Insurance Market Development in the Former Yugoslav Republics, Non-EU Countries

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Abstract: *This paper presents an insurance market research of the markets in several Balkan countries that were part of former Yugoslavia and are still not members of EU. Being categorized as developing countries, they have far lower development degree in comparison with the European Insurance Federation member countries. By means of comparison between the basic insurance market development indicators in these countries, the law regulations, as well as through conducting surveys, based on questionnaires, which appoint the reasons for the underdevelopment in the sphere of life insurance, the paper gives a clearer perception, in terms of the conditions of the insurance markets, placed on the margins of the European insurance market. Its utmost objective is to point and argue several measures, which would improve the insurance market conditions in the already mentioned countries, i.e. would contribute to the development increase and the acceleration of these insurance markets. As a result, that would raise the protection measures and the safety, both to the citizens and their material goods.*

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Introduction

The insurance market role importance in the economy and the contemporary world in general increases rapidly, all the time. Today, there is hardly any economic sphere in which the insurance issue is not included. The possibility to relate the aforementioned issue with all economic spheres, as well as the individual's existence, indicates its capacity to function in general. In terms of both law and economy, the notion insurance has been defined as one of the forms of risk management and governing, primarily used as protection from the risks that are likely to cause damage and loss. From individual point of view the insurance is an economic instrument used by the consumer to prevent himself from the possibility of a financial loss (a possible event that the individual is insured against) by investing (exchanging) a smaller sum of money (insurance premium), in advance. (Vaughan & Vaughan, 1995)

All in all, the existence of insurance market is a must for providing appropriate conditions for insurance development. In this context, it appears to be a place where various insurance services, providing security in terms of the detrimental events, have an impact on the economy and as a result a lower risk protection is being offered. This market, as any other market includes supply and demand and has its separate laws and relations in various conditions of greater or lower freedom of movement. Participants in the insurance market are: the numerous insurers, the insured clients-the insurance consumers, the insurance contractors, the mediators, the representatives etc.

Taking as a point of departure the separate groups varieties-kinds of insurance specifics, there is a great variety of markets of this kind: motor insurance markets, life insurance market, real estate insurance market etc. The insurance market is quite specific and it differs from the other markets in many aspects. First of all, this market offers a great deal of insurance services, including various real estate and personal risks, which the insurer would not put into effect, neither at the given moment, nor in the future. There is no legal entity, nor a physical person that would consciously permit some of the previously mentioned risks to occur. This is the reason why the insurance and its "goods" and services are so specific.

The Insurance market development is dependent upon several factors, mutually related, as the market size, i.e. the number of population. That means that the rise in the population number requires increase in the number of the market objects such as the insurance companies, as well as brokers insurance groups. Other factors are: the foreign capital investments, the business policy of the insurance companies, which determines the quality and the diversity of the goods offered on the insurance market, the prices of the insurance products, the manner of the risk management, i.e. the loss management, marketing activities, etc. These factors correlate with one of the perhaps most contributing factors that stimulates the development of the insurance market, the law regulation, i.e. the legal regulations, that govern the existing insurance market.

This paper investigates the insurance markets in the former Yugoslav republics, which are not EU members, such as: Serbia, Bosnia and Herzegovina, Montenegro and Macedonia, although most of them have the status-candidates for accession to the EU. For the rest of them as Slovenia, which is an EU member already and Croatia, which is about to become an EU state this year, a great deal of the insurance policy reforms have already been implemented and successfully put into practice and the insurance markets have been sufficiently developed. The importance of the insurance market analysis in Serbia, Bosnia and Herzegovina, Montenegro and Macedonia grows due to the fact that they are still developing countries and the implementation of the law novelties in these countries falls behind those in the EU countries. This especially refers to the sphere of life insurance, which dominates in a great deal of the EU countries and is one of the less developed spheres in Serbia, Bosnia and Herzegovina, Montenegro and Macedonia. That is the reason that makes this issue more popular nowadays. It delves into the core of insurance market development, searching the essential reason for the underdevelopment of the insurance markets, with focus on the life insurance in these countries and at the same time it offers and examines the possible measures for the improvement of the situation in this area.

The concept of the paper is structured in order to answer four relevant questions, formulated as basic goals and these are:

1. To identify the insurance market conditions and trends in the foreign Yugoslav republics, which are not EU-members (Serbia, Bosnia and Herzegovina, Montenegro and Macedonia) by means of comparison between the basic indicators of development, attributed to each insurance market separately.

2. Establishing the effects caused by latest law regulations influence, the modifications and the amendment of the laws, as well as some other measures, regarding the insurance issue in Serbia, Bosnia and Herzegovina, Montenegro and Macedonia.

3. Analysis of the life insurance markets in Serbia, Bosnia and Herzegovina, Montenegro and Macedonia and establishment the reasons for the current underdevelopment of these markets, as well as the establishment of the necessary measures, in order to stimulate the development of the life insurance market in a direction that would provide greater population security in these countries.

4. Defining the measures that would stimulate the insurance market development in Serbia, Bosnia and Herzegovina, Montenegro and Macedonia and would improve its efficiency and effectiveness in the aforementioned countries.

The determination of the goals provides the possibility of creating a research which would yield the necessary information, later implemented in the phase of the determination of measures satisfying the contemporary standards for making policy and services that would meet the needs of the insured clients in the former Yugoslav republics, which are not EU-members.

Analysis of the Basic Development Indicators of the Insurance Markets in the Ex-Yugoslav Republics

In this part of the paper it is presented a comparison between separate EU member countries and the non-EU countries, taking into consideration the most punctual and precise markers to examine and estimate the development of the insurance markets in the former Yugoslav republics and these are: the degree of density (calculated as a pro between the gross written premiums and the number of country's population) and the degree of penetration (calculated as a proportion between the gross written premiums and GDP), the number of insurance companies dealing with insurance activities and the overall gross insurance premiums per annum.

