
*Insurance Sector in
Southeastern Europe -
Former Yugoslavia Countries*

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Former Yugoslavia



History of Region's Insurance Sector

- Long Tradition
- First Risk management in the 14th century (operated by guilds)
- 1568: Dubrovnik's Law of Marine Insurance, the oldest one in the World
- Before II World War Yugoslavia had agricultural background but Insurance business was concentrated in cities

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- After the war insurance business was nationalized and foreign (German) companies were expropriated
 - 1960s - insurance on municipality basis
 - 1970s - it was reorganized and merged
 - Till end of 1980s - Yugoslavia had small number of insurers with state ownership (monopoly)

Disintegration

- 1990s – disintegration and war with its consequences to economy
- Other obstacles for development of insurance market [Dorfman, Ennsfellner]:
 - Without recent experience of Private insurance
 - Without recent experience of Risk management
 - Loss of belief in insurance companies

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- Unstable currencies and inflation
 - Poor financial market for reserves investment
 - Undeveloped accounting standards
 - Reviewed “foreign” insurance regulation
 - Little managerial experience in insurance
 - Little statistical/actuarial data
 - Privatization of state insurers (valuation)
 - Absence of regulatory experience

Transition

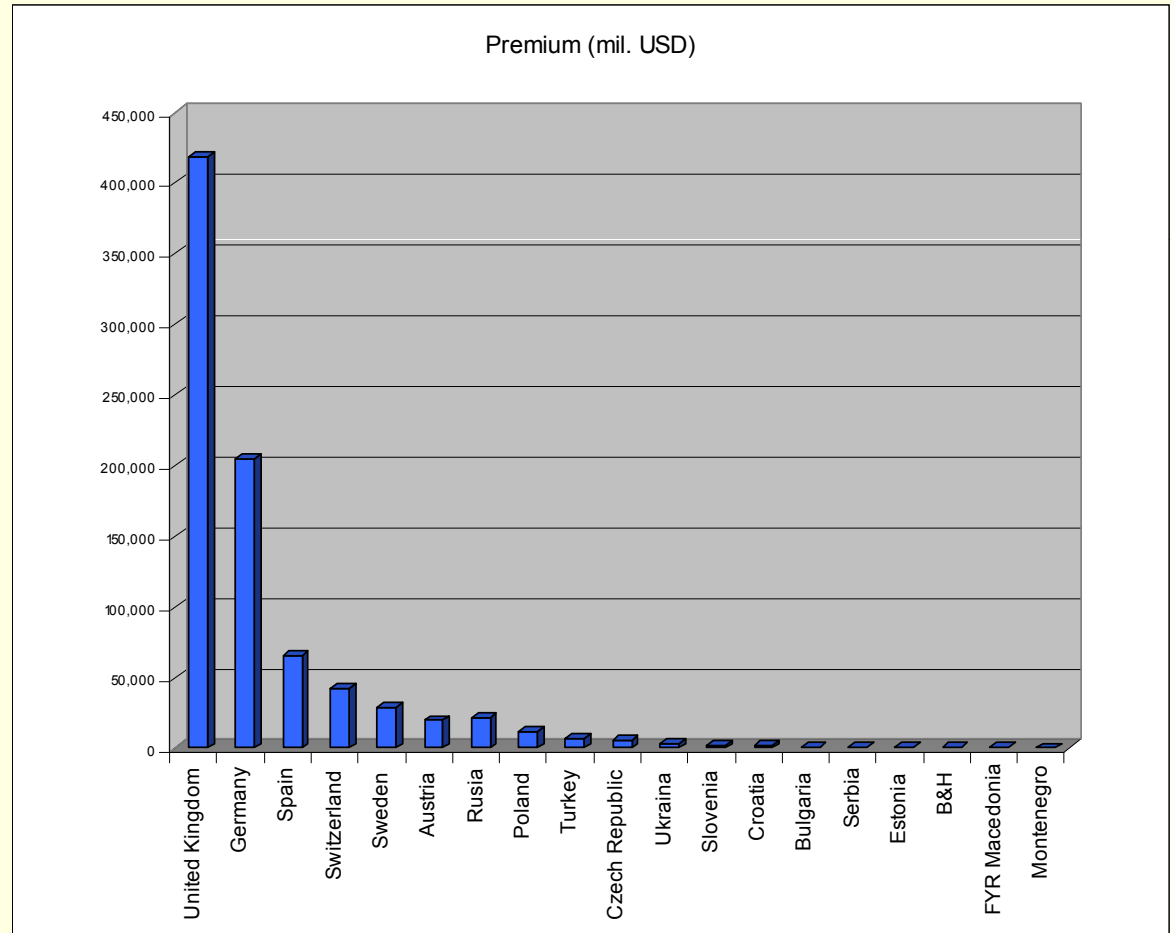
- Using experience of the developed european counries
- Demonopolisation and supervision of insurance sector – adaptation of laws to European Union Directives
- State insurance companies are being privatized, and foreign capital enters to the market
- Number of the operating companies is increasing

