

Service sector in terms of changing environment

Global financial crisis – determination for development of life insurance in the Republic of Macedonia

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Abstract

All of our material goods and all we personally are very often threaten by possible misfortune events, which independent from our will or our intentional behavior could occur and demolish. Our personal properties are being demolished or damaged by natural forces, while accidents cripple or even bring death.

Life insurance, although with long history, has made its break through just in modern days, as a product of long development in which main development forces are the need for economic protection from risks, in one hand, and economic benefits from life insurance in other. Life insurance is an agreement in witch the insurance company obligates to pay certain amount of money (based on paid insurance amount) to an insured person (beneficiary) or person pointed by the insured person contingent beneficiary, in case of death or in case of reaching some age. Life insurance is applying to all insurances in which death in one or more persons brings a payment of agreed amount of money by the insurance company.

Life insurance includes all types of insurances which cover from risks for life or health of a person: life insurance, rent insurance, tontine insurance, additional insurance with life insurance, insurance from accidents, voluntarily pension insurance, voluntarily-private health insurance etc.

Life insurance has a central spot in insurance market. It is a specific form of insurance which successfully combines insurance and saving. Life insurance is specific financial activity, interesting not only for insurance company and insured person, but the whole economy and society in general.

Today, in modern trade terms of living and working, when global economy crisis is deeply eroding every economy, life insurance measures a light increase in global and domestic market in Macedonia. Life insurance in Macedonia from 2008 till today is constantly increasing. Life insurance in Macedonia in true sense of word is „immune“ on global economy and financial crisis.

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1. Introduction

Insurance market, as all the rest financial markets, for a long period are under influence of financial deregulation and liberalization. We are talking about the imperative of globalization in modern conditions of work and living as actual determinant of nearly all national economies in the world. The effects of this trend, boosted by the explosive development of the informatics technology can be seen in growing offer of wide range of modern financial products adjusted to the modern demand of the consumers, individual and companies.

The 2007 financial crisis is a product of decreasing liability of USA banking system. The result is total collapse of many financial institutions, constant government support on national banks and exchange market crush trough the world. In many places, real estate marked crashed, resulting in many evictions and prolonged vacations. Ma

ny experts consider this as the worst financial crisis since the Great depression in 1930's¹. It brought bankruptcy to the key businesses, decreases in spending availability measuring in trillions of US dollars, significant drop in economic activities and pushed the governments in to action. Many different measures were proposed by the experts. Market and regulating solutions were implemented, or are still in consideration, while they are still risks for the global economy for the period of 2010-2011. Although this period is referred as „The great recession“ this term has been used by many other recessions in the past decades.

In the middle of 2008, when the global financial crisis was threatening with all of its fierceness, there was a feeling that Macedonia not only wouldn't feel the effects of the global financial crisis but will make a profit out of it. This meaning was supported with the fact that Macedonian financial sector, banking sector and sector of insurance is not integrated enough in the world and that its liability is based on stabile sources (citizen and corporative sector deposits), so it can not lead to any serious disturbance in Macedonian economy.

But, one year later, the Republic of Macedonia was already experiencing the consequences of global financial crises and the country went into recession. According to the official preliminary data from the State statistics office, Macedonian GDP in the first two quarters of 2009 measured a drop of 0.9% and 1.4%.

World financial crisis was standing on the way of many projects. The number of foreign investments stayed on the minimum and many domestic investments were postponed for some better times. Large number of Macedonian citizens ended the year with fear for there jobs, questioning if they can be in condition to pay for the basic house needs, and a large number were troubling with credit debt's and credit cards minuses².

In developed countries, every reasonable person has a life insurance, while with us, that is still a luxury, about which hardly anyone thinks. Rarely anyone knows that life insurance policy is a kind of saving and investment of savings, because if there is no risk that is realized with damage effect to our lives, then, the money by the end of insured period can be used by insured person or some other person.

¹ Economy crisis (1929-1934) was crises of overproduction, over offer of goods and services and not enough demand. Than they used anti inflation measures in order to raise the money flow. The current crisis is financial because there is a too big amount of money flow and a shortage in supply of goods and services. Dealing with today's financial crisis requires a different approach in macro economy, approach to dynamic economy development and in the same time keeping the same money flow (Prof. D-r Tihomir Jovanovski - Sustina pricini posledici i razliki pomegu golemata ekonomska kriza na XX vek i segasnata svetska finansiska kriza, *Ekonomija i Biznis* br. 127.128 i 129 page 9-12, 11-13, 11-14, Skopje, 2008)

² www.tocka.mk/index12.php?ID=279

Experiences in other countries show that the increase in savings generated through life insurance and development of domestic capital market are firmly bonded.

