

## **COMPARATIVE ANALYSIS OF THE LIFE INSURANCE IN THE REPUBLIC OF MACEDONIA AND THE REGION**

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**Abstract:** Inspired by the actual transition of the life insurance market “incited” by the financial crisis in The Republic of Macedonia, as well as the conditions in this sphere in the region and wider, in this work I would like to highlight the meaning of the life insurance in the developing countries and the already developed market economy.

In this work, i have made a descriptive-causal elaboration of the meaning of the life insurance, as a development factor for the economic-financial situation in one national economy. With the help of the empirical, analytical and comparative method, the place and the role of the life insurance will be analyzed and compared, in other words the life insurance companies and their causal successive connection with the fulfillment of the goals of the company.

The purpose of this research is to point out the fact that the life insurance and the insurance companies have a particular effect on the economic growth and development, in other words the overall welfare of one country.

The Republic of Macedonia and the countries in the Region in the period between 2008 and 2012, according to the data received from the accomplished life insurance premium are under the average of the European Union.

The life insurance, as it is today, is a product of a particularly long development process, where the significant importance from one side was the necessity for economical protection from the risks, and from the other side were the opportunities given from the insurance techniques.

Within the world framework, in the structure of the whole stipulated policy premium, life insurance takes part with a great 56.8%, while in the Region it is even higher, 60.4%. In the Republic of Macedonia in 2012 was 8.5%.

**Key words:** GDP per capita, Total Stipulated Policy Premium, Premium of Life Insurance, Penetration of The Life Insurance and Density of The Life Insurance

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## ***INTRODUCTION***

Catastrophes, accidents, fires and similar things are causes of great dangers for the man himself, which is why the society, from the beginning of its existence saw the need to protect its members, and the economic values that they have created.

The man was always prone to great number of dangers which endanger him and his property and was facing and is still facing them, nowadays in the era of developed science and technology, he is exposed to significant damages from dangers that occur every day. From that point, historically seen, he had been trying to protect himself in an appropriate way from the outcomes that may occur if any of these present dangers fulfill.

The life insurance is a base of the economic development of the country. There is no country which in its economic development does not consider it with great significance. It is wrong to apprehend life insurance solely as a simple mechanism which allows payment of the insured sum to those who had had suffered some kind of damage, from funds which have accumulated on the bases of charging interest from the great number of insured. That mediation function is more and more, less important in comparison to the other functions of the insurance, in other words the life insurance, which provides a complex union of necessary services for the economic activities and long term development.

Life insurance has an important role because with the insurance from the possible dangerous consequences, which can affect the health of the person and its property, he can provide financial and psychological security in one society. The protection of the individual in a society (its personality and its property), as well as the protection of the society in the economic sphere, are conditions for the survival itself and also for the progress, and that is the reason why the insurance of the population came into existence.

The financial stability as a function of the life insurance consists of insignificant amounts of premiums charged from the insured, accumulated in one place, where they receive a shape of large financial means. Those amounts paid as premium, if there was no such thing as insurance would have been left unused or would have been spent in non investment expenditure. By concentrating these means in funds of the insurance companies they are separated from the regular circulation, the national economy accomplishes significant effects with the reduction of the amount of money that is in circulation, and it also contributes to the conciliation of the market turbulences, in other words the occurrence of the inflationary movements.

In the past twenty years, life insurance in The Republic of Macedonia was diminishing. As opposed to the past years, nowadays it is slowly starting to penetrate in the market of insurances. Currently, in the area of The Republic of Macedonia life insurance has been serviced by four foreign companies, such as: Croatia life insurance, Grave insurance, UNIKALIFE AD and Wiener LIFE insurance.