Current situation

- Changes don't occur in the same way in each new country
- Countries are on different stages on their way to the European Union
- That has its implication to insurance market
- Solvency standard problems

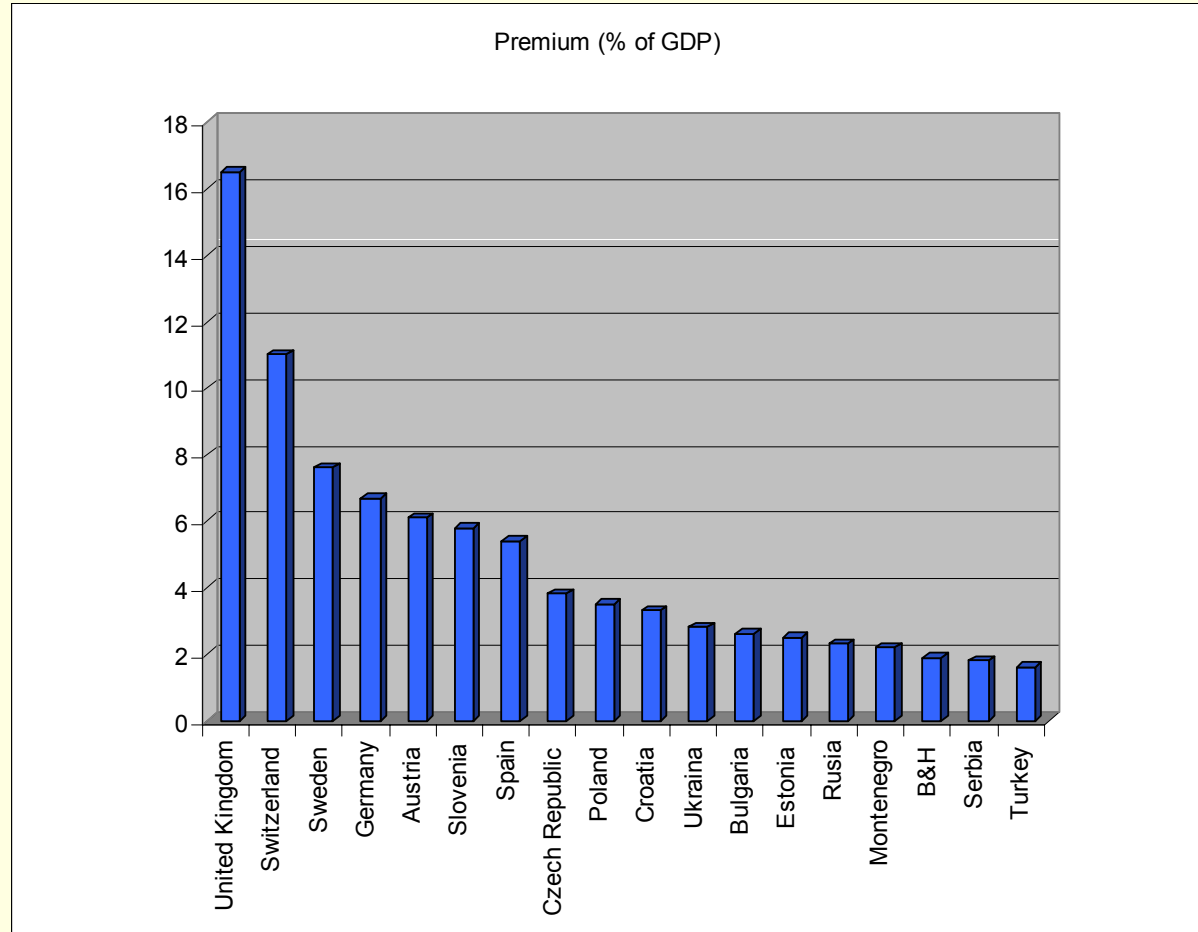
Compare to Europe (2006)