Opposite to some countries in the region, where stagnation and down trend in life insurance development can be seen, in Rep. of Macedonia gross written premium life insurance has made a dramatic and repeating increase. In this year life insurance is continuing with its growth. While everything else is stagnating or in still position, life insurance companies still manage to keep up with the trend of constantly growing of gross written premium.

The innovation on the actual and development of new products has always been the basic force in insurance sector, still, their role in today's markets conditions additionally increases. While in constant pressure by the buyers of certain offer, insurance companies are forced to make changes in its own services and to intensify the development of new ones, just to stay equal in the changed market conditions. The most successful insurance companies will be the ones that will make the most innovative and new offer.

2. Financial crisis and the consequences on to global economy

The first reason for the financial crisis is the drop of the US real estate market, which has reached its down point around 2005-2006. The epidemic of canceling mortgages which has started in USA at the end of 2006 continued to drain wealth from the consumers and decreasing financial power of banking institutions³. Increase in lost liability to pay for debts and losing opportunity for other types of loans spread from real estate market to other economic sectors. Total losses are estimated in trillion of US dollars globally.

Today's crises, actually, is a process in three different stages, all in the context. We were witnessing on the spectacular crises on liability on 20th of October 2008, which was „by the book“ example of Keynes's „theory of liquidity preference“⁴ which was motivator for major state intervention. Liability crises is a result of global crises of financial system which focuses on general instability on sophisticated debts instruments, developed in the past ten years, throughout the process of turning depth into government bonds. But these financial crises also draw roots in the process of easy credit approval, which took place in the USA, but also in UK, Spain and Ireland.

There are a number of theories that if liability crisis continues, there may be a prolonged recession or worse. The development in crises caused fear in some circles for global economy collapse, although there are many consciousness optimists despite a number of reliable sources which stay pessimists. The financial crises probably will create the greatest bank quake from the former savings and borrowing disaster. On the 6th of October the Investment bank UBS said that in 2008 we would see a clear global recession, without the possibility of healing within the next two years. Three days later the economists from UBS announced „the beginning of the end“ of crisis, and the world started to implement the necessary measures to deal with the crises: government capital injections; system injection; decrease of credit interest rates in order to help the loan receivers. Great Britain has started a system injection and the state national banks are decreasing interest rates on credits. UBS has said that the USA should implement a system injection. They also said that this only deals with financial crisis and in economic terms this also means that „the worst is yet to come“. UBS has estimated the expected period of recession on 16th October: in EU should last for two quarters; in the USA three quarters and in GB should last for four

³ www.tradingeconomics.com/economis/interest-rate.aspx?Symbol=USD (11.03.2009)

⁴ Prof. D-r Ljubisha Adamovik: „Teorija megunarodne trgovine“, Institut za ekonomska istrazivanja, Beograd 1982, page 181

quarters. Financial crisis in Iceland has included all three major banks in the country. Compared with its size, Iceland has suffered the biggest bank collapse in the history of economy.

The experts think that, now that Italy and Spain are inside European debt crises, the European problem is much bigger than the risk of Greek bankruptcy. They think that as long as Europe doesn't come with a strategy for development and economy growth of periphery economies in EU, they will have problems with borrowing money with sustainable credit rates and that in particular with prolonging the crises of insolvency.

Financial crises will influence on the actual sector through different channels. The credit debt failure is most discussed because it is most spectacular. Nevertheless this will surely not be the only channel of influence. In many countries the price of capital (shares and real estate) has dropped significantly. This will have a big influence on the wealth effect. A big decrease in demand-offer, which is already obvious on the automobile market⁵⁵, and in the sector of construction, will increase the number of bankrupted companies. The unemployment rate which is growing in Spain and USA will grow everywhere, increasing in that way the insolvency of the families in places where the social privileges of unemployed are too low or too restrictive.

Special interest for us in the region is the fact that the currency value of the countries from Eastern Europe is dropping. The index, that is following prices of premiums which should be paid for insurance of government bonds issued by developing countries, has increased to the level of 2.14%, from their value, although these countries are not as near in debts as the European west. In what kind of serious condition is the region and what could be the consequences for us if European debt crises goes deeper, shows the recommendation from the respected Wall Street Bank „Morgan Stanley“, which advises investors to cut their currency positions in Eastern Europe banks in relation to other developing countries in Far East and Latin America countries. This clearly shows that the bank thinks the east European currencies, from which many are fixed with the euro (as MK denar, for example), will continue to drop along with euro, against US dollar and Swiss frank.

