

POSSIBILITIES FOR DEVELOPMENT OF LIFE INSURANCE MARKET IN SERBIA

Ivan Piljan³⁸
Bratislav Milosevic³⁹
Natasa Vujadin⁴⁰

Abstract: The sector of insurance has a significant influence on economic and trade development of every country. The Serbian market is in the group of developing markets with significant potential in the segment of life insurance first of all. The speed of growth of life insurance market in Serbia has been different and it showed great exposure to external and internal influences of various factors. One of the characteristic observations is that the citizens of Serbia do not have an adequate awareness of the significance, content and need of life insurance for solving social, health and financial problems in every individual's future. Domestic insurance sector is currently underdeveloped since it is currently under the average rate of development when compared to the states members of European Union and to the countries in the region. In order to achieve the wanted growth of life insurance market, an adequate marketing strategy has to be set in motion as well as certain political and market processes which will, along with the transition of the existing PDIF and health systems lead to higher level of citizen's perception of the need for life insurance.

Key words: Insurance, Life Insurance, Insurance Market, Serbia

JEL classification: G22

UDC 368.91(497.11)(082)

³⁸*Ivan Piljan, Faculty of Business Economics and Entrepreneurship, Belgrade, Serbia, piljanwvp@gmail.com*

³⁹*Bratislav Milosevic, Faculty of Tourism and Hospitality, Ohrid, Republic of Macedonia,
bratislavmilosevic@yahoo.com*

⁴⁰*Natasa Vujadin, Faculty of Business Economics and Entrepreneurship, Belgrade, Serbia, natasavujadin@gmail.com*

INTRODUCTION

Insurance companies as institutional investors are important participants in financial market, above all in the capital market. Their significance and activities reflect in securing the financial stability and strengthening the competition at financial market. In the future, insurance companies can easily take over the leading position of financial investors, because they deal with large amounts of capital (the amount is no longer measured in millions, but billions of Euros) which they invest in different segments of financial market. Observing the dynamics of world insurance development in the past ten years, we can see the growth of insurance share at the global market in respect to other financial institutions. World economic crisis, which has been influencing the entire world for the past couple of years, also came to the West Balkans and Serbia, country that is still in transition. Serbia did not feel the real domino effect of the world economic crisis, which was the cause of many bankruptcies of financial institutions in the world. Observing the dynamics of insurance development in Europe in the period from 2005 to 2010, we can see the increase of insurance companies share in relation to other financial institutions. Although the sector of insurance played an important role and gave support to other financial institutions, in the conditions of crisis and in the past two years it has not been isolated at the financial market but it felt the negative effects through decrease of capital and financial potential. According to the data from the beginning of 2010, published by Bloomberg, insurance sector had suffered the loss of 261 billion dollars in the conditions of economic crisis.

FACTORS WHICH INFLUENCE THE INSURANCE MARKET

Insurance market represents a very important segment in the financial sector and has a significant role in its development. The market is influenced by the string of factors which determine its growth and development. Factors can be divided in two groups. The first group includes the factors which cannot be influenced by the participants in the insurance market when deciding upon the development and growth strategy and the second group can include the factors which can be influenced, and through these we can influence growth and development of insurance market.

FACTORS OF GROWTH WHICH CANNOT BE INFLUENCED

Factors which cannot be influenced when deciding about the growth and development strategy when it comes to life insurance market in Serbia are:

1. The change of behavior of institutional systems: PDI fund, health insurance fund;
2. Gross domestic product;
3. Decrease of public expenses;
4. The change of responsibility perception and
5. Legal solutions and regulators.

The existing system of social and health care relies on socialistic, or better historical, Byzmark's model of generation solidarity, in which the employees give a part of their income, which is used to pay the pensions to retired people, cannot function any longer.

Byzmark's model of social and health care started at the end of 19th century in Germany by the decision of Chancellor to help working class in solving their health problems, accident insurance and getting pensions. Model is based on the principle of 8 working people and only one getting pension. From then until today that model lives in most of European and other countries where the number of people who work is much larger than those that are retired. That picture started changing drastically at the end of 20th century, and in the first decade of 21st century it culminated by the fact that the unemployment rate is growing in underdeveloped countries, and when we speak about Serbia these data are discouraging. The latest reports tell us that the relation of employed people and pensioners is 1,16:1 (<http://webrzs.stat.gov.rs/axd/index.php>).

In this way model collapsed on its own, that is, very soon it will not be possible to do the transfer of means to the pensioners, because the number of retired people will become larger, and the income will not cover all expenses which this system brings. Because of this, activities of the three financial pillars which solve this crisis started in Europe and surrounding countries.

The first pillar, would represent the investments in already existing fund and system of generation solidarity, which means obligatory setting aside of means which should be reduced from 22%, as it is in Serbia today, to 15%.

The second pillar of financial security should be represented by voluntary pension funds which would be established by banks, insurance companies and other institutions and which would be managed in a way that transferred means would enhance and in that way citizens would also have a certain gain. The suggested and used percentage would be around 5%. In the neighboring countries (Croatia, Slovenia, Slovakia, Hungary) this model was adopted as obligatory by the state, that is, the companies had to give 5% of incomes to these funds, but the employee alone decided which fund he or she wants the means to go to. Unfortunately, this model and these funds had their collapse in 2009 when the world economic crisis came, because the largest amount of means was invested in bonds and funds whose value dramatically collapsed at the market of securities in 2008 and 2009.

The third financial pillar should represent voluntary savings for pension where the best form of investment are mixed life insurances which have a character of savings and where insurance company manages portfolio of life insurance investing the insurance premiums in various sources making the dispersion of risk according to the existing models.

