

A DIFFICULT YEAR FOR INSURANCE COMPANIES

# The Struggle Continues in 2010



**Branko Pavlovic, associate member of the Executive Board and Delta Generali Insurance licensed actuary**

By Danijela JOVANOVIĆ

**W**hen the crisis hits, people as a rule, first give up “what they can live without”. Thus, we have seen a significant decrease of non-mandatory insurance premiums in our insurance market, while the mandatory vehicle liability insurance premium is increasing. The insurance market in Serbia has a positive, albeit relatively slow trend, according to the National Bank of Serbia, which is in charge of monitoring the work of this part of the financial sector. Under the influence of the global financial crisis, total premiums in 2009 increased by

The percentage of non-life insurance still dominates, with a real increase in life insurance premiums. The crisis has lowered non-mandatory insurance premiums.

only 2,6%, to a total of 53,5 billion dinars. “Last year was rather difficult for all players on the insurance market in Serbia,” Branko Pavlovic, associate member of the Executive Board and Delta Generali Insurance licensed actuary told CorD. “In dinars, the total insurance premium increased minimally, from 52,2 to 53,5 billion dinars, while in reality the premium dropped due to the decrease in the value of the dinar during 2009.”

Life insurance premiums increased both nominally, in dinars, as well as realistically. “This is particularly encouraging in view of the low development level of this type of insurance in Serbia. The mandatory vehicle liability insurance premium also



increased, one of the reasons being the re-registration of a large number of vehicles with Montenegrin license plates,” Pavlovic said. “Comprehensive insurance premiums decreased the most, due to a significant drop in the sale of new vehicles, especially through leasing. An important fact for clients is that technical reserves of the entire market increased by over 17%, guaranteeing that insurance companies will be carrying out their obligations in the future.”

Pavlovic said that the position of the three leading insurance companies for non-life insurance has not changed, while in 2009, Delta Generali took the first position regarding life insurance. Despite the financial crisis, the Serbian market is still attractive for foreign investments into insurance companies. Thus, in 2009, two foreign companies were granted licenses to operate in Serbia.

Important provisions have been adopted to regulate business activities in the insur-

The number of insurance companies increased last year from 24 to 26, with a 4.9% decrease in the number of employees, to a total of 11,142



ance field during times of financial crisis. By the end of the year, all companies offering health insurance were obliged to get in line with the decree on voluntary health insurance. According to Pavlovic, the law on mandatory traffic insurance and the law on traffic safety, which came into power at the end of 2009, will have the strongest influence on further business activities.

### Expectations in 2010

According to the prevailing trend at the beginning of this year, 2010 will be no easier than last year.

“During the first trimester of 2010, the nominal upward trend of total premiums of around 2% on the entire insurance market from previous year continued, which implies a difficult year in the field of insurance, similar to the previous year,” Branko Pavlovic explains. “The growth rate of life insurance premiums during the first three

## COVERAGE

**T**echnical reserves of non-life insurance in 2009 were primarily covered by bank deposits - 27%, cash - 21%, state securities - 16%, claims for unearned premiums - 10% and stocks traded on the market - 8%. Technical reserves of life insurance were primarily invested into state securities - 72%, followed by bank deposits - 20%.

months halved compared to the growth rate from the previous year, when it increased by 24%.”

Despite everything, it appears that our market did not lose its attractiveness to foreign investment.

“We expect that new insurance companies will be established in the course of the year. One of the biggest European insurance companies is interested in starting a business in Serbia, probably by acquiring one or more domestic companies. Furthermore, one large Russian company announced it will be opening its insurance company in Serbia,” Pavlovic reveals.

The implementation of the law on traffic safety and mandatory traffic insurance has already started to yield results – through a decreased number of traffic accidents, and consequently a decreased number of damages claims. The provision of the “bonus-malus” system in mandatory vehicle liability insurance has been adopted. According to this provision, drivers who cause damages pay up to three times bigger insurance policies than careful drivers. The implementation of this system should increase the responsibility of drivers and further decrease the number of traffic accidents.

### Legal Amendments

“Amendments of tax provisions and the introduction of tax benefits in life and health insurance should take place by the end of this year,” Pavlovic says. “Considering the fact that life insurance is the driving force of the development of insurance market in developed countries, tax benefits are necessary if this insurance is to take its proper place in

Serbia as well. Life insurance is a combination of insurance against risk of death and long-term savings, thus tax benefits that enable premium growth, that is, growth of this type of long-term savings, will quickly bring profits to the state as well. Insurance companies must invest these funds in a conservative manner, so that the state can use these funds for future large infrastructure projects without taking further loans abroad.”

### Insurance in the Serbian Home

“According to data of the National Bank of Serbia, in the last year the number of beneficiaries of accident insurance was greater than the number of residents – which means that the average citizen most probably enjoyed this type of collective insurance,” Pavlovic says. “Each of the two million vehicles was subject to vehicle liability insurance, thus an average family enjoyed this insurance as well, while a certain number of families insured their houses and apartments against the risk of fire and other threats. The total number of policies reached almost four million items on the entire market – which means that every second citizen had one individual insurance policy. An average four-member family dedicated less than 300 euros to all types of commercial insurance last year. Pavlovic believes that the awareness of the need for insurance is still insufficiently developed in the average Serbian family, but he also says that positive trends are visible, which, accompanied by the subsiding of the financial crisis in our society, will bring about the development of this important field in the future. ■

## WE ARE LAGGING BEHIND

**T**he mild increase of the participation of life insurance in total premiums, from 12.2% to 14.7% in 2009, is still far from the average in the 27 EU member states, where this participation reached around 62% two years ago.