The penetration degree is an indicator that measures the involvement of the gross written insurance premium (GWP further on) in the country's GDP and it is one of the basic indicators for estimation of the conditions on the insurance market. In Montenegro the degree of penetration from 2004 on indicates growing trends, from 1.68% in 2002 to 2.18% in 2009. However, in 2010, due to the global crisis consequences the gross insurance premiums decreased, which reduced its value included in the GDP to 2.05%. In 2010 in Macedonia the total amount of GWP that was included in the GDP was 1.53% and generally these were the limits of the degree of penetration in the country (the highest value was noted in 2006, with value of 1.6%). There was a similar situation in Serbia, regarding the penetration degree. The value of GWP included in GDP varied from 1.8% in 2008, to 1.9 in 2010. The same goes for the degree of penetration in Bosnia, 1.9% in 2010. If we compare these statistical data with the value of GWP in GDP in Slovenia (an EU-member) and Croatia (which is about to become an EU-member by the end of this year), it is clear that in these countries, which were also former Yugoslav republics, the degree of penetration is relatively higher. For example, in Slovenia, in 2008, its value is 5.4% and 6% in 2009, 5.9% in 2010, whereas in Croatia it varies from 3.2% in 2008 to 2.8% in 2009, etc. The value of the indicators in the EU countries reaches approximately 8%, for the several previous years. Netherlands and Great Britain reaches the highest level of degree of penetration (13.2% and 12.2%), from all EU members.

The same goes for the data for the degree of density. Despite of the fact that Serbia has continuous increase of the average premium per capita (from 38 EUR in 2004 to 76 EUR in 2009) compared to those in the EU countries, these values are rather low. In Bosnia the average premium per capita in 2010 was 64 EUR. Similarly, in Macedonia the GWP per capita increases from 50 to 55 EUR, the several last years and although the GWP has reached the highest value so far, that is still low in EU terms. In Montenegro the GWP per capita amounts 99 EUR in 2010 and the highest value was reached in 2009, that is 104 Euro, yet that value is lower than the average Europe value, by far (considering the fact that it amounts 1900 EUR per capita). When comparing the non-EU former Yugoslav republics and Slovenia and Croatia in terms of the density issue, there is also a large difference in the value. The average GWP per capita in Croatia is 300 EUR, whereas in Slovenia it reaches up to 1023 EUR in 2010.

If we compare the condition in terms of the number of insurance companies in the former Yugoslav countries, non-EU members with the number in the EU countries, there is a clear correspondence between the area of the country and the number of insurance companies, yet what is noticeable is the fact that there is a rather low number of companies that deal with life insurance in the ex-Yugoslav countries. For instance, in the leading countries in the field of insurance, Great Britain and Germany, there are approximately 1300 i.e. something less than 600 insurance companies, great deal of which cover the class life insurance. Regarding the foreign Yugoslav countries, in Croatia there are 26 insurance companies (8 of which are only for life insurance and 10 have complex insurance system, i.e. life and non-life insurance) proportion of the life and non-life insurance companies which might be considered appropriate, in Slovenia there are 21 insurance companies on the insurance market, Serbia has 26 insurance companies (7 of which for life insurance only and 6 with life and non-life insurance), 13 insurance companies on the market function in Montenegro (5 of which for life insurance only and 2 practice complex insurance system). (http://www.hanfa.hr; http://www.nbs.rs; http://www.ano.me) In the Republic of Macedonia at the moment there are 14 insurance companies. Only 3 of them deal with life insurance. In Bosnia and Herzegovina there are 25 companies dealing with life insurance.

Table 1. Total European gross written premiums — 2001–2010 (€m)

Member states of the EU	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Austria	12470	12615	13128	13974	15295	15589	15874	16214	16415	16748
Belgium	20571	22304	25774	28417	33832	29489	31193	29278	28439	29414
Bulgaria	228	319	342	428	555	643	772	915	850	813
Cyprus	427	454	526	549	594	646	714	773	815	855
Czech Rep.	2010	2548	2837	3332	3709	4 099	4445	5196	5130	5824
Germany	135093	141008	147729	152166	157984	161945	162923	164532	171416	178854
Denmark	12271	13426	15038	15890	16988	18 698	19565	20622	20322	20917
Estonia	114	139	168	203	254	284	434	372	367	425
Spain	41015	48061	40630	45418	48779	52 836	54297	59266	61194	57230
Finland	11819	12247	12641	13191	14297	14 942	15047	15812	16181	18656
France	128059	131998	142028	158226	175884	197092	195732	183194	199640	206579
Greece	2642	2895	3235	3624	3923	4 371	5007	5085	5374	5236
Hungary	1635	2036	2206	2380	2767	3 142	3071	3540	2963	3063
Ireland	10518	11208	11884	11998	13580	16 150	18204	13431	12470	12713
Italy	76254	87708	96993	101038	109780	106502	99095	92019	117802	125954
Luxembourg	783	916	891	964	1100	1 138	1222	1899	1808	2033
Latvia	175	179	195	197	219	291	438	476	373	323
Malta	163	183	208	237	258	286	352	275	288	321
Netherlands	43860	44149	46444	48710	48519	73 602	74980	78513	77683	77878
Poland	6095	6006	5646	6091	7717	9 631	11580	16825	11863	13559
Portugal	7989	8414	9445	10472	13444	13 123	13751	15326	14516	16342
Romania	n.a.	434	514	614	890	1 276	2016	2440	1804	1988
Sweden	17751	16964	19264	19096	22384	23 079	24887	25010	23488	28314
Slovenia	1055	1185	1275	1457	1547	1 726	1894	2019	2070	2094
Slovakia	736	850	1008	1198	1309	1 439	1714	2031	2027	2067
United Kingdom	228546	255172	236682	246071	266491	294270	366458	246988	203878	206906
Candidate countries										
Croatia	682	753	801	884	993	1 118	1235	1341	1282	1268
Macedonia					82	88	99	104	100	105
Iceland	269	294	294	281	344	350	403	279	236	263
Turkey	2273	2527	2938	3725	4739	5 340	6119	6049	5677	7077
Montenegro		23	25	26	32	40	51	60	65	62[1]
Serbia				203	312	345	403	470	482	509
Other European countries										
Liechtenstein	n.a.	n.a.	n.a.	1490	2713	4311	4203	3769	5948	6826
Norway	7872	9172	9498	10381	11968	11945	12965	12711	11846	13784
Switzerland	33603	36151	33907	32816	32658	31352	30132	33532	35508	39897
Bosnia and Herzegovina	91	98	99	113	124	135	151	171	173	178

In this study, data is combined from five data sources: Statistical publications from the European Insurance and Reinsurance Federation, Annual insurance reports from the Insurance Supervision Agency of Republic of Macedonia , Annual insurance reports from the National Bank of Serbia, Annual insurance reports from the Insurance Supervision Agency of Montenegro, Annual insurance reports from the Insurance Agency of BiH.