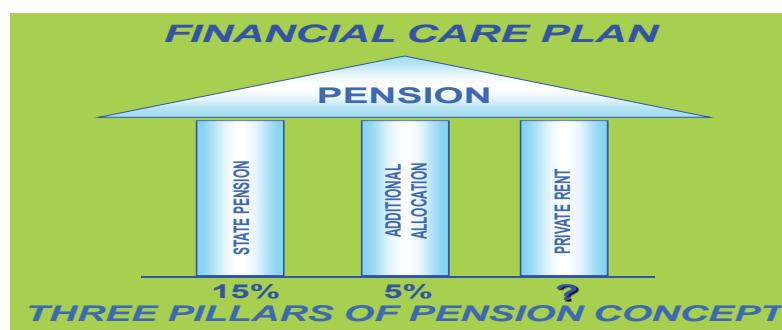


Figure 1: Graph of the model

The down side of this model is the fact that insurance companies in this moment can very little or can not at all influence the transition in this direction; regardless of the little increase in influence that life insurance has in the overall insurance market. In developed countries the share of life in relation to non-life insurances is 60:40 in the favor of life insurance, and in Serbia 31.12.2010 the relation was 83,5:16,5 in favor of non-life insurance. The situation of Health insurance fund is worse, because the medical care, diagnostic and treatment expenses are dramatically increasing because of introducing and using the sophisticated ways of treatment, so soon, the statement that health care is free will become fiction because treatment is not free and it will no longer be available to everyone. The situation is specifically complicated in the urban areas where according to unofficial health insurance data 40% of population does not have health insurance.

The existing health system in Serbia is additionally burdened by law. We could also find a part of the answer in cooperation with insurance companies and private health practice, but for now the feeling for the possible cooperation is underdeveloped, even though it is inevitable.

The second factor, which we cannot influence, is GDP per capita which, among other things, shows capability of population to participate in solving their own social and health problems. Data for 2010 say that the GDP in Serbia was 43.6 billion USD. In 2009 was 42.9 billion USD, which is a growth of 3% in relation to 2009 (<http://webrzs.stat.gov.rs/axd/index.php>).

Table 1: GDP in Serbia in past 10 years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP in billions USD	8.7	11.5	15.3	19.8	23.8	25.3	29.7	39.9	49.3	42.9	43.6
Growth of GDP in %	4.5	4.8	4.2	2.5	8.2	6.0	5.6	7.1	5.6	-4.0	1.9
GDP per capita USD	1,160	1,536	2,036	2,640	3,186	3,408	4,009	5,387	6,685	5,808	5,898
GDP per capita USD	5,713	6,177	6,512	6,857	7,638	8,357	9,141	10,071	10,821	10,635	10,897

Source: www.nbs.rs

To which extent it influences the life insurance market, is best shown by the data of the share of insurance premiums in GDP in dominant countries in the world and in the countries in the region (the first 6 countries are ranked according to the size of

GDP) (Swiss Re ,2012) we can see this in table 2. Table shows that the leading countries are the following UK with 8.9%, Japan with 8.17%, France with 7.43 %, and then US with 3.50% and China with 2.51%. From the table we can see that Serbia and the former Yugoslav republics are at the very bottom according to the share of insurance premiums in GDP.

This little share of life insurance in GDP in former Yugoslav republics clearly shows that this factor can be influenced, which means that by developing the awareness of the significance of life insurance for increase of GDP is not at the satisfactory level. Of course this segment hides the great potential which can be adequately used.

Table 2: First 6 states are ranked according to the level of GDP

2010 god.					
State	Population in millions	GDP in USD billions	GDP real change (in %)	Life insurance premium per capita in USD	Life insurance premium in % GDP
USA	310.2	14,490	3.0	1,633.3	3.50
China	1355.2	5,708	10.5	105.5	2.51
Japan	127	5,485	2.5	3,529.9	8.17
Germany	81.8	3,278	3.5	1,391.9	3.47
France	64.9	2,561	1.4	2,930.3	7.43
UK	62.2	2,255	1.2	3,223.3	8.90
Austria	8.4	380	2.4	1,194.1	2.64
Croatia	4.4	61	-1.2	100.8	0.73
Slovenia	2.1	47	1.2	423.9	1.84
Serbia	7.3	40	1.8	15.2	0.28

Source: Sigma Word insurance in 2010, No 2/2011, January 2012

The third factor that cannot be influenced is decrease of public expenses. These indicators, when it comes to Serbia, are maybe the worst. Public expenses are costs or the expenses of public sector. They comprise budget, fund and other non budget public expenses. The data about public expenses, that refer to budget and non-budget fund expenses in Serbia, are so far published only by the National Bank of Serbia.

The fourth factor that cannot be influenced is the change of perception of responsibility of population. This sociological phenomenon disappeared under the influence of almost 50 years of socialistic way of management and thinking about strategic decisions. The average Serbian citizen considers that the state is completely responsible for his or her health, social and financial care. This perception has been changing slowly, but very painfully. Middle class, which used to be the generator of new value, has disappeared and turned into two polarized groups of people.

UNDP reports for 2010 said that around 40% of population in Serbia is at the edge of poverty, which is defeating data for growth and development of life insurance market. But the situation in which, according to unofficial estimates, only 3% of people in Serbia has the life insurance policy, has enormous potential. The problem of responsibility perception is the one where one has to decide about his or her destiny on his own (or at least in the family circle) and it requires heavy investments in media advertising that would emphasize the importance of this segment. Besides this changes must happen in the law regulations which will influence the favorable surroundings and by that the favorable atmosphere for this kind of investments in one's own future.

The fifth factor is already partially mentioned in the discussion about the factor of change of perception of citizens' responsibility. Namely, without the positive law solutions in this area, one cannot expect fast growth and development of this segment of insurance.