3. Determination for development of life insurance

Insurance as one of the factors of social reproduction is in relation with general economy and social movements in a country. There are determinants which apply for all types of insurances, but some only determine life insurance. Possibilities of developing life insurance can be viewed from two different directions, economic and organizational, demographic angle. In economic-social determinants mostly mentioned are GDP of the country, value of income standard, level of development of social insurance in the country, stability of domestic currency, the unemployment rate and size, age-sex structure of the population, family status. In the hierarchy of numerous factors, those from organizational nature take their place, and most important are the degree of organization in insurance institutions, good and bad experiences in the past periods, and business politics in insurance organizations.

The income of employees and population in general are the most relevant determinants in economic literature for life insurance. As we know, there is a tight positive correlation between the level of national income and the level of insurance development. The higher is the country development level the higher will be the life insurance level. Scientific knowledge, about the dynamics of life insurance development

⁵ In our country we have a drop of 30% which is in line with total decrease in automobile sales. Not like 2008, when we had record sales, the total has dropped by 60%. Main reason is the crisis, but big influence has the liberation of used car import. There is a serious decrease in amount of Leasing for 40%. There is simply not enough interest and the reason is crises and imports of used cars. Vreme 25.12.2010

and the movement of national income, show that the increase in marginal propensity to save is more pronounced than the increase in marginal propensity to consume. This claim has its relative meaning, considering that ability to save, that is life insurance, depends also from other factors from other nature which were mentioned earlier, monetary stability, organization of mechanism of the insurance, ect.

Although it hard to quantify these stands, its logical to presume, that observed through the prism of national income and standard of living, in our country, there is big opportunity for a constantly fast development of life insurance.

Sudden and constant development of life insurance in the world in general and particularly in developing countries, is a proof against the wrong opinion that agreed life insurance is element of small or none importance in society with well developed social insurance. If we start from the point that both insurances are with similar social causes, then it is understandable that the community must be very interested in such an institution.

In economic literature there is an opinion proved in practice, that there is big social need of both kinds of insurances. This stand is proved with the example of The Netherlands where along highly developed system of social insurance for: labor injury, old age pension, widow and orphan pension as insurance of unemployed. Although social insurance successfully functions in The Netherlands, starting from the end of WW 1 till today, life insurance is well developed.

In our country insurance is made in two basic forms: obligatory-social insurance through employment, and individual-voluntary insurance through insurance companies. If we assume that in some period social insurance develops in such high level that will cover all the needs from insurance, we think that even in those circumstances there will be enough space for existence of individual life insurance, considering the expected development of life standard on the base of growing economy development level in general.

Stability of national currency value in every national economy is and remains basis for development of life insurance. The inflation erodes financial savings of the population an as such is a negative factor when deciding how much of their income will spend and how much will give in insurance (savings).

The negative effect of inflation in its specific characteristics is present in developing countries. Because of that, these countries put big efforts in if not removal then softening the negative effect of inflation.

In conditions of noticeable instability of domestic currency, surprises the result that life insurance year after year continues in its growth path. There is no room for surprises, because in these conditions the consciousness of population is awakening regardless of age, sex and social status for securing peaceful future for personal as well as for family wellness by signing life insurance deals.

When we speak about life insurance determinants, it is thought that regardless of social politic system in countries, there are if not identical, some similar personal characteristics and goals from which depends the development of life insurance on quality and quantity scale.

Those characteristics are in front of everything: habits, ability to save, education, cultural level, type of occupation, age, marital status, as demographic factors from social or some other nature.

4. Today's conditions on the regional market of life insurance

Global economy has increased insignificantly in 2010 and is expected to be in more even growth throughout this year. According to analysts from „Swiss Re“, developed and countries in development are exposed to different development opportunities in these modern market conditions⁶. The life insurance market in developing countries is showing explosive growth, rather than market in developed

⁶ Swiss RE-Sigma Media Information 2010 Zurich

countries which is showing more modest growth, and this trend is expected to continue in the years to come. The effect of financial crisis are transferring in real sector, throughout shortage in capital and tighten borrowing conditions, reflecting from increased interest rates, shortened return periods and more selective approach in credit approval.