Table 1 presents the statistical data for the total insurance GWP values within the period of 10 years, in the European Insurance and Reinsurance Federation (CEA) in which all EU countries are members, as well as the GWP value data for Serbia, Montenegro, Macedonia (all having the status-candidates for accession to the EU) and Bosnia and Herzegovina. By making a simple comparison of the data of these two groups of countries, it is obvious that there is no data for Serbia, Montenegro and Macedonia at the beginning of the new millennium. The initial numbers denoting the GWP in these countries give an impression that the insurance process has been imposed in these countries.

However, it is also clear that every following year these countries increase the total insurance premiums continuously (Table 2 presents the data of the annual increase of the total GWP value in a period of 5 years in these countries and the member countries of CEA), which is positive, however the trend of continuous increase develops at a slow pace, perhaps due to the fact that just after the promulgation of the new reforms in the insurance area in these countries, i.e. right after the implementation of the EU directives, the world faced a new financial crisis.

Table 2. Annual growth of total European gross written premiums for five years:

Members states of the EU	2005/06	2006/07	2007/08	2008/09	2009/10
Austria	1.9%	1.8%	2.1%	1.3%	2.0%
Belgium	-12.4%	5.8%	-6.1%	-3.0%	3.4%
Bulgaria	3.1%	34.8%	18.5%	-7.1%	-4.4%
Cyprus	6.5%	9.1%	6.8%	6.0%	5.0%
Czech Republic	3.2%	11.1%	16.6%	4.8%	8.6%
Germany	2.3%	0.6%	1.0%	4.1%	4.3%
Denmark	9.6%	4.6%	6.3%	-4.5%	2.9%
Estonia	-7.1%	52.7%	-14.4%	-1.3%	16.0%
Spain	7.8%	3.0%	10.7%	0.5%	-6.5%
Finland	4.6%	0.7%	5.%	2.4%	15.3%
France	12.7%	-0.7%	-6.4%	9.2%	3.5%
Greece	10.5%	7.2%	1.1%	4.4%	-2.6%
Hungary	21.0%	17.8%	-4.3%	-7.4%	1.6%
Ireland	9.7%	12.7%	-26.2%	-9.9%	1.9%
Italy	-2.9%	-7.0%	-7.1%	28.1%	6.9%
Luxembourg	10.4%	7.4%	55.4%	1.9%	12.5%
Latvia	29.7%	49.5%	8.8%	-33.5%	-12.9%
Malta	13.5%	23.3%	-22.0%	4.9%	11.3%
Netherlands	36.8%	2.1%	2.2%	-0.2%	0.3%
Poland	20.8%	20.2%	45.3%	-13.4%	5.5%
Portugal	-2.4%	4.8%	11.5%	-5.0%	12.6%
Romania	39.6%	58.1%	21.1%	-14.4%	9.4%
Sweden	2.4%	8.4%	-0.7%	3.9%	8.3%
Slovenia	11.6%	9.8%	6.6%	2.7%	1.2%
Slovakia	6.3%	19.1%	18.5%	-0.2%	2.0%
Great Britain	7.5%	24.6%	-32.6%	-7.7%	-2.3%
Candidate countries					
Croatia	11.4%	10.5%	8.5%	-2.8%	-1.8%
Macedonia	7.3%	12.5%	5.0%	-3.8%	5.0%
Iceland	13.5%	15.1%	-30.4%	7.6%	4.2%
Turkey	21.6%	14.6%	1.0%	4.3%	15.1%
Montenegro	25%	27.5%	17.6%	8.3%	-4.6%
Serbia	11.8%	16.8%	16.6%	2.5%	5.6%
Other European countries					
Liechtenstein	61.4%	-2.6%	-10.3%	50.1%	4.9%
Norway	0.3%	8.5%	-2.0%	-1.2%	6.7%
Switzerland	-0.3%	-3.9%	11.7%	-0.7%	2.7%
Bosnia and Herzegovina.	8.8%	11.8%	13.2%	1.1%	2.8%

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In 2010, these countries, except for Montenegro, have reached their maximum amount of total GWPs, counting from the period they have become independent countries. Yet, if this values are compared to the ones reached in the other European countries it can be clearly seen that the insurance markets in Serbia, Montenegro, Macedonia and Bosnia and Herzegovina are far from the insurance markets in the EU members, in terms of the developing qualities, even though for some of them the results are stagnant, denote a decline or the insurance market is a buyer's market, etc. In 2010, Montenegro was on the bottom of the list, in terms of the achieved insurance premium. The Gross written premium on the insurance market in Montenegro, in 2010 slightly declined due to unfavorable trends in the real and overall financial sector by 5.16% in comparison to the previous year and amounted to 62.186 million EUR), than Macedonia, which was one position upper on the list, with 105 million EUR GWP and it was preceded by Bosnia and Herzegovina, reaching 178 million EUR GWP. Serbia, whose area is much wider, in addition to the population, whose number is much higher reaches 509 million EUR GWP and succeeds to surpass just Latvia, Malta, Estonia and Island, countries whose territory occupy far less area and the insurance markets are rather small. Croatia and Slovenia, whose population number is lower than the Serbian population number has two times (the former) four times (the latter) higher GWP for 2010.