State	Premium (mil. USD)
United Kingdom	418.366
Germany	204.544
Spain	65.813
Switzerland	41.758
Sweden	29.182
Austria	19.568
Rusia	21.504
Poland	11.947
Turkey	6.618
Czech Republic	5.304
Ukraina	2.739
Slovenia	2.164
Croatia	1.403
Bulgaria	774
Serbia	574
Estonia	375
B&H	247
FYR Macedonia	121
Montenegro	54



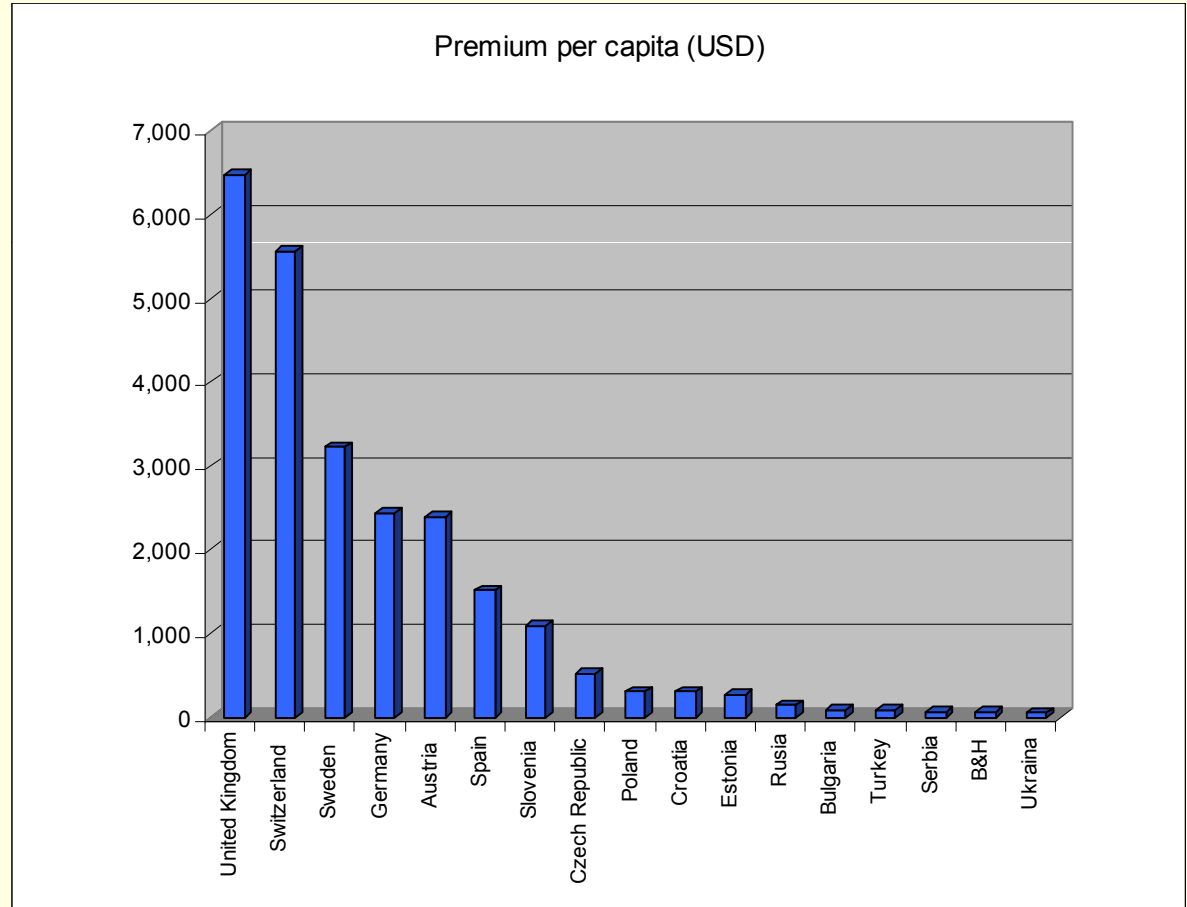
Compare to Europe (2006)