The state has to set in motion the process of transition of PDI funds and health insurance; it has to provide incentives which will direct people towards taking responsibility for their own future. But this is the process that requires painful cuts which always have broader political implications, which in this country often represents the slowing factor for reaching any kind of strategic decisions and changes. Still, it is clear that this is an inevitable process which has to happen because it is one of the standards, which is set in front of Serbia by European Union in the process of joining it, the increase of the share of life insurance in total insurance premium, that is, the increase of number of people which will by this act remove the part of the responsibility off the state for their own future

FACTORS OF GROWTH WHICH CAN BE INFLUENCED – MARKETING DEVELOPMENT

Factors which can be influenced on in defining the strategy of growth and development of life insurance market in Serbia are connected to the acceptance of marketing strategy as business philosophy of insurance companies that deal with this kind of service. What characterizes the marketing of financial services is huge competition in this segment which results in constant globalization process worldwide, process of developing companies, groups or systems by their enlargement through purchases, joinings, partnerships and mutual operations on global and local markets. In this respect, Serbia can be characterized as a market dominated by financial services which offer companies that are in ownership of foreign corporations, concerns, groups and joinings.

So, for example, 5 leading bank groups (Unicredit group, Raiffeisen group, Hypo group, Intesa Sanpaolo group and NLB group) hold 80% of bank market in Serbia (NBS,2011).

The situation is very similar in the segment of leasing companies, insurance companies, investment funds and broker houses in Serbia.

The second segment that we wish to turn to in this paper is life insurance market in the world, Europe, the closest surroundings and finally in Serbia. Life insurance has become an essential segment in the world, when it comes to social protection and financial status of citizens, especially later in life. As developed countries realized the significance and the need of this kind of insurance, they started stimulating it by law

and other measures, so this kind of insurance had a constant growth in the last 10 years, and in some regions even an explosive growth. Moving force of these insurances lies in the fact that the life insurance premium can be connected to savings and thus one can create the fund of means which can be invested in the long term in development of economy of any country. These accumulated means, under the state's guarantee, are then directed towards development of infrastructure, employment and development of production, and in the end they bring the profit which is in many cases much larger than the profit from any other financial investments. In the following tables we can see the motion of life insurance premiums in 6 most developed countries and in some countries in the region.

Table 3: Motion of the life insurance premiums in 6 most developed countries and countries in the region in US dollars

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Market share in the world in % 2010
USA	443,413	480,452	481,527	494,818	499,112	533,649	579,215	578,211	501,675	506,709	20.21%
JAPAN	356,731	354,553	371,831	386,839	378,729	362,766	297,040	367,112	413,536	448,206	17.87%
CHINA	15,556	25,054	33,093	35,407	39,604	45,092	58,673	95,831	109,175	142,999	5.70%
GREAT BRITAIN	153,753	159,656	161,220	189,591	231,032	311,691	423,743	342,759	216,719	200,571	8.00%
FRANCE	75,676	80,411	103,947	128,813	150,472	177,902	189,626	181,146	193,950	193,133	7.70%
GERMANY	55,623	60,860	76,246	84,535	90,225	94,911	102,084	111,278	115,290	122,063	4.87%
AUSTRIA	5,162	5,321	6,469	7,695	8,854	9,018	9,874	10,831	10,335	10,013	0.40%
SLOVENIA	203	252	344	531	578	678	835	946	879	870	0.03%
CROATIA	111	146	201	260	319	373	463	515	471	447	0.02%
SERBIA	2	4	15	34	47	57	79	114	108	111	0.00%
THE WHOLE WORLD	1,445,776	1,536,122	1,682,743	1,848,688	2,003,557	2,209,317	2,441,823	2,490,421	2,367,419	2,507,715	

Source: Sigma Word insurance in 2010, No 2/2011, January 2012

We can notice that a very important thing, the first 6 most developed countries (from the greatness of GDP point of view) comprise 64.35% of total world life insurance market.

Europe took the leading position in total markets with 38.10% of world market share in relation to Asia with 34.23% and North America with 22.21% world market share. The markets in the countries in the region (Austria, Slovenia, and Croatia) are growing in the past 10 years extremely fast, while the countries in transition become larger and stronger factor in total life insurance segment. People's Republic China is

for example from the 20th place on the list in 1999 became the 6th country according to the amount of premiums in 2008. Former Yugoslav Republics had a two digit and three digit growth in the last 10 years. (Serbia with less than 1 million USD in 2000 came to 111 million USD in 2010).

WHY IS ALL THIS IMPORTANT FOR US IN SERBIA?

Having in mind the fact that Serbia wants and can enter European Union, these processes are inevitable part of that future economic growth. Life insurances have a clear function of social, health and financial protection of citizens so in this moment there is no adequate alternative. Besides this, the process of globalization, which we talked about, put the financial sector in Serbia in the hands of Austrian and Italian financial groups, so it is logical that we can expect the quality and the content of the offer to be similar to the ones in these countries.

Austria, for example, with its 8 million people had life insurance premiums in 2010 at the level of 2.64% share in total GDP. Austrian insurance companies in Serbia in 2010 had over 92.5% life insurance premiums (61.1% non-life insurance premiums, 66.7% in total assets and 65.6% in employees' number).

The existing trends in the last 10 years show that in the life insurance market, along with the good strategy, we can expect explosive growth in the 10 year's period to come. Even this incredible economic crisis, which hit the world's financial order in 2009, was least felt in the sector of life insurance. Some countries in transition (Poland, Slovakia, Baltic countries) even had a growth in 2009. For all of this of countries had to have adequate strategies. Not having in mind the macroeconomic factors of the development strategy of these countries, we can mention few important elements from the point of view of marketing strategies:

- a) Bank-oriented financial systems, where the bank dominated with the function of gathering savings deposits, have been transformed in market-oriented financial systems with emphasized function of offer of other financial intermediaries such as insurance companies, pension and investment funds.
- b) One of the marks of modern financial systems is a process of clustering in which financial conglomerate can be found most often, as well as institutional form of ownership and market connections (bank dominates the conglomerate most often, also the insurance companies, leasing companies, funds etc.)
- c) Most countries had the pension systems reform in a way that boosted life insurance and offered it as an alternative which is taken care of by citizens voluntarily.
- d) Informational technology, with its incredible advancement, influenced the creation and the usage of life insurance through optimization and reduction of expenses in sales channels which are based on the usage of new technologies (MLM sales systems, direct sale through internet, SMS communication etc)
- e) Sales of life insurance developed from the agency distribution to multi-distribution systems which comprise using broker distributions, direct distributions through own sales network, mass marketing (classic mail and e-mail) as well as bank insurance as the latest in the distribution chain of life insurance products.