Characteristics of the insurance markets in Serbia, Montenegro, Macedonia and Bosnia from insurance law regulative aspect

The insurance markets in Serbia, Montenegro, Macedonia and Bosnia developed gradually, in a subsequent manner, following the latest laws. After The Insurance Law, The Law on Insurance Supervision and The Law on Obligatory Traffic Insurance have been passed, in addition to the already existing Law on Obligations and the foundation of the insurance companies, on the basis on the modified business conditions and the specification of the General Specific and Separate insurance conditions, as well as the other normative acts in the sphere of insurance, these countries have established new, insurance market system. According to the new law regulations in these countries, the insurance issue was placed in new, qualitative, law and organizational frame. Therefore, we may conclude that the insurance markets in these countries follow the contemporary world trends in this field and yield the following conclusions:

"The world insurance market develops rapidly and in future it is expected development at a higher pace and spreading of the insurance activities, especially in the sphere of life insurance; the role of the financial mediators becomes more important as a result of the latest tendencies and the international climate in Europe, after the adoption of the EU directives regarding the freedom of trade and capital movement and their integration outside of their original country.

After the new insurance laws have been passed, especially after the passing of The Law on Insurance Supervision (somewhere known as Insurance Law) and the law modification, there was a change of the insurance market conditions in Serbia, Montenegro, Macedonia and Bosnia. The Law on Insurance (Insurance Supervision) is the basic law frame, whereas the Law on Obligations and the Law on Trade Companies are the additional law frame. By the aforementioned laws passing, there has been performed significant adjustment of the domestic insurance regulations in these countries, in accordance with the entire EU law acts corps (acquits communautaire) from the insurance sphere. The great modifications in insurance law regulations in the former Yugoslav republics enabled continuous increase in the GWP on the insurance market, increase in the number of insurance companies and insurance broker's groups possessing a license, providing and managing the resources from the National Insurance Office Guarantee Fund, increase in the employment number in the sector and further improvement of the primary law regulations.

These facts raise the question: "Why these countries haven't reached the EU countries development level in the field of insurance yet?" There are two possible answers to this question: the late implementation of the EU insurance directives, as well as the global economic crisis.

The initial insurance directive in the EU countries and in the same time the initial auto liability insurance was passed in 1972. Its goal was to implement the EU laws on auto liability in a gradual manner. This directive was the first that assigned the implementation for obligatory auto liability insurance. In contrast, in Macedonia the Law on Obligatory Traffic Insurance was passed in 2005, the same year as the Law on Obligatory Liabilities Insurance in Bosnia and Herzegovina. In Montenegro the Law on Obligatory Traffic Insurance was passed in 2007, whereas in Serbia, in 2009. The conclusion is that the legal system in these countries has waited for more than 30 years to pass the Law on Obligatory Traffic Insurance. As for the principles and the standards of insurance of the International Association of Insurance Supervisors, as well as the insurance EU directives in these countries, they are being regulated by

the Law on Insurance Supervision in the Republic of Macedonia, passed in 2002, Law on Insurance in Montenegro, passed in 2006, the Law on Insurance in Serbia, passed in 2004, etc.

The process of passing this law was directed towards the implementation of certain rules for risk management of the insurance companies, as well as for the establishment of new, contemporary, analytical and professional approach. These laws also enabled that the work of the insurance companies in these countries becomes far more compatible with the work of the insurance companies in the EU countries.

The dysfunction of the markets and the tension in the sphere of credits, created on the behalf of the banks in the recent years had a negative influence on the insurance industry increase , all over the world and these could be the source of the reasons for the slower development of the insurance companies in the ex-Yugoslav republics, non-EU members.

Life Insurance Market Development, Marketing Strategy Building of the Insurance Companies as a Major Weakness of the Life Insurance Markets

All the information exposed in the paper so far raises the question:"Which class of insurance has the greatest potential for development in these countries?" That is the life insurance class, undoubtedly and in addition this fact raises the issue of the low total insurance premium in Serbia, Montenegro, Macedonia and Bosnia.

Table 3: Total European Life gross written premiums – 2001-2010 (€m)

Member states of the EU	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Austria	5831	5617	5704	6165	7124	7183	7206	7362	7416	7552
Belgium	13170	14431	17524	19891	25177	20382	21658	19352	18371	19103
Bulgaria	45	76	38	52	77	95	117	128	103	110
Cyprus	251	260	265	266	274	294	322	341	353	376
Czech Rep.	478	708	842	1219	1318	1457	1687	1964	2044	2600
Germany	62565	65301	68574	70343	75244	78455	78967	79586	85248	90365
Denmark	8132	8891	9676	10143	11007	12471	13617	14540	14354	14938
Estonia	23	29	37	52	81	84	180	127	133	182
Spain	22864	26531	17799	19530	21004	23341	23241	27489	29131	27337
Finland	9367	9680	9982	10357	11251	11806	11918	12548	12853	15222
France	84635	85500	92022	105341	120668	140203	137080	122368	137923	143216
Greece	1292	1310	1435	1729	1935	2311	2515	2489	2500	2307
Hungary	682	834	885	968	1218	1592	2024	1834	1466	1606
Ireland	7168	7253	7644	7930	9739	12327	14594	10097	9346	9671
Italy	46329	55294	62780	65627	73471	69377	61439	54565	81116	90102
Luxembourg	277	398	343	389	490	511	549	1194	1125	1288
Latvia	7	7	8	10	16	24	37	27	51	61
Malta	75	84	104	129	142	171	228	181	193	224
Netherlands	25879	24052	24838	25136	24824	25730	26464	26446	24401	21586
Poland	2522	2569	2538	2778	3809	5418	6743	11100	6997	7866
Portugal	4487	4562	5402	6250	9136	8762	9369	11005	10384	12173
Romania	n.a.	111	122	137	235	252	448	507	229	388
Sweden	13112	11749	12503	12314	15059	15452	17508	17723	18209	22203
Slovenia	225	268	305	429	465	541	609	642	630	656
Slovakia	321	367	410	486	571	680	853	1066	1062	1126
Great Britain	166844	186570	166375	176560	193979	222918	295249	185734	149206	145718
Candidate countries										
Croatia	124	155	178	209	256	297	338	352	339	336
Macedonia					2	2	3	4	5	6
Iceland	21	26	28	29	33	31	34	21	15	18
Turkey	418	466	608	689	741	766	745	827	835	1092
Montenegro			0.1	0.5	1	2	6	7	8	8
Serbia					29	36	44	57	71	84
Other European countries										
Liechtenstein	n.a.	n.a.	n.a.	1490	2596	4171	4030	3534	5596	6419
Norway	4382	5209	5332	6283	7561	7442	8371	7973	7140	8382
Switzerland	21944	23612	21154	19585	19229	17847	17477	18651	19483	21828
Bosnia and Herzegovina				13	15	18	25	29	31	33