State	Premium (% of GDP)
United Kingdom	16.5
Switzerland	11
Sweden	7.6
Germany	6.7
Austria	6.1
Slovenia	5.8
Spain	5.4
Czech Republic	3.8
Poland	3.5
Croatia	3.3
Ukraine	2.8
Bulgaria	2.6
Estonia	2.5
Rusia	2.3
Montenegro	2.2
B&H	1.9
Serbia	1.8
Turkey	1.6

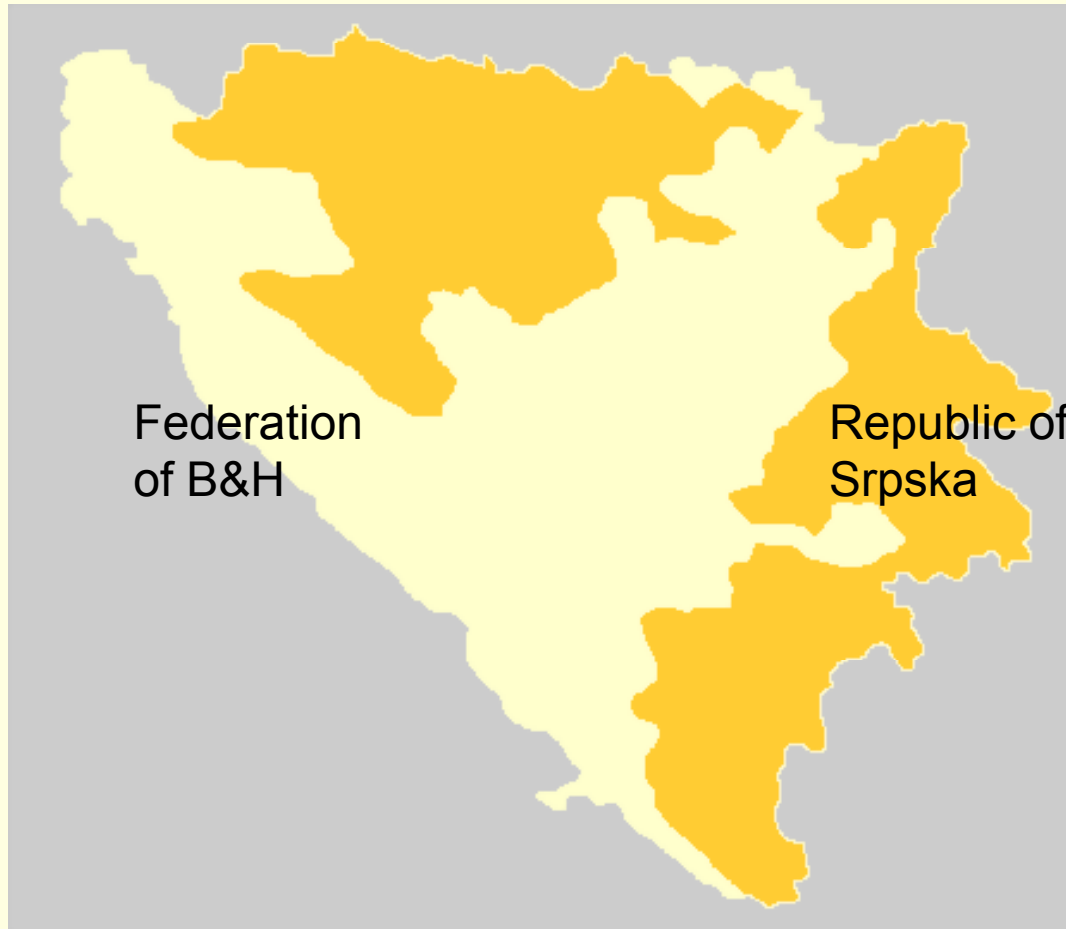


Compare to Europe (2006)