Nowadays, in these complicated contemporary market conditions, it is of great importance to make a comparative analysis of The Republic of Macedonia and its surrounding, that is to say the region. Namely, Life insurance in The Republic of Macedonia is insubstantially developed because, considering all the development indicators it is under the average of development compared to the countries members

of the EU, as well as the surrounding countries. From that point, in order to acknowledge the position and the degree of development of the domicile life insurance, a comparative analysis has been made between The Republic of Macedonia and random chosen countries from the region (Italy, Austria, Slovenia, Croatia, Serbia, Bosnia and Herzegovina), considering the period between 2008 and 2012.

## ***LIFE INSURANCE IN THE REPUBLIC OF MACEDONIA***

In The Republic of Macedonia, same as in the other national economies, life insurance has its own dynamics of development, it has its own specific characteristics in different periods, and it has its own insurance institutions (Jovanovski,2005).

Contrary to the reviews of a great number of European experts who come from the area of economy, especially from the financial sector where the global financial crisis has left deep traces, it is my pleasure to highlight that this year's statistical publication (year 2013) denotes that in The Republic of Macedonia not everything is that pessimistic, especially in the area of life insurance. At the end of 2008, when the already started financial crisis threatened with all its fierceness, individual financial analysts in The Republic of Macedonia had the opinion that, „the present“ from the global financial crisis will not be felt and that even a significant prosperity will be made possible. That happened in the area of Life insurance in The Republic of Macedonia, where in 2012, compared to 2008, an increase which is more than double is noticeable.

Macedonian life insurance market, in the real sense of the word has been functioning since April 2005. On the 31<sup>st</sup> of December 2012, the insurance market in The Republic of Macedonia consisted of 11 companies for non life insurance, 4 (5, Qubi only updates the previously made contracts for life insurance) companies for life insurance, 8 companies for representation in the insurance and 23 insurance broker companies. The institutional advancement of the sector has been accompanied with an annual increase of employment of 4.6% (the total number of employees in the insurance companies at the end of 2011 was 1.419 people) and a higher degree of development of the “insurance industry”, shown by the growth of the total policy premium (5.1%).

The data persuasively show the continuous increase of the stipulated (policy) premium of the life insurance (year 2012, 20.3%) and also a continuous increase in the participation in the total stipulated (policy) premium of the insurance in The Republic of Macedonia.

According to the indexes from the chart display (Chart number 1) it is evident that the company for life insurance Grawe, for the period observed, permanently takes the dominant position in the market of life insurances in The Republic of Macedonia with high 44.4% (year 2012). Namely, the above mentioned company for life insurance notes a rapid increase of the insurance portfolio in the analyzed period for highly 186.1%. It is left to the future to persuade us in the rivalry with the other participants, which also in the past few years note a high increase from year to year, which is very praiseworthy.

According to the data from the annual report made by the Agency for Supervision of the Insurance in The Republic of Macedonia, life insurance companies, which had been present at the market in the period between 2008 and 2012, noticeably have increased the total premium. The companies from the area of life insurance in 2012 had

enchased a total premium in the amount of 9.726 thousand Euros, which shows an increase of 20.3% as opposed to the previous business year. It is inevitable to ask the question „How can this happen in The Republic of Macedonia, when the stipulated (policy) premium for life insurance in Europe and in the EU has noted a decrease in 2012; in Europe 12.02%, in EU it is even higher, 13.5%“.

in 000 Euros

| Insurance company   | 2009           | Index<br>2009/2008 | 2010           | Index<br>2010/2009 | 2011           | Index<br>2011/2010 | 2012           | Index<br>2012/2011 |
|---------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|
| QBE Macedonia       | 358.5          | /                  | 242.0          | /                  | 186.2          | /                  | 130.3          | /                  |
| Croatia Insurance   | 1,844.5        | 124.33%            | 2,229.2        | 120.86%            | 3,268.0        | 146.59%            | 3,964.2        | 121.30             |
| Grawe Insurance     | 2.688.3        | 115.95%            | 3,293.2        | 122.50%            | 3,973.5        | 120.66%            | 4,315.1        | 108.59             |
| Unica life AD       | /              | /                  | /              | /                  | 218.9          | /                  | 661.6          | 302.29             |
| Wiener Life – Viena | /              |                    |                |                    | 434.5          | /                  | 654.4          | 150.60             |
| <b>Total</b>        | <b>4,891.3</b> | <b>112.8%</b>      | <b>5,764.4</b> | <b>117.84%</b>     | <b>8,081.1</b> | <b>140.19%</b>     | <b>9,725.6</b> | <b>120.35%</b>     |