All this points out that marketing strategy in the segments of life insurance in the past 10 years has significantly changed, but that the absence of the strategy does not provide any growth or generating of revenue for insurance companies.

LIFE INSURANCE IN SERBIA

Life insurance market in Serbia has a tendency of constant, but uneven growth. For example in 2005 life insurance market boosted, because in that year NBS had many activities in the following areas: stabilization of insurance sector, removal from the insurance companies market, which jeopardized or could jeopardize the means of insurance by its inadequate business operations and improvement in sales network quality, strengthening of corporate management and transparency of insurance companies operations, regaining the public's trust in the sector of insurance. Sector of insurance is significantly stabilized, the sales network quality is improved and supervision of company's business operations is established.

This shows that the life insurance market growth depends on the general condition of economy in a certain period. The greatest danger lies in the fact that the GDP growth and the budget expenses are under direct influence of factors over which the market has no control.

The following table shows a few significant facts which determine the growth and development of life insurance in Serbia.

*Table 4: Life insurance premium in Serbia in billions of dinars
the share in the total premium and growth percentage*

Statistical year	Life insurance premium in billions of dinars	Percentage in total insurance premium	Percentage of growth in relation to the previous year
2004	1.21	4.8%	n.a.
2005	3.30	9.5%	172.73%
2006	4.44	11.6%	34.55%
2007	4.93	11.0%	11.04%
2008	6.37	12.2%	29.21%
2009	7.86	14.7%	23.39%
2010	9.49	16.8%	20.74%
2011	9.97	17.4%	5.06%

Source: NBS, Sector of insurance in Serbia, reports from 2004 to 2011

According to the data, the reduction of the budget in Serbian government will have consequences like the reduction of consumer budget. The consumption is also at loss when we consider the great unemployment rate, difficult access to loans, and lowered remittance which happened in the years of great economic crisis in 2008 and 2009. Slow and moderate recovery is expected in the following years. Economic growth before 2008 was encouraged by foreign capital, with strong foreign direct investments and consumer loans from foreign banks. As the global

liquidity problem grew, it influenced investments and private consumption and it slowed the economic growth between 2008 and 2009.

The growth of GDP fell from 5.4% to -4.0% in Serbia. The government's budgets were damaged because of the lower amount of export and lower payment of taxes, which led to decreased consumption. Serbia got the money from IMF in 2009 as a part of stand-by agreement. However, IMF requested enhanced measures before giving the money, with the reductions in social expenses and pensions in 2011.

It is logical for this kind of turbulences to have implication of reducing finance, which affects the weak consumer incomes:

—Between 2008 and 2009 the unemployment rate (% of economically active population) rose from 13.6% to 16.1% in Serbia;

—Consumer confidence was very low between 2008 and 2009, real year income per capita decreased by 4.8% in Serbia;

—Increase in demand in public sector for loans and stricter lending of money, excluded the consumer loan as a safety net for consumption;

—Since the consumption became a strong booster of growth in the Balkans in the last few years, its weakening will contribute to weaker economic growth. Private consumer expenses in 2009 were 71.9% GDP in Serbia.

What is the perspective like if the situation, caused by world economic crisis, is very complicated?

Consumer demand in Balkans will continue to suffer while the unemployment is growing. It is expected that the consumer expenses per capita will decrease by 2.0% in Serbia. The governments, having an obligation to decrease budget deficit, will aim for business surroundings; Serbia wants to strengthen the banks through giving the interest subsidy and loans. Weak consumer demand will continue to influence the economic growth but a modest recovery is expected in the following years.

In order to realize the perspective of the overall life insurance market we have to point out certain indicators and trends. Let us look at the following tables and graphs.

Table 5: Data on insurance companies in Serbia in the period from 2005 to 2011

Balance sheet in millions of dinars							
	2005	2006	2007	2008	2009	2010	2011
AMS	859	1,002	1,399	1,739	2,261	2,485	2,511
AS insurance				489	922	1,386	1,155
Alico a.d.o.					278	385	
Axa Non-life							722
Axa Life						485	622
Basler Non-life			391	378	361	798	812
Basler Life			247	258	253	437	422
Credit Agricol Life			212	313	425		
DDOR	10,09	13,18	14,42	15,28	15,49	16,819	16,706
DDOR Re					480	1,389	1,475
Delta Generali	3,578	5,033	8,061	10,33	13,70	17,144	20,180
Delta Re	664	1,023	803	684	1,605	1,653	1,942
Dunav	16,33	19,74	20,22	23,80	24,18	25,509	26,551
Dunav Re	1,250	1,667	1,800	2,361	2,497	3,001	3,256
Energoprojekt	357	434	572	806	911	1,127	925
Globus	775	1,504	2,220	862	1,163	1,273	1,035
Grawe	1,776	2,214	3,878	5,103	7,000	9,097	10,051
METLIFE							481
Merkur Insurance			259	347	486	741	942
Milenijum	719	898	1,087	1,257	1,477	1,627	1,816
Sava Non-life		1,083	1,555	1,887	2,353	2,793	2,608
Sava Life				308	303	267	271
Societe Generale					335	282	395
Takovo	1,274	1,871	2,239	2,674	3,307	3,908	4,073
Triglav (Kopaonik)	1,711	1,487	1,750	2,333	2,684	3,208	3,585
Uniqa Non-life		1,961	1,359	3,032	3,571	4,087	4,365
Uniqa ado			2,594	2,587	2,729	3,282	3,504
Wiener	2,360	2,966	5,542	7,291	9,361	11,634	12,916
Wiener Re				449	1,087	2,298	2,353
The rest	4,943			230			
	46,70	56,06	70,62	84,80	99,23	117,11	125,67