Insurance sector has its special place as a factor for economic development in every country. Insurance, and before all life insurance, is a significant factor for the stability of financial climate in an economy of the country.

The collected financial funds have their purpose and can be kept for certain period of time for fulfilling their actual purpose. With the fact that these funds are withdrawn from regular circulation effect, like decrease in the amount of money circulating in economy, calming the market turbulences and inflation movements⁷.

As an indicator for the importance of this economy branch in global economy, stands the fact that among the 500 largest companies (according on total income) 50 are insurance companies, while 8 out of 50 European largest companies are in insurance sector. Gross written premium on global level in 2007 was 4.061 billion US dollars, with 58.9% on life insurance, and in 2010 was 4.339 billion US dollars with a share of 58.1% on life insurance⁸.

In combination with unstable financial conditions and a dramatic change in competing surrounding many companies are faced with uncertain future. There are large number of economy theorists and field experts that are making efforts to predict the consequences from financial crisis on life insurance business. The insurance sector is strong and has good capital fundamentals for overcoming any possible difficulties in the period yet to come. Beside positive developments in the life insurance market in 2010, there are certain repercussions in the regional market, which start to recover, stabilize and awake from the global economy crisis.

Table 1. Insurance market in the region 2007-2010

000.000 Eura

| Country | 2007 premium | Index 2007/2006 | 2008 premium | Index 2008/2007 | 2009 premium | Index 2009/2008 | 2010 premium | Index 2010/2009 |
|-----------------|--------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|-----------------|
| Austria | 7.208 | 100,34% | 7.362 | 109,00% | 7.416 | 100,71% | 7.552 | 101,83% |
| Italy | 64.406 | 88,19% | 56.176 | 87,22% | 82.730 | 147,32% | 92.058 | 111,27% |
| Slovenia | 609,29 | 112,69% | 642,65 | 113,23% | 630,09 | 98% | 655,86 | 104,09% |
| Serbia | 62,34 | 124,39% | 77,55 | 145,25% | 86,71 | 111,71% | 92,13 | 118,67% |
| Monte Negro | 5,90 | / | 7,25 | 133,41% | 8,09 | 111,54% | 8,47 | 104,71% |
| Croatia | 338,43 | 114,46% | 343,78 | 109,63% | 341,40 | 98,72% | 332,56 | 98% |
| B&H | 27,87 | 136,17% | 33,71 | 120,93% | 35,51 | 105,34% | 38,09 | 107,25% |
| R. of Macedonia | 2,78 | 148,69% | 4,36 | 155,76% | 4,89 | 112,83% | 5,76 | 117,84% |

Source: Sigma, Swiss Re No. 3/2008, page 38 and Sigma, Swiss Re No. 2/2011, page 34

Unlike some countries from the region, where certain stagnation and down trend in life insurance development can be seen, in Republic of Macedonia as we show in the introduction the gross written premium (on life insurance) is measuring a growing increase, considering our circumstances. Italy, which stands high in world's rankings, sixth place in life insurance, with a share of 70% in the gross written premium, according to Table 1 is developing an uneven trend. For example, in 2008 compared to 2007

⁷ Prof. D-r Bratislav Milosevic: *Zivotno i zdravstveno osiguranje*, Fakultet za turizam i ugostiteljstvo, Ohrid 2010, page 51

⁸ Sigma Swiss Re No. 2/2011, page 7

measures a decrease in gross written premium for 12.78%. While Serbia, although at 81st place from a total of 88 countries, shows a progressive growth with every passing year, for example in 2010 has an increase of 18.7% or life insurance increase of 15.3% from gross written premiums.

According to the data in Table 1, the Republic of Macedonia is clearly a leader. From the analyzed period Macedonia has rarely seen high growth in life insurance, and the biggest is in 2010 of 17.8%, with relatively low share of 5.5% in gross written premium (on global level, in 2010 the share of life insurance in gross written premium is 59.6%, and on the European level for the same year this share is 40.4% (Japan share is 79.1%).

5. Life insurance in the Republic of Macedonia

In the Republic of Macedonia, as every other economy, life insurance has its own development dynamics, specificity in different periods and institutions of insurance⁹.

Opposite from the data in reports of European experts, from the field of economics, especially from financial sector, where financial crisis have made the deepest scars, it is my pleasure to point out that the annual statistic publications are claiming that in the Republic of Macedonia not everything is so bad, especially in life insurance sector.