Figure 1: Total policy (stipulated) premium- life insurance for the period of 2009-2012

Source: The report for the capacity and the content of the work of the Insurance Companies, The Agency for Supervision of the insurance, 2009, 2010, 2011 and 2012, Skopje.

The degree of the development of the life insurance, measured through the degree of density (policy premium- life insurance per resident) annually has increased by 20.3%, while the degree of penetration (participation of the policy premium- life insurance in GDP) as opposed to 2011 hasn't noted significant changes (0.019 index points), Graph number 1.



Graph 1: Indicators of the development of the life insurance market

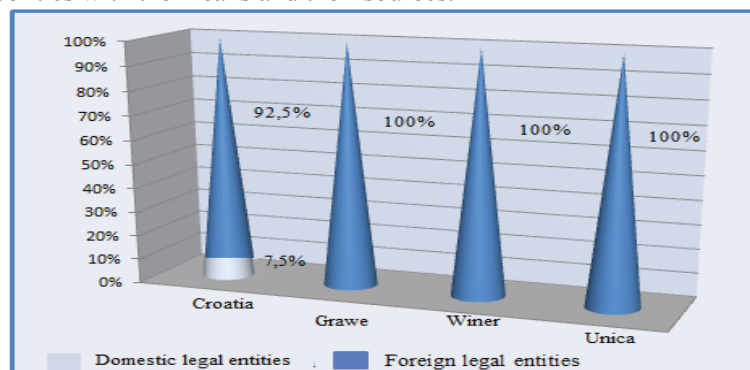
Source: - Annual report of the movements in the insurance market in The Republic of Macedonia in 2010, 2011 and 2012, Skopje, page 6-Personal calculations

The degree of penetration in The Republic of Macedonia (0.11%) was a little bit lower compared to the neighboring countries, the degree of density at the end of 2012 was 296.00 denars (4.8 Euros), the gross stipulated policy premium per resident, which indicates that the cultural level considering the insurance in The Republic of Macedonia is still low, although it notes a high increase of 20% compared to the previous year. The number of smokers in The Republic of Macedonia has risen and according to the estimations 35% from the total population in the country consumes tobacco, show the analyses presented by the Institute of labor medicine. Macedonians are among the most passionate smokers in the world, the analyses of the World Health Organization show. Currently Macedonia is on the second place in Europe in using tobacco per person, and Poland is the only country that is before us. People in The Republic of Macedonia, approximately spend 95 € on tobacco per year, which indicates that the „arguments“ that we are poor, that we do not have enough means for life and that we have more important things to spend our money on than insurance „do not wash“.

According to the analytical acknowledgements given in the Business Monitor International, in the following years, the indicator for density of the life insurance should continue with the trend of positive movement ([www.businessmonitor.com](http://www.businessmonitor.com)). Compared to the countries in the region, the degree of density of the life insurance in The Republic of Macedonia is at the lowest level. Such indicators show a greater potential for growth and development of this segment of the financial system.

The number of the life insurance policies sold (year 2012) is 6,971.00, where Grave has issued 1,882 policies, Croatia 3,731 policies, Wiener 509 and Unika 849.

During 2012 there was no prominent change in the structure of the ownership of the life insurance companies. The insurance companies are dominantly owned by foreign investors, and that is 98.1% of all the life insurance companies. Of all the foreign investors, foreign legal entities are also dominant in the area of non life insurance. In the last years in The Republic of Macedonia, rebranding of the domestic companies is also evident, using the name of the world known foreign companies. The trend of penetration of the foreign capital in the insurance business allows intensification of the competition, introduction of new products, regular and on time servicing of the damages and leading an effective management politics with the means and their sources.