State	Premium (mil. USD)
United Kingdom	6,467
Switzerland	5,562
Sweden	3,226
Germany	2,437
Austria	2,397
Spain	1,515
Slovenia	1,101
Czech Republic	520
Poland	310
Croatia	308
Estonia	283
Rusia	151
Bulgaria	101
Turkey	89
Serbia	77
B&H	64
Ukraina	60



Bosnia and Herzegovina



Macroeconomics (2006)



- GDP 13.086 million USD
- GDP per capita 3.403 USD.
- Total Premium 247 million USD
- Premium in GDP 1,9%
- Premium per capita 64 USD

Legal Framework



- State level:
 - Law on Insurance Agency of Bosnia and Herzegovina
- Entity-level:
 - Private insurance corporations law
 - Law on MTPL insurance
 - Law on insurance brokerage
- By-laws and regulations
- Harmonized between entities

Institutional Framework



- Insurance Agency of Bosnia and Herzegovina
- Entity Insurance Supervision Agencies
- State and Entity Insurance Associations
- Protection funds in FB&H and RS
- Green Card Bureau
- Membership in International Associations

Minimal Capital Requirements



- USD 1.37 mil. Motor Liability, Air, Ships
- USD 1.37 mil. Accidents, Natural Disasters
- USD 2.05 mil. Life Insurance
- USD 2.05 mil. Re-insurance
- USD 0.675 mil. Other

Market Overview



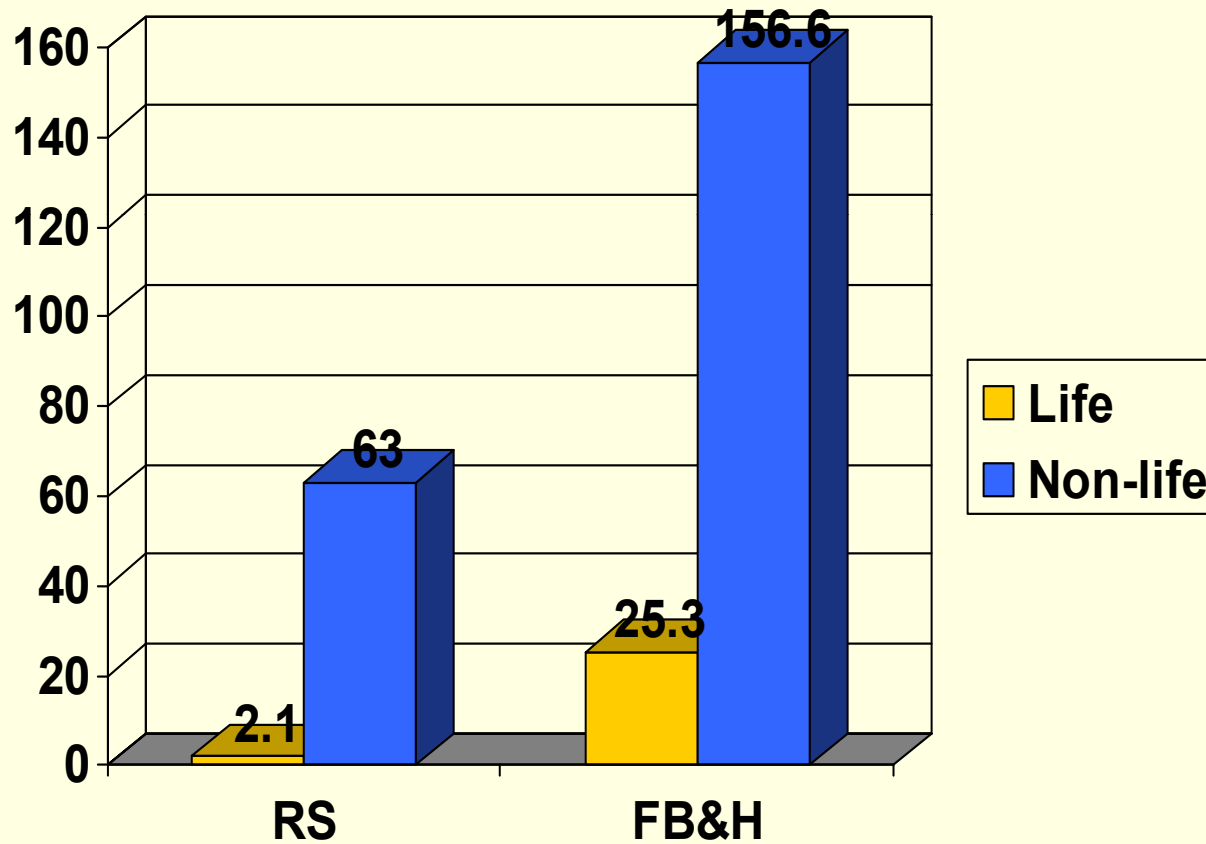
- Currently 25 companies
 - FB&H (15 Insurance & 1 Re-insurance companies)
 - RS (9 Insurance companies)
- High emphasis on MTPL (54% of premium income in BiH)
- Low market shares in Life Insurance
- Business concentrated in entities