Macedonian life insurance market, literally functions from April 2005. On 31 December 2010, there were 11 companies for non life insurance, 3 (4 if we include „QBE Macedonia“ which has only prolonged the life insurance agreements which were already signed) life insurance companies, 6 companies for insurance representation (one more than 2010) and 14 broker companies (two more than in 2010). The institutional progress was followed by annual rise in employment from 5.7% (total number of employees in the sector was 1 356 persons), and a higher level of development of „insurance industry“ which was measured through increase in gross written premium¹⁰.

The records undisputable show the continuum in growth on written premium on life insurance. (2010 is 17.8%) and the growth in the total share on gross written premium in the Republic of Macedonia.

According to the table records (table 2) it is evident that life insurance company „Grawe“ is permanently in dominant position on the life insurance market in the Republic of Macedonia with the score of 57.1% (in 2010).

Table 2. Gross written premium-life insurance for the period of 2006-2010

000 MK denars

| Insurance company | 2006 | 2007 | 2008 | Index 2008/2007 | 2009 | Index 2009/2008 | 2010 | Index 2010/2009 |
|---------------------|----------------|----------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|
| „QBE“ Macedonia | 72.227 | 52.629 | 32.849 | / | 22.049 | / | 14.876 | / |
| „Vardar“ Insurance | 43.472 | / | / | / | / | / | / | / |
| „Croacia“ Insurance | / | 49.148 | 91.237 | 185,63% | 113.436 | 124,33% | 137.098 | 120,86% |
| „Grawe“ Insurance | / | 69.424 | 142.584 | 205,00% | 165.332 | 115,95% | 202.533 | 122,50% |
| Total | 115.669 | 171.206 | 266.670 | 155,76% | 300.817 | 112,8% | 354.507 | 117,84% |

Source: - Insurance bulletin of the Republic of Macedonia, National insurance bureau 2006 and 2007

- Report for the amount and content of insurance companies, Insurance supervision agency, 2009, 2010 and 2011, Skopje.

⁹ Jovanovski D-r Tihomir: Ekonomika na osiguruvanjeto, Euro-Mak Kompani DOO, Skopje, 2005 god.

¹⁰ Written premium, Stipulated premium-Insurance premium on all contracts which insurance company has arranged in a period of time, in most cases annually or for shorter period for one deal or for one type of insurance. Because insurance policy is written document with time frame we use the term written premium. The amount in written premium is in any case bigger than the amount of invoiced premium for the same period, because some contract for various reasons never become effective. Prof. D-r Boris Marovic and D-r Nebojsa Zarkovic, Leksikon osiguranja, DDOR, Novi Sad, 2002.

The development level of life insurance, measured through level of density (gross written premium) is increased by 18.5%, while the index of insurance penetration (impact from gross written premium in GDP) in line comparison with 2009 didn't show any bigger change.

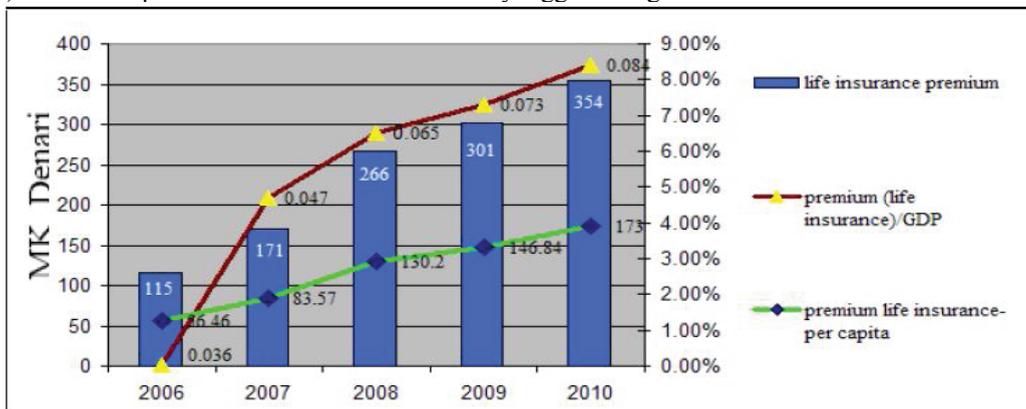


Figure 1 - Developing of insurance market

Source: - Annual report for insurance market developments in Republic of Macedonia in 2010, 2011; Skopje, page 6

- Personal calculations

The index of insurance penetration in the Republic of Macedonia (0.084%) was slightly lower from the one in our neighbor countries. The density degree was 173.00 denars (3 euros)¹¹, from gross written premium on life insurance per capita which still indicates on low level of insurance habits in the Republic of Macedonia. Next to the countries in the region, according to life insurance „per capita“ Macedonia is still in the last place. This records only show that Macedonia's great potential for grow and development in this sector of the financial system.