Graph 2: Structure of the shareholders capital in 2012

Source: Report for the capacity and the content of the working of the Insurance Associations, The Agency for supervision of the insurance, 2012, Skopje, page 13

The life insurance insurers are still a successful part of the relatively unsuccessful Macedonian story. While everything around is on hold or in stagnation, the life insurance companies somehow manage to keep the pace from year to year, increasing the gross policy premium. How? That is the first question for the economic analysts. In a situation when the price of the essential food products increases enormously, and the average salary still stays 330 Euros, when it is harder to find a job than to win a lottery, the only thing left is to admire the people of The Republic of Macedonia who still manage to pay for their insurance, which on the other hand is not obligatory.

According to the data (research of the European bank for renewal and development (EBOR) and The World Bank (SB) performed on 38 thousand households in 29 developing countries in Central and Eastern Europe, Central Asia, as well as in 5 developed European countries), from all the 34 countries The Republic of Macedonia is positioned on the high 7<sup>th</sup> place when answering the question whether the head of the family has lost its job during the recession. 20.85% had answered positively; the worst answer was received from the people who were questioned in countries such as Azerbaijan, Turkey, Armenia, Uzbekistan, Moldavia and Tadjikistan. The surveyed from all our neighboring countries said that a lower percentage of the heads of the families had lost their jobs.

Even more dangerous for The Republic of Macedonia are the results received on the question: „Whether some other member from the family had lost its job during the recession?“. The people from our country had persuasively the biggest percent among all these 35 countries; the positive answer was received from 31.31%. None of these 35 countries had given such a bad answer on this question. The closest to us according to the answers on the question of losing the job of any of the family members during the recession are countries such as Tadjikistan, where 26.52% had said that the member of the family had lost the job, Moldavia (27.88%) and Uzbekistan (24.78%).

## ***CURRENT SITUATIONS ON THE LIFE INSURANCE MARKET IN THE REGION***

According to Swiss Re analysts, the developed countries and the countries in the development process are exposed to various possibilities of development in these complex contemporary market conditions (SWISS RE-Sigma Media Information, 2010). Namely, the market in the developing countries shows an explosive increase, while on the other hand the market in the developed countries notes more moderate increase which can also be expected in the following years. The effects from the financial crises overflow into the real sector, mainly through the shortage of capital and the sharpened conditions of debits which solely can be seen by the increased interest, shortened period for payment of the credits and the more rigorous selection while allowing the same ones.

The business of insurance has a special place as a factor for economic development in every country and it is a significant sector. The insurance, mainly, the life insurance is an important factor for the stability of the financial climate in the national economy. Namely, the financial means accumulated are means with purpose and are left for a longer or shorter time reserved to fulfill their function. By doing it, by



separating these means from the regular circulation, certain effects of lowering the quantity of the money in circulation are achieved, and that contributes to the calming of the market turbulences, in other words the occurrence of the inflationary movements (Milošević,2010).

As an indicator of the meaning of this economic activity in the world economy, is the fact that among 500 of the largest world companies, selected on the bases of the total income, there are 50 insurance companies, while eight insurers are among the world's top 50 companies. The total stipulated policy premium on the global bases in 2008 was 4.219 billion dollars, with 57.8% participation of the life insurance; in 2012 it was 4,612 billion dollars, with 56.8% participation of the life insurance in the structure of the total policy premium (Sigma Swiss Re,2013).

Before we start the analysis of the data from the chart above, only for illustration and better further comparison, we should mention that the gross domestic product (GDP) per resident in The Republic of Macedonia in 2012 had the level of 27.7% from the regional average, while in the 2008 the level was 22.8%. According to this relatively acceptable macroeconomic indicator for showing the level of the economic activity, that is to say the welfare in one national economy, Austria is on the highest level with 270% from the average of the observed region. At the same time, in Italy with highly developed life insurance (65% from the total insurance), the gross domestic product per resident was 183% from the average gross domestic product of the countries from the region. The Serbian Republic is on the level of 34% from the average of the region.