Market Characteristics

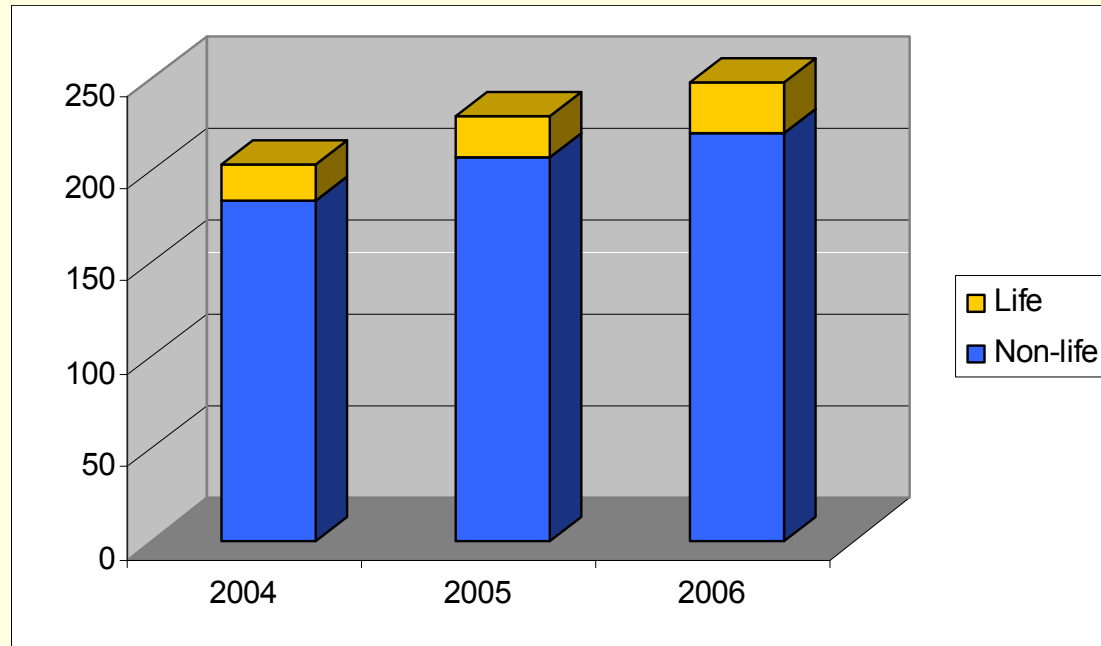


- Market is undergoing transitions in several aspects, in particular:
 - Legislative (formal) transition
 - Ownership
 - Organizational (restructuring)
 - Economy
 - Public
 - Educational