Opposite to the developments in some countries in the region, where stagnation and down trend in development of life insurance can be measured, in Macedonia number of gross written premiums was claiming. That is the case in this year also. Gross written premium in this segment has reached the higher growing relative rate (17.8% or 54 million denars), which comes from low starting point in insurance sector. The sector has the biggest potential for future development, especially because of the new perspectives which connects life insurance with credit offer from the banks, and appearance of new subject in life insurance services.

Very high concentration is one of the key characteristics of the Macedonia's life insurance market. Herfindahl index¹², calculated through gross written premium of life insurance is out of the normal concentration level, actually it is 4.775.71 for 2010. This index in 2007 was 3.406.7. In the next period we can rightfully expect a sudden change in market redistribution; at the end of 2010 **Life Vienna Insurance** Group SE¹³ received a license for life insurance. Supervision Agency has issued a new life

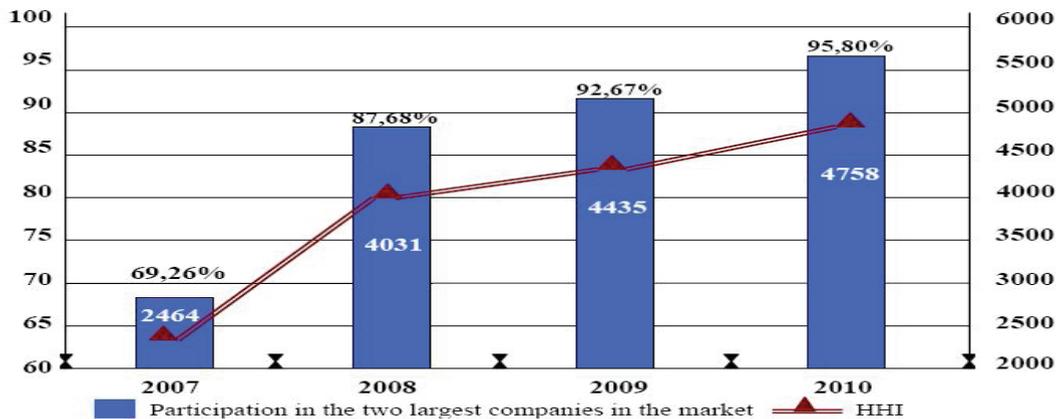
¹¹ The number of smokers in the Republic of Macedonia is increasing and it's estimated that 35% of total population are smokers, by Institute of labor medicine. The Macedonians are among most passionate smokers in the world, according to World Health Organization. At the moment Macedonia is on the second place for tobacco consumption per capita, and in front of us is only Poland. Macedonian citizens annually spend about 95 euro for tobacco so the claims that we are poor and we have no fond for insurance doesn't stand.

¹² Herfindahl index is calculated with $H = \sum_{i=1}^n s_i^2$

¹³ Vinner Life Vienna Insurance group received license for work in Macedonia. Officially started to work in 2011 Life insurance as basic for this company for over 180 years.

insurance license on 27.05.2011, for newly formed life insurance company „Uniqa Life“ Ltd. Skopje. „Sigal-Uniqa group Austria“ can be found as founder of the new life insurance company.

Chart 2 - Developing of insurance market



The number of sold life insurance policies is 26.930, from which „Grawe“ issues 15.399 policies, „Croacia“ 17.731 and the rest of the policies are from „QBE“ Macedonia. According by the official data from Insurance Supervision Agency of the Republic of Macedonia, total number of insurance contracts (life and non-life) is 1.100.612 from which 2.5% are for life insurance. Comparing to last year (2009) there is 18.5 larger sail.

Life insurance companies are still a successful part of relatively unsuccessful Macedonian story. While everything else is either in still position or in stagnation, life insurance companies somehow, manage to keep the trend year after year. How? That is the first question for economy analysts. In a situation when, price of the basic consumer basket rapidly goes up, the average income stays on 330 euros, when is harder to find employment than to hit the lottery jack pot¹⁴ we can only admire the Macedonians that they manage to pay for their life insurance which is voluntarily.