In a combination with the unstable financial conditions and dramatic change of the competitive surrounding, a number of companies are facing and extremely unpredictable future. A great number of theoreticians and experts from that practice are making great effort to predict the consequences of the financial crisis that can ruin the business in the area of life insurance. The insurance sector is strong and has a good capital base for overcoming of all the possible temptations in this period. However, the positive things in the global market of life insurance in 2012 have also particular repercussions on the market in the region, which slowly but safely revives and stabilizes from the global financial crisis that was present in the previous years.

| Country   | Italy    |          | Austria  |        | Slovenia |        | Croatia |        | Serbia |       | B&H    |        | Montenegro |       | R. Macedonia |        |  |
|---|----------|----------|----------|--------|----------|--------|---------|--------|--------|-------|--------|--------|------------|-------|--------------|--------|--|
|   | 2008     | 2012     | 2008     | 2012   | 2008     | 2012   | 2008    | 2012   | 2008   | 2012  | 2008   | 2012   | 2008       | 2012  | 2008         | 2012   |  |
| <b>Indicators</b>   |          |          |          |        |          |        |         |        |        |       |        |        |            |       |              |        |  |
| Gross domestic product (000,000,000 Euros)                      | 1.755,86 | 1.532,12 | 282,74   | 309,97 | 41,85    | 38,05  | 47,76   | 43,90  | 37,52  | 34,15 | 14,40  | 13,24  | 3,3        | 3,2   | 6,52         | 7,9    |  |
| Number of population in 000                                     | 59,464   | 59,464   | 8,121    | 8,121  | 2,019    | 2,019  | 4,284   | 4,284  | 7,121  | 7,121 | 4,499  | 4,499  | 625        | 625   | 2,022        | 2,022  |  |
| GDP per capita (euros)  | 29,528   | 25,765   | 34,816   | 38,169 | 20,728   | 18,846 | 11,148  | 10,247 | 5,269  | 4,796 | 3,201  | 2,943  | 5,280      | 5,188 | 3,224        | 3,907  |  |
| Total gross premium (000,000 Euros)                             | 107,064  | 112,250  | 18,149   | 16,305 | 2,261    | 2,002  | 1,494   | 1,208  | 713    | 542   | 232,00 | 258,25 | 60,58      | 66,89 | 105,27       | 114,04 |  |
| Life insurance premium (000,000 Euros)                          | 62,876   | 72,597   | 8,240    | 6,517  | 720      | 545    | 393     | 325    | 81     | 98    | 33,69  | 44,05  | 7,24       | 9,4   | 4,4          | 9,7    |  |
| Participation of the life insurance in the total insurance in % | 58,72    | 64,67    | 45,40    | 39,37  | 31,84    | 29,18  | 26,30   | 26,90  | 11,36  | 18,08 | 14,52  | 17,06  | 11,95      | 14,05 | 4,20         | 8,50   |  |
| Penetration of the life insurance (in GDP%)                     | 3,60     | 4,81     | 2,91     | 2,10   | 1,72     | 1,43   | 0,82    | 0,74   | 0,21   | 0,29  | 0,23   | 0,33   | 0,22       | 0,29  | 0,14         | 0,12   |  |
| Density of the life insurance in Euros                          | 1.057,38 | 1.220,86 | 1.014,65 | 802,49 | 356,61   | 269,93 | 91,74   | 75,86  | 11,37  | 13,76 | 7,49   | 9,79   | 11,63      | 15,04 | 2,18         | 4,80   |  |

Figure 2: Macroeconomic indicators in the Region

Source: Sigma, Swiss Re No 3/2008, page 38 and Sigma, Swiss Re No2/2011, page 34 and Swiss Re No3/2012, pages 38 and 39- Personal calculations and consultation with the number of available sources



Total stipulated policy premium on the world level in 2012 compared to 2008 notes an increase of 9.3%, while in the European range 12.02% decrease, as well as in EU a decrease of 11.5%; in our so called region the total policy insurance premium notes an increase of 2.05%.