Premium Income (2006)

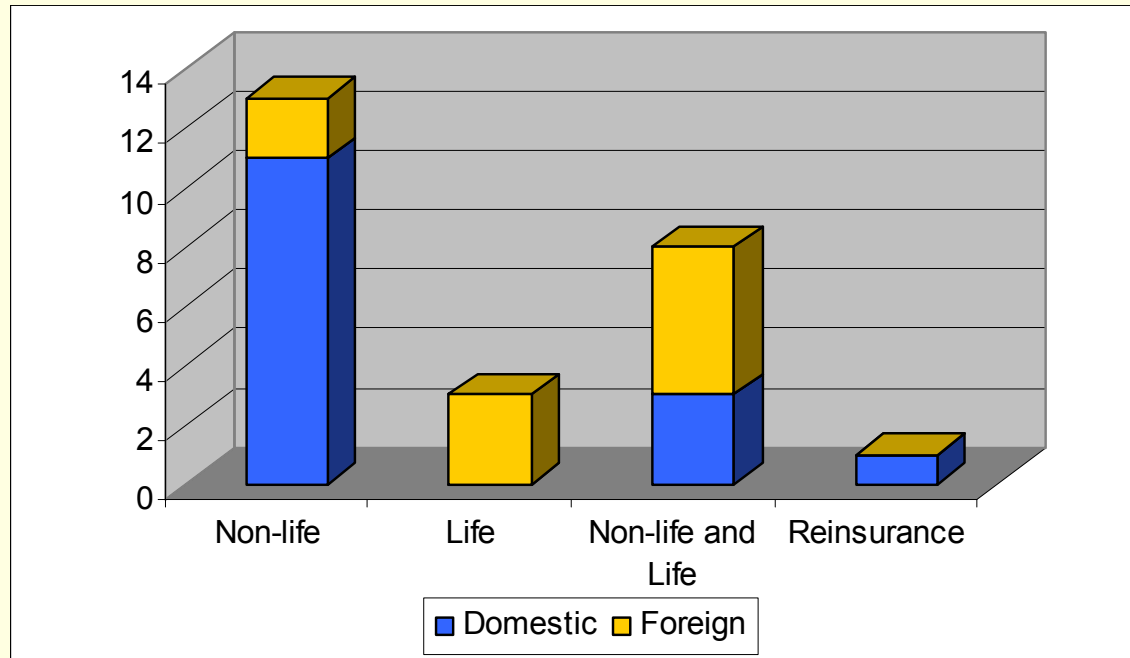


Premium Income (2004-2006)



	Index	
	2005/2004	2006/2005
Non-life	112.66	106.18
Life	109.50	125.03
Total	112.35	107.98

Ownership Structure



Owners	Non-life	Life	Non-life and Life	Reinsurance	Total
Domestic	11	0	3	1	15
Foreign	2	3	5	0	10
Total	13	3	8	1	25

Market Share of Foreign Companies (50,40%)



- Croatia (Croatia, Euroherc, Sunce, Bosna) with Market Share 24,96%
- Austria (UNIQA, GraWe, Merkur) with Market Share 12,06%
- Serbia (Kosig Dunav, Krajina Kopaonik) with Market Share 6,76%
- Slovenia (Triglav) with Market Share 6,62%

Problems



- Market development based primarily on growth (under-pricing)
- Tariffs only general guideline and regularly violated (MTPL, Accident)
- Inadequate reserving
- Necessary reform of the pension and healthcare system
- Insurance Industry fragmented:
 - 3 insurance associations

Developments



■ 2005

- New, modern laws
- Entity Insurance Supervisory bodies created
- MSc in Actuarial Sciences

■ 2006 and 2007

- Law on Insurance Agency of B&H
- Insurance Agency of B&H founded
- Insurance Association of B&H founded
- Actuarial Association of B&H founded

Outlook



- Single Insurance Market B&H
- Consolidation in the Market
 - mergers
 - acquisitions
- Expected higher growth than in other sectors of the economy
- Reform of the pension and healthcare system