In Table 3 there is statistical data for the achieved life insurance premium in the above mentioned countries and in all member countries of CEA. The CEA members reach a proportion of 60%-40% between the life and the non-life insurance on average, where the life insurance has the advantage. In Serbia, Montenegro, Macedonia and Bosnia the proportion is 95%-5% on average and the non-life insurance have the advantage, and that is a serious problem, which increases the necessity of finding an appropriate solution for the development stimulation, especially in the life insurance class in the mentioned countries. When comparing Serbia, Montenegro, Macedonia and Bosnia with the CEA-countries, in terms of the acquired life insurance premiums, the large difference between the total insurance premiums is clearly noticeable. We will mention 2010, one more time as a year in which Serbia, Montenegro, Macedonia and Bosnia have reached the highest life insurance premiums, since they have declared independence. Macedonia was on the bottom of the list, with 6 million EUR GWP of life insurance, preceded by Montenegro with 8, then Bosnia with 33, Latvia reaches 61, while Serbia's GWP exceeded to 84 EUR. On the contrary, the smaller area countries, Croatia and Slovenia acquired GWP of 336 (the former) and 656 (the latter), in 2010 which was far more than Serbia's amount. In order to ascertain the reasons for the low number of citizens that have insured their life, a survey was conducted (by the means of social networking-Facebook) questioning citizens from Serbia, Montenegro, Macedonia and Bosnia. The survey consisted of 6 questions, 2 of which were not obligatory (4 and 5). The results are represented in table 4 (the final results), table 5 (separate results by country) and graphics-1 (the results are presented with numbers) and 2 (the results are presented in percent).

Table 4. Tabular display of results derived from the questionnaire for life insurance:

1		2		3		4					5		6	
Yes	No	Yes	No	Yes	No	I don't know	I don't know where and how	I don't understand what it is	I do not trust	I have no money	Yes	No	Yes	No
288	12	247	53	18	282	44	43	32	58	105	0	18	229	71
Total of 300 respondents														

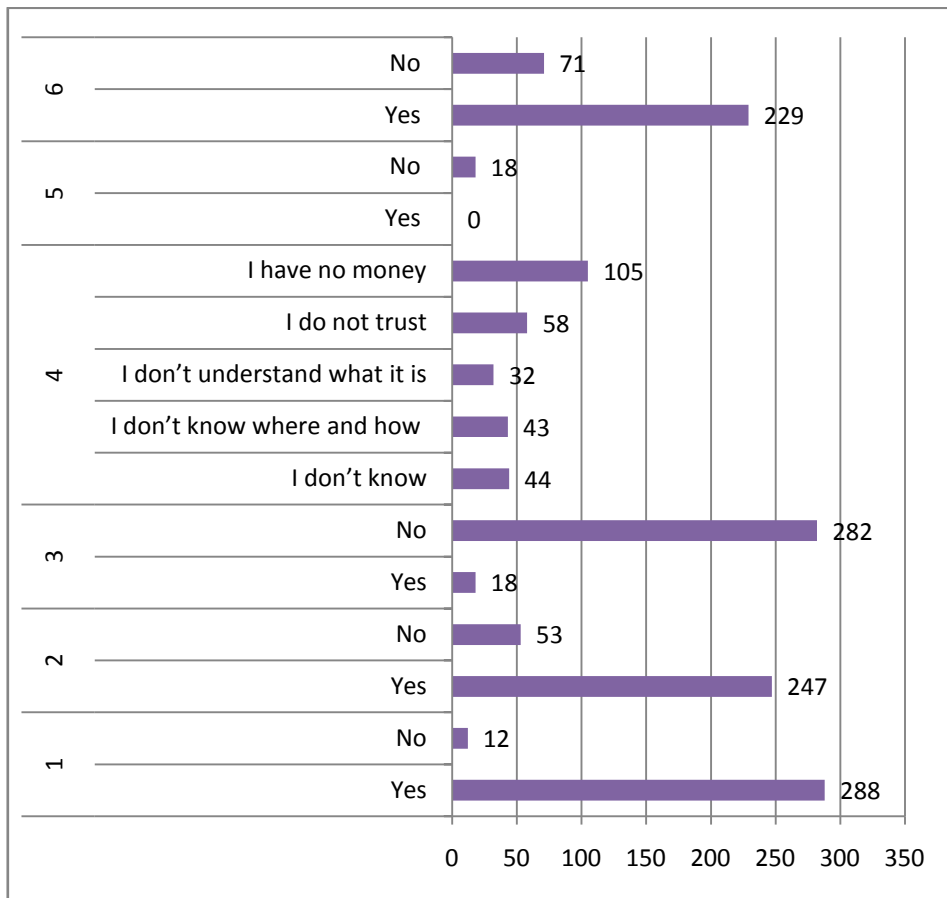Figure 1. Graphic display (results are expressed in numbers):