Similar destiny has the stipulated policy premium in the life insurance, on the world level in 2012 compared to 2008 notes an increase of 7.5%, while in the European frame it is 9.8% decrease, as well as in EU, 13.5%, and in „our“ region the total policy premium for life insurance notes an increase of 10.8%.

Contrary to different countries in the region, where a particular stagnation can be noted and also a lowering tendency in the development of the life insurance, we mentioned in the introduction, in The Republic of Macedonia the gross stipulated policy premium (life insurance) continuously notes, taking into the consideration our conditions, remarkably large increase. Italy which is positioned really high on the world's chart, 7<sup>th</sup> place (year 2012) in the life insurance with achieved participation of 65% in the total gross policy premium, has been achieving uneven tendency, 11.2% decrease of the life insurance premium compared to 2011, although there was a high increase in the analyzed period, 15.5%. The participation in the life insurance market in the Region of Italy is particularly high with colossally 90.6%.

The second position, according to the participation in the life insurance market is reserved for Austria, but only 8.1%, further in the list is Slovenia with 0.7% and at the end is The Republic of Macedonia with 0.012%.

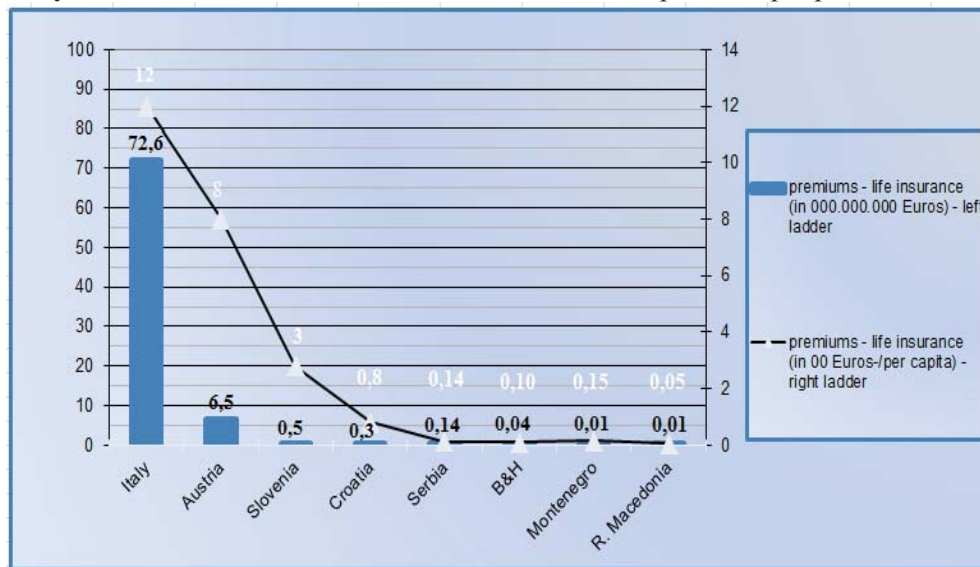
In the observed period The Republic of Serbia notes a rapid growth of the life insurance at highly 21%, although the total stipulated policy premium was decreased. Also, in the last years The Republic of Serbia is among the countries with relatively satisfactory presence of the life insurance in the total stipulated policy premium, 18% places it among the group of countries with intermediately developed life insurance. From the total of 28 registered insurance companies, 7 of them are for life insurance, which makes us optimistic for the future prosperity of the life insurance. Above, we mentioned that Italy is highly placed in the world list of life insurances; Serbia is on the 78<sup>th</sup> place from the 88 listed countries (Sigma, Swiss Re, 2013). The participation of The Republic of Serbia in the market of life insurances in the Region is with the insignificant 0.12%.