Source: NBS, Insurance sector in Serbia, reports from 2004 to 2011

Table 6: Summary according to ownership structure of insurance companies in Serbia in the period from 2005 to 2011

Balance sheet in millions of dinars							
	2005	2006	2007	2008	2009	2010	2011
Domestic	39,47	39,40	42,885	47,761	49,822	54,122	55,057
Total share in %	84.5	70.3	60.7%	56.3%	50.2%	46.2%	43.8%
Foreign	7,230	16,66	27,738	37,047	49,414	62,993	70,617
Total share in %	15.5	29.7	39.3%	43.7%	49.8%	53.8%	56.2%
Austrian	4,136	5,180	12,273	15,777	20,663	27,052	29,766
Total share in %	8.9%	9.2%	17.4%	18.6%	20.8%	23.1%	23.7%

Source: NBS, Insurance sector in Serbia, reports from 2004 to 2011

The previous table shows a few very important facts:

Austrian insurance companies ((Merkur, Grawe, Uniqa and Wiener) significantly participate in overall insurance market, with a constant growth tendency. Each of these companies constantly grows with the life insurance premium where Merkur and Uniqa have an explosive growth. It is obvious that in these companies there is a marketing strategy of growth and development of this market segment, unlike the others which have the leading position in total premium (but based on non-life insurance) like DDOR, Dunav and DELTA GENERALI insurance.

These factors in correlation to the trends in life insurance in the broader region and the world, together with the condition of light but steady recovery of world financial and economic market, emphasize the importance of development marketing strategy for safe and stable life insurance market growth.

Competition in the market led to increased media presence of insurance companies as well as the increased communication with the state in the sphere of raising awareness of citizens about the need for life insurance as one of the pillars of pension and health systems reform. It all together implies the change of approach to the insured, that is, the potential client. Here marketing strategy is a significant qualitative progress which also brings the progress in quantitative respect (through the growth of life insurance market).

The most usual obstacles are: organized resistance, slow learning and fast forgetting. In some departments in companies it is believed that the stronger function of marketing makes their strength weaker (especially in finance, production or research and development). We can move the thinking that marketing is equally important function as others in a company to the thinking that it is the most important function in a company, because the client is the center of interest of company. With life insurance as a service this is perhaps emphasized the most.

THE POSSIBILITY OF LIFE INSURANCE MARKET DEVELOPMENT - CASE STUDY

For the needs of this paper the research on the sample of 500 people on the entire territory of Serbia was done. Methodology used is the survey done by the telephone according to the CATI model. The sample comprised 50 municipalities. The sample comprised 63.8% city and 36.2% country areas. The sample comprised 48.2% people age from 18 to 40, 28.4% age from 40 to 60 and 23.4% older than 60 (until the age of 65). It comprised 47.8% employed people, and 52.2% unemployed.

Main results of the research are:

-The highest percentage of respondents who do not have life insurance policy was 59.7%, and 19.1% does not have it but plans to get one.

-The highest percentage of respondents who do have life insurance policy - 20.2% has one for 3 or 4 years, and the number of those who have a policy for 10 to 20 years or more, is also significant (17.7% that is 7.5%).

-The highest percentage of respondents that do not have life insurance does not think of getting one 78.3%.

-As a main reason for not thinking about purchasing life insurance respondents state the lack of money 52.3%, and 18.2% thinks that there is no need for a policy, 14.2% has other reasons and 12.3% states that they do not know anything about life insurance.

-The highest percentage of respondents considers that when deciding to buy life insurance the most important thing is the amount of gain 84.3%, number of risks covered by the insurance 83.3%, image and reputation of the insurance company 82.1%.

-The highest percentage of 19.4% respondents would choose Delta Generali insurance, 17.6% Wiener, 15.7% Merkur, 13.3% Grawe, 11.2% Uniqa, 9.7% Dunav, 7.4% DDOR etc.

-As the main reason for buying the life insurance policy at a specific insurance company, the highest percentage of all respondents gives the amount of premium and the ways of payment 29.7%, and second comes image and reputation of insurance company with 26.8 and third the number of risks covered by the insurance 15.3%.

-The highest percentage of all respondents, as a main reason for deciding to buy life insurance states family protection 34.9%, second comes savings for retirement and third comes personal protection with 21.6%.

-The highest percentage of all respondents states that their life insurance policy covers medical care expenses 82.5%, illnesses 71.2%.

-The highest percentage of all respondents states that the most important sources of information about supply of life insurances are radio and TV 34.2% and recommendation of friends 24.3% and agent presentation 9.8%.

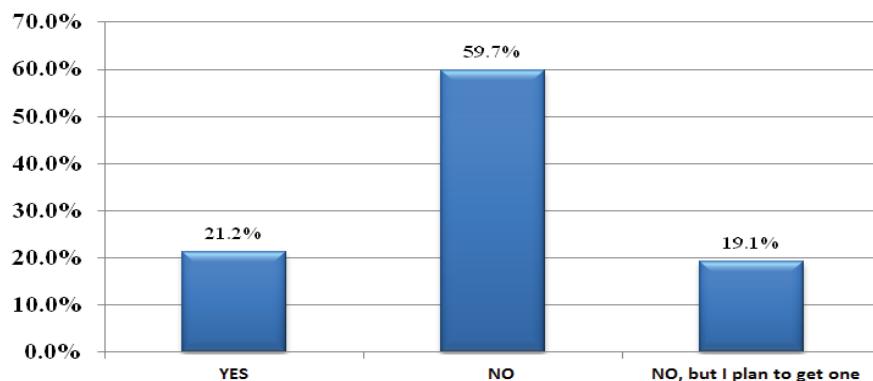
-Most of the respondents from the total sample 30.3% considers that the best form of savings is investing in real estate, and life insurance is in the third place with 18.9%.

-The highest percentage of all respondents considers that life insurance is essential to family people 75.3%, the young 68.4%, singles 61.2% and people who will be retired soon 58.2%.