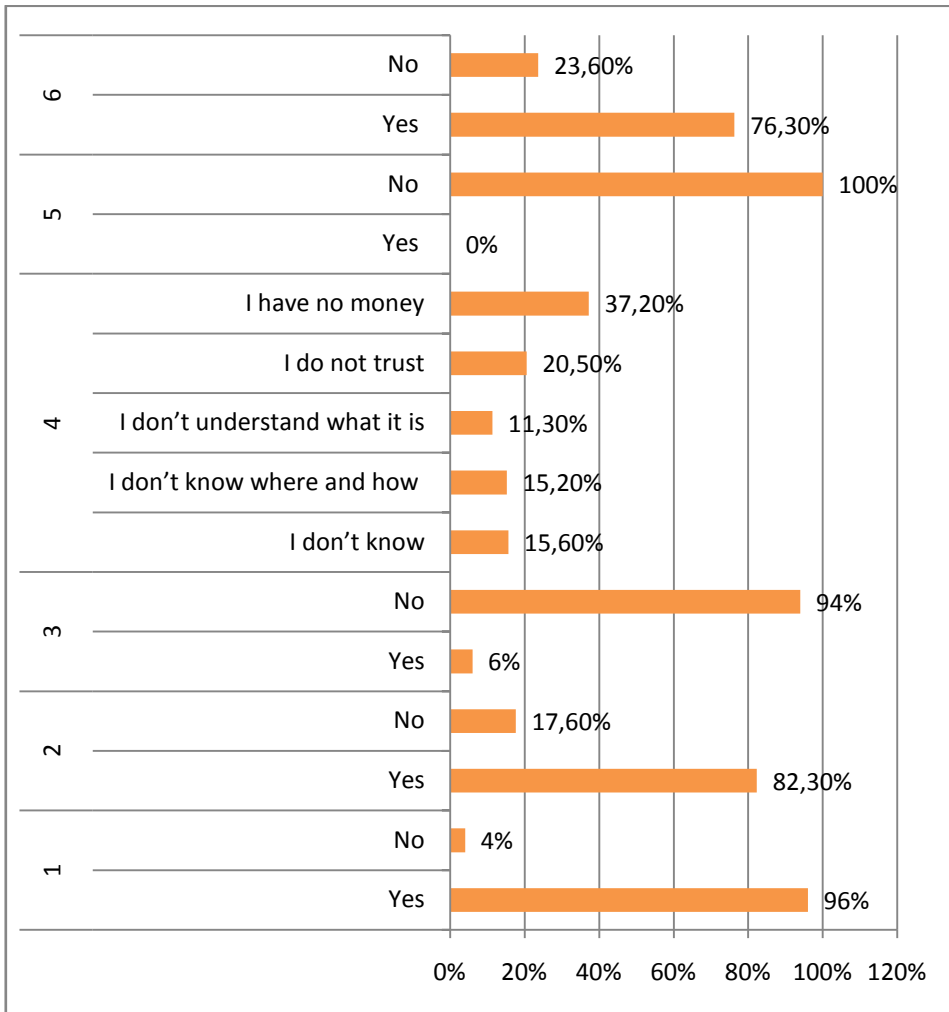Figure 2. Graphic display (results are expressed in percentages):

Table 5. Tabular display of results derived from the questionnaire for life insurance by countries:

	1		2		3		4					5		6	
	Yes	No	Yes	No	Yes	No	I don't know	I don't know where and how	I don't understand what it is	I do not trust	I have no money	Yes	No	Yes	No
Bosnia and Herzegovina	69	3	65	7	5	67	14	9	12	7	28	0	2	58	14
Macedonia	74	6	53	27	3	77	8	15	7	10	34	0	6	63	17
Montenegro	53	1	51	3	4	50	12	7	10	4	16	0	5	38	16
Serbia	92	2	78	16	6	88	10	12	3	37	27	0	5	70	24
Total	288	12	247	53	18	282	44	43	32	58	105	0	18	229	71

There were 300 participants in the survey. On the first question, "Is there life insurance in your country?" 288 (96%) answered positively, whereas just 12 (4%) gave a negative answer. The second question, "Do you know some insurance company in your country, offering life insurance?" 247 (82.3%) answered "yes" and 53 (17.6%) answered "no." Further, the third question, "Have you ever insured your life?" was positively answered by just 18 (6%), whereas the rest 282 (94%) said "no." When they were asked to indicate the reasons for not insuring their life, as a fourth question, 44 (15.6%) answered, "I don't know", 43 (15.2%) said that they didn't know where and how, while 32 (11.3%) said, "I don't understand what is that"; 50 (20.5%) said that it was due to the lack of confidence in the entire process, whereas 105 (37.2%) were not able to provide money to pay. The question number 5 referred to the insured clients, if they knew that the life insurance means saving of all the money and all 18 of them answered "no." The last question, "if you have the possibility, would you insure your life?" was answered with 229 (76.3%) positive answers and 71 (23.6%) negative. Taking into consideration the fact that the participants in the survey were younger people, which were expected to be educated

(or at least literate) and to use actively the contemporary network means of communication and information (and have access to the latest information), according to the results it is the opposite, the number of uninformed is high and that is ¼ from the interviewed. A high percent of the people also don't know "where and how" and a great deal of them doesn't know what that is. A lot of the interviewed didn't know even why they would insure their life, which denotes that hadn't even

thought about it. The inability of some people to provide life insurance due to the money factor is a clear indicator of the economic situation in these countries, as well, in addition to the fact that there were people that hadn't insured themselves due to the lack of confidence in the system. The most striking result is that even those that were informed in terms of the life insurance were not familiar with the fact that that involves saving money. That indicates that in these countries the life insurance is still an issue the people are not sufficiently acquainted with. Low is the number of people introduced to the idea that life policy is a kind of money saving or investment of the savings.

Due to the possible non-objectiveness, lack of the motivation and seriousness while giving answers through the social networks, as well as the inability to group the interviewed in separate categories, according to their age, sex and education, there was a need to re-check the results, through a survey that would provide a direct contact with the survey participants. The survey was taken at several places: Bihac, Bosnia, Vranje, Serbia, Bjielo Pole, Montenegro and Skopje, Macedonia and the results are in table 6.