Quite interesting is the fact that Slovenia, which is a member of the European Union, in this period has achieved adverse trend in the life insurance as well as in the total premium. Differently, from 22 companies registered for insurance business, only 6 are engaged in life insurance. As we mentioned above, contrary to the countries members of the European Union where the ratio between the life insurance and non life insurance was 2:1, the structure of the insurance in The Republic of Slovenia is absolutely opposite; the participation of the life insurance in the total insurance in 2012 was 29.18%. Also, important significance have the indicators for comparison among the countries, the degree of penetration and the degree of density of the insurance; exactly in the period which has been analyzed they note stagnation, especially the participation of the life insurance premium in the GDP. This kind of dramatically adverse results rang The Republic of Slovenia on the 54 place on the world's list of life insurances, with participation in the life insurance market in the Region of 0.7%.

Croatia, as the newest member of the European family, is not in a position to positively acknowledge the previously elaborated indicators, which for us are relevant only from the area of life insurance business. From all the subject indicators for analysis

covered in the Chart number 2, Croatia, in 2012 notes decrees. From the total of 27 companies registered for insurance business, only 6 are life insurance companies. As if they had some kind of agreement with Slovenia, they have the same number of life insurance companies (our observation), which for countries with European orientation is dramatically low number. The participation of the life insurance in the total insurance is 26.9%. They hold the 64<sup>th</sup> place in the world's list, with the participation in the market for life insurances in the Region with 0.4%.

The numerated indicators (GDP, Population, GDP per capita, total policy premium, life insurance premium, the structure of the premium, the penetration of the life insurance and the density of the life insurance) are of particular value for each national economy for showing and realizing their own growth and as well as for the possible development perspectives. However, a number of analyses are possible from the chart and also comparisons with other national economies, even further, for example Europe, The European Union and in our case the Region. Namely, besides coming to particular conclusions from the life insurance premium analyzed, either in different periods in the scope of one national economy, or among the chosen countries, they are a good „barometer“ for the conditions of the overall economy and the comprehension of the density of the life insurance, in other words, life insurance premium per person.



Graph 3: Life insurance premium, also per person in the Region

Source: Personal calculations

According to the analyzed data, illustrated in the chart number 3, The Republic of Macedonia with the full right can be called a leader. Namely, in the analyzed period it notes rarely evident in other countries, high increase of life insurance, almost the highest in 2012, 20.3%, however, with a relatively low 8.5% participation in the total policy premium (on the world level for 2012 the participation of the life insurance in the overall gross policy premium is 56.86%, on the European level for that same year was 57.1%, while in Japan 80.2%).

## ***CONCLUSION***

In The Republic of Macedonia, the life insurance is not on the satisfactory level of development, the capacity of the insurance companies is low, and the means accumulated from the insurance are modest.

It is remarkable, the low level of life insurance of the population, as well as the types of insurance which are still not affirmed and are not in use yet. Contracts for insurance are concluded, solely for those well known types of insurances, which are basically with a high risk of damage occurrence, while the types that are not adequately presented to the potential insures, yet, are left uncovered.

The insurance, particularly the insurance of people, is in a close relationship with the situations in the economic and society life and suffers from all the oscillations connected to the economy in the wider sense of the word. Namely, it is proved that there is a close correlation between the growth of the gross domestic product and the expansion of the life insurance, with the increase of the gross domestic product per person, the rise of the premium is significantly higher than the rise of the gross domestic product per person and vice versa, by lowering the gross domestic product, the premium for life insurance falls. The field of working of each insurance company is conditioned unlimitedly, but then there is a need of use of standards of the loyal competition, and effective adjustment to the transitional rules and normative which are conditions for development of all the participants in the economic and the society sphere in The Republic of Macedonia.

The life insurance contract differs from the insurance of property, because there are no limitations on the sum insured, there are no sub insurances and above insurances, the accumulation of the damage and the insured sum are allowed.