The research began with a basic question:

Do you have a life insurance?

Results can be seen in the graph 1.



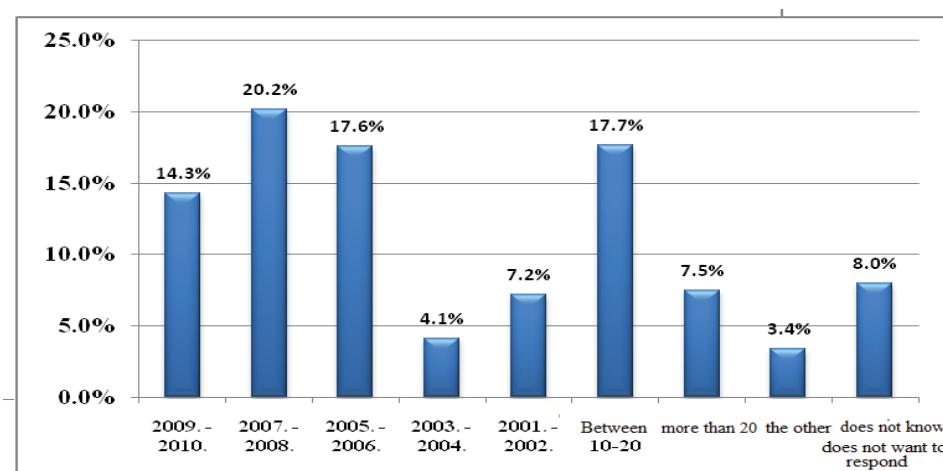
Graph 1: Do you have a life insurance?

From graph 1. It can be seen that the percentage of people who have life insurance is 21.2% which points to the real condition of life insurance market in Serbia. The fact is that relatively small number of people has life insurance, tells us that there is a potential in this market, but that the awareness of people about the need for life insurance policy is not developed enough. 59.7% of respondents stated that they do not have a policy, and 19.1% does not have a policy but plans to get one. These data point out that life insurance is not developed enough at the territory of Serbia, and that there is a great potential as well as a great number of interested in the life insurance policy.

The next question for those who already have life insurance was:

Since when do you have a life insurance?

Results can be seen in graph 2.



Graph 2: Since when do you have a life insurance?

Since 2004 the payments of life insurance premiums in Serbian market soared, which can be seen in the percentage of people who signed contracts in that period. It is very interesting that there is a significant number of those who have life insurance for more than 10, 20 years or more.

This is the result of the fact that, at the territory of former Yugoslavia, through agents one could buy life insurance and directly pay abroad (Wiener Stadtische, Grazer Vexcelzeit, Merkur versicherung, Uniqa) which led to a significant number of people having a policy which they still do today.

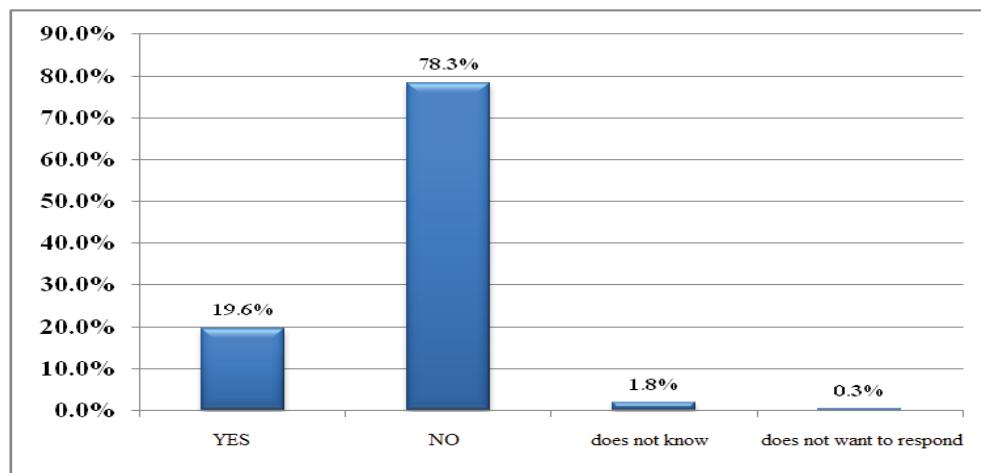
During war time on the territory of former Yugoslavia large number of people stopped paying insurance or tried to collect the premium abroad (Austria). That helped many to go through war horrors and developed the trust in these institutions.

Drastic decrease happened when the world economic crisis emerged in 2009, which results in the decrease of number of people who are willing to make the life insurance policy.

The thing that worries the most at this moment is the number of negative answers of those who do not have life insurance (78.3%) to the following question:

Do you consider getting life insurance?

The answers are in the graph 3.



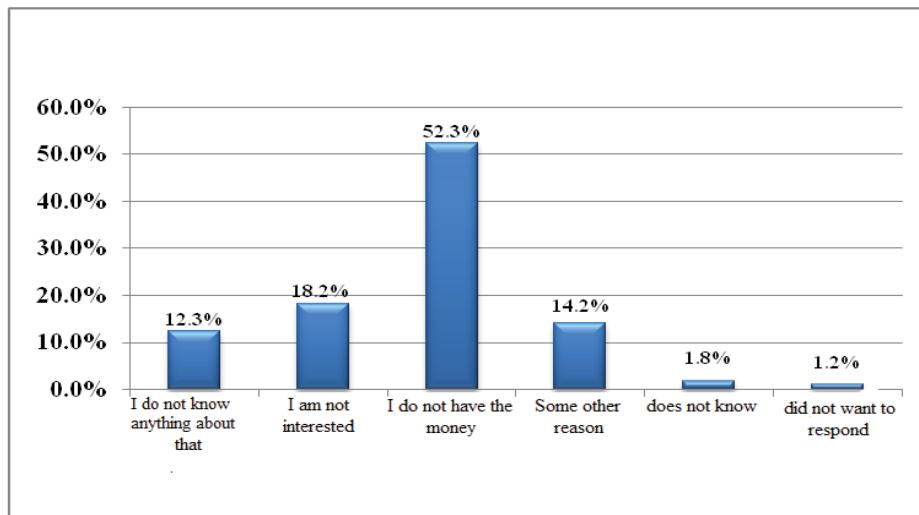
Graph 3: Do you consider getting life insurance?