Table 6. Tabular display of results derived from the questionnaire for life insurance on field:

	m	f	20-30 years old	30-40 years old	40-50 years old	Higher education	Secondary education	Primary education	Do you have life insurance in your country?	Would you buy life insurance?	Do you know where to buy life insurance products?
Bosnia and Herzegovina	16	4	11	5	4	10	8	2	Yes:5 No:7 I don't know:8	Yes:2 No:9 I don't know:9	Yes:2 No:18 I don't know: 0
Macedonia	11	9	8	6	6	9	8	3	Yes:7 No:6 I don't know:7	Yes:3 No:8 I don't know:9	Yes:3 No:17 I don't know: 0
Montenegro	17	3	11	8	1	8	10	2	Yes:4 No:8 I don't know:8	Yes:5 No:9 I don't know:6	Yes:3 No:17 I don't know: 0
Serbia	18	2	9	5	6	8	11	1	Yes:7 No:3 I don't know:10	Yes:7 No:8 I don't know:5	Yes:5 No:15 I don't know: 0
Total	62	18	39	24	17	35	37	8	Yes:23 No:24 I don't know:33	Yes:17 No:34 I don't know:29	Yes:13 No:67 I don't know: 0

Again, a standard questionnaire was used, due to its greater objectiveness, the lower possibility for subjectivism, as opposed to the non-standard questionnaire and the fact that its structure enables easier comparison of the results; it is economical, precise, directed towards a certain goal, efficient and provides easier mathematical and statistical data analysis. A smaller group of people was chosen to participate in the questionnaire, in order to achieve punctual and precise data. There chosen 20 people of each place, 80 people total, more of which male, on the age of 20-40, higher or secondary education. The results were the following: the first question, "Is there life insurance in your country" mostly was answered with "no", on the second, "Would you insure your life", a great deal of them answered "no" or "I don't know' and on the third question, "Do you know where to buy a life insurance product, the dominant answer was "no". According to the results, there is no great difference between the surveys in the capital city or some smaller places, far from the capital, because they are almost equal. What may be concluded from the survey directly

conducted is that the citizens from these countries are uninformed in terms of life insurance, which implicates that the insurance agents' terrain work is not properly arranged. Probably it is the already existing companies' guilt, regarding their lack of activity in this field; however the supervision agencies are also involved, since in some countries, they are offering training for their agents, in addition to the trainings offered by the insurance companies. It is interesting that the outdoor survey gave contradictory results, in terms of the question, "Would you insure you life?" compared to the same question on the social networks. On the question, "Would you insure you life" most of the interviewee answered "no" or "I don't know", which clearly denotes the vital problem the most of the insurance companies have and that is the insufficient affirmation of the products from the life insurance, the low marketing strategy, as well as the insufficient education of the insurance agents, whose responsibility is to present the life insurance products to the people in an easy and comprehensible manner.

From everything that was mentioned so far, the conclusion is that the reasons for the low life insurance development in these countries are the low living standard, the insufficient education regarding the life insurance products, the insufficient infrastructure of the regulations and the supervising activities on the insurance market,etc.

The question is "Why is so low the number of people that are acquainted with this information? Why in the other countries the life insurance is a regular practice, but in the ex-Yugoslav republics it is considered to be a luxury, not being taken into consideration as necessary?" Because of this condition, the insurance companies should develop the marketing service which would inform the citizens about the meaning of life insurance, what it covers, what are the benefits, what is the difference in comparison with the other kinds of insurance, where the assets are irrevocable, unlike the life insurance, etc. Also, the insurance agents training programs are of vital importance. The tasks given to the marketing agents, to perform should be the following: giving information, comprehensible explanation during the direct contact with the possible insurance clients, motivation of those that haven't ever thought about life insurance, presentation of the benefits, by the usage of special manners and techniques, taking into consideration the intellectual status of the client, as well. Because of that, the agent should posses intelligence, flexibility, adaptability, positive fluid, temperance, meekness, in other words, they should be a fully developed and mature person. Of course, the education of the future insurance client is especially important, as well, since that is something that they should deal with in the future.

Here, we have to emphasize the importance of the marketing that is crucial for the proper functioning of one insurance company on the market. The basic principles of the market are concluded from the following thoughts: By the means of the marketing instruments and tools it is necessary to search opportunities for satisfying the constant needs, as well as to reveal the effect of the numerous varieties in the surrounding on the constant needs and wishes and to discover a method, how they would be satisfied. (Avdalovic, Avdalovic, & Kalinic, 2004) Philip Kotler (2000) emphasizes the essence of the marketing, saying that marketing is a process, by which an organization links to the market in a creative, productive and profitable manner.

Proposal Measures for the Development of the Insurance Markets in Serbia, Montenegro, Macedonia and Bosnia and Herzegovina

After the detailed analysis of the data, regarding the implemented reforms on the insurance markets in Europe, the stimulation measures necessary for of the insurance market development in the former Yugoslav republics, non-EU members can be clearly established. I would recommend the following insurance politics to the creators:

The Competition reinforcement would enable a possibility to implement new insurance products, with a better quality and lower prizes, offering a wider spectrum of insurance products that increase the possibility a greater number of citizens to provide insurance. For example, the unit-linked products, which are insurance products, linked with the investment funds. Also, the possibility for the citizens to open insurance funds should be mentioned as an alternative, where they would participate on their own, by investment of assets that will cover a part of the loss, in a case of damage. In fact, in the insurance industry in the world, there are two types of companies, shareholdings and mutual companies. (Kong & Singh, 2005) An insurance company being formed as a shareholding company is a company formed and governed by the shareholders and managed just for a profit, as in the case with the insurance companies in Serbia, Montenegro, Macedonia and Bosnia. A certain amount to the insurance premium is being installed and the owners of the business share the profit. The mutual insurance company is a company that has no basic assets and which is in a possession of the policy bearers. (Hancock, Huber & Koch, 2002) A committee of directors is being voted and they manage the company and run the business. All assets belong to the owners of the policies and they might be paid off to them in a form of dividends or reduced premiums. (Walker, 2006) The company that would like to insure its members according to the in common

principles is probable to gain a license from a supervising, authoritative organ, in order to start working as a mutual insurance company, which is identical to the shareholdings insurance company. (Federal Insurance Supervisory Office, 2000) The mutual insurance companies appear to be a great solution for separate classes of insurance, as well as the agricultural insurance, one of the low developed classes in these countries, instead of the great need from insurance of the agricultural possessions, due to the frequent climate changes in these parts of the earth.