Because the life insurance belongs in the insufficiently developed areas of insurance in our country, there was a need to separately explain the technique of conclusion of different contracts in this area, such as: contract for insurance of the life, contract for additional insurance from the consequences from an accident and insurance for personal lease. According to the existing law regulations and The Conditions for life insurance from several insurers, the specific characteristics connected with the drawing up of the offer, policy, the obligations of the contracted parties and the consequences for not fulfilling these obligations are stated.

The world's insurance market is facing a rapid growth initiated by the changed structure of the need for insurance, as well as from the enormous, catastrophic damages caused by new risks, which directly influence the structure of offer, that is to say, the insurance market.

When we discuss about the countries in the Region, new members of EU, the structure of their total premium indicates that there are large development capacities, especially in the area of life insurance, and by that on the guaranteed increase of the profit, which made the insurance market in those countries very attractive for the foreign insurance companies.

The meaning of the life insurance is especially evident in the developing countries, because it provides financial services and investment means on the market of the capital. Namely, this insurance provides, for the individuals as well as for the economy, two very important financial services. First, life insurance is a source of a

long term saving which can be invested in projects of public or private sector, where commonly that investment is performed through the market of capital and in that way the life insurance contributes to the development of the market of capital and for the growth of the gross domestic product. Second, the individuals, facing the rapid urbanization, mobility of the population and formalization of the economic relations among them, life insurance has gained an increased importance as a mean which will allow the individuals and also their families to manage the risk connected with income, in other words the family budget.

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.

The life insurance market in the Republic of Macedonia is among the group of markets which are in the process of development. As we have ascertained, it can be qualified as under developed market for life insurance, with the lowest number of insurance companies according to the number and per resident compared to the countries in the region. The percentage of participation of the life insurance in the total stipulated policy premium is low, 4.15% in 2008, and in 2012 with a particular increase of 8.5%. Besides the already mentioned negative attributes (developing market, small number of companies, and low participation in the total premium) life insurance is a significant potential for development. The experience from the countries which are in the developing process presents us the acknowledgement that for the development, for the expansion of the life insurance market time is an important factor, this sector can develop in conditions of stable and developed financial system.

In the following period, all the subjects (insurance companies, the insured, authorized people in the insurance, brokers, the Macedonian National Biro for Insurance in Macedonia, The Agency for Supervision of the Insurance of the Republic of Macedonia and the Government of the Republic of Macedonia) in this sphere should give a personal attribution towards the affirmation and arising of the role and the place of the life insurance:

- Special treatment of the life insurance given from the Government, the popularization of the same one, as it has been done with the third pension column.

- Reconciliation with the law life insurance regulative of the EU, with a special review on the tax treatment.

- Quantitative and qualitative enlargement of the insurance companies that offer life insurance, incorporating them in the so called Global Market.

- Development of new channels for sale.

- Coming closer to the potential customers.

- Extending the range of products.

- Affirmation and practicing of the corporate management.

- Creating conditions for healthy competition.

Taking into consideration the importance of the life insurance for the economic and financial development, the question arises „Which factors determinate the claim for life insurance in The Republic of Macedonia?“.

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.

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## ***THE IMPORTANCE OF FRANCHISING FOR DEVELOPMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES IN REPUBLIC OF SERBIA***

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**Abstract:** The subject of this paper is franchising, as a method of economic development and a new way of business in the domestic market. The aim of paper is to show, based on previous experience in applying of franchising in Republic of Serbia as a country in transition, the potential, unused areas, and the cause of not accepting franchising on a larger scale.

The paper will be applied the method of description, the method of explication, the method of content analysis, a method of comparison and methods of field research, with special emphasis on the impact of franchising at the development of small and medium-sized enterprises in Republic of Serbia.

Within the available material will be used research studies, publications, and official reports of European Franchising Federation, International Franchise Association, Centre for Franchising of Serbian Chamber of Commerce, Serbian Franchise Association, also as the other appropriate national and international literature.

**Key words:** Franchising, Advantages of Franchising, SMEs

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