6. Life insurance market in the Republic of Macedonia – A survey

In order to understand the perception of population in the Republic of Macedonia toward life insurance we will analyze the survey made by students from Faculty of Tourism and Hospitality - Ohrid, Insurance section from the subject „Life and health insurance“. The survey took place 2009/2010 on 1.160 subjects from the Republic of Macedonia through direct interview¹⁵.

Majority of the subject were under 31years of age 534 subject or 46%, between 41 and 50 years of age were 255 subjects or 22% and 61 or older were 55 subjects or 5%. In case of marital status, 719 or 62%

¹⁴ According to survey of EBRD and the World Bank on over 38 thousand households in 29 different countries in Asia and developing countries as in 5 developed countries in Europe, from 37 countries Macedonia is on the 7 place when question is Has head of the family lost his job during recession 20.85 said yes, and worst is Azerbaijan, Uzbekistan, Moldova and Tajikistan. Subject from our neighbors said that less of their family heads lost their jobs. More frightening for us is answer to the question, has any other member lost his job, and here subjects from our country are has the greatest percent from 35 countries, 31.31% said yes. None other country has such bad score. Closest to us by term of losing jobs is Tajikistan where 26.52% from subjects had claimed that member of their family lost his job, Moldavia 27.88% and Uzbekistan 24.78%.

were married and 441 or 38% of the subject were single. Percentage of employed is 34.7% next to 65.3 unemployed.

Major conclusions from the survey were:

- Most of the subjects (85.2%) didn't have life insurance. Among the subject who already had life insurance 21.4% were insured in the past 2 to 3 years, 15.7% of the subjects were insured in the past 3 to 5 years and 20.7% of the subject had life insurance for the past 10 to 20 years;
- Very high part (47.9%), said that the main reason for signing new insurances was the uncertain future during new economic environment in the country, and finding life insurance as the only source for personal and existence of the family;
- There is a big part of the subjects with no insurance and won't think on the subject (85.6%). As the main reason for that decision is the shortage of money (55.8%);
- Among the rest of the reasons for not insuring, big part of the subjects (22.8%) says that they don't feel the need¹⁶ or they don't know why they don't insure themselves;
- Basic motivation for insuring is protection of personal health (35.6%), securing the family (27.5%) or saving for third person;
- Biggest part (31.7%) of the subjects can't decide from which company should be their life insurance;
- As most important information when determining the life insurance company are:
 - the amount of the premium and the terms of paying according to 38.2% of the subjects (monthly or annually),
 - rating of the company;
- Biggest part insured subjects (36%) want to settle their families, while 25.3% says that they like the advantages of insurance over classic bank saving;
- The biggest percent of all subjects in the survey 24.8 say that they have insurance from „Grawe“ insurance company;
- The biggest percent of subjects (29.7%) claim that TV and press is their main source of information about life insurance offer.
- Big part of subjects think that life insurance is of major importance for the family (77.4%) for the young (70.4%), for singles (62.4%) for the elderly people just before pension (56.3%).

Important quantity indicator available from this survey is that 14.8% of Macedonia's population has life insurance. It's hard to tell whether this information is valid or not, because of the relatively small number of interviewed subjects.

Still, we can verify that the number of insured persons in the last 4 years is constantly climbing. We can add that, in the last couple of years two foreign companies become present on the Macedonia's life insurance market (Croacia insurance and Grawe insurance and from 2011 Vinner and Uniqa), and that that is not the final number, especially in times when all of the other economic parameters show a negative trend.

Very interesting information and most promising is the one that says that from 85.2% uninsured subjects, 55.8% said that they don't have the funds for life insurance, 14.8% didn't had enough information, 14.3% are not interested in insurance while 13.9 claim other reasons.

The 44.2% of the subject that didn't mention lack of funds as reason for not insuring are a god potential where a good strategy can enlist many of them.

The Republic of Macedonia according to State Election Commission in the last election (05.06.2011), had 1.821.122 voters, which can be seen as future insured persons. Based on the percentage from the

¹⁵ The interviews were face to face in the homes of subjects, using paper and pen, the percent that agree to take part in the survey was 83.7%. In the families the choice was on the family member which birthday was first from the date of the interview.

¹⁶ Prof. D-r Nikola Masic: „Zivotno Osiguranje-Osnovni principi“, Profil International D.O.O., Zagreb

survey 85.2% or 1.551.596 citizens are without life insurance. If we neglect those who don't have money for insurance, we will be left with those who claim other reasons and those are 44.2% from 1.551.596 or 685.805 citizens. With an adequate strategy, all other reasons against insurance can be eliminated. From the potential insured citizens 14.8% or 229.636 claim that they don't have enough information about life insurance. From here we see that wise strategy of the insurance company is the main condition for increase in life insurance deals.