The same goes for the increase in the activities of the already existing insurance companies, through a higher number of investments in the insurance, for its maintenance, as well as further development. Also it should be emphasized the development of the marketing strategies and of the companies, which according to the survey might be the main reason for the underdevelopment of the insurance market in these countries (the disinterestedness of the citizens, in terms of the insurance sphere, the lack of information about the insurance possibilities, etc.). (Lereah, 1985) Insurance companies are required to take a rather pro-active part in the development of distribution channels for insurance, by increasing the number and the quality of insurance intermediaries (brokers and agents), providing higher number of trainings for the employees in the insurance sale field (which would improve their sales skills), in addition to insurance sales through the internet, phone etc. (Franciskovic, 1986; Eckardt, 2007) Also, the role of the state is of a great importance, regarding insurance, through modifications adoption or passing of new laws, certain tax alleviation, insurance investment-e.g. monetary help to the insurance companies to cover the damages, etc. All in all, this is just a part of the measures that could be undertaken, in order to stimulate the insurance market development in the former Yugoslav countries, non-EU members. It is obvious that this is not an action which could be performed at once and it is quite logical that it requires a favorable climate, but the gradual implementation of the policy, similar to the insurance policy in the EU countries is of major importance, despite of the fact that the survey results demonstrate, that the insurance markets in the foreign Yugoslav countries have achieved positive increase in the recent years, due to the implementation of the latest law novelties, so it is still early to make conclusions. The results should be analyzed several years later, when crisis consequences won't be felt anymore and the insurance market will be in a phase, in which there will be much more results in the insurance field.

It is certain that the report results would have been rather different i.e. the insurance market in the foreign Yugoslav countries would have been much more developed, provided that the insurance markets had undertaken all these steps, with the exception of the economic factor that is the most realistic one in the entire study.

Other Possibilities of Citizen Protection

Observing from several aspects, the stimulation of the insurance markets in the former Yugoslav countries has a great importance, however, the most important is the protection of the citizens. Therefore, despite of the insurance buying, that provides money compensation in a case of damage, the citizens are supposed to think to another means of protection, as well, especially in those countries in which a small number of citizens are being insured. The expected loss might be decreased in two ways: the measures might reduce either the greatness of the damage, or the probability of damage, or even the both. The first alternative refers generally to the lowering of the loss whereas the second refers to the loss prevention. The loss prevention usually is called just protection, whereas the lowering of the loss, just insurance. For example, the spilling systems lower the loss in a case of fire; still they don't reduce the possibility of causing fire. On the contrary, the theft-protection systems reduce the probability of stealing; however they don't decrease the magnitude of the damage. The protection measures from the natural catastrophes also lower the graveness of the potential loss, while it is impossible to alter the probability of natural catastrophes. (Hofmann, 2009)

Conclusion

From the already examined analyses from several aspects, regarding the vast majority of insurance markets in Serbia, Montenegro and Bosnia, the final conclusion is that these insurance markets constantly make progress in the recent years, having into consideration the fact that there are even greater possibilities for development in the future.

What is typical about these countries is that there is an impression that the market of insurance exists only in the last ten years, because that this the period when the new insurance supervision laws and the changes of the laws have been adopted. That provided entrance of the foreign capital, strengthening the competition on the insurance markets in these countries, as well as enrichment of the offers of insurance products and services, in addition to the agricultural production insurance, the latest product-Mini Casco launching, the liability insurance promotion, the establishment

of control and supervision bodies, whose goal is to reinforce the supervising control over the insurance supermarkets (in most of the countries, that is the Supervision and Insurance Agency), etc. With the opening of these insurance markets and the growth of their attractiveness, there have been noticed a gradual increase in the GWP, mostly in terms of the non-life insurance.

However, we talk about markets which are still relatively small and underdeveloped, compared to the insurance markets in the EU countries, especially in terms of the GWP involvement in the GDP of the country, the yearly premium per capita, the market contraception and the premium structure. The underdevelopment of the market refers to all insurance classes and subclasses. This is even more striking when we talk about life insurance, whose development mostly depends on the life standard in the country and the economic stability, the unemployment rate, the county fiscal policy, the money market, as well as the established systems, in terms of obligatory social and pension safety.

In the paper it was presented a survey, giving the reasons for the underdevelopment of the life insurance and a comparative analysis of the life insurance premiums, in the former Yugoslav republics, non-EU members and the EU member countries and the conclusion is the following: the life insurance in Serbia, Bosnia, Montenegro and Macedonia is on a very low level, despite of its constant rise in the recent years and provided that certain measures are undertaken, its development will be stimulated and there will be a possibility for these countries to follow the insurance trends in the other European countries.

In the near future the development and the widening of these markets are unavoidable and a rise in the citizens' interest in terms of life insurance is expected. However, the insurance companies should also offer new, higher quality insurance products for their clients.

Even though the insurance companies in the ex-Yugoslav countries, non-EU members are profitable, that cannot improve the impression that their insurance markets are being underdeveloped. All in all, my conclusion is that this condition is due to the following reasons: economic factor, the lack of information, the distrust, prejudices, etc and that could be improved by the already mentioned measures in the paper analysis. The insurance companies have the most important role in this process, in addition to the improvement of the overall economic situation in these countries.

The accidents and the natural disasters cannot be avoided, but it is difficult to predict or imagine the damages, therefore the insurance is necessary. However, for me personally: *The insurance process itself is of a vital importance, but it is more significant that the insured case, never takes place.*

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