Unfortunately these are the results of the current state at the Serbian market which lacks strategic concept for overcoming the crisis and the lack of readiness of the state to face piled problems.

Life insurance depends, in the large amount, on trust and its long-lasting character, and does not have proper environment for development in these conditions.

And responses to the following question:

What are the basic reasons for which you do not think about purchasing life insurance? show the previous statement.



Graph 4: What are the basic reasons for which you do not think about purchasing life insurance

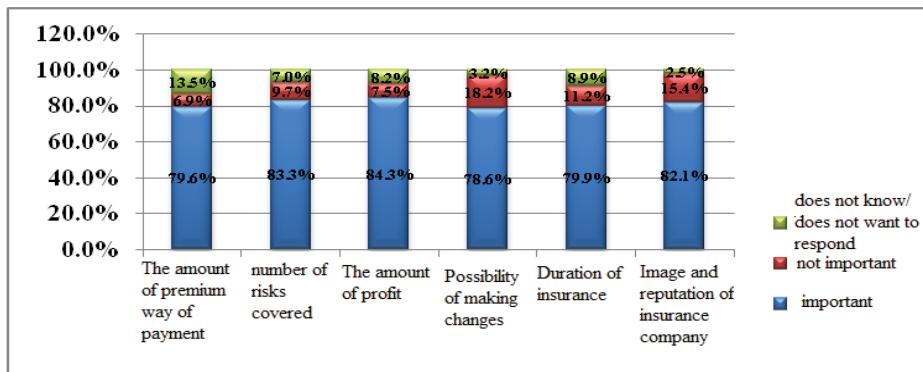
According to the research 52.3% of respondents claims that the reason for not wanting to life insurance policy is a lack of money, which shows that it is necessary to strategically change economic and political situation in Serbia, which would automatically lead to significant growth and development of this market.

12.3% of responses show that there is not enough information and basic knowledge about this service which is a great base for development of supply of life insurances.

Analyzing the reasons of those who would like to have a life insurance we come to the answers to the question – which factors of supply are those that would lead you to decide to purchase life insurance.

Question: The significance factor when deciding to purchase life insurance?

Responses are given in the graph 5.

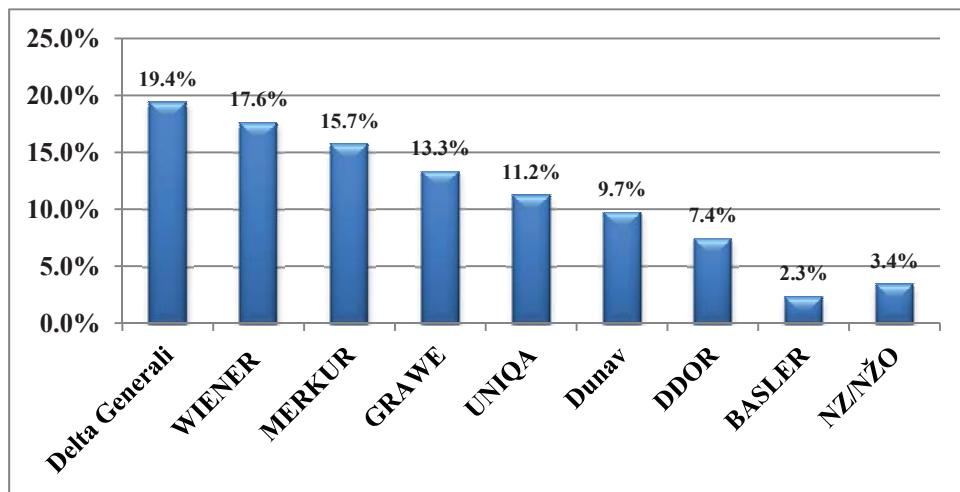


Graph 5: The significance factor when deciding to purchase life insurance?

Largest number of respondents, 84.3% puts the amount of profit to the first place, then the number of risks covered by the insurance 83.3%, then the reputation of insurance company 82.1%, and finally the duration of insurance, amount of premium and the possibility for making changes.

These responses, when compared, do not give a completely realistic picture of the significance of each of the factors, so we made two more questions which will clear that in detail. The question was posed to the ones who still do not have life insurance but want to get one.

The first question was: **Which insurance company would you choose to get your life insurance policy?**



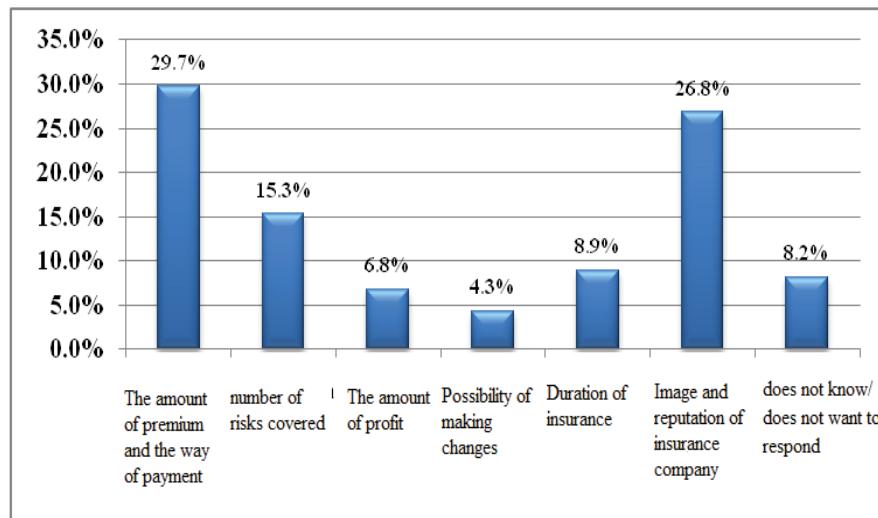
Graph 6: Which insurance company would you choose to get your life insurance policy?