7. Conclusion

The Republic of Macedonia is a small country and small economy with liberated foreign trade, with annual level, around 100% of country's annual GDP. The economy relies on import which is twice bigger than export. As a result, trade deficit reached the level of over 25% from GDP in 2008 or around 2.5 billion US dollars. Trade deficit in the period January-December is 2.148 billion dollars. According to State Statistical Office, coverage of imports with exports is 60.6%. Global financial crisis has an impact on such transfers, which despite the drop in trade deficit maintain their previous level. These unfavorable tendencies made huge deficit on the current account from 14% of GDP in 2008. That way Macedonia has entered the economy recession, followed by worsen situation in external sector.

These tendencies continued with same pace in 2009. Main export sectors like: metallurgy, textile industry and agriculture products exports have taken the worst blow. These sectors, with sum share of 2/3 in total export, have decreased the export because of the drop in demand and price of the product. At the same time many of the sectors employees were left without their jobs.

Global financial crises influenced in decreasing the foreign direct investments (FDI), which were already on a low level. The level of FDI in the first half of 2009 is at very low point and according to predictions they won't reach more that 250-280 million dollars. The Republic of Macedonia is at next to last place on the Balkan according to the level of FDI, stays in the latest report of UNKTAD. Last year, the FDI was 293 million dollars, which is only higher from B&H where FDI was 63 million dollars.

According to State Statistical Office, industrial production in Macedonia has a decrease from 9.7% compared with 2008, compared with 2009 the decrease is 4.3% and compared with December of 2010 with the same month last year, industrial production has decreased by 7.7%.

The Republic of Macedonia is declared as „champion“ for unemployment according to EUROSTAD statistic agency. The agency says the unemployment in Macedonia from 2005 till today in 2010 is 32.3% and that these grow in unemployment has continued in the beginning of first quartile of this year reaching 33.6%. According to State Statistical Office, by World Bank criteria, 28.7% of the households are poor and the human poverty index is 9.2%.

Statements from the most distinguished Macedonian experts, that we are not going to be concerned with the troubles of the developed world, are shown to be inadequate, because as we can see we are after all, a part of that world and financial crisis did reach us.

With its direct effects, global financial crisis will leave deep consequences in the major global financial market and trade market players. Unlike developed, undeveloped and developing countries will feel the indirect effects on the financial sector, which will manifest throughout drop in liquidity, problems in the reforms of financial institutions and in real sector by slowing down the economy activities. The Republic of Macedonia is in this group with many years of transition period.

It is evident in the region that financial crisis had a big impact when it comes to life insurance market. Positive trend of growth for the period of 2003-2007 has stopped and even decreased. These conclusions are best felt in developed countries and opposite to that, in transition and developing countries where increase is „shy“ as in the Republic of Macedonia. Still, positive connotations on the global life insurance market in 2010 announce certain repercussions on the regional market which slowly but certain are

recovering from the global financial recession. From here, positive hopes from the world's experts can be for the region from which Macedonia is part too.

In the following period, there must be a process of focusing of the population and especially companies for life insurance on introduction of the need of life insurance. The need of life insurance can be represented as economic need, which means that its actual and real. From essential importance is to change the perception of the population about what life insurance is offering. Perception is slowly changing, but not with the desired speed. There are many reasons and one of the main reasons is that life insurance companies won't make any major investments in advertising in mediums or in public promotion of their products because of the long investment return period. „Break even“ in the life insurance sector is achieved after 6 or 7 years.

In this direction the government has its special role by a number of stimulation measures for the population, tax politic in the life insurance sector should be with emphasized benefits, with tax privileges.

The state has benefits because it uses the saved money for its own funding and doesn't have to borrow from abroad. This means that the economy is less dependent from foreign creditors, which strengthens its ratings. Also life insurance is shock absorber of social tensions, lowers the poverty level and improves the living standard of the population because of the guaranteed savings. Then life insurance policies can be used as a credit guarantee instrument, because for the banks it means that that can recollect their credits.

Life insurance market will have safe and stable future if predicted scenarios for European orientation, additional investments in infrastructures, further development of capital market, attracting foreign investments, raising the employment and continuing with pension and health system reforms are achieved.

From all the facts, we can see that this way of saving is the main pillar of every national economy and should be stimulated, just as governments in EU and in developed countries do.

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