implementation of the Solvency II and IFRS 17 concepts.

3. It was proposed to create an appropriate public-private model for mandatory insurance against the risk of natural catastrophes.

4. It is necessary to develop a methodology for measuring the effects of climate change in order to improve the tariff system in insurance against the risk of natural catastrophes.

5. The insurance sector needs to be more agile in recognizing and meeting the needs of the Insured. New risks require the introduction of new and betterment of existing products.

6. It is necessary to carry out the impact analysis for inflation and the bonus-malus system effects on the premium amount in motor TPL insurance in order to make timely adjustments and reduce the risk of a negative technical result in that type of insurance.

7. It is necessary to create realistic environment for stabilizing the mandatory pension insurance system through strengthening the economic, demographic and actuarial factors as a precondition for its sustainability.

8. It was recommended that insurance companies incorporated the ESG requirements into their business policy, which would contribute to the sustainable development of the insurance sector and the national economy in general.

In all past years, as well as this year, "Dunav" Company provided huge support to this eminent conference.

*Translated by: **Bojana Papović***