Graph shows that the first place belongs to Delta Generali 19.4%, and then come Austrian insurance companies, which shows us the fact that currently in Serbia the most popular insurance companies are mostly owned by foreigners. This is one of the indicators that Serbia is an interesting market for insurances which is confirmed by the fact that, in the last years, the number of insurance companies that are mostly foreign-owned increases.

The second question was:

What is the main reason for which you would purchase life insurance policy at a specific insurance company?

Responses are given in the graph 7.



Graph 7: What is the main reason for which you would purchase life insurance policy at a specific insurance company?

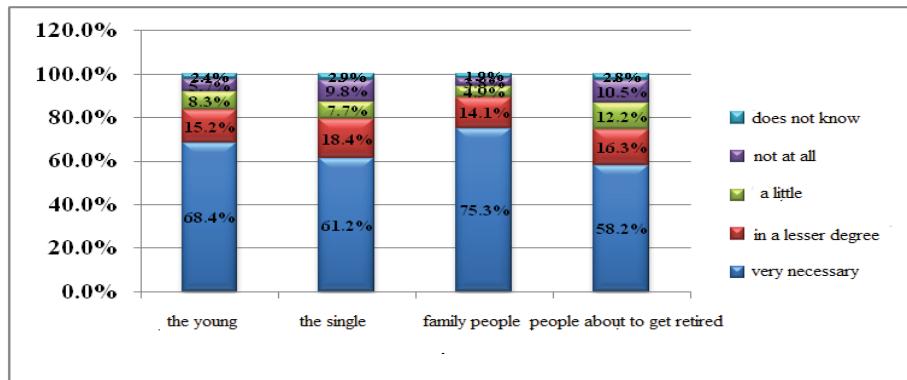
In graph 7 in this research, it looks like all the factors are equally important when deciding on insurance, but when you must put them in order according to the priorities, we can see that the most important are the amount of premium and the way of payment, image and reputation of insurance company.

By response analysis, in the research that we conducted, it was important to see the significant factors for the ones who already have life insurance. One of the important factors, which has to be held in mind when setting the marketing strategy, is to know what is the basic motif for people to want to get life insurance.

The last question that we gave to the respondents was:

Please, can you tell us, for each of the groups, how necessary is life insurance for people in that group?

Responses are given in the graph 8.



Graph 8: Please, can you tell us, for each of the groups, how necessary is life insurance for people in that group?

From the responses to this question we can see that the largest percentage thinks that life insurance is mostly necessary to family people 75.3% and the young 68.4%. These results show us the need to pay attention to every segment equally in development strategy.

CONCLUSION

Insurance sector has a significant influence on economic and trade development in any state. The insurance market in Serbia is in the group of developing markets with significant potentials, above all in the segment of life insurance and a very dynamic growth of this sector is expected in the years to come.

When we spoke about life insurance market development in Serbia in the following 10 years, we were guided by the thesis that an adequate marketing strategy will lead to the growth in percentage of people who have some kind of life insurance policies.

When we spoke about insurance market in the past 10 years in Serbia, it was said that the market had a constant growth, but that the speed of that growth was different and that it was very susceptible to internal and external influences of various factors. One of characteristic findings was that the citizens of Serbia do not have an adequate knowledge and awareness of significance, content and need of life insurance for solving social, health and financial problems in every individual's future. This lack of awareness, or to put it better, inadequate perception of life insurances caused the significant investments, made by Austrian insurance companies and put in promotion and placement of life insurance in Serbia, not to result in enough number of people purchasing the life insurance policy so far.

In order to achieve the desired goal in the future, along with the adequate marketing strategy we have to set in motion certain political and market processes and make existing PDI funds and health systems undergo a transition. All of this together will lead to higher level of citizens' awareness, that is, perception of the need for life insurance.

Life insurance, just like all other insurances, has its objective lacks which are intangibility, indivisibility and abstract usefulness for purchasers – the insured. This influence could be manifested through subjective insurance users' expectations, which is the element which has to be focused on by the present and future life insurance companies. The usefulness of the insurance service is realized in positive or negative assessment made by the insured, in his or her satisfaction or dissatisfaction by the service offered. Adding the fact that life insurance is a long-term contract it becomes clear that the marketing strategy for development of this kind of business has to change a great deal in respect to the period of 10 years ago.

REFERENCES

- [1] <http://webrzs.stat.gov.rs/axd/index.php>
- [2] Narodna banka Srbije,(2011) Izveštaj o finansijskom sistemu za 2010. godinu
- [3] NBS, Sector of insurance in Serbia, reports from 2004 to 2011
- [4] Ministarstvo finansija Republike Srbije, (2011)Izveštaj o razvoju Srbije 2010 godine
- [5] Sigma Word insurance in 2010,(2012) No 2/2011
- [6] Swiss Re, World Insurance in 2010, Sigma No.2/2011, January 2012, Zurich,www.swissre.com
- [7] www.nbs.rs

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

Bratislav Milosevic⁴¹

Dusan Cogoljevic⁴²

Ana Aleksic⁴³

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

JEL classification: I16

UDC 368.91(497.7)(082)

⁴¹*Bratislav Milosevic, Faculty of Tourism and Hospitality, Ohrid, Republic of Macedonia,
bratislavmilosevic@yahoo.com*

⁴²*Dusan Cogoljevic, Faculty of Business Economics and Entrepreneurship, Belgrade, Serbia,
dusan.cogoljevic@vspep.edu.rs*

⁴³*Ana Aleksic, Best Western Hotel Šumadija, Belgrade, Serbia, ana.aleksic@hotelsumadija.com*